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Yet Another Pending Obamacare Problem

By Michael W. Thompson

Once again the lack of business understanding by the federal government is going to harm the competitiveness of our small and mid-sized businesses. And again it is because of the Affordable Care Act or Obamacare as it is known. The lack of business expertise by those who crafted this system has haunted it from the beginning. Let me explain what is happening this time.

The definition of “small business” for Obamacare will increase from up-to 50 employees as it is today to up-to 100 employees on January 1, 2016 unless action is taken by Congress.

In the past, states have determined what “small” means for the insurance market and in almost all cases that has meant 1-50 employees. And those smaller insurance pools of employees have meant, in most cases, lower premiums than those who work for mid-sized companies – those with over 50 and up to 100 employees. But the change that will take place on January 1st will mean that the higher premiums that exist today for smaller companies will be spread to the companies with 50-100 employees. So, once again, the current, ill-thought out medical reform will be costing many of our citizens a lot more money for their health insurance. Remember that famous statement by then Speaker of the House Nancy Pelosi that Obamacare had to be passed before we would know what was in it? Well, here we go again!

Luckily, bipartisan legislation has been introduced in Congress, in both the Senate and House (HR 1624 and S 1099), to allow states to keep the small group definition at 1-50 employees. This legislation should be passed so that additional millions of employees aren't caught in the vice of Obamacare's unreasonable consequences. It is supported by business groups representing the vast majority of employers in this country. As the past Virginia Chairman of the National Federation of Independent Business (NFIB) with almost 6,000 members and a current state board member of that group, I am particularly concerned about the impact this new definition will have on our economy just as it needs a “boost” and not further hurdles put in the way by the federal government.

Besides NFIB, others supporting legislation to keep the definition of small business at 1-50 employees include American Hotel & Lodging Association, the Associated Builders and Contractors, International Franchise Association, National Association of Home Builders, National Association of Manufacturers, National Restaurant Association, National Retail Federation, and the U.S. Chamber of Commerce. Those who make our economy succeed are asking Congress to help and not hinder our vulnerable recovery that we see today.

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If the definition of “small business” increases to 50-100 employees, the actuarial analysis by Oliver Wyman estimates roughly two-thirds (64%) of employees in these companies will receive premium increases of 18 percent on average in 2016 as a result. And these mid-size employers will be required to adopt actuarial value, cost sharing, and essential health benefit requirements that will add an additional 3 percent to 5 percent to insurance prices. Workers in the newly defined “small group” market (1-100 employees) will see premiums increase significantly next year.

This could well mean that “healthier” mid-sized companies will elect to leave the newly expanded small group market – either opting to self-fund so they will not be subject to current Obamacare rules or dropping coverage entirely. This will increase the cost of health insurance for those remaining in the traditional market and insurance rates will likely continue to increase substantially in the years ahead.

What we need are reforms that will help our job creators and our employees. It makes a lot more sense to allow smaller companies to combine into larger insurance pools so that those companies with 1-50 employees can achieve the savings found today if mid-sized companies of 50-100 employees rather than the other way around. Pooling of small businesses to lower health insurance costs would be a much better alternatives than what is happening today.

Reforming the “old” health care system was certainly needed. We all recognize that. But what we need today is the willingness to admit the errors in many of the Obamacare changes, bring better market forces into play, and create a better system than what we had before Obamacare was passed and a better system than what we have with Obamacare today. The willingness by those who created Obamacare to admit their mistakes and makes necessary changes would be true leadership. If that means calling the new system “Obamacare Two,” then let’s do it. Let’s reform this system and one step in that direction is to keep the definition of “small business” where it is today and not change it.

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Michael Thompson is currently the Chairman and President of the Thomas Jefferson Institute for Public Policy, a non-partisan Virginia focused foundation dealing with the issues of improving education, government reform, economic development and environmental stewardship. This foundation is the state’s premier independent public policy foundation and has gained broad based respect from political and business leaders throughout Virginia. Mr. Thompson may be reached at mikethompson@erols.com.