

Small businesses benefit enormously from HR 3200

"This legislation will help make America's small business more competitive by giving them greater control over one of the most costly and unpredictable aspects of doing business: the spiraling costs of providing quality health coverage."

--Main Street Alliance, July 15, 2009

Small business owners and their workers account for the largest share of the uninsured. An estimated 27 million of the 47 million Americans without health insurance are small business owners and their workers, according to the National Federation of Independent Business. HR 3200 provides market reforms and assistance to ensure coverage for small business owners and their employees.

Reform dramatically reduces small business health costs. The Small Business Majority recently released a report that showed that without reform, small businesses will pay nearly \$2.4 trillion in health care costs over the next 10 years. If health care reform is enacted, the report found that small businesses could save as much as \$855 billion over 10 years, nearly 36 percent. This money can be reinvested in the business and jobs.

Reform eliminates price and benefit discrimination against small businesses. A Commonwealth Fund study found the smallest firms pay an average of 18 percent more in health insurance premiums for the same benefits than larger firms. By creating a pool and offering assistance, HR 3200 will lower small business costs and increase options; alternatively, those who would rather contribute than offer will have a discrete, predictable contribution and the knowledge that their employees will have decent affordable health care.

Reform can save and increase jobs. Phillip Cryan, an economist from the University of California-Berkeley estimates that an 8% employer responsibility requirement would result in a net gain of 55,365 jobs, a rise in productivity, and a slowing in the rate of health inflation.

Most small firms exempt, others subject to lower rates. 76% of all businesses are exempt altogether from the employer responsibility requirements. An additional 7% of these firms pay a graduated rate of 2 to 6 percent. More than 72 percent of firms with payroll of \$250,000 to \$500,000 and less than 250 employees offer worker health coverage today and will have better options under HR 3200.

Payroll size	Employer responsibility rate	# of Firms (% of all firms)	# of Employees (% of all firms)
\$250,000 and under	Exempt	4.7 million (76%)	13.4 million (12%)
\$250,001- \$300,000	2 percent	181,267 (3%)	1.6 million (1.4%)
\$300,001- \$350,000	4 percent	140,181 (2%)	1.4 million (1.3%)
\$350,001- \$400,000	6 percent	113,056 (2%)	1.3 million (1.1%)
\$400,000 and above	8 percent	1 million (17%)	93.9 million (84%)

Source: Quarterly Census of Employment and Wages, 2008

AMERICA'S AFFORDABLE HEALTH CHOICES ACT (HR 3200):

PROVISIONS THAT BENEFIT SMALL BUSINESSES

Small business tax credits:

Small businesses that choose to offer health coverage are eligible to receive a credit against their income tax liability for up to 50 percent of their cost of providing such coverage.

- **Targeted assistance.** The full 50 percent credit is available for small business with 10 or fewer employees and with average employee wages of \$20,000 or less. The credit rate phases out as employee size and average employee wages increase. The credit is fully phased out for firms with 25 employees or average wages of \$40,000.
- **Small businesses with low average wages are the least likely to offer health insurance coverage.** According to analysis performed by the Urban Institute, only 15.6% of workers in firms with less than 25 employees and with income less than 100% of the Federal poverty level were covered by employer provided health insurance in 2006.
- **Available to all qualifying small firms.** The credit is available even if the small business is not required to share in the responsibility of contributing to or offering coverage.

Elimination of health status rating: Insurance companies will no longer be permitted to charge higher health insurance premiums because of employee health status.

- This reform is **key** to making health insurance coverage affordable to small businesses. Small businesses pay higher rates today because they do not have the advantage of large numbers of employees over which to spread insurance risk. Even if a small employer currently has healthy workers, the

small business faces the prospect of dramatically increased future premiums if any employee actually needs to use the coverage.

- The market reforms of HR 3200 will apply to health insurance that is issued within the Health Insurance Exchange and outside of the Exchange, helping small business irrespective of where they purchase coverage.

The Health Insurance Exchange and the Public Health

Insurance Option: Small businesses with 10 or fewer employees will be immediately eligible to provide health insurance to their workers through the Exchange.

- The Exchange will eliminate the higher administrative burdens and costs that small businesses face when choosing health insurance by providing a single marketplace with lower overhead and uniform benefit option packages to ease selection and lower costs.
- The Exchange will be open to businesses with 20 or fewer employees in its second year, and will be gradually opened to larger employers in future years.
- In 39 of 43 states studied by the American Medical Association, two health insurance companies dominates more than 50% of the small group insurance market, while in 18 states just two insurers hold 70 percent of the market.
- With an Exchange, competitive private plans and a robust public health insurance option will increase the number of affordable choices for small businesses and their workers and promote competition that holds private insurers accountable.