

## SENATOR JEFF BINGAMAN

### THE IMPACT OF HEALTH REFORM ON SMALL BUSINESSES IN NEW MEXICO

*National health reform includes key changes that will reduce ever-increasing health insurance costs burdening small businesses. This will not only help more New Mexicans get insurance but it will also improve the competitiveness of our small businesses, creating more jobs and renewing economic growth in our state.*

#### No Mandate

- Health insurance reform **does not** mandate that small businesses (firms that employ less than 50 full time equivalents or “FTEs”) provide health insurance coverage for their employees. Small businesses will not be fined or otherwise penalized if they do not offer health insurance coverage.
- However, for those small businesses that do elect to provide coverage, **tax credits** and a new **insurance exchange** will be available to make plans more affordable and easier to arrange and manage.

#### Making Covering Employees More Affordable

- Small businesses are the backbone of our economy. They make up almost 74% of all New Mexico businesses, yet just 36% are able to offer health insurance plans.<sup>1</sup> Health insurance reform delivers key tools that will make it easier and cheaper for small businesses to cover their employees.
- Under reform, up to **25,709** small businesses in the state, employing over **100,000** New Mexicans, will be eligible for **tax credits** to subsidize health insurance costs.<sup>2</sup>
- Reform will come in two phases. Phase 1 takes effect immediately and may offer tax credits up to **35%** of the employer’s share of health insurance premiums. Phase 2, which starts in 2014, will offer tax credits that may cover up to **50%** of the employer’s share of health insurance premiums.

#### Making Buying Insurance Plans Easier

- Small businesses can choose to **continue** any insurance coverage that they already have.
- When selecting new contracts, however, **reform will make purchasing health plans easier** by creating in each state a Small Business Health Options Program (SHOP) Exchange.
- In this marketplace, businesses with up to 100 employees **can obtain easy-to-understand information, compare, and then select plans** from among a variety of competitive and affordable options that meet key standards. Businesses (particularly those without HR departments) can thus make easier and informed decisions about health care plans which best suit their needs.

#### Creating Jobs by Reversing Rapid Increases in Healthcare Costs

- Without the new law, New Mexico would have had some of the nation’s **greatest increases** in health insurance premium costs. These costs have proved crippling to businesses, forcing many to cease or reduce health insurance coverage.<sup>3</sup>
- By reducing employer-borne health care costs, reform will create **1,300-2,000** jobs in New Mexico.<sup>4</sup>

<sup>1</sup> Center for Financing, Access and Cost Trends, Agency for Healthcare Research and Quality, “Percent of Number of Private-Sector Establishments by Firm Size and State: United States, 2008,” [[http://www.meps.ahrq.gov/mepsweb/data\\_stats/summ\\_tables/insr/state/series\\_2/2008/tjia1a.htm](http://www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2008/tjia1a.htm)] and “Percent of Private-Sector Establishments That Offer Health Insurance by Firm Size and State [[http://www.meps.ahrq.gov/mepsweb/data\\_stats/summ\\_tables/insr/state/series\\_2/2008/tjia2.htm](http://www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2008/tjia2.htm)].

<sup>2</sup> Internal Revenue Service, “IRS Reaches Out to Millions of Employers on Benefits of New Health Care Tax Credit: State by State Information,” available at [[http://www.irs.gov/pub/newsroom/count\\_per\\_state\\_for\\_special\\_post\\_card\\_notice.pdf](http://www.irs.gov/pub/newsroom/count_per_state_for_special_post_card_notice.pdf)].

<sup>3</sup> Elizabeth Carpenter and Sarah Axeen, “The Cost of Doing Nothing, Why the Cost of Failing to Fix Our Health System is Greater than the Cost of Reform,” New American Foundation (November 2008).

<sup>4</sup> U.S. Public Interest Research Group, “As Passage of Health Bill Nears, Research Shows New Jobs in Every State,” (January 20, 2010),

[<http://www.uspirg.org/newsroom/health-care/health-care-news/washington-d.c.-as-passage-of-health-bill-nears-research-shows-new-jobs-in-every-state>].