



## FACT SHEET: Economic Impacts of SB 2 (Burton)

September 12, 2003

SB 2 (Burton) would extend coverage to over one million California workers and around two hundred thousand of their family members. Rather than creating new bureaucracies, SB 2 would build on the existing health care system and existing programs. More than half of all Californians—more than 18 million—already get health care through an employer.

Not only would SB 2 directly help over a million Californians be healthier and more economically secure, but it would provide benefits for all California, including the state budget, the health system we all depend on, and the economy as a whole.

### **SB 2 Impact on Employers**

This bill would require a fee on employers that have 50 or more employees. Those that provide basic health coverage to their workers would have the fee waived. Those that pay the fee would receive the benefit of having their workers covered through a state purchasing pool.

#### ***Only small percentage of employers would be directly impacted by the fee.***

- 95% of employers have fewer than 50 employees and thus are exempted. (Employment Development Department)
- The vast majority of even small employers provide health coverage. Well over 90% of California employers with more than 50 employees already provide health coverage to their workers, and thus would get a full credit against the fee. (Kaiser Family Foundation)
- Overall, over 98% of employers could have the fee waived or credited, and thus would not be directly impacted.
- *Only large and medium employers that don't provide coverage to their workers—less than 2% of employers—would be directly impacted by the new requirements.*

#### ***The fee is modest, and comes with the substantial benefit of an insured workforce.***

- The projected cost to this 2% of employers would be approximately \$1200-\$1300 per covered life, after employee contribution and tax business deductions. This does not reflect additional productivity and other economic gains that employers would enjoy by having an insured workforce.
- For this group of larger employers that don't provide health care to their workers, this would be only a 1-3% increase in the cost of labor, and a less than a 1% increase in their overall costs. (California Establishment Survey)
- *This 2% of employers would get the tools to meet the requirement, and the direct benefit of an insured, healthier, more economically secure, less transient, and more productive workforce.*

#### ***The 98% of employers not directly impacted would get economic benefits.***

- Large and medium employers which now provide health benefits would no longer be at a competitive disadvantage to those that don't provide health benefits.
- All business would enjoy a more insured and thus more economically secure customer base. The uninsured often carry significant medical debt, making it harder to pay other bills; half of all personal bankruptcies are due to medical problems and medical bills.
- Large and medium employers would have a tool to help control health care costs, with the option of paying the fee into the state purchasing pool to buy health care.

Surveys of employers indicate that they overwhelmingly want to provide health care to their workers, but they face three barriers: cost, the administration of managing a health benefit, and the fear of agreeing to an ongoing cost that competitors may not be bearing. SB 2 gives employers the tools to overcome these barriers.

- **Cost:** Employers could pay the fee into a state purchasing pool, which would use the bargaining power to negotiate with insurers for better rates on health insurance that they might be able to get on the open market. This “volume discount” may have effect on lowering the price of health care overall as well.
- **Administration:** Employers that don’t provide health care to their workers would pay a fee, and workers would get health benefits administered by the Managed Risk Medical Insurance Board (MRMIB), which now runs the Healthy Families program, which would handle negotiating with insurers and other aspects of managing the benefit.
- **Competition:** Employers would also be secure that their competitors would also have to provide coverage to their workers. Like the minimum wage, it would set a standard that prevents employers that do the right thing from being undercut by competitors that don’t.

### SB 2 Impact on Jobs

- More people insured and increased federal matching funds will translate in *job increases in the health care sector*, already an economic engine in California.
- The impact of SB 2 would be similar to an increase in the minimum wage, a broad-based requirement on all businesses, but that would only affect a small portion of actual businesses and jobs, on the low end of wages and benefits. *SB 2 would essentially set a “minimum wage” for health benefits.*
- *Studies indicate that increases in the minimum wage have not resulted in significant job losses.* As a broad-based requirement, businesses absorbed the cost. In fact, the increased spending of these low-income workers may have had a positive economic effect. (Card, 1991; Brown, 1999; Card and Krueger, 1995; Kim and Taylor, 1995)
- *Hawaii’s experience with the 1974 Pre-Paid Health Care Act shows little evidence of job loss.* (Thurston, Norman. “Labor Market Effects of Hawaii’s Mandatory Employer-Provided Health Insurance,” October 1997, Industrial and Labor Relations Review.)
- *When asked directly, employers themselves say they would not reduce jobs.* The California Establishment Survey in 2003 asked businesses and nonprofits of five or more employees how they would respond to a hypothetical five percent increase in operating costs that affected all employees in the state.
  - Given a range of choices, the two most popular responses were to improve efficiency and to increase prices, totaling 59% of all establishments, and 69% of those that don’t provide health insurance to most of their employees.
  - Only 2% said they would relocate outside of California. The jobs that are most likely to relocate, such as in manufacturing, are those that are most likely to already provide health insurance, and thus be unaffected by the bill. Jobs that would be affected most are those least likely to be relocated, such as in retail.
  - Only 10% of those that don’t provide health care to most of their workers chose other options that would reduce employment—and this is based on increase in costs greater than those projected for SB 2, and one that did not provide the compensating benefits of SB 2.

As the statewide health care consumer advocacy coalition, Health Access California supports SB 2. For more information, visit the web site at [www.health-access.org](http://www.health-access.org), or contact Anthony Wright, Executive Director, 916-442-2308, [awright@health-access.org](mailto:awright@health-access.org), or Beth Capell, [bcapell@jps.net](mailto:bcapell@jps.net).