



## One Year Later: Seven Ways the Healthcare Law is Failing Small Business

One year after the passage of the sweeping healthcare law, one thing is clear, this law has not addressed the No. 1 concern of small business owners—the **rising cost of healthcare**. Instead, it has added new compliance and paperwork burdens, making a flawed system worse, especially for our nation’s job creators. It’s no wonder small businesses aren’t celebrating. They are hoping this anniversary will be the last.

1. **Canceled Plans** – Many small businesses have had their plans canceled because of the Patient Protection and Affordable Care Act’s (PPACA) new and restrictive rules. In an already uncompetitive market, canceled plans mean that small businesses have even fewer choices than they had before the law was passed.
2. **Can’t Keep What They’ve Got** – Many small businesses can’t keep their current plans because the law has removed their ability to make changes and adjustments to their existing plans. Sixty percent of small businesses changed or made a small adjustment to their plans in the last year in order to cope with increasing costs. Unfortunately, the so-called “grandfathering” rules, which were allegedly designed to protect small businesses, are unworkable and complicated leaving small businesses with no choices. The simple truth is that very few plans will be grandfathered and small businesses will be exposed to more regulations and cost increases in the future.
3. **Cost Increases** – Since 1999, premiums have increased nearly 100 percent in the small group insurance market, so it’s obvious why (for more than two decades) small business owners’ primary concern has been the rise in healthcare costs. Unfortunately, since PPACA’s passage, more horror stories of double-digit premium increases and shrinking coverage options have come to light. A recent *New York Times* article highlighted the growing problem that smaller groups are seeing increases of 40 percent to 60 percent or more.
4. **Impending Taxes and Compliance** – The now infamous 1099 provision was a perfect example of the kind of tax nightmare that was awaiting small

businesses. The provision was successfully repealed thanks to grassroots and Coalition efforts. However, the healthcare law still contains over \$400 billion in increased taxes that will negatively affect small businesses.

5. **New, Restrictive Rules for Over-the-Counter (OTC) Purchases** – The healthcare law now prohibits individuals from using pre-tax dollars, like those from a Flexible Spending Account or a Health Savings Account, to purchase OTC items. Now individuals have to obtain a prescription to purchase these products, further taxing an already over-utilized system. Without explanation as to why this change was made, the law has taken away one of the few consumer-directed, cost-saving pieces that currently exists in the healthcare marketplace today.
6. **Healthcare Tax Credit** –The small business healthcare tax credit gets a lot of attention from PPACA proponents. However, the benefits of this temporary and narrow credit are overstated and misleading. Will this temporary credit help some of the smallest, lowest wage businesses get a small check for a few years? Sure. However, it isn't the saving grace it is being made out to be. Small business owners want to ask supporters of this bill if a narrow and temporary tax credit is the best they can hope for from this law. If that's the best there is, no wonder small business owners are concerned. The fact is neither this law, nor this credit will make healthcare more affordable for small businesses in the long-term.
7. **Questionable Exchanges** – Exchanges are supposed to create competition and increase choice in the marketplace for individuals and small business owners. But the new and highly restrictive regulatory rules that require basic benefit packages to be loaded with expensive mandates will further damage the marketplace for small businesses. The administration's track record on rule-making thus far does not instill confidence. Small businesses have made it clear that cost and choice are the main drivers for success in an exchange. If the rules set up by this administration work against these core values, then what is left for small businesses to hope for?