

Not an ending, only a beginning (3/31/10)

Dr. Bob Graboyes, Senior Fellow for Health and Economics
NFIB Research Foundation | 1201 F Street NW, Suite 200 | Washington, DC 20004
202.314.2063 | bob.graboyes@nfib.org | www.NFIB.com/DrBob

Washington Post: What is your assessment of the now-complete health law and its implications for the future?

For small business, the new health-care law begins a long struggle against cost increases, uncertainty and perverse incentives ([see timeline here](#)). Traditionally, small business produces over two-thirds of America's new jobs, but this bill jeopardizes that role.

Premium increases will dominate the near-term horizon. Insurers will no longer be constrained by an impending Congressional vote. Some insurers will see their days as numbered and will hike premiums before exiting the market. Surviving insurers will face fewer competitors and may increase their margins before the law limits their ability to do so. Millions of people will begin gaining insurance, with no commensurate increase in the number of doctors and other providers; this will push medical fees upwards, and insurers will have to cover the increases. The small-group market is always more vulnerable to rate increases, and this market will not change substantially until 2014.

Premium hikes won't be limited to small business. Based on only one of the myriad new tax provisions, AT&T, John Deere, Caterpillar, 3M, and other companies are setting aside billions of dollars for [anticipated losses](#). They can't spend these dollars on jobs, products, and investment. Small businesses who sell to these companies will feel the secondary effects of this contraction. Governments will be similarly hit; Arizona [just realized](#) that the law hands the state an unexpected \$3.8 billion obligation over the next three years.

Not only do individuals, businesses, and government have to guess HOW the new rules affect them; they also have to guess WHAT the new rules will be. A "Health Choices Commissioner" will define what constitutes an acceptable health insurance policy. Will everyone's policy have to cover single-occupancy maternity rooms, hair transplants, and liposuction? Only the as-yet unnamed Commissioner can say. Big businesses and unions will have in-house attorneys, accountants, and lobbyists watching their backs. Small businesses won't have that luxury.

Then there are the perverse incentives. Here's just one example: A business with 60 employees doesn't provide health insurance, but all of the employees are in households that earn too much to qualify for federal subsidies. Then, one day, an employee comes in and explains that his wife lost her job the week before. Since the couple's combined income drops below \$88,000, they now qualify for a federal subsidy. Because of this one employee -- whose salary hasn't changed -- the firm now owes a penalty of \$2,000 for each of its employees -- \$120,000 annually. With dozens of similar perverse incentives, how is a business supposed to plan?

Small business will fight every day to survive this bill. As every high school commencement speaker says: "This is not an ending. It is only a beginning."