

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% payroll tax to the federal government or provide 72.5% toward the cost of an "essential benefits package" for full-time employees and 65% 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-ex 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% increase in premiums
 - Excise tax on high-cost plans (valued above \$8,000/\$21,000) is 40%, not tax deductible, and indexed to CPI+1%, 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 are 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-ex, 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.

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.