

The Health Care Blog



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Will the NFIB please go away.....

By MATTHEW HOLT

Let's be honest--I absolutely abhor the so-called National Federation of Independent Business (NFIB). It's not a representative business group. In 2004 95% of their members said they voted for Bush, compared to 53% of all small business owners. (Remember that election was 50-50) Nonetheless, the first line of the recent NY Times article on NFIB joining the Republican Attorneys-General lawsuit on the individual mandate is that they're trying to depoliticize the "largely Republican assault" on the new health care law. Ha, bloody ha.

*But I'm not grumpy that the NFIB is joining this pointless lawsuit. I'm grumpy that they're so blatantly going against the interest of small businesses. And yes I run one! So to remind you how stupid the NFIB is (in global not political terms) I've reprinted an article I wrote on **Spot-on** back in 2006--and sadly nothing has changed. (The great thing about being a relatively veteran blogger is that I can really recycle material!)*

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Small Business Shock-troops That Can't Do Basic Math

Long ago, back in 1994 when Democrats walked freely in Washington, an outfit called the National Federation of Independent Business (NFIB) took a large role in overturning the Clinton health care plan and, consequently, a supporting role in the Republican Congressional victory later that year. And in health care policy, as they say in the movies: They're baaaaaack.

Now, The NFIB is a narrow-(minded) interest group like any other; typical of any Washington trade association. But in health care it's policy involves cutting off its nose to spite its own face and doing so with a rather dull knife.

You may know the NFIB from the write-up it got in *New York Times* last week explaining what a crack set of political storm-troopers it was made up of. It's not only health care; these guys are mad as hell about inheritance taxes. The article shows how politics like this works—provided of course you can fool enough of the electorate (or rig the voting and legislative districts sufficiently) to get your lapdogs into power.

Passion was strong over the estate, or inheritance, tax, which the federation calls the "death tax." It was repealed temporarily but will be coming up for a vote in Congress, perhaps in May, to decide whether that repeal will become permanent.

The NFIB has led the battle to maintain the end of the estate tax--they call it the "death tax" even though 100% of Americans die and only 3% of American pay estate taxes. In addition the Democrats tried everything when they opposed it going away. They conceded that the original \$650,000 limit need to be updated and they even offered to exempt family farmers; No dice. The Republicans kept on and on about family farmers having to sell out, when they couldn't even produce one family farm that had to be sold because of estate taxes. The limit is now \$2m and in 2010 it goes away altogether. Until 2011, when it all comes back unless the tax cuts get extended.

I, for one, am delighted that my kids will have to pay more tax so that the Wal-Mart grandkids can have even more money than the unspendable amounts they already have.

Perhaps they'll have more room-mates to pay to do their college work. And yes, the kids of most NFIB members will pay more too, despite the fact that they were part of an alliance of front-groups funded by some of the richest families in America (including the Walton kids) to persuade Congress to abolish the tax.

But even if only some NFIB members would have to pay the estate tax, (or rather their kids would) at least it's something that pure unmitigated greed makes them (and I guess all of us) *hope* they'd have to pay; and therefore want to see abolished. So it sort of makes sense that they'd get so upset about it. Their health care policies, on the other hand, show that they're just more conservatives who can't do basic math.

According to these charts on their web site, something around 50% of NFIB members have fewer than 5 employees and 50% have gross receipts below \$350,000. So it's fair to suppose that the typical NFIB-type business looks a more lot like the San Francisco restaurant that was featured a while back with some \$60,000 in revenue per head, than Intel, where each employee brings in over \$300,000.

About half small business offer no health insurance. Most of the uninsured work for a small business or a big business that pretends it's not one (like the big fast food



chains). There are only three real options for the future coverage of the uninsured. Leave them alone, and deal with the consequences of uninsurance. Or force employers to offer insurance. Or have the government provide it (as it does for seniors, its employees, Veterans, the very poor, members of Congress, etc). What does the NFIB then say?

NFIB knows that no one solution will help the 45 million uninsured Americans cover health-care costs, but a multi-faceted approach will allow millions more to find health care at costs they can afford.

OK. They're lying about the "no one solution" as we all know that several different universal insurance proposals (and foreign countries) do exactly that. So what does NFIB want?

First, tax breaks for health savings accounts (HSA) - those set-asides that let you save on taxes if you put money in a "health IRA". They, not by coincidence, make it cheaper for those with the means buy medical care while making it more politically palatable for employers to "offer" high-deductible health plans to their employees. Second, NFIB supports insurers in their quest to offer Association Health Plans (AHP—they keep changing the name, but I'm sticking with the AHP acronym for now) which aren't subject to state regulations and oversight, as are current insurance plans. (Most large employers' plans are Federally-regulated and also have great lee-way in what they exclude, although most large employers don't push the envelope much on that). In contrast most AHPs will likely offer stripped-down benefits and underwrite their prospective beneficiaries so that sick people (or employers with disproportionately sick employees) can't access the plans. That means that these plans could be relatively cheap and as a result of having no sick people, very profitable for insurers. It's not a coincidence that these very sort of plans tend to attract fraudulent insurers since state regulators have trouble reaching beyond their borders, and no one's really in charge of them at the Federal level.

But here's another problem that NFIB is overlooking; one that speaks to the heart of what the organization might represent if it weren't just a cover for trust fund babies interested in lower tax rates. It quashes the very entrepreneurial spirit that Republicans - even conservatives - say they support. Why?

The prime reason that people stay either in their jobs or in their state is because they can't take the risk of being re-underwritten in the individual insurance market. That means they are less likely to be starting or working for a small businesses. Meanwhile, the insurance system that does exist—and the existence of the uninsured—has caused the cost of US health care to be the most expensive in the world. And that expense is even higher for small employers who have to pay for the costs of the broker distribution network that sells said insurance. AHPs won't change that underlying cost structure, and won't do much to change the fact that most low income jobs at small businesses don't offer insurance.

There's a solution, of course: A tax-based national health insurance system. Taxes, instead of being a flat fee per employee, are usually proportional to revenue, or even (in the case of sales taxes and personal income taxes) unrelated to businesses at all. The only possible complaint that a small business owner could have about such a system is that it might make their personal income tax go up. Their businesses would become much more profitable because they wouldn't have to pay health care premiums for their employees. And even if they were already paying premiums, the resulting change would be a wash financially, but they'd in addition save the dollars they're spending on the HR function of managing their employees health insurance.

Small business - you entrepreneurs out there - and, of course, the NFIB should get behind one of the tax-based health proposals. Otherwise, it's going to be pretty obvious, pretty soon, that the NFIB is using the political muscle and social appeal of its small businesses (entrepreneurs are chic, no?) to help a tiny minority of its wealthier members who had the intelligence to choose their grandparents well.

Of course that wouldn't be the first time that the NFIB's been involved in something this disingenuous, as their alliance with the super-rich on the estate tax issue showed. I just wonder how long it'll take their members to figure it out.