

## Are You Ready for the Government 1-2 Punch?

In keeping with the fighting spirit which seems to dominate Washington D.C. these days I would like to provide you with the latest on what I would call the Federal Government's 1 – 2 punch. Whether these punches will be jabs, hooks, or knock outs will all depend upon the final bills signed by the President this fall. It will of course also vary depending upon your business, however, one thing is certain, they **will** cost you more.

The three areas I would like to discuss are **Nationalized Healthcare**, the Employee **Free Choice Act** and **Worker's Compensation** rates and changes.

### Nationalized Health Care:

As I write this on August 3<sup>rd</sup> the only positive that I can report to you is that Congress will be heading home. They have been very busy in this arena and they are now asking for your input. I would strongly suggest you supply your input or you may not like the results. There are multiple bills and proposals floating around both the House and Senate but let me try and provide the basics, at least for the moment:

**Coverage:** Most plans would cover 94 – 97% of the population

**Cost:** Between \$600 Billion and \$1.5 Trillion dollars over the next 10 years

**Who will pay for this?** Well this is where it gets interesting. Some plans call for a tax on “wealthy” Americans (individuals earning over \$280,000 and a couple earning over \$350,000 per year). Most include some level of Medicare and Medicaid cuts (up to \$500 billion). Some would include \$37 billion in additional business taxes. Others would punish those who don't buy insurance to the tune of \$200 billion.

**Play or Pay:** The House democratic bill calls for individuals who don't buy insurance to pay a 2.5% income tax penalty. **Employers who don't provide insurance will be hit with an 8% payroll tax.**

**How do you buy insurance:** Either through a state or federal health care exchange.

**Is there a “Government Plan?”** Almost certainly if the democrats prevail in this debate. The real issue will be if this new plan will be allowed to compete with private insurance. If so, sell your stock in Blue Cross.

**Bottom line.** Now is the opportunity to make a difference. Call your local representative and senator and let them know how you feel about this additional tax.

### Employee Free Choice Act:

Had enough? Wait, this may be the knockout blow! When was the last time you had to worry about a union? What would you do if an employee and their new union representative walked into your office and presented you with signed union authorization cards and demanded you begin the bargaining process? Think it can't happen? Think again.

The Employee Free Choice Act was originally introduced in Congress by our new Secretary of Labor. To quote President Obama:

“I support this bill because in order to restore a sense of shared prosperity and security, we need to help working Americans exercise their right to organize under a fair and free process and bargain for their fair share of the wealth our country creates.”

Here is how the bill changes the current union representation process:

1. No longer will you be given the opportunity to explain to employees why it is not in their best interest to join a union. Now if the union can present you with a sufficient number of signed authorization card the game is over.
2. No longer will there be secret elections. In the past you had weeks to make your case and then the employees had an opportunity to vote secretly on whether they really wanted the union to represent them. No longer.
3. If you violate the National Labor Relations Act you are subject to fines of up to \$20,000.
4. You have 10 days to begin the bargaining process. If an agreement is not reached in 90 days you will get “help” from the Federal Mediation and Conciliation Service. If that doesn't lead to a contract, the final step is binding arbitration that will stay in affect for two years. It is not uncommon for union contracts, especially new ones to take months to negotiate. This new provision is particularly troublesome in my view. What would prevent the union from stalling in order to make sure an arbitrator makes the call?

**Bottom line:** You had better be very sure your employees are satisfied and I would ask them today.

Last but certainly not least let's discuss **Workers Compensation** changes. While not part of the federal 1 – 2 punch we will see increased costs here as well.

In March the Worker's Compensation Insurance Rating Bureau (WCIRB) recommended a 24.4% rate increase which sent shock waves through the employer community. The reality so far as been closer to 5-10%. Their reasons for the proposed increase include:

1. Poor claims loss development. 2008 had a utilization rate of 103%, which means that for every dollar received in premiums \$1.03 was spent on claims. This will be the first year of industry losses since 2002.

2. Increase in medical trends. Since 2005 medical claims costs have increased 60%. The average medical cost is now \$37,400.
3. Prior rate increase recommendations were not enacted.
4. Unfavorable ruling in the Oglive, Alavarez and Guzman cases which overturned a number of the governor's previous reforms.

On the plus side the current rate per \$100 of payroll is \$2.30 the lowest since 1999. When combined with the issues listed above some increase seems inevitable.

**Bottom Line:** Rate increases will happen, the question is when. I would suggest you revisit your safety programs and make sure your current claims are being managed properly.

In summary, whether you experience a knockout or simply a bruised P&L will depend on the mood in Washington this fall. Please contact your local representatives and voice your concerns. Now is the time.

Jeff Stinson is the President of Global Human Resources Outsourcing (GHRO) a full service Human Resources outsourcing company in Irvine California. GHRO specializes in helping companies grow by better utilization of their people. Call GHRO at 888-308-0338 and lets discuss how we can make sure you're protected from the Governments 1 – 2 punch!