

Rein-in the Costs of Health Care

The ever-increasing cost of health care must be restrained and reduced

Problem:

Health care costs are among the largest costs that small businesses incur. Over the last two decades, health care costs have been steadily increasing and, absent reform, will continue to do so at an unsustainable pace. On May 4, the House narrowly passed a bill (217 to 213) to repeal and replace the Affordable Care Act (ACA). The American Health Care Act (AHCA) would dismantle much of the ACA, including the individual mandate and Medicaid expansion.

- In an NSBA survey, 90 percent of employers reported increases in their health premiums at their most recent renewal, while 95 percent reported increased health insurance costs over the past five years. One-in-five small firms report premium increases exceeding 20 percent at their most recent renewal. Over the last five years, 69 percent report increases exceeding 20 percent.
- The majority of small firms pay more than half the cost of their employees' health plans, and their average monthly per-employee cost of family health plan is \$1,282.
- To deal with these rising costs, 34 percent of small businesses report holding off on hiring a new employee while 12 percent report they had to lay off an employee.

Solution:

The small-business community needs substantial relief from health care costs and many of the burdens and regulations imposed by the ACA. This level of relief can only be achieved through a broad reform of the current health care system with a goal of reducing the cost of coverage, and providing universal coverage, focus on individual responsibility and empowerment, the creation of the right market-based incentives, and a relentless focus on improving quality while driving out unnecessary, wasteful and harmful care and removing added expenses.

- Efforts should be made to prioritize health care cost containment and reduce the rate of medical utilization while improving health care quality and empowering consumers.
- The employer mandate to provide coverage should be repealed. The mandate creates great uncertainty, enormous administrative burdens, and financial unpredictability for both firms and employees—while doing virtually nothing to expand coverage.
- Improved and expanded utilization of IT should be prioritized to reduce unnecessary procedures and medical errors, increase efficiency, and improve the quality of care.
- The Health Insurance Tax should be repealed, as it will almost surely be passed along to health insurance companies' small-business clients.
- NSBA supports the increase to a 5-to-1 ratio, which would provide relief for individuals and small groups, keep the cost down for younger employees, and retain them in the system.
- NSBA opposes the Cadillac tax as it will punish small businesses with plans that cost more simply due to the make-up of their workforce. The 40 percent tax will impact moderate health plans that average Americans rely on, as well as the employer-sponsored health insurance market.
- While NSBA believes that some curbs on the unlimited exclusion of tax benefits from income should be explored, limits on the ability to deduct any part of employee compensation as a business expense are unreasonable. Further, a cap on premium deductibility would mean that costs for small businesses with an aging workforce would go up even more (the small group is age-rated), making those companies even more likely to drop coverage. Such a move would push those aging workers into an already destabilized individual market.
- The limits on the provisions of the Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs) for saving and consumer behavior need to be reformed and expanded.
- Allow the self-employed to fully deduct the cost of their health insurance premiums—currently they cannot, resulting in an additional 15.3 percent tax no other business owner or worker pays.

Learn More:

[NSBA's 2015 Small Business Health Care Survey](#)