



Written by [Brian Koenig](#) on August 30, 2011

## ObamaCare Hurts Employer-Sponsored Health Plans

In June 2009, President Obama addressed the American Medical Association to promote his national healthcare bill, as he declared a seemingly forthright promise to the American people: “No matter how we reform health care, we will keep this promise to the American people. If you like your doctor, you will be able to keep your doctor, period. If you like your health care plan, you’ll be able to keep your health care plan, period. No one will take it away, no matter what,” he vowed.



But as the law develops and stipulations of its contents unfold, ObamaCare opponents are challenging the President’s June 2009 declaration. Indeed, certain provisions in the law will stoke the very fears individuals with employer-based health insurance hold: they will lose their existing health plan and be dumped into the federal exchanges — an insurance “marketplace” subsidized by the federal government.

In debating the “individual freedom” aspect that so many congressional Democrats touted during the bill’s early phases, Republicans and business leaders questioned the fines levied against businesses that fail to offer coverage to their employees. But come to find out, the fines are significantly lower than they expected.

{modulepos inner\_text\_ad}

The fine for dropping an employee’s coverage is \$2,000, while in 2010 the average employer paid \$4,150 to insure a single employee and \$9,773 to insure a family. With that said, the incentive to drop health coverage for their employees — while being subjected to a \$2,000 fine by the government — could save businesses more than half of what they pay to actually *provide* health plans to their employees. The incentive for companies to withhold health coverage appears relatively clear, and as a result, more and more workers will enter the federal exchanges come 2014.

*USA Today* [reported](#):

Nearly one in 10 midsize or large employers expects to stop offering health coverage to workers once federal insurance exchanges start in 2014, according to a survey from a large benefits consultant.

Towers Watson also found in a survey completed last month that an additional 20% of companies are unsure about what they will do.

Another big benefits consultant, Mercer, found in a June survey of large and smaller employers



Written by [Brian Koenig](#) on August 30, 2011

---

that 8% are either “likely” or “very likely” to end health benefits once the exchanges start.

According to a survey [released](#) in June by the consulting firm McKinsey, the reported studies are understated, as the McKinsey survey found that nearly a third of employers are likely to drop employee coverage due to ObamaCare. *Time*’s Kate Pickert [claims](#) McKinsey’s numbers are murky because the survey’s respondents were “educated” about the law’s “implications for their companies and employees.” According to Pickert, “priming” participants with a law’s contents will produce botched results.

ObamaCare’s skewed incentives mean “droves of employees — potentially tens of millions — are likely to shift out of employer-provided insurance,” the Urban Institute predicted last year. Former Congressional Budget Office Director Douglas Holtz-Eakin [alleges](#) that as many as 35 million people will flock to the federal exchanges.

Other opponents of the healthcare overhaul note that employer-sponsored insurance will not be the only casualty of the law. Several of ObamaCare’s stipulations will mean that many college students, Medicare part D beneficiaries, and those currently on plans which do not meet grandfathering requirements will be forced to relinquish their existing health plans.

“I wouldn’t expect it to happen overnight,” argues Paul Fronstin, director of health research at the Employee Benefit Research Institute. “If you look at the movement to managed care, or the movement away from defined benefit pension plans — none of those things happened overnight. Somebody had to be first, and then it snowballed from there, but it played out over years, not months.”

Fronstin argues that even under a stagnant economic environment, companies are eager to retain efficient and hardworking employees, and dropping coverage could mean losing valuable workers. Further, he contends that companies offer coverage today free from government compulsion, so why would they suddenly terminate employee coverage in 2014?

Critics of Fronstin’s argument say ObamaCare recounts a different narrative: By the time 2014 rolls around, the federal exchanges will be fully-operational and workers would not be dropped into the uninsured abyss as so many political doomsayers warn, because employees will have the option to purchase a government-subsidized plan.

Binding as many Americans as possible to the government-subsidized pool has been the Democrats’ underlying motive all along, ObamaCare opponents claim. After all, in January 2008, President Obama [admitted](#), “If I were designing a system from scratch, I would set up a single-payer system.” But instituting a single-payer system cold turkey would be unlikely, even with a filibuster-proof majority in Congress.

Indeed, opponents suggest that this is precisely what the Democrats and President Obama desired all along, to ensure that millions of Americans will flood the government-subsidized “marketplace” — the first step in directing American healthcare toward a Canadian- and British-style single-payer system.

The current U.S. healthcare system, which provides tax incentives to employers sponsoring insurance, certainly has its flaws and certainly decreases competition in the healthcare market — an arbitrary incentive of the federal tax code. But President Obama’s claim that no American will be forced to lose his current plan appears to critics to be just a form of political gravy.



## Subscribe to the New American

Get exclusive digital access to the most informative,  
non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



**Subscribe**

### What's Included?

- 24 Issues Per Year
- Optional Print Edition
- Digital Edition Access
- Exclusive Subscriber Content
- Audio provided for all articles
- Unlimited access to past issues
- Coming Soon! Ad FREE
- 60-Day money back guarantee!
- Cancel anytime.