SMALL BUSINESS

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SMALL BUSINESS

file SB

July 22, 1994

To: HRC

Re: Rhetorical notes

We have arrived at an opportune moment when a moral issue is joined with economic necessity in the question of universal health care.

The moral issue in health care is whether we will decide that there is a level beneath which no citizen should be permitted to sink. None of us can escape anxiety over health care. Someday, even if we are now among the privileged, we may be unable to provide for ourselves or members of our families. Only the very young are granted the luxury of the illusion that they are immortal. The rest of us must deal with undeniable reality. We know that, when our health or that of someone close to us is affected, the choice is potentially between financial or physical devastation. This is no choice at all. Who really feels free when confronted with a choice between one's life or life-savings? Who feels free when forced to make such a decision about one's children or parents? Who knows when any of us might be completely exposed through some twist of fate? One would have to be God, but we are only human. The absence of choice, which may be ruinous or even fatal, is at the root of our anxiety. Therefore,

just as our vulnerability is universal, health care must be universal. Anything less than universal coverage means universal vulnerability.

Universal health care is about more than a given package of goods and services. It is an important freedom that we have not yet won. This freedom is what Franklin D. Roosevelt called the freedom from fear. When fear is removed, freedom expands. Freedom obviously should not be confused with charity. Freedom is not something we ask to be granted by an interest or a group, a profession or an industry. Universal health care is a right we grant ourselves as a nation--the right of all individuals and families to physical and mental security--the right to remain whole, not torn apart by a cruel, negative choice. Universal health care is a part of what it must mean to be a citizen. When we have secured this right, we can act more fully as citizens, as Americans. This right is nothing less than part of the promise of life, liberty and the pursuit of happiness.

It should hardly be surprising that the expansion of liberty makes economic sense. The economic issue in universal health care is whether the economic recovery will be supported or undermined, whether the deficit will be allowed to paralyze us again, and whether the standard of living of the middle class will rise or fall.

(Arguments here on the economic recovery <claim credit>, health care costs on the middle class, the deficit--then the employer mandate, which establishes the principle of fair economic advantage that punishes no business competitively while lifting the entire country.)

The health of the middle class, as we can see, is the health of the country. More than individuals are vulnerable without universal health care. The vulnerability is national: the progress we have made toward economic recovery is at risk. If we do not protect everyone, America itself will be exposed once again to the disease of economic decline. If we do not act together and move forward, we can easily slide back to where we were just two years ago.

Moral sense and economic sense complement each other through universal health care. We can create a moral economy that can work in our favor. By establishing the principle of universal health care we will be building for prosperity. Health security for all means more economic opportunity for all. One is connected to the other. Freedom from fear must make us more confident, not less; more productive, not less; more independent, not less; more capable of moving ahead, not less; stronger, not weaker. If all individuals win this right, the whole country must enjoy the benefits.

Wishful thinking that the problem will simply fade away by doing little or nothing will not solve it. Circus-like spectacles of demagogy and posturing may distract us briefly. The efforts to change the subject through tabloid scandal-mongering are frantic tactics to frustrate change. In the end, it is only the lives of uncelebrated Americans, the heroes of daily life, that are real. That is the reality that finally matters. That is the reason universal health care is essential.

From the beginning, the struggle for American progress has been difficult. It has never been easy to secure freedoms. Progress is not inevitable. It is not a gift. Tests of resolve, in one form or

another, have presented themselves to all generations. Along the way, there have been losses. There have been stumbles and setbacks. Hostile forces have often prevailed. And yet, despite it all, past generations have won many freedoms. We are grateful to them. Just as our parents were tested, and our grandparents were tested, as those before them were too, we are being tested today.

Winning the right of universal health care is a special responsibility that has fallen to our generation. If we win, we will guarantee a right for the generations that will follow us. We will have built our economy and expanded opportunity; we will have protected ourselves and our families; but, most important, we will have added to freedom. We can only prove our faith in the promise of American life by working to fulfill it.

Oregon holds an exemplary place in this long saga. The pioneers who came here on the Oregon Trail were willing to overcome obstacles and make sacrifices because they were drawn by an idea of freedom. Their courage conquered a continent. It's appropriate to begin our journey across America here, setting out in a modern-day wagon train heading west to east, in order to bring a sense of possibility to Washington.

Wagons, ho!

PROTECTING SMALL BUSINESSES

- Changes to the Health Security Act can:
    - better target employer subsidies for low and moderate wage workers, and
    - achieve greater deficit reduction.
- Additional changes can assure greater affordability for small businesses, but result in less deficit reduction.

THREE WAYS SUGGESTED TO PROTECT SMALL BUSINESSES MORE

- Provide greater subsidies to small businesses with fewer than 10 workers.

- Exempt small businesses under 10 workers from employer requirement.

- Lower the share of premium businesses must pay (e.g., from 80 % to 50 %).

PROTECTING SMALL BUSINESSES: POTENTIAL PROBLEMS

- Risk of firm size gaming.
- Administrative complexity for business, families, and government.
- Equity.
- Maintenance of current payments.
- Cliffs.
- Deficit reduction.

Health Security Act:

- Employer/Employee Share. Before subsidies, employers pay 80% of average premium. Families are required to pay no more than 20% of average plan.

- Employer/Individual Subsidies. Subsidies may reduce premium payments. Firms under 5,000 pay no more than 7.9% of total payroll. Households pay no more than 3.9 % of income.

- Small Business. Small firms (under 75) receive additional subsidies, paying no more than 3.5% to 7.9% of total payroll, depending on firm size and average wage.

- Large Firms. Firms with more than 5,000 employees which are outside the alliance pay 1% of payroll assessment.

MODEL ONE AS BASE FOR COMPARISON

- **Caps employer subsidies at 12% of worker's individual wage. Firms under 75 capped on sliding scale from 12% to 5.5%. Cap level based on number of workers and average payroll.**

- **Caps individual payments at 3.9% of income.**

- **Reduces firm threshold for community rating from 5,000 to 1,000. Assesses all 1,000+ firms 1% of payroll. All firms eligible for employer subsidies.**

Average employer premium payment per family.....$2,200

For smallest lowest-wage firms

Average employer premium payment per worker.....$700
Required employer premium payment per worker.....$600

Average family premium payment.....$600

Deficit reduction (1996-2004)

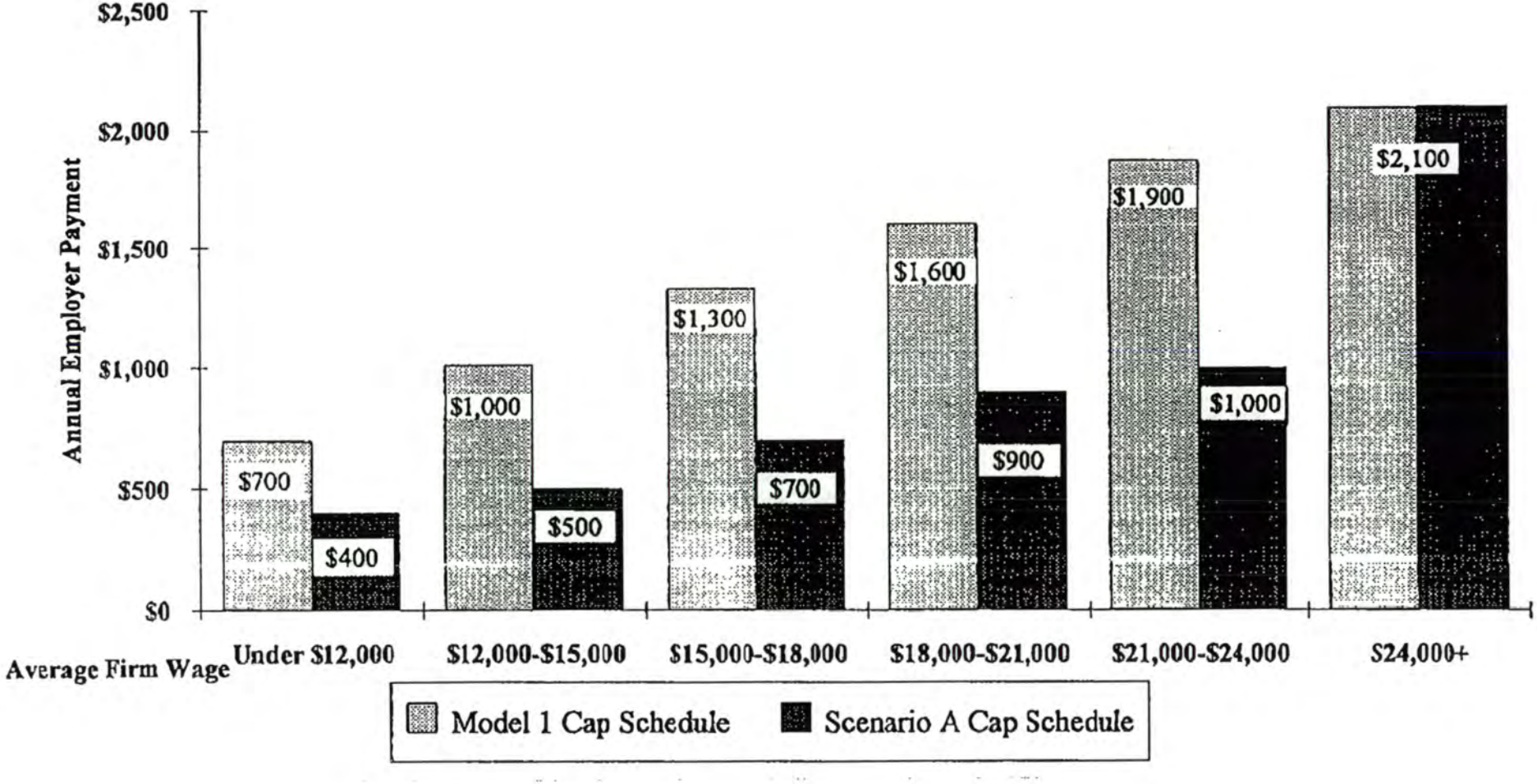
relative to baseline.....$45-55B

SCENARIO A

- **Increases subsidies to low-wage firms under 10, by lowering their individual wage cap by half.**

	Model 1	Scenario A
Average employer premium payment per family	$2,200	$2,100
For Smallest Lowest-Wage Firms		
Average employer premium payment per worker	$700	$400
Required employer premium payment per worker	$600	$300
Average family premium payment	$600	$600
Deficit reduction (1996-2004) relative to baseline	$45-55B	$10B

Employer Payments Per Worker
Low Wage Firms with Fewer than 10 Workers



SCENARIO A: Potential Problems:

- Firm size gaming.
- Reduces deficit reduction.

SCENARIO B

- Firms fewer than 10 workers are exempt from employer requirement.
- Exempt firms which voluntarily provide coverage receive subsidies.
- Employees in exempt firms must pay full premium, but no more than 3.9% of income.

	Model 1	Scenario A
Average employer premium payment per family	$2,200	$2,100
Smallest lowest-wage firms		
• Average employer premium payment per worker	$700	$200
• Required employer premium payment per worker	$600	$0
Average family premium payment	$600	$600
Deficit reduction (1996-2004) relative to baseline	$45-55B	$0

SCENARIO B: Potential Problems:

- Firm size gaming.
- Administrative complexity for business, families & Government
- Equity.
- Maintenance of current payments.
- Cliffs.
- Eliminates deficit reduction.

SCENARIO C

- **Employer / employee contribution is split 50/50, rather than 80/20. Employer subsidies same as Model 1.**

- **Family payments capped at 6% of income, instead of 3.9%.**

	Model 1	Scenario C
Average employer premium payment per family	$2,200	$1,800
Smallest lowest-wage firms		
• Average employer premium payment per worker	$700	$700
• Required employer premium payment per worker	$600	$600
Average family premium payment	$600	$1000
Deficit reduction (1996-2004) relative to baseline	$45-55B	$80B

SCENARIO C: Potential Problems:

- **Maintenance of current payments.**

CONCLUSION

- Small firms already get substantial subsidies in Model 1.
- Lowering the employer share to 50% does little for smallest, lowest-wage firms since they already get substantial subsidies that effectively reduce their share below 50%.
- While a 50/50 split achieves deficit reduction, it does so at the expense of protection of families.
- Additional subsidies and an exemption from the employer requirement both would reduce small firm costs. However:
  - Additional subsidies do not create the administrative and equity problems associated with an exemption for small firms, and still achieve deficit reduction.
  - Exempting small firms increases premiums to other firms by shifting some health costs of exempt firms onto insuring firms. Increases family premiums for workers for exempt firms. Eliminates deficit reduction achieved in model 1.

EMPLOYER & FAMILY PAYMENTS UNDER VARIOUS SCENARIOS

with implications for deficit reduction

	Model 1	Scenario A	Scenario B	Scenario C
Avg. Employer Payment Per Family.....	$2,200	$2,100	$2,100	$1,800
Payment Per Worker for Smallest, Lowest-Wage Firms:				
Avg. Employer Premium Payment.....	$700	$400	$200	$700
Req. Employer Premium Payment.....	$600	$300	$0	$600
Avg. Family Premium Payment.....	$600	$600	$600	$1,000
Deficit Reduction in billions (1996-2004).....	$45-55	$10	$0	$80

SMALL
BUSINESS
COALITION ■ FOR HEALTH CARE REFORM ■

413 NORTH LEE STREET
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(703) 836-7900

FOR RELEASE:
Tuesday, May 3, 1994

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SMALL BUSINESSES NATIONWIDE UNITE IN SUPPORT OF HEALTH CARE REFORM

A strong voice on behalf of the nation's small business owners and operators was raised today in the national effort to achieve comprehensive health care reform for all Americans.

At a news conference today on Capitol Hill, representatives of more than 340,000 businesses--with more than 3.1 million employees--unveiled the Small Business Coalition for Health Care Reform. The group is dedicated to ensuring the needs of smaller companies are addressed as Congress crafts health care reform. Also participating in the news conference were Senate Majority Leader George Mitchell (D-ME), Senator Thomas A. Daschle (D-SD), House Majority Leader Richard A. Gephardt (D-MO) and Rep. John J. LaFalce (D-NY).

Charter members of the Coalition include the American Institute of Architects; Architects/Designers/Planners for Social Responsibility; Institute for Business Designers; Institutional and Municipal Parking Congress; National Association of Chain Drug Stores; National Association of Retail Druggists; National Council for Non-Profit Associations; National Farmers' Union; National Federation of Business and Professional Women's Clubs, and the Owner-Operator Independent Drivers Association. Additionally, in the last two weeks, 237 individual business owners from across the country have expressed their support for health care reform.

"Before making decisions on which health care plan to support, we ask that small business owners calculate what the President's plan will mean to their bottom line. We're confident that the facts will show a positive result. Many small firms who currently provide health insurance to their employees actually will save money under the Health Security Act. In fact, the Wall Street Journal recently predicted that the President's plan would provide a financial windfall for small business," he said.

A recent survey conducted by the National Federation of Independent Business found that 70 percent of small business owners support insurance coverage for everybody and nearly two-thirds would like to provide better coverage for their workers.

"Small business has been ill-served by those who spread rumor and misinformation and don't communicate the facts. The more small business owners learn about health care reform, the more they will support it." Peck said.

Other Coalition members participating in the news conference were: Ruth Jones, a truck owner and operator from Grain Valley, Mo.; Garth Sherriff, Sherriff Associates, Los Angeles and president of Architects/Designers/Planners for Social Responsibility; Tom Giessel, a wheat farmer and vice president of the Kansas Farmers Union; Phillip Schneider, director of public affairs, National Association of Chain Drug Stores; and Todd Dankmyer, senior vice president, NARD (National Association of Retail Druggists.)

# # #

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Fact Sheet

HEALTH CARE REFORM
THAT'S RIGHT FOR SMALL BUSINESS

America has the top doctors, the finest hospitals and the best health care providers of any country in the world--but the bill for these critical services is spiraling out of control. Hospital fees are skyrocketing, insurance companies are raising premiums, drug makers are charging outrageous prices for prescription drugs, while endless paperwork and administrative burdens all combine to send costs through the roof.

Millions of Americans live in fear that they will lose their health care coverage--and millions don't have any insurance at all because they can't get it, or can't afford it.

The Health Security Act takes giant steps toward solving these problems and strengthens what is right with our health care system and fixes what is wrong.

THE FACTS AT A GLANCE

The Problem:

- More than 90% of small business owners agree that health care is becoming prohibitively expensive and is a serious business problem,*
- Nearly 70% of small business owners want to offer their employees better health care benefits and agree that all Americans have a right to basic health insurance.*
- Small businesses now pay 35 to 50% more than large firms for the same insurance. Large corporations can offer more benefits at a lower cost putting the smaller firm at a great disadvantage.

*Source: National Federation of Independent Business

Just the Facts 3

- Small business will no longer have to pay extra in their overall premium costs to provide for the uninsured.
- Firms that currently provide health benefits will likely pay substantially less for employee coverage due to falling administrative costs and lower premium rates.
- The average wage among firms that currently don't provide coverage is $7,500 per year. Under the President's plan the cost for covering a worker would be only 70 cents per day.
- While workers will share in the cost of health care premiums there is a sliding scale for employer contribution ranging from 3.5% of payroll to a maximum of 7.9%, depending on the number of employees and salary levels.
- The Clinton Plan allows individuals to transfer insurance benefits from workplace to workplace. No longer will anyone have to worry about losing benefits through moves or job changes.
- Independent contractors and the self-employed will be able to deduct 100% of the cost of their insurance plan from their taxes, just as other businesses do now and will continue to do.

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SMALL BUSINESS COALITION FOR HEALTH CARE REFORM

On May 3, 1994 the formation of the Small Business Coalition for Health Care Reform was announced. Initial members of the Small Business Coalition for Health Care Reform include:

America Institute of Architects
Architects/Designers/Planners for Social Responsibility
Business and Professional Women
Institute of Business Designers
Institutional and Municipal Parking Congress
National Association of Chain Drug Stores
National Association of Retail Druggists
National Council of Non-Profit Association
National Farmers' Union
Owner-Operator Independent Drivers Association

The initial members of the Small Business Coalition for Health Care Reform represent over 340,000 individual businesses which employ over 3.1 million people:

Additionally, since mid-April 237 individual small businesses have expressed their support for health care reform which guarantees health security for all contains health care costs, simplifies administration, ends tax code discrimination against the self-employed, and limits employer contributions to protect small businesses against rising health care costs.

PROTECTING SMALL BUSINESSES

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  - achieve greater deficit reduction.
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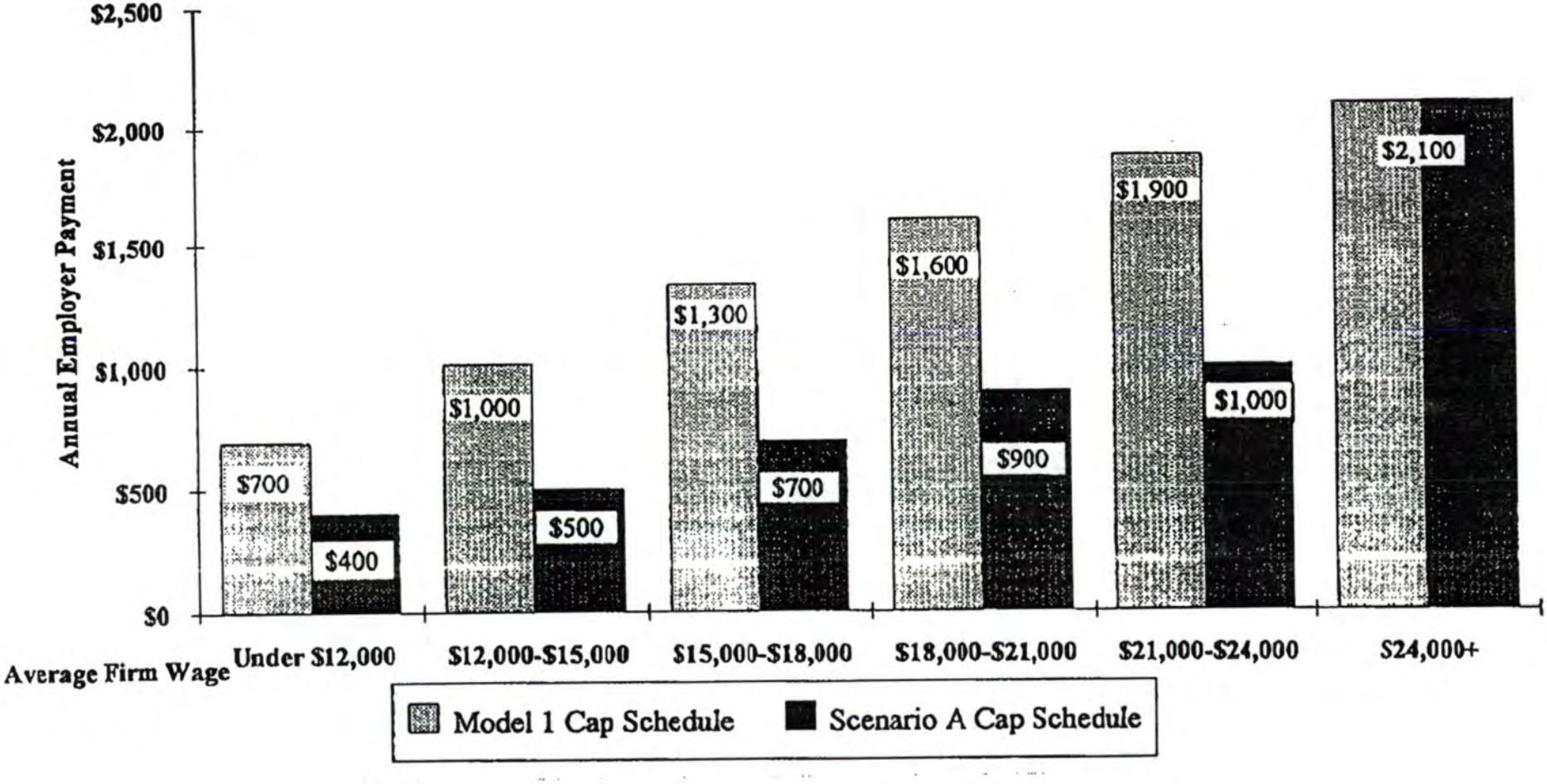

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