

# Employer Mandate to Provide Health Insurance Coverage

## **ACTION NEEDED:**

As Congress considers comprehensive health reform, an employer mandate to provide health insurance coverage should be avoided. A legal mandate to force employers to provide health insurance to their employees, while well-intentioned, would actually hurt American workers and health insurance coverage by decreasing jobs and economic growth. It would also do little to reach the current uninsured population.

## **BACKGROUND:**

A mandate compelling employers to provide health insurance will actually do more to hurt American workers than it will to help them. Numerous studies have indicated that an employer mandate for health care expenditures will have a negative impact on wages, job creation and general economic growth.

The National Federation of Independent Businesses (NFIB) completed a study in February that found that such a mandate would cause the American economy to lose 1.6 million jobs within the first five years of implementation. Smaller businesses would be disproportionately affected and would account for approximately 66 percent of the lost jobs. The job loss would impact virtually all employment sectors and cause the real GDP to contract by \$200 billion.

An Employment Policies Institute study issued in February 2007 found that, although an employer mandate may successfully increase the number of newly insured individuals, it would do so at the cost of over 995,000 jobs. In addition, over 1.5 million employees would find themselves unwillingly shifted from full-time to part-time employment status. This would result in 1.2 million fewer hours worked per week and decrease aggregate annual wages by nearly \$71 billion.

In September 2007, researchers Richard Burkauer and Kosali Simon of Cornell University examined who would benefit from an employer mandate and found that it wouldn't be lower-wage workers. Looking at a pay-or-play mandate, they found that, among workers making \$15 per hour or less, the mandate would still leave 54% of uninsured workers without insurance. Similarly, 46% of those workers earning below the Federal Poverty Level would still be left uninsured.

No matter what form an employer mandate takes, it always has the potential to harm American businesses and employees. Legislation specifically targeting our nation's largest companies may change its scope to encompass smaller employers, impacting their ability to stay in business in the future. Measures that would force employers to spend certain dollar amounts or percentages of their payroll on health care costs merely provide a disincentive for responsible spending and health insurance rate containment.

Health insurance in this country has never been a right associated with employment; instead, it has been provided by many employers as a benefit. Legislation that would make health insurance coverage an employment right rather than an employee benefit would hinder business-to-business competition, thereby driving up prices and driving down the quality of services and products for all Americans.

The ability to offer, or to not offer, health insurance coverage and other employee benefits helps our nation's businesses attract the best workers, motivate and reward their existing employees and compete with one another.

We should not, as a matter of public policy, contribute to the economic downturn and erosion of job opportunities for Americans, nor should we encourage health insurance costs to go up even further by enacting an employer mandate.