The U.S. Supreme Court on June 28 voted 5-4 to uphold the Affordable Care Act. Now, in the wake of that decision, many businesses are wondering what the impact will be on them.

John Sarno, president and general counsel of the Employers Association of New Jersey (EANJ), believes it will ultimately be a boon for many people, particularly for small business owners with 50 employees or fewer.

“Only 6 in 10 employers in this category currently offer health insurance coverage to their employees. Whether or not these small employers choose to offer coverage, they are hard hit by the current system of health insurance,” Sarno says.

Employers that do currently offer health insurance have been greatly affected in recent years by skyrocketing costs. If they do not offer insurance, they may face a greater difficulty in hiring employees.

The affirmation of the law by the Supreme Court is “a windfall for the small employer,” says Sarno, because it breaks the link between the employer and health care insurance coverage that has existed since the post-World War II era.

“Employers who currently offer health care coverage for their employees will be able to stop
doing so, because their employees will be able to get insurance through other sources. Employers who do not offer health insurance coverage will now be better able to compete for the most qualified employees,” he explains.

But while there may be benefits for small business owners in the law, not everyone will see the same advantages because federal healthcare reform was always about getting more people covered rather than trying to lower healthcare costs.

“The law creates a huge shift onto larger employers who do pay healthcare benefits,” says Sarno. While the individual mandate will not go into effect until January, 2014, several of the complex law’s provisions have been put into effect already, including coverage for children by their parents’ health insurance until age 26 and coverage for pre-existing conditions.

These and other provisions have created additional demand for health care. “More than 1.7 million New Jerseyans have benefitted from the law’s rule that private health providers can’t charge co-pays for certain preventive services, and nearly a million New Jersey Medicare members also are getting free preventive screenings,” Sarno says.

“This adds up to higher health care premiums for employers. More demand means higher prices,” he adds. “The cost control measures, which would have most likely been implemented even without the law, will take several years for the various pilot programs to pay dividends in the form of less inflation in healthcare costs and healthier people.”

In a blog on the EANJ website, Sarno quotes statistics from the New Jersey Business and Industry Association Health Insurance Survey showing that the average cost per employee has almost doubled in a decade and in 2011 was $8,860.

The cost of health care premiums in New Jersey rose nearly five times faster than wages. He also cited a report by Families USA, a Washington-based nonprofit group, issued in 2008, which found premiums in New Jersey rose 71 percent while earnings increased just 15 percent between 2000 and 2007.

The escalation has caused employers to push more of the costs of healthcare onto their employees without wage increases to cover the difference, Sarno notes. “In some case, wages for the average worker have actually declined relative to inflation.”

A New Jersey native, Sarno’s father was a farmer and laborer in Bergen County while his mother raised four children. “My parents were fervent believers in education, which is why I got three college degrees,” Sarno says.

Sarno has combined his background in both psychology and the law in his work with EANJ, he says. He earned a bachelor’s in psychology from Ramapo College in 1977, and a master’s in education and counseling in 1980.

Sarno worked for several years as a counselor for clients with disabilities, including work with disabled students at Ramapo College, before returning to law school and receiving his law
degree from Seton Hall in 1988.

The degrees may seem disparate, but not to Sarno. “I see all three degrees as serving one career narrative,” he says. “They are all about helping people and that is exactly why I got into law.”

He advises employers on labor, employment, and health care issues, and teaches health care law and ethics at Fairleigh Dickinson University, including a class on the Affordable Care Act.

The EANJ is the only nonprofit association in the state of New Jersey dedicated to helping employers make sound and responsible employment decisions through education, informed discussion, and training. The organization’s original 1916 charter commits it to advancing “the understanding of principles of individual freedom in labor relations” and to “secure property rights and advance freedom of contract.”

Now that we know the Supreme Court’s decision, the action shifts to New Jersey and how the state will handle the “insurance exchange” portion of Obamacare.

The health insurance exchange is designed to bring private health insurance companies together with government health insurance options to compete for business among individuals and small business. The exchange plan is designed to increase competition, thus bringing down insurance costs. Participants in the exchange will not be allowed to exclude people with pre-existing conditions.

We have a foreshadowing of just how New Jersey will act to mitigate healthcare cost increases through the exchange with Governor Christie’s veto of the New Jersey Health Benefit Exchange Act in May.

Governor Christie, who has stated that he finds the Supreme Court’s decision “disappointing,” said in his veto message in May that it was premature to go forward in authorizing the exchange until the Supreme Court made its decision. That veto has “put New Jersey behind the curve” in creating the exchange, which in turns delays reforms in healthcare insurance that could eventually bring down the cost of healthcare insurance in the state, says Sarno.

Healthcare reform and curbing rising insurance and medical costs are complex issues that are only somewhat addressed by Obamacare. Business owners must educate themselves on the short-term and long-term consequences of the Supreme Court’s decision.

If business owners do decide to continue to offer insurance, they must no longer treat it “like they do the purchase of a cell phone plan,” says Sarno. “Insurance is not just another commodity that should be purchased based on price alone. In the end, you get what you pay for.”