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Costs almost 'brought down' business

But some proposed reforms could mean a whole new set of woes for employers

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Chris Sturm of Erlanger faced a difficult choice: cut half a dozen employees from his Northern Kentucky software company, or stop offering health insurance, which was costing his company \$75,000 a year.

Sturm, president of Capital Software Inc., had watched his health care costs increase 25 percent a year for several years in a row. But he couldn't switch carriers, because his business partner's family faced difficult medical treatments and wouldn't be able to get coverage because of pre-existing conditions.

So he made the difficult decision two years ago to cut several jobs, move several more to contractor status and take his own family off the company's plan.

"Health care almost brought us down," Sturm said.

As the debate over health care reform rages on, business owners such as Chris Sturm are one focus of the discussion. Fewer than half of companies with fewer than 50 employees offer benefits, and most of those cite health care costs as their biggest financial burden.

In private-company plans, employee premiums more than doubled in the last decade - and could double again by 2018 to an average of \$23,842 per family, according to a report from New York-based health care think-tank Commonwealth Fund. The plan advanced by President Barack Obama and congressional Democrats would require all but the smallest companies to offer benefits, but would provide tax credits and the opportunity to buy into a government-run exchange. That threshold was increased in negotiations this summer to companies with a payroll of more than \$500,000, but it could change again.

Those employers who don't offer benefits would pay a fee - as much as 8 percent of average salary in some versions of the bill.

That would help generate money to help cover nearly 50 million Americans who don't have health insurance now.

"This is going to be a dramatic improvement for small business," said Austan Goolsbee, a member of the White House Council of Economic Advisors. "They pay substantially higher premiums. A lot of them can't get coverage. They'll have the exchange, where they'll be able to go get competitive pricing."

Critics counter that the Democratic plan would force small employers to cut employees or cut benefits, and that a government-run public plan, part of the Democratic proposal, would provide an easy landing place.

"It creates an incentive for companies to dump their employees into the public plan," said Mike Tanner, senior fellow at the pro-free market Cato Institute. "The vast majority of people will be in the public plan."

Sturm has seen all of the plans. He says he's "pro-reform" but is concerned that the proposed Democratic plan puts the burden of paying for insurance changes onto smaller companies that can't afford it.

"I think any small business would agree that something has to be done," Sturm said. "But it's not a race. The overhaul is scary. What scares me is there needs to be a balance of common sense.

"(The proposal) is not about reform. It's about paying the bill," he added. "And under this bill, it's companies like mine that would be paying the bill."

Sturm's company is doing better now, but with only six employees, compared to about 12 at its peak in 2007. He said that if he were required to offer a full health care plan to all employees, his annual costs would quadruple to about \$125,000, nearly one-third of his total business expenses for the year.

"You can't survive like that or you're going to be laying people off," he said. "We're not saying 'No,' we're just saying 'Take it slow.' "
