

# SPECIAL Report



NATIONAL ROOFING CONTRACTORS ASSOCIATION

## HealthCare Reform: The President's Proposals The Prognosis

Dear Member:

On September 22, President Clinton unveiled his long-awaited proposals for reform of the health care system. His plan is rather complicated, and has been widely reported in the press. This report is not intended to revisit all of the plan's elements, but rather to focus on likely outcomes for small businesses, and to offer some observations about different compromise scenarios.

Key elements of the Clinton plan include:

1. Universal coverage. All Americans would be covered under the plan by 1997.
2. Mandatory employer contributions. All employers would be required to pay at least 80 percent of the average cost of the benefit package.
3. Creation of "health alliances." All companies with fewer than 5,000 employees would be required to join these buying pools.
4. Government limits on premiums. The government would cap average increases in insurance premiums.
5. Portability. A key provision of the plan is that an individual is covered for life, regardless of place of employment.
6. Employee participation. Generally, employees would pay 20 percent of premiums; if the employer chooses to pay more, the difference would be taxable to the employee.
7. Reductions in Medicare and Medicaid spending. The plan anticipates saving \$238 billion through the year 2000.
8. "Sin" taxes on tobacco, possibly alcohol.

The Administration has given strong signals that virtually all of the plan is subject to negotiation, and it is all but certain that a final plan will emerge that will differ significantly from the current proposals. Most likely candidates for change are:

- Mandatory employer coverage. Expect a longer phase-in time; perhaps some exemptions for existing plans.

- over -

- Medicare caps. AARP and other groups will mount a strong lobby.
- Government-set limits on premiums. We'll probably see targets rather than caps, and some state flexibility.
- Funding. Taxing alcohol and tobacco could lose some key Congressional votes; broad-based taxes will be widely opposed. Look for employers to pick up more of the tab ultimately; some are suggesting higher deductibles for individuals, to ensure better selection of care.

It is significant that almost all of the other plans put forward, including the Republican alternative, differ in approach rather than in fundamental philosophy. That is to say, there will be legislation; the only questions are what it will look like and when it will be passed.

The Administration has been very effective in offering incentives to a variety of interest groups in its proposal. For many small businesses, like most NRCA members, the incentive is the likelihood of cost reductions for firms that already have plans in place. The Clinton proposal includes caps based on company size and average wages per employee; the maximum, for a small business with average salaries over \$24,000 per year, would be 7.9 percent of payroll.

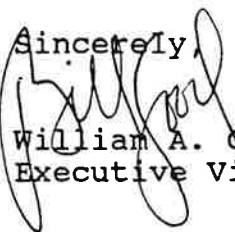
The political prognosis thus becomes difficult, and fascinating. Many small businesses welcome the notion of a level playing field; many larger businesses would see significant cost reductions in current plans; organized labor has already signed on as supporting the Clinton proposal.

We add only a couple of words of caution to the upcoming debate. First, be wary of plans that rely on government mandates. The only existing government agency that has monopoly purchasing powers is the Department of Defense, and they are not often held up as a model of efficiency.

Second, be wary of cost estimates. The government experts who brought you Medicaid in 1965 projected that it would cost \$7 billion in 1993 -- they were off by roughly a factor of nine. Without careful construction, any health care reform program could become prohibitively expensive.

As always, we welcome your comments during the ensuing debate, and more important, we encourage you to share your thoughts with your elected officials.

Sincerely,



William A. Good, CAE  
Executive Vice President