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Dallas-Fort Worth small-business owners say health plan's price may be too steep

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By **SHERYL JEAN** / The Dallas Morning News

Addison businesswoman Cynthia Pharr Lee pays her five employees a medical stipend of up to \$200 a month to help them buy health insurance. She's not sure it would meet the requirements of proposed national health care reforms.

"I am concerned and interested to see some of the definitions of what 'coverage' means," said Lee, who owns a public relations firm. "Will businesses be mandated to buy a policy, or will a medical stipend suffice?"

That's one of many questions facing local small-business owners as they try to decipher the impact of health care measures being debated in Congress. Without more details, business owners say, they're not sure what to expect as legislation hurtles toward a goal of passage by late summer.

Two bills unveiled this week – one from House Democrats and one from the Senate Health, Education, Labor and Pensions Committee – would require most employers to either provide health insurance or pay a fee.

Possible penalties

Proponents hope to expand coverage to 46 million uninsured Americans and cut health care costs, but some small-business advocates and benefits consultants criticize the proposals, saying they would raise firms' costs without improving coverage. They say the changes might even prompt some firms that provide coverage to drop it, if paying a penalty was cheaper and easier.

The House Democrats' plan would charge employers who don't offer health insurance up to 8 percent of their annual payroll. Some small firms would be exempt and others could get tax credits. New taxes on the wealthy would help fund the plan's \$1.04 trillion cost over 10 years.

The Senate committee bill would require employers of at least 25 workers that don't offer health insurance or that pay less than 60 percent of employees' monthly premiums to pay \$375 to \$750 per uninsured employee per year. Smaller firms would be exempt. The Senate plan is estimated to cost less than \$615 billion over 10 years.

Both plans probably face changes as they move through legislative committees. The White House is calling for action by August to give the House and Senate time to get a compromise bill to President Barack Obama's desk by fall.

Under the House bill, the Center on Budget and Policy Priorities projects that the number of uninsured people would decline by 37 million and the number of employer-covered people would increase by 2 million by 2019. Some small businesses would benefit from a change in how premiums are set, but other firms with healthy workers could see premiums rise because they would be pooled with everyone else, said Edwin Park, a senior fellow at the center.

The opposition

The National Federation of Independent Business opposes both bills, saying neither would provide more choices, lower costs or increased competition for small businesses. The group estimates that the House measure could cost 1.6 million jobs – more than 1 million of them among small businesses – and depress wages as higher health care costs force business closings and layoffs. The bill also could hurt employers that already provide coverage by charging a penalty if

they didn't meet premium contribution limits, said federation lobbyist Michelle Dimarob.

"It's really the small employers, including the self-employed, where these things will have a devastating impact," Dimarob said.

Very small companies with lower-wage workers generally offer the least health coverage. Just under half of firms with three to nine workers offered coverage in 2008, according to a Kaiser Family Foundation report.

Health care premiums paid by employers have more than doubled since 1999, to an average of \$4,704 a year for single coverage and \$12,680 for a family in 2008, the report said.

"Small businesses have been doing well in holding on to jobs," said Lee, the Addison businesswoman. "If more expenses or penalties are imposed, that could be the tipping point."

With a payroll topping \$250,000, her company is large enough to be subject to penalties.

Faced with mandates, business owners will ask themselves, "What's this going to cost us and where do we find the money?" said Mark Johnson, a Grapevine independent benefits consultant and former American Airlines executive. Many employers may opt to pay the penalty instead of taking on the added costs and regulation of a managed health care plan, he said.

Costs of health care

The median health care cost for businesses is about 11 percent of their payroll, according to the Employee Benefit Research Institute.

Johnson said he thought the increased costs would drive some people out of business, especially those with slim profit margins, and cause others to lay off workers and cut wages so they could pay either the penalty or the extra health care costs.

Park, of the Center on Budget and Policy Priorities, also said some businesses might drop health coverage if they thought their employees would qualify for new federal subsidies for individual plans.

Bob Frederick, owner of an air-conditioning and heating services company in Euless, said he would probably be exempt under the House proposal.

"It could lower my costs because I could drop insurance completely and say you're on your own," he said. "If I was not a conscientious business owner, I could do that, but I can't."

Frederick provides health insurance for himself and one employee, but he has been looking at shifting to individual plans, and he said he would help his employee cover his share of the cost. The company's health care premium is set to increase 35 percent this fall, he said.