EMPLOYER PREFERENCES DURING THE PASSAGE OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT

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ABSTRACT

MATTHEW W. REARDON: Employer Preferences during the Passage of the Patient Protection and Affordable Care Act
(Under the direction of Dr. John D. Stephens)

The changes to the U.S. health care system brought about during the Obama Administration are both the most extensive and most controversial the country has seen in many decades. Employers are traditionally opponents to expansionary government policies. To develop why Obama reforms passed, I compare the Obama and Clinton attempts and discuss factors affecting businesses that may have shifted. The goal of this thesis is to investigate the interests and preferences of employers both large and small and analyze whether they were indeed antagonistic toward the health care reforms. I argue that there are both economic and political organizational reasons for employer preferences that differ based on size. This thesis finds employer responses were antagonistic and that generally the profit motive took precedent over prospective long-term social equality advances.
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<tr>
<td>AARP</td>
<td>American Association of Retired Persons</td>
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<td>ACA</td>
<td>The Patient Protection and Affordable Care Act and its amendment, The Health Care and Education Reconciliation Act of 2010</td>
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<td>AHA</td>
<td>American Hospital Association</td>
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<td>AHIP</td>
<td>America’s Health Insurance Plans</td>
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<td>American Nursing Association</td>
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<td>HSA</td>
<td>Health Security Act 1993</td>
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<td>MSA</td>
<td>Main Street Alliance</td>
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<td>NASE</td>
<td>National Association for the Self-Employed</td>
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<td>NBGH</td>
<td>National Business Group on Health</td>
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<td>NFIB</td>
<td>National Federation of Independent Business</td>
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<td>NRF</td>
<td>National Retail Federation</td>
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<td>NSBA</td>
<td>National Small Business Association</td>
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<td>PRT</td>
<td>Power Resource Theory</td>
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<td>RILA</td>
<td>Retail Industry Leaders Association</td>
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<td>SBEC</td>
<td>Small Business &amp; Entrepreneurship Council</td>
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<td>SSA</td>
<td>Social Security Act of 1935</td>
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<tr>
<td>UAW</td>
<td>The International Union, United Automobile, Aerospace and Agricultural Implement Workers of America</td>
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1. INTRODUCTION

This thesis focuses on the preferences of employers in the United States during the lead up to and passage of the Patient Protection and Affordable Care Act (ACA). The health care reforms of President Obama have brought forth once again many of the longstanding issues of the welfare state in America. Unprecedented is the continued pressure to repeal, replace, and block the implementation of the reforms (Health Affairs 2011). The backlash is not surprising given the bill signed on March 23, 2010 was ripe with many of the long-sought Progressive goals of public health initiatives, health centers, and electronic record systems (HHS 2008; Public Laws 111-148 and 111-152). The ACA extended benefits through Medicaid to individuals up to 133 percent of poverty and tax credits for the insurance premiums up to 400 of poverty, as well as revising insurance market rules (Kersh 2011: 616-617). It also pushed through the individual mandate to purchase insurance, the controversial part of the bill on the under review by the Supreme Court on the eve of the second anniversary of passage (Gruber 2011b; Morone 2011: 384; Luft 2011: 485).

Employers in the United States have been predominantly against the expansion of social reforms and more liberal labor market policies (Hacker 2010; 2011). Business size is a factor in how preferences are expressed on policies such as
health care, unemployment insurance, workers compensation, and family leave time. Small businesses of less than fifty employees that organize in associations are quite vocal. Large businesses are often more silent, speaking out via trade groups while their employees do so through workers’ unions. (Martin and Swank 2001; Brown 1993) I address the likely positions key employers and small business organizations held on this reform issue both during the formation of the bill and at the eve of signing in March, 2010.

Perspectives and studies on the most recent health reform are extensive but distinctly thin on the role of employers. Carolyn H. Tuohy writes the case of American health care reform “stands out as a distinctive mosaic, shaped by strategic judgments made within uniquely American circumstances” (2010: 575; 2003). I am seeking to carve out a niche within the plethora of analyses on the subject focusing on employer interests and preferences and what they brought to the policy making process for the ACA. Power Resource Theory (PRT) provides a basis for understanding employers as actors and what the firm preferences for welfare state expansion have been (Huber and Stephens 2001; Hacker and Pierson 2002; 2004; Esping-Anderson 1990). It is still uncertain what the prevailing role of employers was in the lead up to the passage of the ACA. It was unclear where they aligned themselves as policy options narrowed. Likely, the widespread ambiguity on the benefits of the ACA reflects actual divisions of preferences among employers.

My two hypotheses pertain to the basic interests of businesses related to the ACA health care reforms. The first hypothesis is that firms as self-interested actors
have an economic interest to be against expansionary policies. This is the Power Resource Theory expectation that firms are antagonistic toward the reform and expansion of social provisions. The second hypothesis is that the political organization of firms matters to their preference formation. This is the perspective of Cathie Jo Martin and corporate policy capacity. A firm’s involvement with political spheres, exposure to experts, and resources allocated to involvement in the policy process all matter for their preference formation. In other words, the voicing of preferences of less capable and often smaller firms may be different from larger, more well-endowed or informed firms on this issue. The union of these two hypotheses is that all firms may have been against the reforms, but larger firms could adapt to the changes more quickly and easily.

The second section begins by covering two theoretical explanations underpinning my hypotheses and perspective on employer roles in the reform: Power Resource Theory and corporate policy capacity. The third section turns to a comparison of the Obama and Clinton reform efforts and factors affecting large and small business interests as they changed between the two periods. The fourth section comprises the analysis of the hypotheses and a discussion of large employers and groups representing both small and large employers during the formulation and passage of the ACA. The fifth section concludes.
2. THEORY

This section reviews the Power Resource Theory perspective and discusses employers’ roles in the political process as generally antagonistic toward reform. Next, it covers the corporate policy capacity aspects of business activity and involvement in the policy process. Third, it describes the narrowing of policy options. All employers are assumed to be acting rationally and are restrained by the system in which they operate. The employers are also assumed to be risk-averse in their market actions and strategies. Rationality and risk aversion of employers and their strategies point to the heart of the comparison of differences in preference based on size: actors satisfy rather than maximize their preferences. Businesses act on what information they have and within the limits of their organizational capacity (Korpi 2006; Martin 2000).

My perspective is in line with the PRT approach that employers are primarily antagonistic toward reforms like the ACA. The opposing approaches are that employers are protagonists or consenters. Employer centered approaches propose businesses are protagonists and have an active role in policymaking efforts in order to “overcome market failures in skill formation” (Mares 2003: 251; Estevez-abe, Iversen and Soskice 1999: 2-5; Swenson 2002; 2004a; 2004b). This approach ignores constraints placed on employers by political realities they face in the U.S.
case and therefore is not applicable (Korpi 2006: 202; Huber and Stephens 2001; Hacker and Pierson 2002: 283; Paster 2011a). Historical-institutionalist approaches, as critiques of PRT, propose businesses consent and may get involved with reforms that they initially opposed after the legislation has passed (Hassel 2007; Thelen 2004; Hall and Thelen 2009). Businesses are often silent on an issue before the effect of legislation is determinable. To take the other approaches would require imputing overall firm preferences before passage simply from their later involvement with policymaking or public statements. What I do analyze are the strategic statements made by likely antagonistic employers based on economic incentives to adjust their preferences of the health care reform issue.

2.1 Power Resource Theory

PRT predicts that employers and business interests align against the broadening of health care provisions for citizens. In certain circumstances firms may consent to individual policies or legislation that fall line with their economic self-interest (Korpi 2006: 183; Emmenegger and Marx 2011: 731). Employers are constrained or guided into acceptance in these situations. Such is the case with many large employers, constrained by the high costs of health care and other economic realities. At the passage of legislation businesses may change their tune, but still oppose more social provisions, work to find loopholes, and even try to repeal recently passed bills such as the ACA (Jacobs and Skocpol 2010).
Comparatively the United States has a ‘weak’ welfare state and lower levels of government social and labor market provisions when taking into account the more liberal policies of many European countries. The focus of Power Resource Theory is on a conflict between actors in the society. Like the name suggests, power is the key variable.\textsuperscript{1} The extent of social policy provisions is said to indicate the degree of power that capital and labor interests have in that country (Huber and Stephens 2001; Hacker and Pierson 2002; 2004; Korpi 2006).

Decommodification according to Esping-Andersen is the result of a policy where one can “maintain a livelihood without reliance on the market” (1990: 22). As expansive social policies reduce the reliance of workers on their income for their own well-being, they are decommodifying. As a power resource theorist, he goes on to say that this effect raises the power of the worker and lessens that of the employer. From Esping-Andersen we find theoretical evidence for the expectation that employers will be against the expansive, decommodifying policies such as health insurance because they reduce the firm’s control over the worker (Paster 2011a: 5).

In cases of positive-sum conflicts within the economy, employers may consent to policies as part of their strategic bargaining on other issues (Korpi 2006: 175; Scharpf 1997; Paster 2011a). PRT indicates there will always be an incentive to pursue restrictive social policies. Where this is not possible the employers will try to

\textsuperscript{1} Korpi’s (2006: 174) analysis references Goldthorpe (2000) and the breakdown of socioeconomic classes into employers, employees, and the self-employed. I use the term “actor” in place of class for consistency with the focus on size differences of employers as actors during the reforms.
best position themselves within the current system. Employers are genuinely and at
the core of their business values against expansive reforms. Large employers that
consented by silence on the reform did so to better position themselves in the
market, and remain antagonistic overall. By cost shifting these employers lessen the
burden of their own employee insurance premiums and provisions of health care
benefits (Kilbreth 2010). A good indication of small business antagonism toward the
reform is the vocal opposition of strong small business organizations and lobbies in
Washington. Since employers are expected to act in their own best interests, pre-
passage silence often may equate to antagonism. Preferences however cannot be
discerned based on pre-passage silence alone. The analysis section therefore
discusses differences among employers and representative organizations based on
statements in reaction to the passage.

2.2 Corporate Policy Capacity

This institutionalist understanding of business preference formation is integral
to my comparison of interests on health care reform. It focuses on how managers
receive and process information about policies. The central thesis of *Stuck in Neutral*
by Cathie Jo Martin is: “business managers’ support of human capital investment
policy depends on their corporate policy capacity, or their perception of a connection
between this policy and economic growth, and their ability to take action in support
of this policy” (2000: 35). Borrowing from institutionalist scholars, the model notes

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2 Two very prominent organizations which spoke against the reform are: The U.S. Chamber of Commerce
represents three million businesses both big and small, claiming to be the biggest in the world. Also, the National
Federation of Independent Businesses, citing membership of 350,000 mainly small business firms.
that preferences are collectively constructed (Skocpol 1985; 1996). Especially in the case of health care reform there are many barriers to not only determining preferences of firms, but also to aggregating those preferences during key times in the policy making process.

The addition of a cognitive dimension in preference formation to the economic self-interest dimension (PRT) informs us further on the reasons for small and large business positioning on reforms. The cognitive dimension is the extent of political organization of a firm (Martin 2000). We can use it to explore the conditions under which a paradigm shift in employer thinking may occur. The model is a tool to understand the basis for businesses adjusting – to or have predilections for – their positioning and actions on health care reform.

Corporate policy capacity specifically refers to the ability of a given firm to understand and deal with ideas about policy issues. Under certain political and economic conditions, businesses may view particular policy options more favorably than in others (Martin 2000: 62). Three institutional characteristics influencing state decision-making echo the main themes of changes presented by Hacker (2010). They line up with the main components of this model: business group organization, expertise in policy, and social policy legacies in businesses.

Corporate policy capacity establishes why small business is likely to mobilize and voice opposition toward health care reform. The lower direct exposure to ideas and less expertise and involvement with public policy spheres offers fewer paths to more informed preference formation. As self-interested economic actors small
businesses are less capable of engaging in policy learning that leads to better understanding of possible benefits. As a result they have a greater likelihood to assume any social welfare policy that levies taxes and increases operating costs will ultimately affect their bottom line. They often do not recognize the possible long-term productivity enhancements from a healthy insured workforce.

Despite their greater potential exposure to ideas and chance for involvement in policy spheres, large employers are not necessarily any more supportive of reform than their smaller counterparts. Well organized firms may lobby against, withdraw funds or voice dissent on costly reform options with long-term benefits. Even if the benefits are acknowledged, this may occur if other factors weigh more heavily in the short-term when forming preferences. For example, American automobile manufacturers initially lobbied stridently for the Clinton Health Security Act before later squelching rumors of support (Kaiser Family Foundation 2009a; 2009b; Jacobs and Skocpol 2010; Hacker 2010). The answer for “why” they supported at first is not shocking: their workers are represented alongside those in the aerospace and agricultural industries by the powerful UAW\(^3\) which had negotiated generous health care plans for workers and retirees. Still, costly standing commitments place serious constraints on the labor negotiations of large firms. Since these firms are better politically organized, they can individually lobby for their interests and often have fully staffed government relations departments (Martin 2000: 35; Swenson and Greer 2002).

\(^3\) International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (2011)
2.3 Narrowing of Policy Options

The narrowing of policy options is the reduction of possible choices as a result of both active efforts of players in the system as well as unforeseen economic, political, and other changes. It is a continually occurring process that constrains the choices of actors within the system beginning with exogenous forces and arrays of influential actors creating, shaping, and bringing options to or from the proverbial policy table. This helps move the argument forward as my first hypothesis (PRT) expects business preferences are always antagonistic (Huber and Stephens 2001; Hacker and Pierson 2002; 2004). As Martin and my second hypothesis suggest, a business’ strategy may change over time along with the political constraints on the system. The change may be more evident if the firm is better politically organized. The narrowing of policy options “thesis” is an apt way to describe why employers responded as they did to the ACA. It brings together ideas of my two hypotheses of business preferences on the reform: a self-interested economic rationale and political organizational rationale.

The Social Security Act of 1935 (SSA) is a prime example in U.S. history for what happens in the narrowing of policy options process. As arguably the earliest major welfare policy in the U.S., the SSA and the New Deal are helpful to understanding the underpinnings of the system in which “Obamacare” passed decades later. The policy makers and interest groups in that era were fewer and less equipped with the vast amounts of quickly accessible information than their contemporaries in the 1990s and 2000s. Nevertheless, the process still functioned in
much the same way: as certain policy options were introduced, others were effectively taken off the table.

The SSA may not have been favored by employers, other actors or interest groups, but the alternatives to the bill were the key to its passage. Similar to the period between Clinton and Obama, continuing without a substantial policy change was increasingly unlikely because of pressures on the system in the wake of the Great Depression. Then, as now, the alternatives matter. In the absence of any reform legislation (e.g. the SSA), political pressures on the system for particular changes are periodically heightened (Kingdon 1984; 2011). The ongoing, complex multi-actor games of agenda setting and policy making naturally reduce the number of options over time. The smaller pool of options on the table for policy makers served to narrow likely positions of employers. (Kingdon 1984; Scharpf 1997; Hacker and Pierson 2002; 2004) If we take the perspective of the employers, the economic impacts of ignoring a ‘best case’ policy option like the SSA would be worse than if they did take a position. By involvement, in this case, the few large employers that did come to the discussion table were acting to maximize their outcomes via their political organizational capacities. Having imperfect information, but preferring the SSA to the alternatives, these businesses preferred some action over none at all. It is clear political players have an influence on more politically organized firms. Their preferences were also inextricably linked to the bottom line – their profit motive – which is ultimately why they are in the market in the first place.
3. COMPARISON OF THE ACA AND THE CLINTON REFORMS

My focus is on large and small businesses and the environment in which they operated and formed their strategies for the two most recent health care reform efforts in the U.S. The goal is to determine if there was any change or split in positioning among employers during the ACA’s development and passage. These explanatory factors preclude the discussion of specific business preferences in the fourth section, serving to indicate what affects their self-interest and political organization. The factors I cover reflect why business antagonism toward reform is predominant. First, I describe reform strategies and changes in line with the narrowing of policy options thesis. Then, these explanatory aspects of the business environment are discussed: fragmentation in the system, interest groups and cross-class coalitions, and finally policy legacies.

3.1 Reform Strategies and Changes

Separated by nearly a decade and a half, the Health Security Act and the Affordable Care Act mark significant attempts in the nation’s recent past to reformulate the way health care services are delivered to U.S. citizens. One failed and still mars the reputation of those involved. The other passed, but is still not assured any long term victory or delivery of the initial policy provisions. Both affect and were affected by employers, to varying degrees, as they are active components
of the political system. Again, main focus is on “Obamacare” rather than a fully blown comparison of the two attempts. The focus is in response to a common theme in the literature on the reform process: why did the most recent reform happen or why was it suspected to be possible, where the previous one failed? (Brown 1993; Skocpol 1996; Quadagno 2004; Gottschalk 2007; 2009; Brady and Kessler 2010; Woon 2009)⁴

The Clinton plan effectively complicated the way the reform was perceived by the public and did not contend well with the delicacies of the diverse interests in play. With my focus being on employers, the Clinton plan’s strategy of breaking down the corporate hegemony or institutionalized employer-based health care system seems particularly ineffective (Steinmo and Watts 1995). By demonizing this group of likely proponents for the reform, he negated any chance that policy experts could convince these large and politically minded employers about the proposals. By playing the mass opinion against the corporations, he assured the perception became one of redistribution, not a productivity fostering endeavor.⁵ In this way the strategy pushed large businesses that were likely to consent to reforms back into the silent or antagonistic camp. It landed them alongside the often vocally opposed small businesses who for good reason – their bottom lines – saw this sort of workforce insurance policy as a costly redistribution measure. Not enough coalitions

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⁴ For more, see the Special Issue of the Journal of Health, Politics, Policy and Law (2011 36(3)).
⁵ This was folly in a system having such strong interest groups, with many veto points, and an inherent conflict of interest on health care for key actors. This polarization of opinion alienated the already unlikely supporters, the health care industry organizations, as Immergut (1992) discusses about Western Europe.
were forged: business (labor) was too weak and the government was “insufficiently autonomous,” too hamstrung by the foundations and tradition of federalism (Martin 2000: 63; 2004; Hacker 1999; Gottschalk 2000; Nathan 2005).

The Obama plan effectively sought out key groups very early in the policy making process and better contended with the delicacies of the even more diverse interests in play. Obama’s strategy was able to withstand the alienation and opposition of a public so enraged by the financial sector, business, and congressional figures as well as by the health care system itself in the aftermath of the recession (Gottschalk 2009: 34). The strategy was able to make sure that enough key elite and group support existed in order to pursue some degree of ‘universal’ coverage. The minimalist strategy of Obama and his team has been criticized by public option proponents. By placing competition and consumer choice at the center, one thing was sure: they would not again miss an exceptional political moment to strike out in some new direction (Gottschalk 2009: 28). At the heart of the strategy, Obama and his cabinet – Chief of Staff Rahm Emmanuel especially – saw the endgame. The goal was winning and leveraging key interest groups and elected officials, at the expense of positive voter opinion (Hacker 2010: 869). This process of accommodating rather than lashing out against the elites and groups in the debate achieved success for the administration where Clinton failed (Morgan and Campbell 2011: 389). A crystallizing message on the democratic strategy by Senator

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6 As Immergut writes (1992) Federalism is both an obstacle to welfare state expansion and the promotion of social justice. Obinger, Liebfried and Castles (2005) temper this slightly noting only a "crude relationship" between federalism and reduction of few welfare state provisions. The last seems appropriate in light of the not so incremental change of the ACA and the ever strong presence of Federalism in the U.S. (Levy 2006).
Tom Harkin (D, IA) that the health care reform is a “starter home,” one you can make additions to and expand over time (Waddington 2009; Hacker 2011).

Obamacare has been criticized by the opposition to have “bought” big interests in the health care industry early on. It secured vocal interest groups such as the American Medical Association (AMA) and key Pharmaceutical and Hospital coalitions in the national reform effort like the American Hospital Association (AHA) and American Nursing Association (ANA) (Tomasky 2010; Gruber 2008; 2011a; Jacobs and Skocpol 2010). In the attempt to pass the ACA, the policy makers worked to forge support of the entrenched insurance, pharmaceutical, and hospital industries as well as employers and other political actors. They did so by pursuing the strategies that would inculcate the idea of positive-sum outcomes for employers and the other actors. Although largely indeterminable by factual documents and historical interpretations of “buying of interest groups,” securing these interests is precisely the type of cross-class coalition which promotes social policy expansion.

The administration’s strategy afforded the reforms along with the reality that 1993-94 is not 2009-10. The first of three main differences are the changes in the public opinion by the Obama administration compared to Clinton’s. The change in public opinion as costs continued to rise for health care provisions caused growing dissatisfaction about the issues. (Hacker 2010: 864; Economist 2010). As a Kaiser Health Survey shows, there is a key difference between public opinion in the two instances: during Clinton’s time the majority of respondents would rather Congress

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7 These differences mirror the “uncertainties” about effects, reactions, and locations of others on the bill that Brady and Kessler (2010) carry out in their model of gridlock theory on ACA congressional action.
do nothing over passing a bill. Yet, in 2009 and 2010, a two-thirds majority of people said problems facing the country made health care more in need of imminent change. (Kaiser Family Foundation 2009b; 2011; Kenen 2011)

Group conflict is the second difference. The intensity and extent of divisions between relevant actors in the health care debate changed between the two periods. The split in interests supporting and opposing reform differed between the two attempts. For example, many doctors’ organizations and insurance companies were no longer in opposition to Obamacare (Laugesen 2011; Luft 2011). Democrats along with left-wing think tanks, interest groups, and health care advocates were all looking for the same thing: to find some solution.

Democratic Party coalescence is the third difference, coming as a product of a lingering sense of failure of the Clinton reform effort. Since the defeat, Democrats’ ideas have ranged from Medicare-like single payer systems, to employer mandate and public options, to a conservative block that wanted a limited degree of reform similar to the final legislation.

3.2 Business Fragmentation

The fragmentation of business interests in the U.S. shows why the political organizational capacity of firms matters. Businesses have difficulty knowing where to turn, due to the nature of the strong two party system and multiple levels of authority and a plethora of actors in so many policy areas. The underlying need for health insurance is national, but social and economic norms are incredibly diverse
across the U.S in the places where businesses operate. Much of health benefits are locally determined. Even with technological advances, it is near impossible to effectively aggregate similar firms’ interests in any coherent manner. Large and more resource capable businesses may be more able to assess their competitors’ needs and market realities. There is a lack of a national level organization to assess and voice business preference in favor of expansionary health care for firms of any size. From the failure of Clinton we can see how the lack of this assessment helped to spell failure. The reform strategy was increasingly framed as redistributive by the media. The Clinton plan initially had the support of large firms such as automakers Chrysler, Ford, and General Motors, but subsequently lost their voiced opinions.

Large businesses with exposure to more markets or a greater number of policy battles may be less likely to mobilize or vocalize their opinions or concerns on certain issues. Also, when they do voice concerns, it will likely be different than the way small businesses do, because of the number of issues they deal with. Often small businesses are known to be more vocal in their stances for or against polices because they tend to aggregate in groups. Especially in our fragmented system, they will need to speak out more often to be heard as part of their lobbying efforts. In contrast to this, large businesses lobby independently. Therefore they create a barrier to collective interest formation. Yet this independence is an economic asset because it protects the wider goals of the firm by avoiding negative attention. For example, a hypothetical silent party may be the multinational corporation that is already providing health care to its workers, has imminent concerns of trade and
tariff concerns, and is afraid of offending a diverse portfolio of public or private stockholders. Such a firm, being risk averse, may save their bargaining power for other more salient issues (Hacker 2004; Martin 2000).

As a product of the fragmented system, small businesses especially turn to an array of groups for representation that provide context for any possible changes from policy development to the eve of passage. In the wake of the ACA, statements by businesses and other groups showed a wide range of what they were most cautionary about, or most against. Statements by the National Federation of Independent Business (NFIB) show their hesitance to support the ACA because of fear that tax breaks are too complicated for small firms to effectively understand and absorb into their business plans (Appleby, Casey, and Galewitz 2010). Other small business groups share these sentiments, reflecting their inherent antagonism toward change. The lack of clarity on the specifics of how the reform will affect their constituent small businesses is the heart of their argument.

Interest groups representing other key players in the health care world have an effect on the actors that engage with politically organized firms, and organizations representing businesses. The American Association of Retired Persons (AARP) is concerned with coverage gaps. The America’s Health Insurance Plans (AHIP) is cautionary over integration of multi-year contract agreements into new rules on premiums. The main desire of the AMA and AHA was simplified payment dealings with insurers (Appleby et al. 2010). This range of concerns of other key players who are closely working with legislators and lobbyists in Washington may
reach politically involved or capable firms. Still, it adds to the complexity as businesses lack a unified voice even when they lobby on their own behalf. We can now turn to group conflict to discuss how fragmented interests intersect with the policy making process.

3.3 Group Conflict

The growth of interest group activity since Clinton’s attempt at health care reform increases the complexity of what politically organized firms and representative organizations face in Washington, D.C. It also informs us about why the ACA was successful in a broader sense. Many interest groups in the United States succumb to least common denominator politics – the removal of anything not common to all (or most) of the members from public statements. This political reality results in less effective realization of policy plans by wiping issues off the agenda that are too far off center (Martin 2000: 55; Kaiser Family Foundation 2011). As a result, many once unified interest groups were made diffuse by the ACA.

For organizations representing employers with a lot at stake on many issues, it may be better to oppose or stay mute on a given issue. They risk putting some members in “political limbo” with extreme positioning. This is also why employer organizations may wait, along with large employers, to voice their positioning on

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8 In other cases vocal minorities have been able to capture interest group opinion and adjust the perception of what that denominator is. It shows the tendency of small, extreme-right minority parties within a system to set the hijack the discourse and adjust the debate, and even national agendas in their direction. For more, see: Kitschelt (2007) as well as Hooghe and Marks (2007).
reform. With all the silence, opposition, and power brokering, less well-endowed small business voices tend to get lost even though they have a few powerful groups representing their collective positions (Morone 2011).

The dynamics of group conflict in Washington since the Clinton reforms has caused the strengthening of a few powerful small business lobbies. These lobbies or advocacy groups continue to clash with the organizations representing pieces of the strongly entrenched private provision system: i.e. the doctors, hospitals and insurers. (Schwartz 2001: 37; NFIB 2012; Martin 1995; Greer and Jacobson 2010; Sparer 2008; White 2003) The fact that there is a complicated array of players interacting in policymaking circles informs us about the difficulties employers face when shaping preferences. It helps us understand what a firm’s political organization can help them achieve in the process. The agenda setting is not done by the employers, but they influence the media, interest groups, and political elite – all of which play a role, share information and influence each other (Kingdon 2011).

The change in group conflict dynamics over time has had an impact on the Obama reform effort. The mobilization of small business interests along with the diffuse voice of large business as a whole is one set of changes. Another set of change is the division of interest groups influential to the health care debate. There is still hesitance to favor reform on the part of the AHA, AMA, and American Nursing Association (ANA), but even their limited support was a part of why the reforms were successful. AHIP remained silent for much of the process until the waning hours of the Senate amendment to the ACA 2009. Effectively AHIP had signaled to
outsiders that they had decided to work with the Obama administration. Quickly after Price Waterhouse Coopers released an opposition report for AHIP citing insurance cost increases, the insurance providers’ group became an apostate in the eyes of the democrats and progressives they had been working with (2009). Considering the expectation all along that AHIP would hold one of the strongest positions of aggravated opposition, its silence held a lot of gravity for a significant period of the formulating of policy ideas on the reform.

3.4 Policy Legacies and the Impact of Ideas

The effect of ideas on perceived interests has implications for the influence of business in both their own policy formation as well as the development of the broader welfare state. Firm preference and actions depend in part on ideas prevalent in the national discourse (Kingdon 1984; Pierson 1993; Gusmano, Schlesinger and Thomas 2002). The degree of exposure to policy experts, networks, and other avenues of social policy learning does matter. Especially, as Martin writes, “social-welfare initiatives may give business participants [in the networks] somewhat more freedom” (2000: 63). Firms both large and small are similar to any individual in the market. That is, they are open to ideas, but only to those they happen upon. Small companies across the country were certainly not exposed to as many well formulated and packaged ideas about the health care reform as those able to lobby

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9 The accounting firm two days later released statements that they had been advised that certain cost saving results had been requested to be omitted from the report crafted for AHIP. Effectively this backfired even more on AHIP – once for releasing it, once for being shown to have released any opposing information. Note: Report was done for the Baucus bill in the Senate. In 2011, the figures show employer insurance premiums rose approximately 9% (Matthews 2011).
first hand: large companies. When they do encounter and learn about new ideas, it will not necessarily change their preferences for more provisions, but, in certain circumstances results in acquiesce to expansive policies given narrowed policy options.

Policy legacies in firms are a dual edged sword when it comes to health care. In health care reform agenda setting, the dominant actors were not the employers. Rather, they were policy experts and politicians, mainly Democrats, long ready to wipe out the blemish of the Clinton failure. The legacy of private provision of health care by businesses holds back any revolutionary widespread changes because of its very nature. Insurers, hospitals, pharmaceutical companies and employers alike all have entrenched interests in the status quo. On the other hand, the policy legacy of this employer-based system ensures there is a backdrop of a moderate level of awareness on issues of social policy provisions (Martin 2000: 64). With the economic pressures and ever higher health care costs, this awareness is perhaps a key as to how the recent reform efforts gained such strong traction.
4. ANALYSIS AND DISCUSSION

My samples of employers and employers’ organization statements compiled on the ACA reforms on the “eve of passage” demonstrate reactions to the bill as it took shape. My sample of large employers is small and unsystematic, but arguably representative given how similar their responses are to those of the organizations. Neither of my hypotheses was disproven by the samples, but the dynamics and history of health care reform make determining employer positioning difficult. What I cannot determine is whether the statements were what businesses really thought or if they were pandering to the public.

The discussion that follows illustrates firms as self-interested actors were against the expansionary policies and their degree of political organization did matter for their preference formation. A majority of small firms’ interests were reported to be antagonistic by representative organizations such as the NFIB, National Association for the Self-Employed (NASE), and National Small Business Association (NSBA). They spoke out about the changes affecting the bottom lines of their members (Table 1). Other partisan interest groups such as the Main Street Alliance (MSA) and Small Business Majority (SBM) cloud the picture of antagonism by being in favor of the reforms for those same reasons. My sampling of large firms
like AT&T, Boeing, and McDonald’s shows they spoke against the reforms by citing issues with higher costs and changes to insurance for their employees (Table 2).

The sample excludes employers directly involved with health care provision, insurers, and doctor’s organizations because of the strong vested interest of those actors in the reforms. Their interests are too strong to separate preferences on this issue from their entire enterprise. Also, the same is true of excluding interest groups representing these employers such as AHIP and AMA that were described in the previous section as affecting the formulation of the reform. My analysis looks at statements from a single time period of “reaction to”\textsuperscript{10} different stages of the bill: introduction in the House of Representatives in September 2009 to passage on October 8, 2009, then passage in Senate with amendment on December 24, and finally the House agreement on March 21, 2010 and speedy signing by President Obama two days later.

The organizations and interest groups representing small employers do not show completely unified antagonism in their statements on the ACA reform process as PRT expects. In this list are also groups representing the interests of some influential large employers, but the focus is on small employer representation. Most employer organizations sampled are antagonistic in their reaction to the passage, with one exception: the Main Street Alliance, a network of state based small-business coalitions (Table 1). There are a few organizations representing small –

\textsuperscript{10} A single time period chosen rather than a “before” and “reaction” because of the widespread lack of clarity on the content and ramifications of the bill that would come out of the legislative process. The “reactions” of businesses and representative organizations are statements or press releases dating from September 2009 through the April 1, 2010: the relevant period of the introduction through passage.
and large in the case of retailers – firms that reacted antagonistically to the passage, but may have been in favor in earlier stages. “Earlier stages” refers to the period prior to the reaction statements and before policy options related to the bill narrowed extensively. Others remained in long standing opposition to the changes promised by the ACA. The spectrum can be seen below in Table 1.11

Table 1: Employer Organization and Interest Group Statements on ACA:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Statements in Reaction to the Passage of the ACA</th>
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<tbody>
<tr>
<td>U.S. Chamber of Commerce</td>
<td>“Despite numerous polls showing the majority of Americans are opposed to the Senate health care bill, sixty senators chose to ignore their objections. The business community has been consistent in calling for health care reform, but the bill that was passed by the Senate today is counterproductive, does little to lower the cost of health care, and it is not reform. It implements crippling new taxes, and hurts our ability to create jobs at the worst possible time for the economy.”</td>
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<td></td>
<td>”At every stage of the legislative process the business community has stood ready to work to improve health care legislation, but at almost every stage our concerns have been ignored.” – Bruce Josten Exec. Vice President for Government Affairs at the Chamber. (Bellantoni, December 2009)</td>
</tr>
<tr>
<td></td>
<td>”This [closing of the loophole of tax deductions and tax-free federal subsidies] is potentially devastating news for unemployed Americans who are waiting for the job-creating engine of our economy to rev up again,” Tom Donohue, President of the Chamber in a letter to the board. (Ben Rooney for CNNMoney.com, 2010)</td>
</tr>
<tr>
<td>National Federation of Independent Business (NFIB)</td>
<td>“Those who chose to vote ‘yes’ for this bill have chosen to ignore the protests of their job-creating constituents. We couldn’t have been clearer how damaging this bill will be to America’s small businesses and the economic recovery of this country. America’s small businesses are outraged that so many members of Congress didn’t have the courage to stand up for them and vote against this job-killing health care bill.”</td>
</tr>
<tr>
<td></td>
<td>“[The ACA] is a tax bill wrapped up in health care paper.”</td>
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<tr>
<td></td>
<td>”For small businesses, health care reform has always been about costs–reducing them...But the only thing this bill does is drive costs even higher.” –Susan Eckerly, Senior Vice President for NFIB. (Pinckney 2010)</td>
</tr>
</tbody>
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11 Some statements follow the amendment to the ACA, the Health Care and Education Reconciliation Act of 2010 which was signed a week later on March 30. Two come later in the year: McDonald’s and Boeing both made statements at the end of Q3, 2010 that they would not be meeting next year commitments.
| National Business Group on Health (NBHG) | “These survey data confirm quantitatively what many people – employers, employees and policy pundits – have been talking about for the past four months. That is, whatever else a health care reform plan might do, it is unlikely to control health care costs, which has everyone worried,” said Helen Darling, President of the National Business Group on Health. (Towers Watson, January 2010) |
| Retail Industry Leaders Association (RILA) | “RILA has actively supported and constructively engaged in the effort to reform America’s health care system to reduce costs and expand retailers’ ability to tailor the plans they offer to the unique needs of their employees; this legislation does neither. RILA urges members of Congress to oppose this bill, and to start over on a bill that better addresses the needs of employers and individuals alike,” - John Emling, VP of government affairs. |
| Nat’l Assoc. for the Self-Emp. (NASE) | “Entrepreneurs need lower costs and they need flexibility...In this economy, it's all about the bottom line.” – Kristie Arslan of NASE (Fritze December 28, 2009). |
| Nat’l Retail Federation (NRF) | ”Instead of drivers of change, we became onlookers, if not the roadkill of the process,” - Neil Trautwein, VP. (McKinnon and King March 22, 2010) |
| Main Street Alliance (MSA) | “Small businesses have much to gain from health reform. The final reform package makes small businesses big winners in health reform by ending discrimination, promoting affordability and expanding choice.”
"As small business owners, we know the health care status quo is intolerable. If we failed to pass real health reform, small businesses would continue to face off-the-charts rate increases and routine discrimination from health insurers. More and more small businesses would be forced to cut coverage, lay off employees or close our doors for good because of rising health care costs.” – In a letter to lawmakers, by this Washington, D.C. based network of state-based small business coalitions. (Pinckney 2010; Fox News March 23, 2010) |
| National Small Business Association (NSBA) | “There’s going to be a lot of incentive to drop coverage, even with the penalty.” – Keith Ashmus, Chairman of the NSBA.
“This bill will place significant new pressures on small businesses to both offer and pay for employee health insurance, starting in the earliest stages of reform.” "However, the provider-level reforms that could contain costs and enable small business to afford this commitment will not be fully effective for many years – if at all. We justifiably expect that small companies caught between these twin pressures will see their ability to grow, prosper and create jobs greatly diminish." (Fox News March 23, 2010) |
These statements show less assurance that small business representation was consistently opposed to the reforms. It is no surprise that large employers were more defined in their opposition to the reforms: they have clearly defined economic self-interests and their policy experts only have to incorporate concerns of one business. The representative organizations have diffuse interests, and the goals of their political activity often have to represent conflicting interests of their members. Furthermore, unlike large employers who can lobby heavily independently for their own corporate interests, these organizations often come to round tables and information sessions about policy issues. As a result, interest groups like the Retail Industry Leaders Association (RILA), representing mega-retailers, and the National Retail Federation (NRF), representing 3.5 million establishments in the U.S., may have been more open to the positive aspects of prospective coverage for workers.

Antagonism on the part of many of the sample organizations is driven by economic self-interest. The Small Business and Entrepreneurship Council (SBEC) noted the negative cost increase effects of the bill beginning at the point of introduction of the bill to the House in September 2009. The National Association for the Self-Employed (NASE) spoke out saying “in this economy, it is all about the bottom line” (Fritze 2009). The influential NFIB and Chamber of Commerce noted similarly that rising costs and taxes for their members were points of dissent. On the eve of the Senate’s amendment in early December 2009, these two organizations were left off the guest list at an important job creation summit at the White House.
(Zibel 2009). Both were also in longstanding opposition to – and spent heavily advertising against – the President’s reforms for climate change and health care.

My second hypothesis that employer preferences were formed differently is backed up by the NSBA analysis of the reforms. Chairman Keith Ashmus said, “we justifiably expect that small companies caught between these twin pressures [offering and paying for employee health insurance] will see their ability to grow, prosper and create jobs greatly diminish” (Table 1). This highlights the effects of the lower degree of corporate policy capacity of the individual small firms. The large employers in many cases were already offering inexpensive health-insurance plans, or mini-meds, and were receiving sizeable double tax breaks. In juxtaposition, small employers who were not mandated to offer insurance often did not. They were not able to attune to changes in Washington, D.C., nor were they staffed with government relations or policy experts. As I have shown, small business’ best chance for lobbying representation at the national level is these employer organizations. Even with them, small business lacks a sense of clarity on the rising costs over time as the ACA is implemented (Miller 2011).

The case of support by the Main Street Alliance (MSA) – and related Small Business Majority (SBA) run by John Arensmeyer – for the ACA is not a definite negation of the PRT hypothesis. It may even be evidence in support of the hypothesis of business antagonism. These organizations are not strictly representing firms as self-interested economic actors. Rather, the National Journal describes the two organizations as “steering small business left” (Vaida 2010). The Small Business
Majority is funded by certain foundations, including the New York State Health Foundation and Blue Shield California Foundation, whose interests stand to benefit from the new reforms. Therefore, the SBA support for the ACA may not be an accurate reflection of the interests of the members it claims to represent. On the other hand, the employer organizations in direct opposition, the NFIB and Chamber of Commerce, get high percentages of funding from business interests that are entrenched in the public-private health care system existing prior to the passage. In summary, the picture of antagonism is less evident for these organizations representing business. They are not directly influenced by the same economic and political rationales as individual firms.

Large employer positioning on the ACA shows they were antagonistic throughout the reform process as PRT expected. My sample is definitely not an accurate portrayal of the preferences of the thousands of large businesses operating the U.S. It is, however, arguably representative given the expectation that large business will remain silent; the strategic incentives to do so; and the similarity of these responses to the antagonism of the organizations just discussed. The large companies sampled by-and-large did remain silent in the media on their preference for the reforms during the early stages of formulating the bill. As time progressed and policy options narrowed, it became more apparent that the bill would pass. Firms then became more vocal – as with Caterpillar on March 18 (Table 2). Just after it was signed, they made statements citing actual or expected competition issues, benefit changes, and cost increases as a direct result of the ACA.
Table 2: Large Employer Statements on ACA:

<table>
<thead>
<tr>
<th>Employer</th>
<th>Statements in Reaction to the Passage of the ACA</th>
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| 3M        | “[The company will] change retiree benefits both for those who are too young to qualify for Medicare and for those who qualify for the Medicare program. Both groups will get an unspecified health reimbursement instead of having access to a company-sponsored health plan.”<br>"Health care options in the marketplace have improved, and readily available individual insurance plans in the Medicare marketplace provide benefits more tailored to retirees' personal needs often at lower costs than what they pay for retiree medical coverage through 3M.”<br>"In addition, health care reform has made it more difficult for employers like 3M to provide a plan that will remain competitive."
3M spokeswoman, Jacqueline Berry, confirmed the contents of the memo. (Adamy October 4, 2010 for Wall Street Journal; Tse 2010) |
| AT&T      | “As a result of this legislation, including the additional tax burden, AT&T will be evaluating prospective changes to the active and retiree health care benefits offered by the company.” –AT&T representative (Bartash 2010) |
| Boeing    | “Boeing (NYSE: BA) today [March 31] announced that it expects to recognize an income tax charge of approximately $150 million as a result of the recently enacted Patient Protection and Affordable Care Act, as modified by the Health Care and Education Reconciliation Act. Beginning in 2013, Boeing will no longer be able to claim an income tax deduction related to prescription drug benefits provided to retirees and reimbursed under the Medicare Part D retiree drug subsidy.” (Boeing 2010) |
| Caterpillar | “Caterpillar [is in] objection to the legislation because of the substantial cost burdens [the health care reform] would place on our shareholders, employees and retirees”<br>“We can ill-afford cost increases that place us at a disadvantage versus our global competitors” – Increases of 20 percent in the first year alone.<br>“We are disappointed that efforts at reform have not addressed the cost concerns we’ve raised throughout the year.”–Gregory Folley, VP and CEO, in anticipation to the passage (March 18, 2010). |
| Deere & Co. | “Deere & Company announced today [March 25, 2010] that the Patient Protection and Affordable Care Act signed into law this week will adversely impact its expenses for fiscal 2010. As a result of the legislation, the company's expenses are expected to be about $150 million higher on an after-tax basis, primarily in the second quarter.”–Ken Golden, Director of Strategic Public Relations |
| McDonald's | “It would be economically prohibitive for our carrier to continue offering [the mini-med plan without an exemption from the 80 to 85% spending on premiums requirement].”<br>"Having to drop our current mini-med offering would represent a huge disruption to our 29,500 participants," said McDonald's memo, which was reviewed by The Wall Street Journal. "It would deny our people this current
benefit that positively impacts their lives and protects their health – and would leave many without an affordable, comparably designed alternative until 2014.” Said McDonald’s in a memo to Federal officials, reviewed by The Wall Street Journal. *(Adamy for *Wall Street Journal* September 30, 2010)*

| Verizon | “We expect that Verizon’s costs will increase in the short-term. These cost increases are primarily driven by two provisions [of the ACA].”
|         | “Changes affecting the [Medicare] Part D subsidy will make it less valuable to employers, like Verizon, and as a result, may have significant implications for both retirees and employers.”
|         | “There is a provision that taxes high-value health plans expected to begin in 2018. Many of the plans that Verizon offers to employees and retirees are projected to have costs above the thresholds in the legislation and will be subject to the 40 percent excise tax.” –Verizon letter to employees. (Spruiell March 24, 2010 for *National Review*) |

These reactions to the ACA affirm that many large businesses were probably antagonistic to the expansionary policy. Furthermore, those sampled show rapid activity in reaction to the passage which can be taken as evidence of their political organization being utilized. We may say large employers used the ACA as a scapegoat for cost shifts to employees. Many of these outcries by large business were responding to changes to the Medicare Part D subsidies that eliminated the double benefit loophole – a federal subsidy and a tax write-off. As tangible cost increases were inevitable without this write-off, employers like 3M stated prospective trouble providing “competitive plans.” Verizon noted changes make subsidies “less valuable” and will have “significant implications for retirees and employers.” *(Table 2)* Others like Caterpillar spoke out citing cost increase woes that will disadvantage U.S. businesses in international commerce *(Johnson 2010)*. AT&T, Boeing and Deere & Co. were more neutral in their opposition, releasing simple
statements of income tax charges and “evaluating prospective changes to active and retiree health care benefits” (Table 2).

Many large businesses like McDonald’s obtained waivers from the Federal Government for mini-med health care plan changes (Table 2; HHS 2012). Effectively these waivers allowed the businesses to avoid changing their extremely low benefit threshold plans for their primarily low-income workers. Thousands of restaurants, municipalities and worker unions also obtained these waivers that can last until 2014 from the U.S. Department of Health and Human Services. In 2014 they must comply and enrich the benefit packages they offer to employees or face penalties of up to $2,000 per worker (Healthcare.gov 2011).

The hypothesis that large employers are antagonistic toward health reform is affirmed by the statements of these representative employers. As economically self-interested actors, no firm is expected to favor uncertain long-term cost containment along with definite short-term cost increases. There of course may be many more firms that stayed silent that were in favor of the ACA reforms. We can only determine preferences of firms by statements actually made. Since large firms have many profit and stockholder concerns, it is possible that both firms in opposition to and firms in favor of the changes remained silent. The 15th Annual National Business Group on Health (NBGH) survey on purchasing value in health care found a significant majority of employers believe the reform will lead to higher cost health care services and employer-sponsored benefit programs (Towers Watson 2010). The NBGH survey polled 507 employers with more than 1,000 employees, representing
11.5 million workers and was conducted between November 2009 and January 2010. For large businesses, this lends evidence in favor of the antagonistic firm hypothesis and little evidence negating this PRT perspective.

My sample of large firm also shows how greater corporate policy capacity functions in practice. They form their preferences differently from small firms as a product of their positioning in the political process. AHIP, the AMA, or some employer organizations do have more influence in the health care arena. Yet, large firms are better positioned and informed in their preferences via their involvement and lobbying. It may be inferred from the political organization hypothesis that larger firms, seeing cost shift potential, would be in favor of the reforms. Again, being economically self-interested actors, the firms would not be expected to choose this route. Those sampled did not do so. Compared to smaller firms, they capitalize on the exposure to and employment of health policy experts, have more resources at their disposal, and are less sensitive to cost increases or mandates for coverage.
5. CONCLUSION

The results of my study of employer roles and their preferences on the ACA yielded that businesses were by-and-large antagonistic to the expansionary welfare policies pushed through by Progressive legislators. My comparison of the differences over the time between the Obama and Clinton reform attempts supported the analysis of preferences. The analysis showed, as Power Resource Theory predicts, that business opposition to the reforms seems to have been driven by economic self-interest. This was especially true for the large employers sampled. As the corporate policy capacity hypothesis predicts, a firm’s involvement in policy spheres and its political organization affected their preference formation and reaction to the passage of the ACA. Large firms were predominantly silent leading up to the reforms until the policy options narrowed to the degree where unfavorable outcomes were assured. At that point they spoke out. Small firm representation in more cases was vocal earlier on in the policy making process. The antagonism of business to changes that are prospectively beneficial to their bottom line and worker well-being is a phenomenon worth further investigation. The continued pressures to repeal and replace parts of the ACA such as the controversial individual mandate leave the study of employer roles on this health care reform issue up for further review.
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