



HOUSE BILL 443 – HEALTH INSURANCE PREMIUM TAX CREDIT

PROPONENT TESTIMONY

OHIO HOUSE WAYS & MEANS COMMITTEE

NOVEMBER 16, 2021

Chairman Merrin, Vice-Chair Riedel, Ranking-Member Sobbecki, and members of the Ohio House Ways & Means Committee, thank you for the opportunity to provide proponent testimony on House Bill 443, legislation that provides a tax credit for employer group health insurance premiums. My name is Chris Ferruso and I serve as Legislative Director for NFIB in Ohio. I want to commend Representative Koehler for introducing this bill and starting the dialogue on the recognition of the costs associated with employer-provided health insurance.

By way of background, NFIB members come from all industry sectors in all 88 counties across Ohio. Our typical member employs 15 or fewer and has less than \$2 million in gross receipts. The diversity of our membership runs the spectrum of business operations from sole-proprietors operating out of their homes to large manufacturers that employ hundreds.

Before I describe the genesis of House Bill 443, I want to explain to the committee why health insurance is such an important policy area for our members. The NFIB Research Foundation conducts a quadrennial survey of our members called *Problems & Priorities*. This survey asks our members to score a list of 75 different business issues, ranking from most impactful to least impactful to their operations. The closer to number 1, the bigger the impediment or impact. Since 1986, the “cost of health insurance” has been the top concern amongst our members. In fact, 47.4 percent of our members indicate it is a “critical” concern.¹

Since 2011, the cost of coverage for family plans for small firms has increased by 45 percent.² This increase has doubled the rate of inflation according to the Bureau of Labor Statistics CPI inflation calculator. When you couple this with the number of small firms (3-49 workers) that offer healthcare coverage (53%) vs. those with 50 or more employees (94%)³ this validates our survey.

¹ <https://assets.nfib.com/nfibcom/NFIB-Problems-and-Priorities-2020.pdf>

² <https://www.kff.org/report-section/ehbs-2020-section-1-cost-of-health-insurance/>

³ <https://www.kff.org/report-section/ehbs-2020-section-2-health-benefits-offer-rates/>

As all of you know, we are experiencing a very tight labor market. Forty-nine percent of our members tell us they are unable to fill open positions. Our members continue to respond to this issue, including 44 percent who have indicated raising compensation this year, a 48-year record high!⁴ In addition to compensation, our members do their best to put together a competitive benefits package, including health insurance. However, it is a challenge. It is even more challenging when policymakers enact mandated benefits that put upward pressure on health insurance premiums.

The large majority of NFIB members that are able to provide health insurance purchase their plans in the fully-insured market as they are not able to assume the risk associated with self-insuring. These fully-insured plans are provided by the carriers authorized by the Ohio Department of Insurance to write policies in Ohio. Think of these products as off-the-shelf, containing all the federal, including the essential health benefits under the Affordable Care Act on small group (2-50 lives) plans, and state-imposed health insurance mandates.

There is a significant distinction between the fully-insured plans and the self-insured plans. While all plans must cover the federal mandates, state health insurance mandates do not apply to self-insured plans because of federal ERISA law. That is why when a state-imposed mandate bill is introduced, most include language to not withstand Ohio Revised Code (ORC) 3901.71. This section of code requires the Superintendent of the Ohio Department of Insurance to verify that a proposed state health insurance mandate applies to all plans, including self-insured. It was put in place in the 1990s to stop the addition of additional coverage for only the smaller companies and individual plans.

NFIB has historically opposed nearly every health insurance mandate. We recognize, understand, and appreciate the position of proponents of these mandates. Our opposition centers on equity and cost. The reality is there will be significant gaps in private-sector coverage as two-thirds of private-sector plans are self-insured,⁵ thus exempt. This leaves our members to bear nearly all the private sector costs associated with each mandate. House Bill 443 recognizes this distinction and aims to provide some relief to companies that purchase fully-insured plans.

Since the enactment of ORC 3901.71, the state of Ohio has added health insurance mandates. Most recently an autism mandate in the 131st General Assembly during lame duck in 2016. This mandate was added to a bill that began as a revision to Ohio's foreclosure laws. While the bill did add this mandate, it also contained three important provisions: first a moratorium on any new health insurance mandates (and thank you to the General Assembly for upholding that commitment), second an actuarial study to be conducted by the Ohio Department of Insurance on the cost associated with health insurance mandates, and finally the General Assembly's intent to develop potential tax credits that offset additional employer costs associated with mandates.

House Bill 443 aims to uphold the intent of that last provision. The 1.3% premium tax credit allowed by House Bill 443 is based upon the upper bound percent premium on small group plans from the actuarial study attributed to existing state-imposed mandates in statute. A topic of conversation for another day, we believe the actuarial study had some limitations and the actual percent of premium attributable to mandates may be greater than determined by the study. Nevertheless, we believe it is good public policy to allow our members who are subjected to coverages greater than their larger brethren to

⁴ <https://www.nfib.com/surveys/small-business-economic-trends/>

⁵ <https://www.kff.org/report-section/ehbs-2020-section-10-plan-funding/>

recognize some financial relief in the form of a tax credit. Please note that our support for House Bill 443 does not negate our general opposition to health insurance mandates. NFIB continues to believe that health insurance mandates are not good public policy for the aforementioned reasons.

As Representative Koehler noted in his sponsor testimony, there are some key checks put in place including: ensuring any tax credit is for Ohio-based employees, excluding self-insured companies who are not subjected to state mandates from the credit, and finally disallowing an entity to register for CAT at the minimum level and being able to take the credit.

House Bill 443 is simple. It allows businesses subjected to state-imposed health insurance mandates financial relief by offsetting some costs attributable to those mandates. It recognizes the unlevel playing field faced by our members, as larger, self-insured entities do not incur such costs. Finally, it helps encourage small businesses to continue to provide or start to provide health insurance for their employees.

NFIB supports the passage of House Bill 443. Thank you Mr. Chairman and members of the committee, I would be happy to try and address any questions.