



What Will Happen to Small Business if the New Health Care Law Is Repealed

July 2010

Conservatives' efforts to repeal the Patient Protection and Affordable Care Act would have dire consequences for small business owners and their employees. That's because small businesses are big beneficiaries of health care reforms that will help make health coverage more affordable, thus preserving wages, eliminating job lock, saving jobs, and increasing profits and competitiveness.

What small business employers and employees lose if the new law is repealed

Repeal would mean that small business owners will continue to drop health coverage for their employees in the face of escalating costs. The percentage of small businesses offering coverage has been steadily dropping, down from 68 percent in 2000 to 59 percent in 2007. If the Patient Protection and Affordable Care Act is repealed, that downward trend would continue.

This will leave many families with no protection when illness strikes. Nearly one-third of the uninsured—13 million people—are employees of firms with less than 100 workers.

Repeal would mean that small business employers who can afford to offer health insurance must do so at the expense of increased wages for employees and decreased profits, business investment, and new job creation. Currently 40 percent of small businesses report spending more than 10 percent of their payroll on health care costs.

Repeal would mean that small businesses will continue to pay on average 18 percent more for health insurance coverage than large firms because they must purchase coverage in a marketplace that provides little competition or choice among insurance plans. They would lose the ability to purchase health insurance through the reform law's "insurance exchange" that will allow them to choose among a variety of plans that provide better coverage at lower costs than those in the current small group market.

Repeal would mean that eligible small businesses will not receive the small business tax credit. This help is targeted to small firms with low average wages to encourage these businesses to offer or maintain coverage.

This benefit starts now, in 2010, with a tax credit of up to 35 percent of the employers' contribution to health insurance. Once the health insurance exchanges are running in 2014, eligible small businesses that purchase coverage through the state-based exchanges will be able to receive a tax credit of up to 50 percent of their contribution to health insurance for two consecutive years, provided this contribution is 50 percent of the premium cost.

But opponents of the new law want to take this important benefit away.

Repeal would mean that “job lock” will persist, affecting 1 in 16 small business employees. Job lock arises when people, especially those with pre-existing conditions, are fearful of changing jobs and losing their health insurance coverage.

The new law prohibits insurers from excluding individuals with pre-existing conditions from coverage, from refusing to cover specific health problems, or from charging these individuals more for insurance. These changes will enable individuals and families to purchase health coverage at an affordable rate, likely bringing the new rate of job lock close to zero.

Repeal would mean that the ability of small business owners and entrepreneurs to attract and keep quality staff will be affected and the ability of the small business sector to drive the economic recovery will be lost. Small businesses provide much new job growth, but they must compete with their larger counterparts for labor and the ability to do this is related to compensation and benefits.

Repeal's effects on small businesses by the numbers

The Small Business Majority commissioned a [study](#) by Professor Jonathan Gruber prior to the passage of the Patient Protection and Affordable Care Act that looked at how small business would benefit from health care reform. This study now serves to highlight what repeal would mean to small businesses and their employees in terms of dollars and jobs lost.

- Small businesses will pay **55 percent** more in health care costs for their workers over the next 10 years. They will miss out on **\$855 billion** in savings that come from cheaper health insurance coverage.
- **128,000** jobs that could have been saved will be lost over the next decade as health care costs continue to escalate.
- Small business employees will lose up to **\$309 billion** in wages over the next 10 years as a consequence of health insurance's increasing cost.
- Approximately **1.6 million** small business workers who are fearful of losing their health insurance coverage if they change jobs will be locked into their current employment—limiting their ability to build their careers and making it difficult for small businesses to employ the type of staff they need.
- Small businesses will lose **\$29.2 billion** in small business profits that could have been reinvested in the economy.

Conclusion

The conservative effort to repeal the new health care law will hit small businesses hard and severely affect their ability to be the “engines of the economy.” Firms with fewer than 500 employees accounted for 64 percent, or 14.5 million, of the 22.5 million net new jobs created between 1993 and the third quarter of 2008.

The Patient Protection and Affordable Care Act, combined with the jobs bill, will help reduce the current cost burdens on small firms and their workers. These proposed reforms will encourage entrepreneurial activity by increasing the incentives for talented Americans to launch or expand their own companies, and they will increase the pool of workers willing to work at small firms. And small businesses will benefit in particular from reductions in absenteeism and improvements in worker productivity resulting from better health outcomes due to expanded access to health insurance coverage.

It's critical to drive these reforms forward at a time when unemployment is high and the economy is still faltering. We can't afford to step back. This push for repeal highlights opponents' willingness to put politics ahead of supporting small business and ensuring the health of Americans who are small business employees.