

NFIB strongly supports healthcare reform but strongly opposed the Patient Protection and Affordable Care Act (PPACA). NFIB's 350,000 members have long cited healthcare costs as their #1 concern. NFIB believes reform must meet several goals: (1) lower costs; (2) fewer administrative burdens and other nonmonetary costs; (3) greater individual freedom over healthcare choices; and (4) fewer inequities that disadvantage small business versus larger businesses. Unfortunately, PPACA fails on all of those points.

## HIGHER COSTS

**Expensive new benefits, inadequate cost-cutting.**

Expensive new benefits were not accompanied by measures designed to hold down costs.

**Grandfathering restrictions cause businesses to lose insurance policies.**

Excessive regulatory restrictions on "grandfathering" will force perhaps 80% of small businesses to drop their current health insurance plans within three years and either replace them with more expensive new plans or go without insurance altogether.

**Medical liability not fixed.**

Our broken medical liability system was left unrepaired, driving costs up for small business.

**"Medicare" taxes hit owners and their families.**

Many small-business owners face two new "Medicare" taxes that hit their wages and investments and those of their spouses. Despite the name, revenues will fund the PPACA, not Medicare.

**New taxes on drugs and medical devices.**

New taxes on brand-name drugs and on medical devices ranging from bandages to CT scanners will be passed along to small businesses, their employees, and other consumers.

**Employees lose pre-tax over-the-counter medical purchases in FSAs, HSAs.**

Small-business employees and others will no longer be able to use their flexible spending accounts (FSAs) and health savings accounts (HSAs) to purchase over-the-counter medications without a prescription, which drives up costs for the employees and their employers.

**Small-business credit badly structured and temporary.**

The small-business health insurance tax credit is poorly structured and temporary, and it provides limited value for all but the smallest businesses.

**CLASS program creates large unfunded entitlement and uncertain tax liabilities.**

The CLASS program, a large, inadequately funded long-term care scheme was added to the PPACA primarily to generate revenues in the early years of the law. The federal government's chief healthcare actuary has declared the program actuarially unsound, making future tax liabilities even more uncertain for small businesses and others.

## MORE RED TAPE

~~**Impossible to administer 1099 provision would overwhelm business.**~~

~~Until and unless the PPACA's infamous 1099 provision is repealed, businesses will have to determine which vendors (corporate and unincorporated) sold them more than \$600 in services, goods, or property over the course of each year. Having done so, a business must then secure taxpayer ID numbers for each such vendor and then mail the vendor and the IRS a Form 1099—a process even the IRS's Taxpayer Advocate considers impossible to administer.~~

**Ten years of navigating new regulations.**

For nearly ten years, businesses will have to devote considerable resources year-after-year to monitoring and navigating newly-written regulations and requirements associated with the law.

**Employer mandate creates time-consuming red-tape.**

Because of the employer mandate, businesses with more than 50 full-time employees or FTEs, will face time-consuming, arbitrary administrative burdens associated with employees seeking insurance subsidies in the new insurance exchanges.

**(MORE RED TAPE CONTINUES ON PAGE 2)**

## (MORE RED TAPE, CONTINUED FROM PAGE 1)

**Employer mandate threatens employees' families' privacy.**

Businesses subject to the employer mandate will receive monthly government reports on subsidized employees that inadvertently reveal personal financial data on employees' spouses and families. This raises discomforting privacy concerns and exposure to liability for employers.

**Large employer penalties are triggered by factors irrelevant to the business and unknown to the owner.**

Because of the employer mandate, some firms will be assessed thousands of dollars in annual penalties due to private changes in their employees' households. Such penalties might result, for example, from an employee's spouse losing a job or from an employee's spouse's elderly relative moving into their house. Employers will not be entitled to know the details of what caused their penalty – unless they challenge the employee's honesty before a government agency.

**Mandates, taxes, credits greatly complicate hiring and business structuring.**

Because of the employer mandate, health insurance credits, and other provisions of the PPACA, businesses will have to continually make complex evaluations of the effects of hiring and other structural changes to the business.

## MANDATES REDUCE FREEDOM

**Individual mandate threatens freedom and undermines business.**

NFIB believes the PPACA's unprecedented individual mandate threatens individual freedom and undermines the rights of small business owners to own, operate and grow their businesses. This is why NFIB joined the attorneys general and governors of twenty states in a lawsuit asking that the law be overturned as unconstitutional. NFIB is the sole private plaintiff in that suit.

**Employer mandate imposes costly, confusing, arbitrary penalties on businesses.**

The employer mandate imposes costly, confusing, and arbitrary penalties on businesses with more than 50 full-time employees or full-time equivalents (FTEs). Adding one new employee or having one more employee qualify for insurance subsidies can result in employer penalties of \$2,000, \$3,000, or, in unusual cases, tens of thousands of dollars.

## HITS SMALL BUSINESS HARDER

**Insurance tax hits small business, not big business, unions, governments.**

There is a new tax on the fully-insured health insurance policies that individuals and 87% of insurance-providing small businesses purchase. There is no equivalent tax on the policies that big business, unions, or most governments purchase.

**Federal benefit mandates compound an existing state-level problem.**

The federal government can increase costs of fully-insured policies by adding new benefit mandates – compounding a problem that has long existed at the state level. In addition, the process by which these mandates will be implemented is unclear.

**Tanning salons singled out.**

The tanning salon industry was singled out for a 10% tax that no other industry faces.

**Some insurance markets already disappearing.**

Passage of the PPACA has begun to wipe out certain health insurance markets. These include child-only policies, limited-coverage "mini-med" policies, and (in some areas) individual policies that formerly helped some small business employees to gain coverage.

**HHS exempts some unions and businesses from costly provisions that small businesses must live with.**

The Secretary of HHS has granted waivers allowing several hundred companies and unions to continue providing low-cost "mini-med" policies while other employers are required to purchase more expensive comprehensive coverage.

**Incentives for downsizing, layoffs, outsourcing.**

The employer mandate (and to a lesser extent some other provisions of the law) creates powerful financial incentives for businesses to shrink, to lay off full-time employees and replace them with part-timers, or to outsource.