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Restaurant industry watchful of health-care reform

by [Cary G. Stemle](#) * • 08 Sep 2009

As Congress returns to Washington this week and renews the debate over health-care reform, the restaurant industry is one of many casting an interested — and wary — eye to the process.

Several bills are still under consideration in the House and Senate, and President Barack Obama is expected to lay out his vision of reform more specifically when he speaks to a joint session of Congress Wednesday night.



"There's no doubt that there are problems with our health-care system," said Deborah Dowdell, president of the New Jersey Restaurant Association. "But we are extremely concerned with the proposals to fix our view of the problem: cost to the operator who is looking to insure himself or herself and their families, or hoping to extend insurance to their employees. For various reasons, it is too expensive to join a group plan."

The [National Restaurant Association's](#) Web site has a substantial section dedicated to health-care reform. The organization calls for tailoring reform to the "economic and operational realities facing the restaurant industry," and says that additional government-imposed costs on operators will be difficult to absorb in an industry with an average profit margin of about 4 percent. Among several things, the NRA calls for containing costs through health-care cooperatives, incentivizing healthy behavior and tort reform, providing tax incentives to encourage individual participation and making insurance plans portable across state lines.

In a note to members, NRA president and CEO Dawn Sweeney encourages them to contact members of Congress: "With 945,000 restaurant and foodservice outlets and a workforce of 13 million employees, we can't afford not to be heard."

According to the People Report's 2009 Corporate Compensation and Benefits Survey, which was published in August:

- 48 percent of restaurant chains offer health benefits to part-time hourly employees

Legislative measures and industry improvements

Some proposed legislation would require all companies to provide health insurance, which would be quite challenging for small businesses, said Daniel McMahon, a regional manager with BB&T Insurance Service's Kentucky operation.

Companies with large groups may be able to

- 94 percent of chains offer benefits to full-time hourly employees, with slightly more than half of the cost paid by the employee.
- While more than 80 percent of corporate employees and about 75 percent of restaurant managers take advantage of benefits, only 20 percent to 25 percent of eligible hourly employees enroll in benefit plans.

absorb the costs, he said, but small businesses and franchisees could be forced to raise prices or cut payroll unless the plans include ways to mitigate expenses.

McMahon pointed to several things that might help reduce costs, including doing away with state-by-state insurance regulations so companies could buy plans from any state, or requiring providers and insurance companies to make their fees transparent.

"If you go to Home Depot and Lowe's to compare prices, you know exactly what you'll be paying," he

said. "The government could help impart transparency."

McMahon said insurance companies need to improve efficiency and reduce administrative costs, and he said tort reform is paramount because doctors now practice defensive medicine as a result of rampant malpractice lawsuits that have no limits on jury awards. "That would save a lot of money," he said. "We're drowning in second and third opinions, and there's too much redundancy of service. That is one reason (insurance) is so costly."

Americans are accustomed to employer-provided health care, said Patrick Beach, president of the board of directors for the International Food Service Executives Association (IFSEA), a professional organization for the foodservice and hospitality industries. Only 60 percent of employers offer health care currently, he said, down from 70 percent about a decade ago.

Beach, a professor in the hotel management program at Harper College near Chicago, believes health-care reform is necessary, but he said the small operators his organization works with worry about an overreaching government plan. "We think a variety of plans put forward could incrementally change health-care as we know it today," he said.

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While IFSEA itself is strictly non-political, "Our restaurateurs are all over these town hall meetings. I see them on both sides — some say, 'Do something,' and some say, 'Go away.' We have a wide variety of opinions," he said.

Beach lauded a plan advocated by Sen. Olympia Snowe (R-Maine) — but not advanced in Congress — that would have allowed small-business owners and the self-employed to band together to obtain lower insurance prices, provided tax credits to small businesses that pay for employee premiums and reduced health-care administrative costs for small businesses. Small businesses spend about 25 percent of health insurance premiums on administrative costs, he said, compared to about 10 percent for large employers.

Finding solutions

Bob Goldin, an executive vice president with Technomic Inc., a Chicago consulting and research firm for the food industry, said he's counseling clients to think about solutions because health-care reform is inevitable.

"It's getting worse," he said. "Costs are escalating and the demographic shifts are unfavorable. It's not as if it'll go away. The industry needs to realize we are in a critical situation. Saying no is not an appropriate response. I think they should work and offer up some real solutions."

Goldin cited nutritional labeling as a good comparison. "For a long time, the industry opposed it. Now the attitude is, 'OK, we'll make the best of it.' It's not what we wanted, but we need to take the opportunity to shape public policy."

And Obama should be tapped to help deliver health-care reform.

"He promised we'll see a different government and that he's going to lead it," Beach said. "He's hanging his hat on it. I think he should think about incrementalism."

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