



Mandating Employer Provision of Health Insurance Benefits

ACTION NEEDED:

NAHU urges Congress to take action to encourage voluntary, market-based incentives for employers to provide health insurance benefits to their employees. We oppose any legal mandate compelling employers to provide health insurance for their employees. While well-intentioned, any such mandate would actually hurt American workers and health insurance coverage by decreasing jobs and economic growth, and do little to reach the current uninsured population.

BACKGROUND:

Numerous studies have indicated that an employer mandate for health care expenditures will have a negative impact on wages, job creation and general economic growth, including two studies issued by the Employment Policies Institute in January 2006. The first, done at the University of Santa Cruz, indicates that employer mandates would not significantly help the number of uninsured because “those who experience loss of coverage over time are unemployed, employed part-time, employed at firms with fewer than 10 employees, or newly employed and have yet to accrue the tenure required for eligibility.”

The second study, conducted by Katherine Baicker, a member of the President’s Council of Economic Advisers, and Helen Levy of the University of Michigan, found that if a typical employer mandate proposal was broadened to apply nationwide, 45 percent of employees without insurance would see no increase in coverage. Instead, the mandate would cause job loss for over 315,000 Americans, and would principally impact low-skilled employees, because employers would be forced to cut jobs to control skyrocketing labor costs.

The AFL-CIO is currently working to enact legislation on the state level that would implement an employer mandate for health insurance expenditures. The AFL-CIO’s model employer mandate bill, which it has termed the “Fair Share Health Care Fund Act,” would create a pay-or-play system that targets large employers.

NAHU feels that enacting legislation that mandates employers to provide any type of benefit sets a dangerous precedent, and no matter what form an employer mandate takes, it always has the potential to harm American businesses and employees. Legislation specifically targeting our nation’s largest companies may change its scope to encompass smaller employers, impacting their ability to stay in business. Measures that would force an employer to spend certain dollar amounts or percentages of their payroll on health care costs merely provide a disincentive for responsible spending and health insurance rate containment. We should not, as a matter of public policy, contribute to the erosion of job opportunities for Americans and encourage health insurance costs to go up even further by enacting employer mandates.

Instead, a more effective approach would be to address the real problem concerning health insurance coverage in America: rising health care costs. Rising costs are what is driving the increase in the number of uninsured Americans because they make it so difficult for both employers and individuals to purchase affordable health insurance products.

Addressing this problem through market-based solutions -- such as allowing the sale of varying products based on individual need, improving regulatory environments to make state health insurance markets more competitive, and providing tax credits and incentives so that more individuals and employers can afford to purchase coverage -- makes much more sense.

Working with consumers to improve national wellness, raise awareness of health care pricing and reduce unnecessary utilization of health care services would also go a long way toward controlling health care cost increases.

