Written by Michael Tennant on May 7, 2012

ObamaCare's Employer Mandate Means Less Employer-based Health Insurance

Those who suspect that the real purpose of ObamaCare is to drive everyone into a single-payer, government-run health insurance scheme may be onto something. A new report from the House Ways and Means Committee finds that 71 of the top 100 companies in America would benefit financially by dropping health insurance coverage for their employees, thereby forcing them to purchase such coverage through government-run exchanges, where they might also obtain premium subsidies at taxpayer expense.

"Broken Promise: Why ObamaCare Will Force Americans to Lose the Health Care Coverage They Have and Like" paints a grim picture of a future in which, notwithstanding President Barack Obama's promises to the contrary, Americans will be forced out of health plans that they like and into those deemed acceptable by Washington bureaucrats.

The report is based on a confidential survey of Fortune 100 companies conducted by Ways and Means Committee Chairman Dave Camp (R-Mich.). The survey asked how many employees each company had, how much the company was spending on health benefits, how many people were covered, and how fast healthcare spending had increased over the past five years. The only speculative question on the survey concerned expected future rates of health spending growth, the answers to which were not encouraging. Seventy-one of the Fortune 100 companies responded to the survey.

"The Democrats' health care law," the report states, "contains numerous policies that will either force or encourage employers to eliminate the health insurance coverage they currently offer their employees."

This is no small matter given that 170 million Americans — over half the population — receive health coverage through their employers. In 2011 the companies that responded to the survey employed over 5.9 million full- and part-time workers and provided health coverage to 10.2 million people at a cost of $30.8 billion (after taxes).

According to the report, the biggest reason employers are likely to stop offering health benefits is the one provision of ObamaCare that was supposed to guarantee they would not do so: the employer mandate. This provision requires employers with at least 50 full-time equivalent employees either to offer government-approved coverage or to pay an annual penalty of $2,000 per full-time employee if even one of their full-time employees receives a taxpayer subsidy for purchasing health insurance through a state exchange. "Even if employers do offer government-approved health insurance coverage," the report adds, "they would still be penalized if such coverage is deemed 'unaffordable' and at least one full-time employee purchases a qualified health plan through an Exchange and receives a taxpayer-funded premium subsidy for his/her coverage." The penalty for offering "unaffordable" coverage is an even steeper $3,000 per employee, though it only applies to those employees getting subsidized insurance on an exchange. After 2014 both penalties will be indexed to the average per capita premium for health insurance in the United States.

Based on the results of the survey, the committee calculated that the 71 companies that responded to it could save roughly $28.6 billion in 2014 by dropping health benefits for their employees and paying the $2,000-per-employee penalty instead. What's more, it said, these same companies could reap "an astounding $422.4 billion" in savings between 2014 and 2023 by canning coverage and forking over fines. In addition, if the companies' projections of future healthcare costs prove accurate — 84 percent of them expect these costs to rise even faster in the future than they have in recent years, largely because of ObamaCare — they may well stand to save even more by dumping their employees on the government's exchanges and subsidies.

As the U.S. Chamber of Commerce put it in a website post quoted by the committee:

> Despite promises that the health reform law would build on the existing employer sponsored system, the mandate will in fact undermine the current system. It will be more affordable for employers to pay the penalty for failing to offer coverage than to offer coverage itself. And so, ironically, the employer mandate incents employers to *stop* offering health care coverage. [Emphasis in original.]

In fact, as the report notes, "several independent analyses have warned the law would lead to a large drop in employer-sponsored insurance," including surveys by the McKinsey Group, Market Strategies International, and Mercer. The Congressional Budget Office (CBO) estimated recently that three million to five million Americans are likely to lose employer-sponsored health coverage each year from 2019 to 2022, though the agency allowed that the number could rise as high as 20 million per year.

The CBO, however, dismissed the surveys cited by the committee because the results were "conflicting" (though they only conflicted in the number of employers who would drop coverage, not the general trend) and because there might be reasons for employers to continue offering health coverage despite the seeming financial benefits of dropping it. For instance, tax-free benefits could still attract employees, and employers might be forced to pay higher, taxable wages in their absence.

Moreover, wrote the CBO, "If firms could have attracted employees more cheaply by dropping health benefits and adding wages or other benefits that cost less, then they would have done so." But as the committee report points out, employers have already begun dropping health coverage or forcing employees to pay a larger share of the cost for such benefits, and "it is widely expected that they will continue to do so … in order to remain competitive."

And what of employers who already are unable to afford health insurance for their employees? "As a result of the employer mandate," the committee writes, these employers "will face a massive increase in costs — which for many companies exceeds their profit margins." They will have to shed employees and take other cost-cutting measures in order to stay in business; some may simply fold.

ObamaCare, therefore, represents a threat not just to employer-based health insurance but to employment itself. Both the employed who do not obtain health coverage through their employers and the unemployed will, of course, be forced into the government's insurance exchanges, and many will qualify for premium subsidies. As the number of individuals with government-controlled and -subsidized insurance grows, Washington's already firm grip on the healthcare sector will tighten, and the transition to a single-payer national health plan will seem almost inevitable. Single-payer is, after all, what Obama has consistently said is his ideal. Why, then, would he not put into place a law whose eventual outcome is precisely that?