



Written by [Michael Tennant](#) on November 15, 2012

Small Business Group: ObamaCare's Employer Mandate Hurts Employers, Employees

ObamaCare's employer mandate is supposed to guarantee that every working American is able to obtain health insurance through his employer. But [according to the National Federation of Independent Business \(NFIB\)](#), an organization representing 350,000 small-business owners, the mandate may end up being the ruin of employer-sponsored health insurance and will almost certainly be detrimental to employers and employees alike.



The Patient Protection and Affordable Care Act (PPACA) requires businesses with 50 or more full-time employees — with “full time” defined as working at least 30 hours per week — to offer “affordable” health insurance to those employees. Insurance is deemed affordable if it costs an employee no more than 9.5 percent of his total household income.

If an employee finds that his employer-sponsored insurance is unaffordable as defined by law, he may decline to participate in it and instead obtain insurance on a state insurance exchange, where, depending on his income level, his premiums may be subsidized by the government. (Having no insurance, of course, is not an option in the “land of the free”: Uninsured individuals face a tax penalty of \$695 or 2.5 percent of their income, whichever is higher.) For every one of his employees who turns down “unaffordable” employer-sponsored insurance in favor of insurance on an exchange, an employer will be fined up to \$3,000.

Among the many complications introduced by the PPACA, one major one, from an employer's perspective, is that definition of affordable insurance. “Typically,” observed NFIB director of federal public policy Amanda Austin, “employers do not have access to what employees' total household income looks like.”

How, then, will they be able to ensure that they are offering insurance that does not set their employees back more than 9.5 percent of that income? “Employers will now be forced to either snoop around employees' household income or go in blind and hope for the best,” Austin averred.

Neither is a particularly attractive option. Investigating employees' income would be an invasion of privacy, while an inaccurate estimate of the appropriate level for insurance premiums might well lead to a mass exodus of employees to the exchanges.

That, in turn, would have two negative effects. First, the employer would be hit with a fine for every employee who opted for the exchange. Second, as the number of employees participating in the employer's plan dwindled, the employer might find it difficult, if not impossible, to obtain group coverage for those employees. He also might simply find it not worth his while.

“Low-wage employees, particularly those experiencing a large premium cost-share, have a powerful incentive to bolt an employer's health plan for the newly established and heavily subsidized exchanges,” the [NFIB reported last year](#). “Should employees begin to leave for an exchange, 26% of currently



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offering small employers are very likely to explore dropping their health insurance plans and another 31% are somewhat likely to do so.”

This probably would not happen overnight. The 2011 NFIB survey found that “43% [of small employers] report that a majority of employees would have to leave before they would drop their plan and 35 [percent] claim it would require all of them.” Nevertheless, it would happen, and soon enough all of a small business’s employees — whether they like it or not — would end up on an exchange, where taxpayers might well have to foot a large portion of their premiums.

“Employers will have difficult decisions to make regarding current and future employees as it pertains to PPACA,” Austin said. “With the new healthcare law requiring businesses with 50 or more full-time workers to offer coverage or be fined, employers must plan and rethink their workforce now more than ever.”

Businesses may choose not to hire additional full-time employees, or they may choose to keep workers’ hours below the 30-per-week threshold for full-time employees (as [some employers have already done](#)), preventing them from having to offer insurance to some or all of their employees.

“In short,” Austin added, “each business out there must assess what is the best for them. New taxes and mandates will complicate these decisions and cost businesses money in the long run.”

This applies to large businesses as well as small ones. Large ones may be able to absorb the costs and handle employee defections to the exchanges more easily at first; but eventually they, too, will feel the pinch and may well find it advantageous to pay the per-employee penalty rather than fork over an ever-larger portion of rising premiums for an ever-smaller number of employees. Over time, more and more Americans will end up getting their insurance on exchanges, where the government can exert much more direct control over premiums and coverage. At that point we’re just one step away from completely nationalized, socialized healthcare — which may have been the point of ObamaCare all along.



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