



Health Care Legislation and Impact on Small Businesses

This memo addresses the effects of pending health care reform and its cost to small business with regards to the employer mandate, changes in employer costs per worker, and the surtax.

A. Employer Mandate

The Heritage Foundation has estimated that the total cost of the play-or-pay mandate for employers will be at least \$49.4 billion to \$52.7 billion per year.^[1]

B. Changes in Health Spending

The Lewin Group has estimated that, as pertains to the House Tri-Committee bill, as introduced, if a small employer is only eligible for the exchange, as specified:^[2]

Firms with fewer than 10 employees

Firms that currently offer health insurance would save up to an average of \$2,132 per worker. Those firms that currently do not offer health insurance to its workers would pay on average, \$545 more per worker.

Firms with between 10-24 employees

Firms that currently offer health insurance would save up to an average of \$1,107 per worker. Those firms that currently do not offer health insurance would see an increase in health spending on average of \$673.

Firms with between 25-99 employees

Firms that currently offer health insurance would see an increase in average spending of \$442, while those firms that do not offer health insurance would see an increase in average spending of \$1,121.

Firms with between 100-999 employees

^[1] D. Mark Wilson, “Economics of Play-or Pay-Mandates in Health Care Reform Bills.” The Heritage Foundation Backgrounder #2312, August 28, 2009, http://www.heritage.org/Research/HealthCare/upload/bg_2312.pdf

^[2] John Sheils and Randy Haught, “Cost and Coverage Impacts of the American Affordable Health Choices Act of 2009: The July 15th Draft.” The Lewin Group, Staff Working Paper #8, <http://www.lewin.com/content/publications/LewinAnalysisHouseBill2009.pdf>

Firms that currently offer health insurance would pay on average, \$78 more per worker. Those firms that currently do not offer health insurance to its workers would pay on average, \$1,194 more per worker.

The Lewin Group has estimated that, as pertains to costs for the House bill, as passed by the Energy & Commerce Committee:

Firms with fewer than 10 employees

Firms that offer health insurance would see a decrease by an average of \$811 per worker. Firms that currently do not offer health insurance to its workers would pay an average of \$643 more per worker.

Firms with between 10-24 employees

Firms that currently offer health insurance would see a decrease by an average of \$353 per worker. Firms that currently do not offer health insurance would see an increase in health spending on average of \$443.

Firms with between 25-99 employees

Firms that currently offer health insurance would see an increase in spending on average of \$436 per worker, while those firms that do not offer health insurance would see an increase in spending on average of \$981.

Firms with between 100-499 employees

Firms that currently offer health insurance would see an increase in spending on average of \$354 per worker, while those firms that do not currently offer health insurance would see an increase on average of \$1,234.^[3]

C. Surtax

To offset the cost of the House health care legislation, the Ways & Means Committee approved a new 5.4 percent surtax on income over \$1 million and two smaller surtaxes on other high-income earners. This surtax would primarily hurt small business owners as they are more likely to file their tax returns as individuals. For example, the Tax Foundation has projected that one-third (\$15.5 billion) of the \$49 billion raised by the surtax would be from business income.^[4]

^[1] D. Mark Wilson, “*Economics of Play-or Pay-Mandates in Health Care Reform Bills.*” The Heritage Foundation, Backgrounder #2312, August 28, 2009, http://www.heritage.org/Research/HealthCare/upload/bg_2312.pdf

^[3] John Sheils and Randy Haught, “*Long-Term Cost of the American Affordable Health Choices Act of 2009; As Amended by the Energy and Commerce.*” Prepared for: The Peter G. Peterson Foundation by the Lewin Group. September 9, 2009, <http://www.lewin.com/content/publications/The%20Peterson%20Foundation%20Report.pdf>

^[4] Scott A. Hodge, “*New Surtax and Expiring Tax Cuts Could Hit Business Income Simultaneously.*” Fiscal Fact #180, The Tax Foundation, July 17, 2009, <http://www.taxfoundation.org/publications/show/24887.html>

² John Sheils and Randy Haught, “*Cost and Coverage Impacts of the American Affordable Health Choices Act of 2009: The July 15th Draft.*” The Lewin Group, Staff Working Paper #8, <http://www.lewin.com/content/publications/LewinAnalysisHouseBill2009.pdf>

³ John Sheils and Randy Haught, “*Long-Term Cost of the American Affordable Health Choices Act of 2009; As Amended by the Energy and Commerce.*” Prepared for: The Peter G. Peterson Foundation by the Lewin Group. September 9, 2009, <http://www.lewin.com/content/publications/The%20Peterson%20Foundation%20Report.pdf>

⁴ Scott A. Hodge, “*New Surtax and Expiring Tax Cuts Could Hit Business Income Simultaneously.*” Fiscal Fact #180, The Tax Foundation, July 17, 2009, <http://www.taxfoundation.org/publications/show/24887.html>

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