AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
Quality People. Quality Projects.

Health Care Reform

Health Care Reform Threatens to Limit Options for Employers and Employees

Support Affordable, Quality Health Care through Broader Coverage, Choice and Competition in the Marketplace

Background:

- Members of the Associated General Contractors (AGC) agree that health care costs are rising and the system needs to be reformed. In a recent survey, the vast majority of AGC members provide health insurance benefits to their workers, and these firms have seen the cost of their insurance premiums rising well above wage gains and inflation. The majority of AGC's 33,000 member companies are small businesses and the rising costs of health care is disproportionally affecting them.

- With more than 1 million construction workers unemployed and an unemployment rate of 16.5 percent, nearly double the national average, the construction industry is suffering in a depression-like economic climate. Contractors are struggling to find their next job, keep workers on the payroll, and keep benefits flowing. Contractors are worried about tax rates, mandates and limited options if health care reform were to pass.

- Currently there are five committees that have produced proposals, all with the goal of providing universal coverage while trying to lower health care costs. In the House, the three committees of jurisdiction have approved H.R. 3200, America's Affordable Health Choices Act of 2009. In the Senate, two committees, the Health, Education, Labor and Pensions Committee and the Senate Finance Committee are focused on the legislation. AGC opposes reform bills that include employer mandates, significant penalties if companies can not provide health care, uncertain coverage requirements, application of health care requirements to temporary and part-time workers, near certainty that minimum standards will increase health care costs, limitations on FSAs, HSAs and HRAs, expanded COBRA mandates, as well as increased taxes on individuals, companies, and health insurance to cover the exorbitant costs of the plan. We are also concerned that a public option would drive private insurers from the market and the forecasted Medicare reimbursement rate cuts for hospitals and doctors that are proposed as the primary way to pay for the bill would fail to materialize, forcing more dramatic tax increases to fund the requirements of the bill.

AGC Request

- Oppose efforts that would increase taxes and penalties on businesses organized as S Corps, C Corps and sole proprietorships that are struggling to keep workers employed, preserve options for seasonal and part-time workers, and preserve and expand upon the full menu of health insurance options that exists today.

AGC Message

- **Employer Mandate Fails to Increase Affordability, Restricts Job Growth.** All of the major health care bills require employers to provide "Qualified Health Benefits" to all full-time and part-time employees, and to make premium contributions of at least 60 percent for individuals or pay a penalty. The approach fails to increase affordability for employers and fails to recognize that the majority of construction employers already offer benefits to their employees. Additionally, the bills have the potential to be detrimental to job growth by failing to recognize that not all employers have the necessary revenue to cover premium costs and through the imposition of large penalties. The voluntary employer-based health care system which provides the majority of Americans with health care benefits should be expanded.

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- **Penalties.** The payroll tax in the House bill taxes employers regardless of their profitability. The legislation requires all employers with a payroll of $500,000 or more to pay a payroll tax of up to 8 percent if they do not provide "qualified" health insurance to their employees. The Senate Finance bill assesses employers with more than 50 employees a penalty for each employee who receives a tax credit to purchase insurance on their own. The HELP Committee version penalizes a company for each uninsured employee.
- **Minimum benefits.** Employers must ensure that they offer "qualified" benefits for individuals and families, while ensuring that the premium contributions meet the new minimum requirements. The financial penalties, new taxes, and onerous government involvement in health care will lead to potentially higher costs for employers. Minimum benefits include statutory provisions that cap annual employee out-of-pocket caps, compulsory renewal and does not impose annual or lifetime limits on coverage. The minimum benefits packages can be updated annually by new commissions.

- **Exchange and Gateways Eligibility Limit Employer Access.** The concept of an exchange could provide employers a simpler, more efficient way to shop for affordable insurance. However, the House bill fails to provide guaranteed access to the exchange for employers with 21 or more employees. The legislation increases access and choice for some but not all employers.
- **Government-Run Public Option Compromises Private Insurance.** The HELP bill includes community health insurance option. The House bill restricts choice and competition. The bill contains a "public option" that would compromise the viability of private insurance, ultimately forcing individuals into the public plan. A reformed private insurance marketplace can provide businesses and employees with more affordable coverage and a sustainable choice of plans.
- **Employer Tax Credits Provide Limited Value.** The structure of a tax credit is essential to its success. However, the House bill offers up to a 50 percent subsidy to employers with fewer than 25 employees for the cost of health insurance. Only businesses with an average annual salary of $20,000 per worker or less will get the full subsidy, which is phased out at $40,000 per worker. According to U.S. Census data, the value of the credit is cut in half because the average wage of full-time employees at businesses with fewer than 10 employees is over $30,000. The legislation may lead employers to restrict wage growth when determining the impact of the diminishing credit.

- **Surtax and Health Insurance Tax Restrict Job Creation.** The House bill will impose an additional tax on individuals and some construction employers that are organized as `S` Corporations or other flow-through entities. These firms pay income taxes at the individual rate. The surtax income tax could increase as high as 3 percentage points on these sole proprietorships and subchapter `S` Corporations. The Senate bills will levy an excise tax on policies that cost more than $8,000 for an individual and $21,000 for family coverage. Adding the surtax on top of the current tax burden will make it even more difficult for employers to operate and grow their businesses in the current economy.

- **Legislation Restricts Health Insurance Options.** The House bill would limit the use of Health Savings Accounts (HSA) – jeopardizing a health insurance option that many employers use. In addition to the bill limiting the sale of individual plans in the future, the legislation would prohibit individuals from using HSA funds to purchase over-the-counter health products. This change would limit the health insurance options that individuals have today.

- **Legislation Fails to Address Malpractice Insurance.** All versions of health care reform fail to address medical malpractice reform. Malpractice insurance costs are one of the factors that have increased overall health care costs and have also driven many doctors out of certain specialties. Any comprehensive health care reform legislation must limit exposure to litigation for doctors while protecting the rights of those with legitimate claims.

- **Forecasted Medicare Savings May Not Materialize**. There is the potential for significant savings in the delivery of Medicare. However, cuts in payments to doctors and hospitals are politically unpopular. Failure for these reimbursement cuts to materialize will push more focus onto the taxes and penalties in this legislation to pay for the trillion dollars in expanded federal medical obligations forecast for the first ten years of the bill.