Crisis To Cure

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Obamacare's Negative Impact on Business Case Study 1

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Introduction

Obamacare is, first and foremost, an affront to liberty-loving Americans who cherish their Constitutional right to determine their own healthcare.[1] Obamacare puts liberty on the back burner in pursuit of a one-size-fits-all healthcare system to lower healthcare costs and, in the end, to boost job-creation. However, as this first of three case studies will show, Obamacare will actually increase costs on employers which, in the long run, will mean fewer jobs. As such, Obamacare's much-touted health and economic benefits are simply not worth crushing American liberties and should be repealed.

Company Profile

The Maine company utilized for this illustration is a concrete company largely serving commercial construction contracts. The company employs approximately 60 full-time year-round employees consisting of 10 employees working in the office or company headquarters and 50 working on job sites.

Table 1
Company Employment Profile

	Number of Employees
Full time:	60
Part time:	0
Seasonal:	25
Total:	85
Average hours worked per week: 40-60	
Source: The Maine Heritage Policy Center	

In the summer during the construction season, the company adds on average another 25 field positions, which increases the workforce on job sites to 75. However, given the transient nature of the construction workforce, the company may actually hire up to 50 people in the summer—adding another 25 employees for the summer construction season. Approximately half of the employees hired for the summer will leave the company within 30 to 90 days (25 employees), while the remainder will stay on for six to eight months (25 employees).

Pre-Obamacare Eligibility: New employees become eligible for the company health insurance plan if they work, on average, at least 40 hours per week and have satisfied a six-month waiting period.

Total Eligible for Health Plan Pre-Obamacare:

- There are 60 full-time year-round employees, but 25 of them waive the employer health insurance because they have coverage elsewhere or simply choose not to participate.
- There are 10 seasonal employees who work long enough to satisfy the six-month waiting period and qualify for health insurance coverage for an average of one month.

Table 2 translates the number of employees enrolled in health insurance into the total number of months they are enrolled during the year, based on the numbers outlined above. Therefore, 35 employees enrolled for the entire year represents 420 (35 times 12) coverage months, while 10 employees enrolled for an average of one month of the year equals 10 (10 times 1) coverage months—for a total of 430 months. This 430 months of health insurance coverage will be used to analyze the cost impact for the employer when the waiting period for health benefits is reduced to comply with Obamacare.

Post-Obamacare Eligibility: New employees are considered eligible for the company health insurance plan if they work, on average, at least 30 hours per week and have satisfied a two-month waiting period. Obamacare also redefines a full-time employee as working, on average, 30 hours per week. Waiting periods cannot exceed 90 days from the hire date under Obamacare; therefore, the company waiting period must change to the first of the month following 60 days from the hire date—significantly reducing the waiting period in the real world.

Table 2
Number of Months of Employee Health Insurance Coverage Pre-Obamacare

	Employees	Coverage Months
Eligible for 12 months	60	--
Participating for 12 months	35	420
Eligible for less than 12 months	10	10
Total	--	430

Source: The Maine Heritage Policy Center

The Obamacare employer mandate applies to all companies with 50 or more full-time employees, which qualifies this employer for all 12 months of the year.

Total Eligible for Health Plan Post-Obamacare:

- There are 60 full-time year-round employees, but 25 waive the employer health plan because they have health insurance coverage elsewhere or simply choose not to participate.
- There are 30 seasonal employees who work long enough to satisfy the 90-day waiting period and qualify for health insurance coverage for an average of four months.

Table 3 shows 35 employees enrolled for the entire year represents 420 (35 times 12) coverage months, but now includes 30 employees enrolled for an average of four months of the year equals 120 (30 times 4) coverage months—for a much higher total of 540 months versus pre-Obamacare.

Health Plan Annual Cost

This employer offers a Health Savings Account (HSA) compatible health plan. The employer contributes to the cost of the health plan premium. In addition, the employer deposits money into individual Health Savings Accounts on behalf of employees and funds a portion of the plan out-of-pocket costs via a Health Reimbursement Arrangement (HRA).

Table 3
Number of Months of Employee Health Insurance Coverage Post-Obamacare

	Employees	Coverage Months
Eligible for 12 months	60	--
Participating for 12 months	35	420
Eligible for less than 12 months	30	120
Total	--	540

Source: The Maine Heritage Policy Center

To analyze the cost impact of Obamacare, the percentage participation in each coverage level was calculated, as was the employer monthly cost for the health plan, HSA and HRA. An HRA is a promise by the employer to pay a portion of health care out-of-pocket costs. Since expenses incurred will differ among employees year to year, the HRA represents a variable cost. Therefore, the analysis utilizes the industry average HRA utilization of 30% and a monthly administrative cost of $5 per employee per month.

The annual HRA benefit equals $1,500 for employees covered as singles on the health plan and $3,000 for employees covering dependents on the health plan.

Table 4 below shows the four health plan coverage levels followed by the percentage of employees enrolled in each coverage level. The third column shows the total monthly cost of the health insurance plan; and the fourth column illustrates the employer monthly contribution toward the health plan premium. The next two columns show the employer monthly contribution to employee Health Savings Accounts and the monthly cost of the HRA. The employee monthly total column is the sum of the employer premium contribution, HSA contribution and HRA expense. This represents the total monthly cost per employee.

Table 2 above identifies a total of 430 coverage months. This is multiplied by the percent of employees enrolled at each coverage level to arrive at the number of employee coverage months in the second to last column. The final column illustrates the annual employer cost for each level of coverage and totals the employer annual cost below. (Example: 283.8 employee only coverage months times $204 monthly employer cost = $57,753)

Table 4

Group Health Insurance Costs Pre- and Post-Obamacare

Pre-Obamacare

	Percent of employees enrolled	Monthly Health Plan Premium	Employer Premium Contribution	Employer Monthly HSA Contribution	Monthly HRA ($1500 / $3000 @ 30% + 5)	Employer Monthly Total	Number of employee months enrolled	Employer Annual Cost
Employee Only	66%	$199	$111	$50	$43	$204	283.8	$57,753
Employee + Spouse	6%	$429	$169	$100	$80	$349	25.8	$9,004
Employee + Child	16%	$379	$139	$100	$80	$319	68.8	$21,947
Family	13%	$618	$198	$100	$80	$378	53.75	$20,318
Employer Annual Total								**$109,022**

Post-Obamacare

	Percent of employees enrolled	Monthly Health Plan Premium	Employer Premium Contribution	Employer Monthly HSA Contribution	Monthly HRA ($1500 / $3000 @ 30%+5)	Employer Monthly Total	Number of employee months enrolled	Employer Annual Cost
Employee Only	66%	$199	$111	$50	$43	$204	356.4	$72,527
Employee + Spouse	6%	$429	$169	$100	$80	$349	32.4	$11,308
Employee + Child	16%	$379	$139	$100	$80	$319	86.4	$27,562
Family	13%	$618	$198	$100	$80	$378	70.2	$26,536
Employer Annual Total								**$137,932**
Annual Increase from Pre-Obamacare								**$28,910**
Percent Increase from Pre-Obamacare								**27%**

Source: The Maine Heritage Policy Center

Higher Employer Costs from Obamacare

This case study primarily analyzes the impact of the Obamacare provision that requires employers to offer coverage to new employees no later than 90 days from the hire date. This provision has a particularly acute impact on companies that currently impose a longer waiting period, which is common in the construction industry where employee turnover is high.

In the case of this particular company, based on the assumption that the health care plan benefits and cost remain constant, the annual cost increase because of Obamacare is almost $30,000. This represents a 27% increase in the cost of providing health insurance benefits. It is interesting to note that if this employer chose to drop health coverage all together, the tax would fall somewhere between $60,000 and $110,000, which is significantly lower than their post-Obamacare health insurance cost of $137,932. By this accounting, some employers would find themselves faced with the need to drop health insurance altogether to keep from facing higher costs.

This analysis also does not account for the administrative costs associated with managing Obamacare eligibility rules, which in this case would be quite significant.

Conclusion

It is unfortunate that America's policymakers did not thoroughly vet Obamacare before enacting it to verify that its grandiose economic claims of lower health insurance costs and increased jobs were based in reality. Instead, Americans are now saddled with Obamacare and its unintended consequences. This case study of a real company finds that Obamacare will actually mean higher health insurance costs to employers and, in the long run, fewer jobs. Liberty-loving Americans who value control of their own healthcare must demand that policymakers repeal Obamacare as soon as possible.

Methodology

This study makes a number of conservative assumptions:

First, the analysis assumes that the current health plan will meet minimum essential benefit and actuarial value standards as established by Obamacare and that employer contributions are adequate to meet minimum contribution requirements. If either of these assumptions is false, the cost of the health plan could increase prior to considering the cost impact of covering a larger percentage of the workforce.

Second, the analysis also does not account for the fact that some of the employees currently eligible for, but who waive coverage, may join the company health plan to avoid penalties associated with the individual mandate, further adding to the employers cost.

Finally, the analysis also assumes that the employer in this case is not using the safe harbor provisions for calculating variable hour employees, which could potentially delay eligibility for their seasonal workforce.

Notes and Sources

[1] Obamacare is officially known as the "Affordable Care Act" which was signed into law by President Obama on March 23, 2010. Read the full 2,400+ page text here: http://www.healthcare.gov/law/full/

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