

Could This Finally Be The Year for Health Care?

Public-policy issues can aptly be compared to athletes in size and mobility. Some are small and lithe enough to maneuver like horse-racing jockeys, sprinters or graceful outfielders. Health care, however, is the sumo wrestler in the bunch: large, difficult to handle and requiring much energy to move only a small bit.

This is health care's year in California, or so it is proclaimed by the executive and legislative leadership whose hands are on the levers of state government.

Just weeks after last November's election, Gov. Arnold Schwarzenegger, Senate President Don Perata and Assembly Speaker Fabian Núñez all came out with their plans for solving the problems of the medically uninsured in California. (*See table on the following page for details on the proposed plans.*) Camera trucks and reporters' notebooks dutifully recorded all their press conferences and then moved on.

So what will happen? At the moment, the consensus is that something must be done about California's uninsured children. However, Senate Republicans, who also have a health-care plan of their own, are promising a protracted fight over whether or not those children will include illegal immigrants. Another skirmish is semantic in nature but no small matter. Three of the plans call for a "fee" to pay for them, but are they really a "tax," as some contend? The former only takes a simple majority vote of the Legislature to pass; the latter requires two-thirds approval.

As for how far health-care reform will go beyond addressing uninsured children, it still remains to be seen, but after all the fanfare surrounding the announcements of the plans, it seems safe to assume that a few more face-saving items will be included.

NFIB/California members can check out various elements of the competing plans in the chart, "Health-Care Reform Proposals,"

on the following page. Three of the four plans will have employers paying more. NFIB/California is in the thick of the action, fighting for amendments that will remove as much of the sting as possible. This will require the participation of members as never before. At certain times, we will fax or e-mail you, asking you to make a call or send a message to your assemblyperson or senator. Together, we can make sure small business has a prominent seat at the table in the discussions on health care.

"BUT IT'S JUST 4 PERCENT!"

Of the three health-care plans with a chance of passage, Gov. Schwarzenegger's is to be given credit for providing a specific cost—4 percent of payroll—if an employer does not have health insurance for his or her workers. Senate President Perata's plan mentions only a "certain" percentage that is "adjusted on a sliding scale." Assembly Speaker Núñez's plan is even more vague, charging employers a "fair share," the definition of which will come later, when the coast is clear.

Small-business owners should not seek any comfort from 4 percent. What government tax has ever kept to its original levy for any length of time? Social Security started as a 1 percent contribution from employees and a 1 percent contribution (a year earlier) from employers. Payments were to go to just retired workers 65 years and older.

Today, it is 7.65 percent for both employees and employers, and if you're self-employed with no employees, you're hit for 15.3 percent. Part of the hikes are due to a greater pool of people now covered under Social Security: spouses, widows, children under 18, surviving parents, middle-aged people with a variety of disabilities, and on and on.

The point is not whether the people covered under modern Social Security are deserving or not; the point is that, like Social Security, the health-care plans cannot possibly stay on their fixed amounts, not when

Where Small-Business Health Plans Stand

WHILE STATES PLAY A PART in the problems and solutions to the health-care crisis in America, the big game is taking place at the federal level.

Starting in 1995, the U.S. House of Representatives passed Small-Business Health Plan legislation eight times. For seven of those times, the U.S. Senate killed the legislation without so much as a committee vote—until last year. When SBHPs passed the Senate Health, Education, Labor and Pensions Committee, NFIB and other concerned groups finally saw light at the end of the tunnel. In fact, when Small-Business Health Plans came before a vote of the entire U.S. Senate, it won a majority support—55 votes. But arcane Senate rules required it get 60, so once again it died an unjust death in the upper chamber. Just five votes kept the SBHP bill from reaching President Bush's desk, where he had promised to sign it into law.

SBHPs would tear down the Berlin Wall separating small-business owners from joining together across state lines in order to form the same large purchasing pools for health care that are legally allowed for big businesses. The larger the pool, the lower the cost of health care. Though SBHPs sound like the right thing to do, they have been opposed by some insurance companies as a threat to their market share, by state officials as a threat to control, and by many disease-fighting groups who believed—wrongly—that SBHPs threatened to take money away from their causes.

NFIB is redoubling its efforts this session of Congress to help pass SBHPs or at least some part of the proposed legislation.

it comes to health care and not when we have an aging baby-boom population set to retire.

Small-business owners should also seek no solace from promises to exclude them if they have only a handful of employees. (The governor's plan exempts firms with 10 or fewer, the Assembly speaker's plan has a two-or-less exclusion, and the Senate president's has none.)

continued on Page 3

HEALTH-CARE REFORM PROPOSALS

	Gov. Schwarzenegger	Senate President Pro Tempore Perata	Assembly Speaker Núñez	Senate Republican Cal-Care Plan
COVERAGE GOAL	All Californians	Working Californians and dependents	Working Californians and children below 300 percent federal poverty level	Improved access to affordable coverage for all Californians with legal residency status
INDIVIDUAL MANDATE	All Californians, including children, required to have minimum coverage	Working Californians and dependents required to have minimum coverage	Employees required to accept employer-offered coverage	None
EMPLOYER MANDATE	Employers required to spend at least 4 percent of payroll for employee health insurance OR pay equivalent amount to a state fund with exemption for employers with fewer than 10 employees	Employers required to spend a certain percentage of payroll for employee health insurance OR pay equivalent amount to a state fund	Employers required to provide employee health coverage OR pay a percentage of payroll with exemptions for firms with fewer than two employees, a payroll less than \$100,000 and in business fewer than three years	No employer mandate, but permits employers who offer coverage to use flex time and other employer-/employee-agreed benefits
STATE POOL	Yes	Yes	Yes	No
TAX INCENTIVES	<ul style="list-style-type: none"> - Health savings accounts (HSA) tax conformity - Require all employers to establish "Section 125 plans," allowing employees to use pre-tax income for premiums 	None	None	<ul style="list-style-type: none"> - Health savings accounts tax conformity - Individuals able to deduct premiums from taxable income - Encourage all employers to establish "Section 125 plans" for employees
INSURANCE MARKET REFORMS	<p><i>Health plans:</i></p> <ul style="list-style-type: none"> - Must issue insurance to individuals seeking coverage - Rates based only on age and geographic area in the individual market - 85 percent of premiums must be spent on patient care 	<p>Health plans participating in the purchasing pool:</p> <ul style="list-style-type: none"> - guaranteed issue - community rating 	Guaranteed issue coverage, cannot deny for certain pre-existing conditions, as determined by state board	<ul style="list-style-type: none"> - Require DMHC and DOI to allow health insurers to offer more products, increased options - Require Cal-PERS to offer HDHPs/HSAs to state workers - Permit greater rate flexibility, reflecting lifestyle choices, in small-group market
FINANCING	<ul style="list-style-type: none"> - Employer contributions - Individual contributions - Federal funds - Provider tax on physicians (2 percent) and hospitals (4 percent) 	<ul style="list-style-type: none"> - Employer contributions - Employee contributions - Federal funds 	<ul style="list-style-type: none"> - Employer contributions - Employee contributions - Federal funds - Surcharge on health-insurance premiums 	<ul style="list-style-type: none"> - Federal funds for care of illegal immigrants - Reallocation of state funds to cover children and low-income Californians
COST CONTAINMENT	<ul style="list-style-type: none"> - Reduce regulatory requirements on approval of health plans and new delivery model, such as retail clinics - Pilot program to combine workers' compensation with traditional health coverage - Health plans must offer "health actions" rewards and incentives with benefit packages 	<p><i>Within the purchasing pool:</i></p> <ul style="list-style-type: none"> - Managed competition through choice of health plans - Cap on health-plan administrative costs and profits - Evidence-based practices to control costs 	<ul style="list-style-type: none"> - Disease management in state health-coverage programs - Performance incentives for state-funded health programs - Uniform benefit designs will include preventive services - Healthy lifestyles programs 	<ul style="list-style-type: none"> - Expanded use of retail clinics for non-emergency services - Increased transparency in pricing information from providers of health-care services

Prepared by the Senate Office of Research and NFIB

NFIB Salutes Longtime California Members

Thanks to its members, NFIB is able to fight every day to promote and protect free enterprise in America. Our ability to influence lawmakers in Sacramento and in Washington depends on the involvement and commitment from the small- and independent-business owners across the country. We are grateful to all of our members for their support, and in particular we salute those in California who have reached major milestones in their membership with NFIB.

60 Years in NFIB

FRED G WALTER & SON MACHINE SHP, SAN BERNARDINO

55 Years in NFIB

EMIGH HARDWARE CO, SACRAMENTO
MORRISONS JEWELERS, ORINDA

50 Years in NFIB

WHITE AUTOMOTIVE, LA HABRA
A L GILBERT CO, KEYES
WESTCOAST COLLISION, LA HABRA
STANISLAUS ELECTRIC MTR WKS INC, MODESTO
MAIN DRUG STORE, LOOMIS
SAN FRANCISCO GRAVEL CO, SAN FRANCISCO
WHITTEN MACHINE INC, TULARE
PIPE FABRICATING & SUPPLY INC, ANAHEIM
HARLEY R BULLER CONSTRUCTION, REEDLEY

45 Years in NFIB

EVAN'S REBUILT PARTS INC, FRESNO
ADMIRAL PEST CONTROL INC, BELLFLOWER
THE MERRY SALES CO, SOUTH SAN FRANCISCO
HILTON'S FLOWERS, SAN BERNARDINO
PERSONAL MEMBERSHIP, EUREKA
OLIVERO PLUMBING CO INC, EL CERRITO
BOIES MEDICAL CENTER PHARMACY, TURLOCK

FLUETSCH & BUSBY INSURANCE, MERCED
MATEO HI-FIDELITY INC, SAN MATEO
SOUND ADVICE, EUREKA
HENSELL MATERIALS INC, EUREKA
STEPHEN B MARVIN AGENCY INC, LANCASTER
BURBANK SHEET METAL WORKS INC, BURBANK
C E HILLBERG & CO CPA, TURLOCK
THOMPSON & ASSOC INC, PASADENA
YANAGIHARA & SONS INC, SOUTH GATE
FREEMAN & SONS BODY SHOP, MERCED
RIVER VALLEY INSURANCE, VACAVILLE
CERES DRUG STORE, CERES
SAM'S FOOD CITY, PATTERSON
ALTA OIL CO INC, REEDLEY
TRUITT & WHITE LUMBER CO, BERKELEY
ERICKSON DRAIN CLEANERS, GARDENA
WEISENBERGERS ACE HARDWARE, PORTERVILLE
JOHNSTON AIRCRAFT SERVICE INC, TULARE
EAST BAY TIRE CO, FAIRFIELD
ALLIED REFRIGERATION INC, SIGNAL HILL
VALLEY LIVESTOCK TRANS SERVICE, DIXON
GLENWOOD MARINE EQUIPMENT, GARDENA
COMMERCIAL ELECTRO PLATING, FRESNO
COLUMBIA SCREW PRODUCTS INC, SANTA ANA
HARRISON & BONINI INC, SAN FRANCISCO
ENGELHART GOVVMET FOODS INC, FAIRFIELD
EGLI LANDSCAPE AND CONTRACTORS, REDWOOD CITY

Could This Finally Be The Year for Health Care?

continued from Page 1 As the Maryland example below proves, once lawmakers in that state succeeded in passing their so-called Wal-Mart bill, with a promise to exclude small business, they came right back the next year with new legislation broadening it to include all businesses.

MARYLAND LESSON FOR CALIFORNIA LAWMAKERS

In cobbling together a health-care plan, California policymakers ought to pay heed to what happened to Maryland, before running afoul of the federal Employee Retirement Income Security Act, which prohibits states from mandating employee benefits.

In 2005, Maryland became the first state

in the union to require businesses with more than 10,000 employees to dedicate 8 percent of their payroll to health care or pay an equivalent amount to the state, and it happened rather dramatically with an override of the governor's veto.

However, only one company, Wal-Mart, fit the Maryland law's definition, and that became part of the law's undoing. The Retail Industry Leaders Association sued the state in federal court and won. In ruling that Wal-Mart "faces threatened injury" from forcing the company to allocate benefits for Maryland employees in a different way from other states, U.S. District Judge

J. Frederick Motz found the law in violation of ERISA.

Last month, Maryland appealed Judge Motz's decision in the 4th U.S. Circuit Court of Appeals—and lost again. NFIB/Maryland opposed the so-called "Fair Share" health-care plan from the beginning, even though small businesses were exempt.

The NFIB Legal Foundation also filed an *amicus* brief in support of the Retail Industry Leaders Association when the case went to court.

The reason for NFIB's early opposition was that it didn't believe proponents would stop at just big businesses, a suspicion confirmed when, before Maryland lost its case, many of

the pro-Fair Share legislators in Annapolis, drunk with their early success, sponsored a new bill to make it apply to all businesses, regardless of size.



Learn more about the egregious Wal-Mart bill and the NFIB Legal Foundation's role in protecting small business against its reach at www.NFIB.com/Legal.

NFIB Wants to Hear Directly From You

New NFIB staffer focused on member feedback

ONE OF THE MOST IMPORTANT WAYS members can benefit from NFIB membership is through networking with other like-minded members. We established Area Action Councils as an efficient way to enable our members to share their thoughts with fellow small-business owners face to face, hear from our lobbyists, meet elected officials and gain valuable insight and information to help operate and grow your business.

“Area Action Councils provide a great opportunity for small-business owners to be heard in Sacramento without having to travel there,” says Jerry Schumacher, who is a member of the Orange County AAC. “They also are an opportunity to improve your business skills by meeting other entrepreneurs.”

Participating in these member meetings can help you significantly expand your business contacts at a local and state level. In addition, AACs are a critical tool to help us communicate the small-business agenda with

Sacramento policymakers. Some Area Action Councils meet up to three times a year to get valuable input and feedback on the issues that matter to small business, and are held across the state.

Helping to plan and organize these meetings is Beatriz Duque, the new member support manager for NFIB/California. As her title indicates, Duque is focused on helping members get the most out of their membership. Prior to joining NFIB, she was a legislative analyst and grassroots coordinator for the California Trucking Association, and before that, an aide to former state Sen. John Campbell, who is now a congressman. A graduate of California State University at Fullerton, Duque grew up in Laguna Niguel in Orange County.



Beatriz Duque

Established locations for Area Action Councils, or locations where we are planning AAC meetings this year, include:

- Bakersfield
- Central Coast (Santa Cruz, San Benito and Monterey counties)
- East Bay (Alameda and Contra Costa counties)
- Fresno
- Inland Empire (Riverside and San Bernardino counties)
- Los Angeles
- Modesto
- Napa-Sonoma
- Orange County
- Redding
- Sacramento
- San Diego
- San Fernando Valley
- Sierra Nevada
- Silicon Valley
- Santa Barbara
- Ventura County

* BE INVOLVED

Join an AAC today. It's as easy as calling or e-mailing Beatriz Duque at (310) 743-1630, beatriz.duque@nfib.org.

Caughran Honored as California Small-Business Champion of the Year

FRESNO COUNTY ENTREPRENEUR Steve Caughran was named California Small-Business Champion of the Year by NFIB. The NFIB/California Leadership Council presented the award to Caughran (pronounced “Core-Ran”).

Each year, NFIB singles out a small-business owner in all 50 states who goes the extra mile for small business and honors him or her with its prestigious Small-Business Champion award, which is in its fourth year. Last year's California winner was Alzada Knickerbocker of Davis. In 2005, the prize went to Alan Test of Toluca Lake; and in 2004, the award was presented to Gary McKinsey of Modesto.

Caughran is majority owner of Higher Ground Engineering and Land Surveying

in Bakersfield and also owns a Quizno's franchise there. He also owns and operates an Alphagraphics printing franchise in Clovis. He is the vice chairman of the NFIB Northern California Leadership Council, co-chairman of the Fresno Area Action Council, a major contributor to the NFIB SAFE Trust PAC and regularly speaks at press conferences and meetings on small-business issues.

“Steve Caughran is one of the best sales people for the small-business agenda we have in California,” says Michael Shaw, NFIB/CA legislative director. “The biggest hurdle we face with policymakers is making them realize that small businesses are not smaller versions of bigger business, but instead have distinctly different difficulties

in remaining solvent. No one drives home that point with them better than Caughran, who is one of the greatest advocates in our arsenal.”

Caughran graduated from Fresno State University in 1992 with a degree in civil engineering. Caughran and his wife, Tyranie, have four children and make their home in Fresno County in an area between Sanger and Clovis. Caughran serves his community as a Cub Scout leader, board member for the non-profit Pregnancy Care Center and a leader in his church. He is currently training for his pilot's license. With an informal network of other business associates, Caughran has been visiting India to encourage and mentor entrepreneurial-minded people and groups.