



INDIANA MANUFACTURERS ASSOCIATION

One American Square, Suite 2400 • Box 82012 • Indianapolis, In 46282
www.imaweb.com • Phone: 317-632-2474 or 800-462-7762

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12 Reasons Why Employers Should Care about Health Care Reform¹

- 1. Just offering coverage alone isn't good enough to satisfy the employer mandate, and contribution requirement includes part-time employees.** The House bill would require employers to pay an 8 percent payroll tax to the federal government or provide 72.5 percent toward the cost of an "essential benefits package" for full-time employees and 65 percent for their families. Contributions must be made for part-time employees, as defined by the new federal Insurance Commissioner.
- 2. Employers will be forced to offer more expensive coverage.** All three bills will increase costs and reduce flexibility. Products must meet minimum benefit levels (actuarial value level and required benefits):
 - No enrollee cost-sharing for "preventive benefits," likely to be defined broadly
 - No lifetime or annual limits on benefits
 - No pre-existing exclusions for individuals without continuous coverage
 - Mandated dependent coverage until age 27, regardless of student status
- 3. Rating changes prohibit/limit discounts.** All three bills will prohibit discounts based on health status of the group and limit age discounts in small employer market. *Analyses indicate that this will result in some rates for small employers almost doubling in some states where significant discounts are allowed today.*
- 4. New taxes in Senate Finance bill** will drive up cost of coverage:
 - \$6.7B annual tax on insurers based on fully-insured market share is not tax deductible and equates to approximately 2.5 percent increase in premiums
 - Excise tax on high-cost plans (valued above \$8,000/\$21,000) is 40 percent, not tax deductible, and indexed to CPI+1 percent, meaning more and more plans will pay tax each year
- 5. Prohibition on reducing benefits for retiree plans in House bill** unless same changes are being made for active employees.
- 6. Loss of ERISA legal protections.** House bill would permit lawsuits under state law for employer-sponsored plans offered in the Exchange.
- 7. COBRA requirement will increase costs.** House bill allows former employees to keep COBRA benefits until 2013 when exchanges are operational.
- 8. New employee payroll deduction for new disability/long-term care benefit in Senate HELP and House bills.** All employees auto-enrolled (may opt-out), \$65 per month deduction.
- 9. Government-run plan in all bills** will likely under-pay providers, exacerbating the cost shift to private coverage.
- 10. A weak individual mandate in all bills** that combined with the new insurance rules that include no pre-existing, will result in a deterioration in the insurance market and higher costs.
- 11. Higher costs for states in all bills.** While states are already buckling under the pressure of public programs, all bills place a partially-unfunded mandate on states to expand their Medicaid programs.
- 12. Weak cost containment in all bills.** While the focus of reform should be improving quality and controlling costs, there is little in the bills that would reform the delivery system.

¹ Three major health care reform bills are: (1) the merged House bill; (2) the bill passed by the Senate HELP Committee; and (3) the bill passed by the Senate Finance Committee.