



by Philip Kirschner
President

Report TO MEMBERS

Healthcare Tax Will Not Solve NJ's Health Insurance Woes

As the cost of health insurance has soared into the stratosphere, rising to an average of almost \$8,000 per employee for New Jersey employers, there has been a predictable reaction.

State and national surveys provide stark evidence that growing numbers of employers are dropping health insurance as an employee benefit simply because they can't afford it. Out-of-control health insurance costs are compromising their ability to compete and create jobs.

In a nation where a large majority of workers enjoy health insurance coverage because their employers *voluntarily provide this benefit*, this is a disturbing trend, one that deserves the full attention of leaders in business and government.

Unfortunately, there are no simple solutions to what has become an enormously complex problem. (If the problem lent itself to simple solutions, it would have been solved long ago.) Even more unfortunately, some state lawmakers have proposed seemingly simple solutions—that would only make matters worse.

In New Jersey, four state Senators have introduced a bill, S-477, that would require businesses with 1,000 or more employees to spend \$3.30 per employee per hour (\$6,874 per year for a full-time employee working 40 hours per week) or pay the difference between this figure and actual spending as a tax to the state.

It doesn't matter if you've taken intelligent steps to lower your health insurance bill or that you provide your employees with a reasonable level of medical benefits. All that matters is that you pay the state-mandated minimum. If you don't, you pay the tax.

Employers who think this bill does not apply to them (because they have fewer than 1,000 employees) should beware. Some of

the bill's supporters have said they want to extend this mandate to all employers.

The thinking behind S-477 is backwards. If employers are dropping health insurance because it's too costly, does it make sense to pass a punitive law insisting that they pay more? This bill would merely cement New Jersey's reputation as a state that has a poor business climate.

New Jersey does not need a simplistic "solution" that fails to solve the fundamental flaws in New Jersey's costly healthcare system and will discourage employers from creating jobs in New Jersey at a time when job growth is already weak.

What New Jersey needs is comprehensive reform of its healthcare system. We need to build on the successes of the employer-based system so that we can expand coverage while improving the affordability and quality of coverage for all.

With this goal in mind, NJBIA has fashioned a comprehensive reform plan, which is contained in the Association's newly published *2006-2007 Healthcare Agenda*.

Among other things, the plan would expand choices for small employers (1-50 employees) by giving them more flexibility in plan design, create a more affordable basic plan for small employers, expand the use of money-saving electronic medical records, hold the line on state-imposed coverage mandates (which drive up costs even more), provide tax relief to small employers that do provide health insurance coverage, and provide healthcare consumers with more information on the quality and cost of doctors and hospitals.

This plan presents realistic solutions to a complex problem. It would keep what works well in the current system and mend the rest. We hope it will find a receptive ear among New Jersey lawmakers. ❧