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COVER SERIES: Employers reaction to legislation mixed

Dan Hannaher, the regional administrator of the U.S. Small Business Administration, says his Denver office has been inundated with phone calls from small business owners seeking more information about the new health care reform legislation and how it will impact them.

By: [Ryan Schuster](#), Prairie Business Magazine

Dan Hannaher, the regional administrator of the U.S. Small Business Administration, says his Denver office has been inundated with phone calls from small business owners seeking more information about the new health care reform legislation and how it will impact them.

"Health care has been the No. 1 concern of small business owners for the last 20 to 30 years," Hannaher says. "Small businesses have yearned for a quality, affordable health care plan for years."

Hannaher says the new legislation is a "great first step for the country" and claims it will help most small businesses.

"Without question it is a benefit to small businesses," he says. "It makes health care accessible for all Americans so small businesses aren't footing the bill for everyone."

A new tax credit of up to 35 percent of 2010 premium costs is available for small businesses with 25 or fewer full-time equivalent employees with average wages of up to \$50,000 per year. An estimated 90 percent of businesses in North Dakota would qualify for the tax credit, which would reach 50 percent of premiums in 2014 if insurance is purchased through an exchange.

Starting in 2014, businesses with more than 50 employees will be required to provide employee health care coverage or pay a fine of up to \$2,000 per full-time employee if any of their workers receive government-subsidized coverage in an exchange. A company's first 30 employees will be excluded from the fine amount. Businesses with less than 50 employees will not be mandated to offer health insurance.

Brenda Gleason, president of the Washington, D.C.-based M2 Health Care consulting firm that advises Fortune 100 companies, private equity and venture capital firms on health policy, says the new legislation is primarily geared toward helping small businesses that have less than 50 employees and is less favorable to big business.

"It is a very complex issue and it has just been passed," Hannaher says. "Everyone isn't going to have full comprehension of everything in it overnight. There are still a lot of questions out there and some fears from business owners because there has been so much back-and-forth on the issue. There are still divergent views of health care reform from throughout the region."

Rob Wilson, president of the Chicago-based Employco USA employee benefits and human resources outsourcing firm, says his phone has been ringing off the hook ever since the health care reform legislation passed.

"Businesses are asking, 'How are we going to deal with this? We can't afford this,'" says Wilson, whose firm works with more than 400 small and mid-sized businesses in 35 states, including Minnesota.

Businesses will be hit by a number of tax increases as a result of the legislation, including a new 3.8 percent tax on income from capital gains, dividends and interest. Beginning in 2018 employers providing insurance costing more than \$10,200 for individuals or \$27,500 for a family will be required to pay a 40 percent tax on the excess cost of the premium.

"Even if you don't have to add health insurance for your 20 employees or you already offer health care, your business taxes will still go up," Wilson says.

States will create insurance exchanges beginning in 2014 where businesses with up to 100 employees can purchase coverage by pooling together to increase their buying power, theoretically lowering premiums. Separate exchanges will be set up for individuals, including the self-employed, many of whom will also qualify for federal subsidies.

A provision in the legislation reducing tax deductions for companies that offer drug coverage to retired employees has also caused a number of large corporations to take large one-time charges before the end of their current fiscal quarters, including Maplewood, MN-based 3M, which is expecting a one-time charge of as much as \$90 million in the first quarter of 2010.

The new legislation doesn't cap insurance premiums and Blue Cross Blue Shield of North Dakota officials have said that new taxes on insurance companies that begin in 2014 and other factors will result in higher premiums.

But advocates say that the legislation will begin to rein in soaring health insurance costs that are forcing some businesses to choose between offering a valuable service for their employees and protecting their bottom line.

In spite of annual double-digit insurance cost increases, Happy Harry's Bottle Shops rolled out an improved insurance plan for its full-time employees in January. Owner Hal Gershman says his accountant is looking into exactly how the legislation will impact his business, which includes two locations each in Fargo and Grand Forks, ND. But he says he is hopeful that the changes will begin to stem rising insurance costs.

"Health care costs have been skyrocketing," Gershman says. "If this health care plan is able to hold down those dramatic increases, it will be a success. I'm optimistic that over the long haul the increases will at least be more manageable than they are now. You can't take 12 and 20 percent increases every year and keep going."

In addition to administering care, hospitals and integrated health care systems are some of the region's top employers. Health care systems in the region

are still calculating the potential impacts, but there is some concern about the legislation's impact on medical providers' insurance costs.

"We anticipate that our insurance costs will probably increase," says Larry Schulz, CEO of Fergus Falls, MN-based Lake Region Healthcare. "There are some good insurance reforms for individuals with pre-existing conditions and the elimination of coverage caps, but those cost money to implement. The reforms in the legislation will probably end up pushing up our costs."

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