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Small Business Faces Big Bite

House Health Bill Penalizes All but Tiniest Employers for Not Providing Insurance

By JANET ADAMY and LAURA MECKLER

WASHINGTON -- House Democrats on Tuesday unveiled sweeping health-care legislation that would hit all but the smallest businesses with a penalty equal to 8% of payroll if they fail to provide health insurance to workers.

The House bill, which also would impose new taxes on the wealthy estimated to bring in more than \$544 billion over a decade, came as lawmakers in the Senate raced against a self-imposed deadline of this week to introduce a bill in time for action this summer.

Senators face a tougher battle because they are striving for a bipartisan bill. Key senators are weighing a combination of several more-modest fund-raising provisions, including some new fees on health-care industries.

Under the House measure, employers with payrolls exceeding \$400,000 a year would have to provide health insurance or pay the 8% penalty. Employers with payrolls between \$250,000 and \$400,000 a year would pay a smaller penalty, and those less than \$250,000 would be exempt. Certain small firms would get tax credits to help buy coverage.

The relatively low thresholds for penalties triggered the sharpest criticism yet from employer groups, who said the burden on small business is too high and doesn't do enough to help them expand insurance coverage.

"This bill costs too much, it covers too few and it has way too much government involvement," said Michelle Dimarob, a lobbyist with the National Federation of Independent Business, the main trade group for small firms. "Small business doesn't want any of those things."

According to 2006 data from the federation, businesses with between five and nine workers, representing about one million employers, had an average payroll of around \$375,000 a year. A report from the Kaiser Family Foundation found that only about half of firms with three to nine workers offered health benefits in 2008.

House Speaker Nancy Pelosi unveiled the measure on Tuesday, praising it as a historic step toward insuring all Americans that has eluded lawmakers for decades. "This bill is a starting point and a path to success to lower costs to consumers and businesses," the California Democrat said.

The Congressional Budget Office on Tuesday calculated the cost of the House's plan to expand insurance coverage at \$1.04 trillion over 10 years, and predicted the measure would eventually lead 97% of legal American residents to have insurance. That's in line with President Barack Obama's desired budget for a health overhaul and lawmakers' pledges for expanding coverage.

The estimate doesn't factor in the plan to pay for the bill, including the new tax on wealthy Americans, or certain changes to Medicare and Medicaid, all of which could affect the final price tag.

The House bill would place new taxes on the wealthiest people to help expand insurance coverage to the nation's

46 million uninsured people. The legislation calls for a 5.4% surtax on those with annual gross incomes exceeding \$1 million.

Households with annual income between \$500,000 a year and \$1 million would be hit with a 1.5% surtax, and those earning between \$350,000 and \$500,000 would face a 1% surtax. Those rates could eventually increase to 3% and 2%, respectively, if the government doesn't achieve certain health-cost savings.

The 1,018-page initiative contains several components pushed by liberal Democrats that were long expected to be part of House legislation, but which face considerable opposition in the Senate. Most notably, the House bill creates a new public health-insurance plan aimed at individuals and small businesses that otherwise can't get affordable coverage.

The House measure would bar insurance companies from denying coverage to individuals who are sick, while also requiring most Americans to carry health insurance or pay a penalty equal to about 2.5% of their gross income. It would provide families earning up to \$88,000 a year with subsidies to help them buy coverage. And it would expand health-insurance coverage through the Medicaid federal-state insurance program for the poor.

The Senate legislation is also expected to include mandates on insurers to provide coverage and individuals to carry it, although the details may differ. The bigger differences will come on the financing side, where many senators are cautious about introducing major new taxes on the wealthy to pay for health care.

The White House is pushing for action before the August recess in both houses of Congress to give lawmakers time to reconcile their two versions, pass that compromise through the House and the Senate and send Mr. Obama a final bill by autumn. The Senate Health, Education, Labor and Pensions Committee could approve its health overhaul bill as soon as Wednesday.

That will get merged with a bill in the Senate Finance Committee, where lawmakers are trying to craft a bipartisan measure. Chairman Max Baucus on Tuesday was pitching his colleagues on a plan to finance the bill through a combination of more-modest tax increases. He is trying to fill a hole of about \$320 billion over 10 years, after Democrats objected to a provision to tax upper-end employee health benefits.

The fresh package included a new fee on pharmaceuticals and other health-care industries, and stiffer corporate-reporting measures aimed at collecting a greater share of corporate taxes owed each year, two Senate aides said.

Under the first proposal, health industries including drug makers and insurers would be charged an assessment, with individual companies' fees based on their market share. It's not clear how large the total assessment would be.

The proposal also seeks to raise \$75 billion to \$100 billion over 10 years by giving states an incentive to issue bonds that would help offset the expanded federal share of Medicaid.

"The goal here is a bunch of smaller, less controversial items that can add up," one official said.

The package may still include a modified version of the plan to tax high-end employer-provided health insurance, though on a smaller scale, aides said.

Mr. Baucus spent much of the day meeting one-on-one with members of his committee, and he put on an optimistic face. "We're going to pass very significant health reform this year," the Montana Democrat said.

But the pre-recess deadline appeared in danger as Republicans expressed concern that the process is moving too quickly.

Sen. Olympia Snowe, a key Republican whom Mr. Baucus is trying to win over, said Tuesday that the legislation is far too complex to rush and that she saw little chance of moving a bill through the Senate before the August break.

"I frankly couldn't imagine at this point bringing it to the floor and completing our deliberations...before the August recess," the Maine senator said. She said "arbitrary, artificial time frames really are not realistic given the

magnitude of the task we are assigned to do."

In addition to health care, the White House also hopes for action on energy and financial-sector regulation, both of which would consume time this fall.

At a White House meeting with top Democratic leaders on Monday, Mr. Obama pushed Mr. Baucus to produce legislation by Thursday.

Senators are now talking openly of keeping the chamber in session an extra week, though some say that is simply a tactic to discourage delay by senators who have plans for vacations, congressional trips and hometown activities.

A further complication is that if it looks as if the Senate can't or won't act this summer, many House Democrats are likely to hesitate about voting on a contentious issue -- including raising taxes -- for something that might never become law.

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