

7.5% Payroll Tax Will Devastate California's Small Business Economy

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Should California Really Rely on One Economist?

SACRAMENTO, Calif.--(BUSINESS WIRE)--Legislative leaders announced today a 7.5% employer mandate, well above the 4% payroll tax proposed by the Governor that will lead to nothing more than businesses closing and job loss. None of the health care reform proposals guarantee that the payroll tax will not increase each year to keep pace with rising health care costs.

Our political leaders are relying on one economist, Dr. Jonathan Gruber, to crunch the health care numbers. This is the same individual who conducted the initial modeling for Massachusetts, a state that is running into serious problems with the implementation of their healthcare reform plans.

Recent headlines from Massachusetts read:

"At one year, Mass. healthcare plan falls short" Boston Globe, May 15, 2007

"Mass. business confidence down" Boston Globe, May 1, 2007

"Firms, insurers seek delay on universal plan" Boston Globe, March 20, 2007

"Mass. 'Universal' Health Plan Already Falling Short" The New Standard, January 26, 2007

"Romney distances self from Mass. health plan" Boston Globe, February 3, 2007

"The modeling presented by Dr. Gruber left out the most important component of the equation: the affordability of health care," said Jim Conran, Consumers First. "This is the exact reason why Massachusetts is now having so many problems. What we need to ask ourselves is, should California rely on this same model that isn't working in a state that doesn't have even half the number of uninsured residents that California has? I don't think so."

Small businesses in California will be put out of business, employees will be laid off and salaries will be reduced. They simply can't afford to bear the entire burden of funding California's uninsured at the rate of:

Higher taxes in the amount of \$5 billion

No cost controls or regulations placed on the insurance industry to ensure that premiums do not continue to rise

No requirement that individuals will be required to get coverage which will raise costs yearly to pay for the uninsured in California

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