

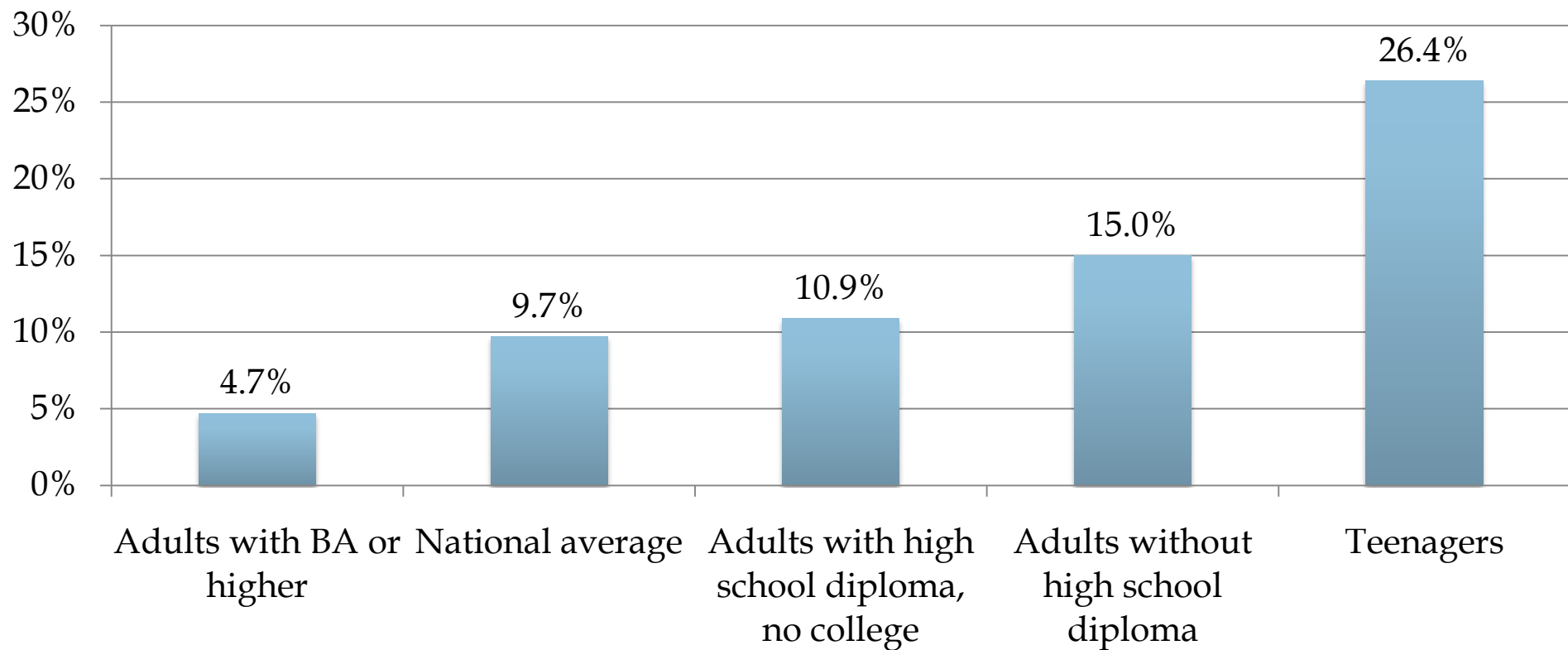


Health Care Reform: An Initial Checkup

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Highest unemployment rates among low-skilled workers

Unemployment Rates, May 2010



Source: Bureau of Labor Statistics



Effects on employers

- Workplaces preparing to implement the Patient Protection and Affordable Care Act.
- Harder for employers to hire low-skill workers in 2014.
- Low-wage and part-time jobs will be shed immediately.



Undermining opportunities for low-skill workers

- Most opportunities for low-skill workers:
 - leisure and hospitality
 - retail trade
- In 2009, 50% of restaurant employees and 36% of retail employees worked part-time.
- Higher percentage of women, 58% in the restaurant industry and 44% in the retail industry, work part-time.



Employers with more than 50 workers

- Must offer health insurance or pay an annual penalty.
- Penalty differs depending on hours worked.
 - Full-time employees: \$2,000 per worker.
 - Part-timers: \$2,000 for each "full-time equivalent worker," a block of 30 weekly hours of part-time work by the same or different employees.
- The penalty will amount to 15% of average wages in the food and beverage industry and 9% of wages in the retail trade.



Additional Penalty

- Health insurance premiums must not exceed 9.5% of employees' household income, or employers face a \$3,000 penalty.
- Mercer study: as many as 38% of employers may risk violating the unaffordable coverage provision.



Employers with 50 or fewer workers

- Small enterprises will be the big winners.
- These firms won't have to provide health insurance.
- Small firms will have a cost advantage.



Effects on Franchisees

- Harder for large enterprises to compete with small ones.
- Franchisees may consider spinning some off to avoid incurring higher cost structures than smaller rivals.



Effects on Workers

- Low-wage jobs will be the most severely-affected.
- Firms will have an incentive to become more automated, or machinery-intensive.
- Fast food restaurants could ship in more food and have it reheated.
- Department stores could have fewer sales clerks and more price-scanning stations.
- 24-hour restaurants and drugstores will be disadvantaged.

Table 1: Premium Tax Credits

Household Income as Percent of Federal Poverty Line	Premium Payment as Percentage of Income
Up to 133%	2%
133% - 150%	3% to 4%
150% - 200%	4% to 6.3%
200% - 250%	6.3% to 8.05%
250% - 300%	8.05% to 9.5%
300% - 400%	9.5%

Source: Health Care and Education Reconciliation Act of 2010, section 1001(a).

Table 2: Department of Health and Human Services 2009 Poverty Guidelines

Persons in Family or Household	48 Contiguous States and D.C.
1	10,830
2	14,570
3	18,310
4	22,050
5	25,790
6	29,530
7	33,270
8	37,010
Greater than 8 persons	Add \$3,740 for each additional person

Source: U.S. Department of Health and Human Services, 2009 Poverty Guidelines, released February 28, 2009.



Implications on Marriage

- Marriage means health insurance costs more
 - Less government help with health insurance premiums.
 - Discourages marriage
- Provides incentive to the lower-earning spouse, generally the woman, to leave the labor force.