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To: Chairwoman Nellie Pou, Vice-Chairman Joseph Cryan and Members of the Senate Commerce Committee

From: Chrissy Buteas, Chief Government Affairs Officer

Date: July 23, 2020

RE: NJBIA Testimony on Senate Bill 2676 - Requires Certain Entities Authorized to Issue Health Benefits Plans to Pay Annual Assessment.

Good afternoon. My name is Chrissy Buteas, and I am the Chief Government Affairs Officer for the New Jersey Business & Industry Association (NJBIA). On behalf of our member companies that provide 1 million jobs in our state and make NJBIA the largest statewide business association in the nation, thank you for the opportunity to speak with you regarding S-2676.

In a crisis such as we are in, NJBIA believes that enacting a tax on health care benefit plans will ultimately make health care less affordable for New Jerseyans and further harm the state's business climate. Both Senate Budget Committee Chairman Paul Sarlo and Assembly Budget Committee Chairwoman Eliana Pintor Marin have indicated in recent public remarks that they are opposed to new taxes on the very businesses that have been decimated by the pandemic and the government lockdown. We acknowledge the state has a long way to go in making health care affordable for all, but taxing health care premiums will not make health care any cheaper.

Improving the quality and affordability of health care for businesses and their employees is among NJBIA's top priorities, especially as health care has become increasingly essential during the COVID-19 pandemic. However, this legislation would effectively increase costs on businesses and nonprofits, large and small, which have continued to offer health benefit plans while struggling to stay afloat.

As we all know, we are in unprecedented times. About 1.4 million workers (over 30% of our civilian labor force) have filed for unemployment since mid-March. To put this into perspective, in the first two months of COVID-19, New Jersey's job loss was more than double its 10-year employment gain, according to an analysis completed by Rutgers University. Despite stay-at-home orders being lifted and many businesses allowed to operate at some capacity in-person in mid-June, the state unemployment rate increased in June to 16.6%.

Even with federal assistance, we estimate only around 25% of New Jersey small businesses, self-employed, and independent contractors received federal assistance through PPP and EIDL. Due to insufficient aid, many of the remaining businesses have struggled through this crisis on their own. Small businesses are the backbone of New Jersey's economy. In order to ensure a strong economic future of our state, our businesses need to begin to recover so that they can re-employ our civilian workforce. Now is certainly not the time to further increase health benefits costs for employers or employees.

As New Jersey businesses begin to recover from the current economic downturn caused by COVID-19, this bill would lead to additional burdensome costs on employers offering benefits, their employees, and individuals who purchase their own coverage on the Individual Market.

At the state level, the tax would increase premium costs by an estimated \$300 million. The increased costs could force some employers to stop offering health benefits to employees all together. Assuming the tax increase is passed solely onto the employee, which is a real possibility due to COVID-19 induced financial hardships on businesses, a standard family health insurance plan could experience an average increase of about \$600 in premium costs.

Furthermore, In 2018, a report by consulting firm Oliver Wyman found that a similar tax on the ACA, at the federal level, would have led to a 2.2% increase in premiums. Recognizing the cost-increasing effects the tax would have on employers and employees, Congress repealed the measure on a bipartisan basis in 2019.

Prior to COVID-19, businesses and nonprofits were already struggling to provide benefits to their employees. According to NJBIA's 2018 Health Benefits Survey, member companies reported that average spending for employee-only plans increased from \$7,044 in 2016 to \$8,292 in 2018. For family plans, the cost went from \$17,580 to \$19,764.

The survey also found that businesses have done their best to maintain benefits for their employees by forgoing profits, freezing wage increases, and delaying investments. For those who have weathered the last decade of rising costs, and the severe revenue strains from COVID-19, without cutting health benefits, further increasing the cost of health benefits would force many who have resisted cutting health benefits up until this point, to make that painful choice.

Small businesses have especially struggled as costs have increased in the small group market. Between 2008 and 2018, small group single health insurance premiums offered by businesses with fewer than 50 employees increased by almost \$2,500. In this time, many left the market altogether. For those remaining, further cost increases would be devastating and accelerate their exit from the market.

Despite the legislation's stated goal of establishing a "Health Insurance Affordability Fund" to increase affordability in the individual and small group markets, the bill merely suggests ideas for how to do that rather than designing an actual strategy. Without a developed mechanism for doing so, costs in these markets will almost surely increase before the fund can even attempt to lower costs, further burdening those that the bill explicitly seeks to assist. Moreover, the bill's stated focus on those 400% below the poverty line means that those who pay for this bill will not be the focus of cost-decreasing measures. Among those who will pay for this tax will be those already struggling to afford health insurance.

In closing, anything that will increase costs for small businesses should be avoided during this time. At best, increasing the cost of health insurance could make small businesses slower to rehire. At worst, this could trigger cost-cutting behavior whereby small businesses must choose between retaining/hiring workers and providing health benefits.