

Special IFA Webinar: Health Care Reform Developments

March 15, 2010

2:30 PM



The IFA: Leading the Debate on Health Reform for Franchising

The International Franchise Association:

- The world's oldest and largest organization representing franchising worldwide
- Represents more than 85 industries, including more than 12,000 franchisee, 1,100 franchisor and 500 supplier members nationwide
- There are more than 900,000 franchised establishments in the U.S. that are responsible for creating 21 million American jobs and generating \$2.3 trillion in economic output
- The IFA has sent over 2,000 letters recently to Capitol Hill on behalf of its health care reform message



The IFA supports policies that:

- Make health coverage more affordable and accessible to all Americans by curbing health care cost inflation;
- Provide tax credits to assist small businesses and the self-employed afford the full cost of health insurance plans;
- Provide for small business health plans so that they can pool together to purchase insurance plans and benefit from new choices and competition,
- Promote and strengthen consumer-driven options like health savings accounts and flexible spending accounts that allow individuals to plan for future medical costs,
- Encourage wellness and prevention programs, and
- Will enact medical liability reform to end the out of control costs associated with unnecessary defensive medicine.

The Process

1. Later this week, the House will take up the Senate-passed health reform bill, H.R. 3590, the “Patient Protection and Affordable Care Act”
2. If they can find the votes to pass H.R. 3590, it will be sent immediately to the President to be signed into law and the House will then vote on a reconciliation package of changes to the bill
3. The reconciliation package will then be considered by the Senate

Note: The Parliamentarian may rule that H.R. 3590 must be signed into law by President Obama *before* the Senate can pass the reconciliation package

Key Concerns with the Senate Health Reform Bill

#1 Senate's Tax on Small Biz Health Insurance Plans

- The bill contains a special “health insurance fee”
 - actually a new \$7 billion annual tax on small business
 - The tax exempts self-insured employers, meaning that the full costs will fall on the fully-insured market – the market where nearly all of small businesses buy their insurance
 - Placing a tax on the very insurance products (small business health insurance plans) that already have the highest (and most volatile) cost increases does not help to reduce the cost of health insurance for small businesses

Senate Health Reform Bill

#2 Increased Paperwork Leads to More Costs on Small Businesses

- “*Corporate reporting*” requirement will place a new and enormous tax-filing burden on all small business owners.
 - Will increase the cost of doing business and falls disproportionately on small business owners.
 - The costs associated with tax paperwork—more than \$74 per hour—is the most expensive burden that the government imposes on small business owners.
 - Tax compliance costs fall heavily on small business and is 66 percent higher for a small business compared to a large business.

Senate Health Reform Bill

#3 An Unprecedented Increase in Medicare Payroll Tax

- H.R. 3590 increases the Medicare payroll tax and uses the additional revenue to pay for non-Medicare programs
 - This creates a precedent to use payroll taxes to pay for more non-Medicare programs in the future.
 - Majority of small business owners pay their taxes at the individual rate so this tax will hit the business income of many small business owners.
 - The businesses most likely to see the tax increase are those that employ between 20 to 200 workers

Senate Health Reform Bill

#4 Targeted Mandate on the Construction Industry

- Companies involved in the construction industry are required to provide coverage or pay penalties if they have more than five (5) employees and a payroll that exceeds \$250,000.
 - All other businesses subject to a 50-employees threshold
 - An unprecedented backroom deal for unions
 - Construction sector unemployment rate exceeds 18 percent—this is *NOT* the reform our nation's construction industry needs or can afford

Uncertainties

- A big question mark involves the treatment of part-time workers in the reconciliation package, and House leaders are reportedly seeking pro-rated coverage of part-time employees as well.
 - Senators reportedly oppose this language

Other Observations

- The employer mandate is a complete transformation of the employee benefit system
 - Once we cross this line, it will be very difficult to go back
 - Next stop is likely a single-payer health care system like Canada or Britain
- Subsidies alone will not lead to affordable health coverage
 - We need fundamental delivery system reform in order to cut costs
- Taxes and fees embedded in this bill are “teaser rates”

Calculating the Cost

President Obama has proposed changes to the mandate in the Senate bill on small employers. What would happen if you were considering adding just one more employee?

- Employers with more than **50 employees** that do not provide health coverage will pay a \$2,000 fine for every worker who purchases subsidized coverage on an insurance exchange.
- The first **30 employees** are exempted from the calculation.
- Your current employment is **50**, subtract **30** and your net employment subject to a fine is **20 employees**.
- You want to add one full-time employee at \$40,000 salary.
- **Your fine** = 21 employees times \$2,000 for a fine of **\$42,000** annually.
- Adding that one new employee, including their salary, would mean a total cost of **\$82,000** just to bring on that one new employee to help your business.

Current House Targets – Leaning "No"

<i>Michael Arcuri (NY)</i>	<i>Brad Ellsworth (IN)</i>
Brian Baird (WA)	Collin Peterson (MN)
<i>Marion Berry (AR)</i>	Ike Skelton (MO)
Rick Boucher (VA)	

*Italics indicate member voted "yes" on previous bill
(HR 3962, 11/7/09)*



Current House Targets – Undecided/Leaning “Yes”

<i>Jason Altmire (PA)</i>	<i>Dan Maffei (NY)</i>
<i>Shelley Berkley (NV)</i>	Betsy Markey (CO)
<i>Tim Bishop (NY)</i>	<i>Harry Mitchell (AZ)</i>
John Boccieri (OH)	Scott Murphy (NY)
Allen Boyd (FL)	<i>Bill Owens (NY)</i>
<i>Dennis Cardoza (CA)</i>	<i>Tom Perriello (VA)</i>
<i>Chris Carney (PA)</i>	<i>Earl Pomeroy (ND)</i>
<i>Gabrielle Giffords (AZ)</i>	<i>Nick Rahall (WV)</i>
Bart Gordon (TN)	<i>Adam Smith (WA)</i>
<i>Baron Hill (IN)</i>	<i>Zack Space (OH)</i>
<i>Paul Hodes (NH)</i>	John Tanner (TN)
Suzanne Kosmas (FL)	<i>Dina Titus (NV)</i>

Italics indicate member voted “yes” on previous bill (HR 3962, 11/7/09)



Current House Targets – Undecided/Abortion

<i>Jerry Costello (IL)</i>	<i>Marcy Kaptur (OH)</i>
<i>Kathy Dahlkemper (PA)</i>	<i>Dan Lipinski (IL)</i>
<i>Joe Donnelly (IN)</i>	<i>Bart Stupak (MI)</i>
<i>Steve Driehaus (OH)</i>	<i>Charlie Wilson (OH)</i>
<i>Luis Gutierrez (IL)</i>	

*Italics indicate member voted “yes” on
previous bill (HR 3962, 11/7/09)*



Current House Targets – Declared “No”

John Adler (NJ)	Dennis Kucinich (OH)
John Barrow (GA)	Jim Marshall (GA)
Dan Boren (OK)	Jim Matheson (UT)
Bobby Bright (AL)	Mike McIntyre (NC)
Ben Chandler (KY)	Mike McMahon (NY)
Travis Childers (MS)	Charlie Melancon (LA)
Artur Davis (AL)	Walt Minnick (ID)
Lincoln Davis (TN)	Glen Nye (VA)
Chet Edwards (TX)	Mike Ross (AR)
Stephanie Herseth Sandlin (SD)	Heath Shuler (NC)
Tim Holden (PA)	Gene Taylor (MS)
Larry Kissell (NC)	Harry Teague (NM)
Frank Kratovil (MD)	

All members voted “no” on previous bill (HR 3962, 11/7/09)



How you can help: Get involved with IFA's advocacy efforts

Visit www.FranchisingVotes.com

- **Call Your Senators and Representative:** Call the Capitol Switchboard at 202-224-3121 and ask for your Representative.
- **Email Your Senators and Representative:** Visit our action center and click on "Take Action" to send an email to your members of Congress.
- Remember to add personal statistics and experiences to further reimburse the franchise message.

