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THE EFFECTS OF THE PRESIDENT'S HEALTH CARE LAW ON INDIANA'S CLASSROOMS AND WORKPLACES

HEARING

BEFORE THE

COMMITTEE ON EDUCATION
AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

HEARING HELD IN INDIANA, SEPTEMBER 4, 2014

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C O N T E N T S

	Page
Hearing held on September 4, 2014	1
Statement of Members:	
Roe, Hon. David P., Chairman, Subcommittee on Health, Employment, Labor, and Pensions	1
Prepared statement of	3
Statement of Witnesses:	
Defabis, Mark, President and Chief Executive Officer, Integrated Distribution Services, Plainfield, IN	49
Prepared statement of	51
Forkner, Tom, President, Anderson Federation of Teachers, AFT Local 519, Anderson, IN	17
Prepared statement of	19
Lamar, Nate, International Regional Manager, Draper Inc., Spiceland, IN	60
Prepared statement of	62
Shafer, Mike, Chief Financial Officer, Zionsville Community Schools, Zionsville, IN	5
Prepared statement of	8
Stone, Robert, Director of Palliative Care, IU Health Bloomington Hospital, Bloomington, IN	54
Prepared statement of	57
Snyder, Tom, President, Ivy Tech Community College, Indianapolis, IN	11
Prepared statement of	13
Tanoos, Danny, Superintendent, Vigo County School Corporation, Terre Haute, IN	23
Prepared statement of	27
Wolfe, Dan, Owner, Wolfe's Auto Auction, Terre Haute, IN	45
Prepared statement of	47
Additional Submissions:	
Bucshon, Hon. Larry, a Representative in Congress from the State of Indiana:	
Clay Community Schools, letter, dated Aug. 5, 2014	34
Messer, Hon. Luke, a Representative in Congress from the State of Indiana:	
Community School Corporation of Southern Hancock County, letter, dated Sept. 3, 2014	78
Mr. Tanoos:	
Letters to the Internal Revenue Service	31

THE EFFECTS OF THE PRESIDENT'S HEALTH CARE LAW ON INDIANA'S CLASSROOMS AND WORKPLACES

Thursday, September 4, 2014
U.S. House of Representatives
Subcommittee on Health, Employment, Labor, and Pensions
Committee on Education and the Workforce
Washington, D.C.

The subcommittee met, pursuant to call, at 10:00 a.m., in Greenfield City Hall, 10 South State Street, Hon. David P. Roe, [chairman of the subcommittee] presiding.

Present: Representatives Roe, Bucshon, Brooks, Messer, and Rokita.

Staff Present: Janelle Belland, Coalitions and Members Services Coordinator; Molly Conway, Professional Staff Member; Zachary McHenry, Legislative Assistant; Brian Newell, Communications Director; Eunice Ikene, Minority Labor Policy Associate; Amy Peake, Minority Labor Policy Advisor.

Chairman ROE. A quorum being present, the Subcommittee on Health, Employment, Labor, and Pensions will come to order.

Good morning, everyone, and welcome to today's hearing. I would first like to take a moment to thank our witnesses for joining us here to discuss this important issue. I would also like to extend our appreciation to the members and staff of the Greenfield City Government for hosting our hearing and thank the citizens of this great city for their hospitality, especially Mayor Fewell. The mayor and I had an opportunity to speak beforehand.

Phil Roe is my name, from northeast Tennessee, and I was the mayor of a small town, a little bit larger than Greenfield, about 60,000 people, Johnson City, Tennessee, and I feel very at home in City Chambers. I spent 10 years on the planning commission. I spent six years as a city commissioner and was also mayor of the city. You have a beautiful city here.

Just let me explain to you, it is not usual that we have field hearings outside Washington. But this is the fifth one of these that I have chaired, and I believe it is very important. Being a local official, I think the best government brings the government to the people, and I have made a real effort, and you should be honored, as I am honored to be here, to have this in your community, to have an official hearing of the U.S. Congress. I want to thank all of you all for being here today.

Before I joined the Congress, I spent more than 30 years practicing medicine in rural Appalachia. As a physician, I have experienced firsthand a health care system that is the envy of the world and one that has helped improve the lives of countless men, women, and children, but I also learned our health care system isn't perfect.

One of the problems with the American health care system is it costs too much, it is too bureaucratic, and there are far too many families that lack access to the care they need. Health care reform has long been an urgent national priority. It is one of the reasons I decided to run for Congress. Unfortunately, the President's health care law is not the right prescription for reform. In fact, it is making many of these challenges worse.

Under the President's plan, health care costs are going up, not down, and full-time jobs are being destroyed, not created. One of the things that struck me when I was preparing for this hearing, I have been in Congress, this is my sixth year, and the committee prepares a hearing memo for us. As I was reading the first paragraph of this hearing memo it said employer-sponsored health insurance is the predominant source of coverage for individuals and families.

According to the Kaiser Family Foundation, approximately 150 million Americans and 66 percent of workers are covered by employer-provided health plans. When I started in Congress six years ago, that number was 160 million of our friends and neighbors and 62 percent. So we have lost—10 million of our citizens have lost—health insurance coverage in the last six years. It is unbelievable. The harmful consequences are playing out in communities across the country.

The Federal Reserve Bank of Philadelphia recently surveyed area businesses to learn how the law is affecting their workplaces. Approximately 18 percent of businesses said they are cutting jobs and employees, and another 18 percent said they were shifting more workers to part-time hours. Additionally, a majority of employers are changing their health plans because the law is passing more costs onto employees. Federal Reserve authorities in Atlanta and New York report similar findings.

The law is hurting not only our businesses, but our classrooms as well. Higher costs, fewer full-time jobs, lost wages—these are problems that are plaguing schools nationwide. A survey by the College and University Professional Association for Human Resources found many institutions are passing more health care costs onto their employees. Students will ultimately lose as schools grapple with the law's added costs and burdensome mandates.

Our children and working families deserve better. It is clear that we need to set aside the President's health care law and start over with real reform that will lower costs and expand access. I want to do a shout-out for Todd, Mr. Rokita, who is sitting to my right. He served on a committee with me formed by the Republican Study Committee, which I chaired, to write the *American Health Care Reform Act,* which he was very instrumental in, and I want to thank you for the work that you did, the Republican alternative.

In the meantime, we need to take responsible steps that will provide relief to schools and workplaces. That is precisely what the

House of Representatives is determined to do. I want to thank my colleague, Representative Luke Messer, for helping lead this important effort.

Before I turn it over to Luke, I want to just do an introduction to the panel. I feel really fortunate to work with these four great men and women that are on this panel.

Dr. Larry Bucshon is a good friend, a fellow physician from Evansville, Indiana. I have been to his community for a hearing.

Susan Brooks, I have now been to Indianapolis to meet with the Indiana Medical Society. I feel like I ought to be a property owner there.

[Laughter.]

Chairman ROE. But, she is a terrific addition. And obviously Luke Messer, who I have just mentioned, and Mr. Rokita. We all work on the Education and the Workforce Committee. We all have a passion for education. I personally am a 23-year public school attendee. I have never been to a private school, and for some young guy like me who was raised on a farm in rural Tennessee to be able to go to college and medical school, it was because of a great public education system, and I absolutely am committed to that. That is the opportunity that most of us have.

I now yield the remainder of my time to Mr. Messer, and I will say I have great respect for him because he married a lovely young woman from my district, Greenville, Tennessee.

[Laughter.]

Chairman ROE. Mr. Messer?

Mr. MESSER. Everybody in this crowd that knows Jennifer knows I over-achieved in that department, no question about it.

[Laughter.]

Mr. MESSER. Thank you, Mr. Chairman. I want to thank all my Indiana colleagues for being here today. I want to welcome you all to Greenfield. It is great to look out in the crowd and see so many friends out there. I knew when we were looking for a location to have this hearing, Greenfield was going to be a great place to do it. Thanks to everyone for taking time out of your busy schedules to participate in today's hearing.

I want to especially thank Mayor Chuck Fewell and the Town of Greenfield for hosting this event today. On behalf of everyone here, witnesses too, I thank Chuck for bringing doughnuts.

This hearing will allow school leaders and business owners to share their perspectives about how the President's health care law is impacting them.

I want to thank Chairman Roe again for convening the hearing and for leading the effort, with Committee Chairman Kline, to highlight the negative impact of the President's health care law.

Congress needs to hear directly from those who have been forced to make difficult decisions as a result of the law's employer mandate, which requires employers to provide expensive government-approved health care or face steep fines. Put simply, the Federal Government should not be taxing schools and small businesses to pay for the President's health care law. It is just not right. And if we really care about our economy and our nation's future, we will do something about it.

Dave Adams, the Superintendent of Shelbyville Central Schools, first brought this issue to my attention early last year. He said the employer mandate will cost his schools $794,000 annually. Bob Yoder, Assistant Superintendent of Southern Hancock School Corporation, estimated its price tag at $450,000 per year. Unfortunately, their stories are not unique, and you will hear some of those stories today.

That is why I have introduced legislation to exempt schools from this onerous provision. We can't fund the President's health care law at the expense of education.

Small businesses are being harmed, too. Businesses statewide have been forced to reduce worker hours and scale back their workforce to balance new budget constraints imposed by the law. That is why I have introduced legislation that will exempt most small businesses from this tax, too. It is also why I support legislation that would restore the full-time employee equivalent to the traditional 40-hour threshold as well.

Nate LaMar, the International Regional Manager of Draper, Incorporated, in Spiceland, rightly notes that the law's fees and taxes don't stop with the employer mandate.

There are strong feelings about the President's health care law on both sides of the aisle. I respect those views, and I respect the views of those who believe deeply that it is the best way to address the challenges in our health care system. I would hope that most would agree, however, that our nation's school children and hourly workers should not be forced to pay the price of this law.

Thank you, Mr. Chairman, and I yield back the balance of my time.

Chairman ROE. I thank the gentleman for yielding.

Pursuant to Committee Rule 7(c), all members will be permitted to submit written statements to be included in the permanent hearing record. Without objection, the hearing record will remain open for 14 days to allow such statements and other extraneous material referenced during the hearing to be submitted for the official hearing record.

It is now my pleasure to introduce our first panel of distinguished witnesses.

Mr. Mike Shafer is a Certified Public Accountant and currently serves as the Chief Financial Officer for Zionsville Community Schools in Zionsville, Indiana. Mr. Shafer has been CFO of the Zionsville Community Schools since April of 1998.

Welcome, Mr. Shafer.

Mr. Tom Snyder is President of Ivy Tech Community College in Indianapolis, Indiana. Ivy Tech is the largest institution of higher education in Indiana and the nation's largest singly accredited statewide community college system.

Welcome, Mr. Snyder.

Mr. Tom Forkner is the President of Anderson Federation of Teachers, AFT Local 519 AFL–CIO of Anderson, Indiana. Mr. Forkner has been teaching at Anderson Community Schools since 1976 and has been President of Anderson Federation of Teachers since 2010.

Welcome, Mr. Forkner.

And Mr. Danny Tanoos is a Superintendent of Vigo County School Corporation in Terre Haute, Indiana. Mr. Tanoos has been an employee of the Vigo County School Corporation for 35 years and has served as Superintendent of the Schools for the last 17 years, and that must be a record because I think the average school superintendent in America is three years.

[Laughter.]

Chairman ROE. So my congratulations, or condolences, I am not sure which.

[Laughter.]

Chairman ROE. Before I recognize you to provide your testimony, let me briefly explain our lighting system. You have five minutes to present your testimony. When you begin, the light in front of you will turn green. With one minute left, the light will turn yellow. When your time has expired, the light will turn red. At that point, I will ask you to wrap up your remarks as best you are able. We won't cut you off, but try to wrap up your thoughts. And after everyone has testified, members will each have five minutes to ask questions.

Mr. Shafer, you are recognized for five minutes.

STATEMENT OF MIKE SHAFER, CHIEF FINANCIAL OFFICER, ZIONSVILLE COMMUNITY SCHOOLS, ZIONSVILLE, INDIANA

Mr. SHAFER. Thank you, sir, and thank you to all the distinguished congressmen and congresswomen—

Chairman ROE. Mr. Shafer, could you move that mic a little bit closer to you?

Mr. SHAFER. Yes, sir. Thank you to the Chairman and to all the distinguished congressmen and Congresswoman Brooks for the opportunity to testify today about the effects of the President's health care law in Indiana's classrooms.

My name is Mike Shafer. I am the Chief Financial Officer for Zionsville Community Schools in Zionsville, Indiana. Zionsville Community Schools is a suburban school district of some 6,200 students located in Boone County, Indiana, on the northwest corner of the Indianapolis metropolitan area. Our school district is a perennial leader in academic achievement in the State of Indiana, consistently ranking in the top three public school districts in the state as measured by various standardized test scores, graduation rates, college placement rates, and all other objective measures of student performance.

However, our academic successes do not equate to the level of funding our schools receive. In fact, Zionsville Community Schools receives one of the lowest amounts of funding per pupil of any public school district in the state. As a result, the *Patient Protection and Affordable Health Care Act* has had and continues to have a severe and disproportionately disruptive effect on our high performing school district.

We have identified three categories in which these negative effects have occurred in our school district. There is the impact on our students, the impact on our employees, and the impact on the school district itself. These intertwined and interactive effects, taken together, are serious and now appear to be increasing in their severity over time.

In 2013, as the provisions of the PPACA became better known and their ramifications started to become clear, we grew concerned about the impacts on our schools. Public school districts, including ours, commonly employ instructional aides, cafeteria workers, non-licensed substitute teachers, sports coaches, and various other categories of support positions for 30 hours or more per week during the school year.

Bluntly stated, public school districts across the nation commonly did not then and do not now offer health insurance coverage to the employees in those categories because the cost of offering coverage is beyond the budgetary means of most school districts to do so. School districts, including ours, realized then that the effect of the PPACA would be to choose between paying enormous amounts of excise taxes to the IRS under the provisions laid down in Section 4980H of the Internal Revenue Code for employer responsibility payments or incurring budget-busting costs to provide highly subsidized affordable health insurance for these employee groups, or be forced to reduce the work hours allowed for each of these employees to less than 30 hours per week.

For Zionsville Community Schools, we found that the cost we would incur should we fail the eligibility tests of the law and incur the excise tax penalty would be between $1.25 million and $1.6 million, with these amounts increasing in the future. The alternative of providing the coverage and subsidizing it for the employees to the degree required to meet the 9.5 percent affordability test would cost approximately $1.17 million in insurance premiums. All of these amounts would have fallen directly on our already overly strained general fund budget. In the end, we concluded that making a choice between these alternatives was no choice at all but in reality was a Hobson's Choice. We could only ensure the financial viability of the school district and the continued ability of the school district to deliver quality education to children if we reduced our support staff hours of work.

This is why we are compelled to say today that the PPACA is directly affecting our students. The employees of the school district are there to serve our students. The services provided by these employees to school children has been reduced because we were forced to reduce the number of hours of services of our classroom aides, who actively supplement the instruction provided by our teachers.

If you are a six-year-old learning to read in Zionsville and you need extra help, you will still get help, but the school personnel providing that help will be busier and will go home sooner than was the case in the past, and realistically you may not get quite as much help as you would have.

If you play on the girls' softball team at the middle school, you got a new coach. The former coach was successful, respected, and a great role model, but he wasn't allowed to coach anymore because that would put him over 29 hours per week.

If you are a special needs student, for whom stability is an important part of maintaining your success at school, we can no longer guarantee the continuity for many of you that we once had. As workers find they cannot survive on 29 hours per week, our turnover rate has increased dramatically.

The PPACA's effects on our employees should be obvious at this point. Reducing the affected employee groups' hours decreased their pay by 10 to 20 percent. This worked a real economic hardship on these hard-working Indiana taxpayers. Given that approximately 150 employees had their hours cut, and not-to-exceed caps were placed on over 200 others, the impact on the employees is one which is felt throughout the homes and businesses of our community.

In terms of the effects on the school district itself, the effects have been far reaching. In addition to the concerns about the effects on our students and our employees, we have found we are now facing major issues with employee recruitment and retention in affected employee groups. We also have incurred significant new costs. For a handful of our most severe special needs students, we found that having aides or attendants with reduced hours just did not and could not work. As a result, we did create one new employee group for those cases. This new group, because of the number of hours they were needed, is being offered insurance subsidized by the school district, with an annual cost for this coverage of nearly $70,000 for this group.

While the bulk of the negative effects of the PPACA on our school corporation are generated by the IRS' "30 hours is full-time" rule, there are certainly other negative effects that the school district is experiencing. Last July, we were required to file an IRS form and pay the PCORI fee. Later this year we will be paying the reinsurance fee. Together, these fees will exceed $65,000 for us.

Frankly, the idea that public school districts should use tax dollars to pay fees to subsidize big insurance companies is wrong. In our case, $65,000 is more than the cost of a teacher for a year.

With our growing enrollment, we needed more teachers. We struggled and scraped to come up with enough money for the number of teachers we could. When we look at a class of students in, say, second grade, we find that class size could have been lower in at least one of our elementary schools by a significant number if we could have afforded one more teacher, but the money for that one more teacher instead is going to pay the fees under the PPACA.

I will also mention that although the 30-hour rule is our primary concern, we also have future concerns about the record-keeping and reporting requirements. We are concerned about whether or not the staff we have is adequate for that. We do not want to hire more clerical help or bookkeepers, more accountants, more consultants, and take money out of the classrooms to do so.

Thank you for your time and kind attention today, and for your service to our nation.

[The statement of Mr. Shafer follows:]

Oral Testimony given September 4, 2014
Before the Education and the Workforce Committee at a hearing entitled
"The Effects if the President's Health Care Law on Indiana's Classrooms and Workspaces"

By: Michael A. Shafer
Chief Financial Officer
Zionsville Community Schools
Zionsville, Indiana

Thank you Chairman Roe and all of the distinguished Congressmen and Congresswomen for the opportunity to testify about the effects of the "President's Health Care Law" on Indiana's classrooms.

My name is Mike Shafer. I am the Chief Financial Officer for Zionsville Community Schools in Zionsville Indiana. Zionsville Community Schools is a suburban school district of some 6,200 students located in Boone County, Indiana on the northwest corner of the Indianapolis metropolitan area. Our school district is a perennial leader in academic achievement in the state of Indiana, consistently ranking in the top three public school districts in the state as measured by various standardized test scores, graduation rates, college placement rates, and all other objective measures of our students' performances.

However, our academic successes do not equate to the level of funding our schools receive. In fact, Zionsville Community Schools receives one of the lowest amounts of funding per pupil of any public school district in our state. As a result, the Patient Protection and Affordable Health Care Act (PPACA) has had and continues to have a severe and disproportionately disruptive effect on our high performing school district.

We have identified three categories in which these negative effects have occurred in our school district. There is the impact on our students, the impact on our employees, and the impact on the school district itself. These intertwined and interactive effects, taken together, are serious now and appear to be increasing in their severity over time.

In 2013, as the provisions of the PPACA became better known and their ramifications started to become clear, we grew concerned about the impacts on our schools. Public school districts, including ours, commonly employ instructional aides, cafeteria workers, non-licensed substitute teachers, sports coaches, and various other categories of support positions for 30 hours or more per week during the school year.

Bluntly stated, public school districts across the nation commonly did not then and do not now offer health insurance coverage to the employees in those categories because the cost of offering coverage is beyond the budgetary means of most school districts to do so. School districts, including ours, realized than the effect of the PPACA would be to choose between paying enormous amounts of excise taxes to the IRS under the provisions laid down in section 4980H of the Internal Revenue Code for "employer responsibility payments" or incurring budget-busting costs to provide highly subsidized "affordable" health insurance for these employee groups, or be forced to reduce the work hours allowed for each of these employees to less than 30 hours per week.

For Zionsville Community Schools, we found that the cost we would incur should we fail the eligibility tests of the law and incur the excise tax penalty would between $1.25 million and $1.6 million with these amounts increasing in the future. The alternative of providing the coverage

and subsidizing it for the employees to the degree required to meet the 9.5% affordability test would cost approximately $1.17 million in insurance premiums. All of these amounts would have fallen directly on our already overly strained General Fund budget. In the end, we concluded that making a choice between these alternatives was no choice at all, but in reality was a "Hobson's Choice." We could only ensure the financial viability of the school district and our continued ability of the school district to deliver quality education to children if we reduced our support staff employees' hours of work.

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In terms of the effects on the school district itself, the effects have been far reaching. In addition to the concerns about the effects on our students and our employees, we have found we are now facing major issues with employee recruitment and retention in affected employee groups. We also have incurred significant new costs. For a handful of our most severe special needs students, we found that having aides or attendants with reduced hours just did not and could not work. As a result, we did create one new employee group for those cases. This need group, because of the number of hours they were needed, are being offered insurance subsidized by the school district, with an annual cost for this coverage of nearly $70,000 for this group.

While the bulk of the negative effects of the PPACA on our school district are generated by the IRS's '30 hours is full-time" rule, there are certainly other negative effects that the school district is experiencing. Last July, we were required to file an IRS form and pay the so-called PCORI" fee. Later this year we will be paying the Reinsurance Fee. Together, the costs of these fees will exceed $65,000 for us.

Frankly, the idea that public school districts should use tax dollars to pay fees to subsidize big insurance companies is just wrong! In our case, $65,000 is more than the cost of a teacher for a year. Our enrollment grew over 170 students for this school year. The State of Indiana's funding formula allotted us enough additional new funding to pay for hiring four new teachers, and average of around one new teacher for every 43 students. As we struggled and scraped to come up with enough money to pay for hiring the number of new teachers we really needed, we look at the $65,000 going to PPACA fees and say "That could have been one more, one more

teacher that we really needed. One more teacher to prevent the second grade at one of elementary schools from having 28 children in class by lowering that class size." The loss of that one teacher at that grade level is something those seven-year old children will never get back. Worse, next year, the fees will be due again and some other class will lose a teacher to the PPACA.

Finally, two other areas of impact are obviously going to occur that our school district does not yet have a firm grasp upon such that we cannot quantify these today, but we know very well that they will be extremely significant. Our school district has maintained its own self-insured health insurance plan successfully for the past 22 years. We do not yet have enough claims experience to provide reliable data, but it is clear that we will experience major new costs to our health insurance plan over time as we comply with the unfunded mandates of the PPACA to provide various free services, conduct open enrollment without excluding pre-existing conditions, cover children to age 26, and so on. Ultimately these mandates can only drive up the costs of health care for our taxpayers and lessen the quality of coverage for our employees.

At the same time, we also are very concerned about the new recordkeeping and reporting requirements being imposed by the PPACA. As we examine the drafts of the recently released IRS forms that are being proposed to report large quantities of detailed information on every employee, we fear that we do not have sufficient information systems and clerical staff to prepare these. It is unacceptable that we should be forced to divert even more money from the classroom in the future so that we can hire more clerks, accountants, and computer analysts to comply with the PPACA.

Thank you for your time and kind attention today, and for your service to our nation.

Chairman ROE. Thank you, Mr. Shafer.

Mr. Snyder, you are recognized for five minutes.

STATEMENT OF TOM SNYDER, PRESIDENT, IVY TECH COMMUNITY COLLEGE, INDIANAPOLIS, INDIANA

Mr. SNYDER. Thank you, Mr. Chairman, for the opportunity to speak on behalf of Ivy Tech Community College, its 200,000 students, and its nearly 8,000 faculty and staff. And thank you for continuing the discussion on the effect of the current health care law and its impact on the classroom.

Our focus at Ivy Tech, as it is for the 1,000 community colleges across the country, is to employ faculty and to educate tens of thousands of students for future careers. The community college structure, unique to the United States, is also our country's most affordable and accessible option for higher education. The U.S. is behind in educational attainment. If we are to close the gap, we need community colleges more than ever.

Let me be specific about Indiana. We have one statewide community college. We are the largest such college in the U.S., serving those 200,000 students at over 100 locations. We are open admissions, serving a very complex student body, some entering college for the first time one year after high school, sometimes 20 years after high school, some seeking a career change, and others starting at the community college and then transferring to a four-year school.

Among Indiana's public higher education institutions, Ivy Tech has more than half of all Pell Grant recipients and more than half of the African American students. For many of our students, Ivy Tech may be their best chance in life to get the education needed for today's workforce.

One of the keys to our success is our adjunct faculty team of more than 4,000. Most are practitioners in their field who bring real-life, real-time experience into the classroom. It helps our students to be truly career-ready when they complete. Adjunct faculty also expose local business and industry to the community college. Moreover, most of these adjuncts are often the very individuals we consider when we have full-time positions to fill. In fact, in the last four years, we have placed more than 500 adjuncts into our 1,500 full-time positions.

Let us reaffirm that Ivy Tech is a supporter of quality health care for all citizens, but we do need to highlight some of the serious concerns that we have with respect to certain provisions of the new law.

A key part of our strategy to keep tuition affordable is to operate within a model that utilizes adjunct faculty for over 50 percent of our instruction. The Affordable Care Act has caused us to carefully manage the hours of teaching that we can offer. We now limit classroom time to 12 hours to provide an additional 15 hours of preparation for the in-classroom work. Our funding is very limited. This does not allow us to absorb this unfunded mandate such as health care for the employee if they do reach the 30-hour limit. We would have to put such costs on the backs of students by increasing tuition. And as a result, many of those who are at the lowest income levels would not be able to afford college.

Another alternative suggested is to find more adjunct faculty, but this creates another problem. There is clearly a lack of additional credentialed faculty with Master's degrees in English, Master's degrees in Math, and Master's degrees in Advanced Manufacturing. We are, in fact, canceling classes because of this. And despite having qualified adjuncts who could step in and teach another course or two, we are not in a position to allow them to do that.

Because of the unique role of the adjunct in the community college, the end result may mean less access for students nationwide.

The 30-hour rule impacts us in two other ways. We had planned to expand the advising role for adjuncts, critical to retention. However, the new law has made this very difficult to implement. And professional development for adjuncts is on hold until we create a new IT system, a costly statewide system that would track these 4,000 adjuncts statewide across all of our locations.

We at Ivy Tech are about ensuring we are able to provide the best educational product and at the same time protect the jobs of our adjuncts. The goal is to increase educational attainment across our nation, but I fear the reverse. These changes will only increase the cost of higher education and decrease attainment.

In closing, the 30-hour rule puts the burden on a segment least able to benefit from it or afford it. We hope you will give careful consideration to its revision. We thank you for the opportunity to present our case.

[The statement of Mr. Snyder follows:]

Thank you, Mr. Chairman for the opportunity to speak on behalf of Ivy Tech Community College of Indiana's 200,000 students and nearly 8,000 faculty and staff. And thank you for continuing the discussion on the effect that the current health care laws are having in the classroom and workplace.

Our focus at Ivy Tech, as it is for the 1,000 community colleges across the country, is to employ thousands of faculty and to educate tens of thousands of students for future careers. The community college structure, unique to the United States, is also our country's most affordable and accessible option to higher education. The United States is behind in educational attainment. If we are to close the global gap, we must do all we can to keep higher education both affordable and accessible.

Let me be specific about Indiana. We have one statewide community college. We are the largest such College in the United States serving those 200,000 students at nearly 100 locations around the state. We are an open admissions institution thus serving a complex student body, some entering college for the first time, maybe one year or even 20 years after high school. Some seeking a career change and others starting at the community college and then transferring to a four-year school. Among Indiana's public institutions, Ivy Tech has more than half of all Pell Grant recipients and more than half of African American students enrolled in higher education in the state. For many of our students, Ivy Tech may be their best chance in life to get the education needed by today's workforce. Our mission is unique to higher education and I would argue that community colleges are more critical than any other institutions in order to rebuild the middle class.

One of the keys to our success is our adjunct faculty team of more than 4,000 this very semester. Many are practitioners in their field who bring real-life, real-time experience into the classroom. It helps our students be more career-ready when they leave us. Adjunct faculty bring much needed diversity into our classrooms in a variety of ways and they expose local business and industry to the community college. Moreover, these adjuncts are often the very individuals we consider when we have full-time positions to fill, a critical resource for the college. In fact in the last four years, we have placed more than 500 adjuncts into our 1,500 full-time positions.

Now before I speak to some elements of the Affordable Care Act I want to be very clear that Ivy Tech Community College is a firm supporter of ensuring Americans have access to health care. However I would like to highlight some serious issues we face with respect to certain provisions specifically related to the new law, which is having a significant impact on institutions such as ours, as well as for many of the individuals we employ.

Part of our strategy to keep tuition affordable is to operate within a model that utilizes adjunct faculty for over 50 percent of the instruction we deliver. The Affordable Care Act has caused us to assess the hours of teaching we can offer to our adjunct faculty. Like many community colleges our funding is very limited. It does not allow us to absorb large unfunded mandates such as any employee who reaches 30 hours being offered health insurance. We would have to pass along such increases on the backs of students by increasing tuition. As a result many of those who are at the lowest income levels trying to improve their lives would no longer be able to afford College.

The alternative to big tuition increases is to find more adjunct faculty to meet the student demand. This creates another challenge, the lack of additional credentialed faculty in certain disciplines, particularly Master's degree in English and Math and credentialed faculty in Advanced Manufacturing. We are in fact canceling classes because of this. And despite having qualified adjuncts which could step in and teach another course or two, we are not in a position to allow them to do so. It results in turning away faculty from additional earnings.

Because of the unique role of the adjunct in the community college, the end result may be less access for the students and the inability of faculty to stay with one college. Some of our adjuncts have taken positions at other institutions to fill the financial gap. This takes away faculty's exposure to potential full-time opportunities in the future.

One of our adjunct faculty who has taught with us for over 20 years has had to start teaching at another college and as she stated the "chaos surrounding her status has made her incredibly nervous and uneasy."

Furthermore the 30-hour rule impacts us in two other ways. We had planned to expand the advising role for adjuncts, critical for retention. However the new law has made this difficult to implement. This creates a real challenge in moving our students to completion. Adjuncts could be a vital resource to help us in this area.

Professional development for adjuncts is on hold until we develop what will be a costly statewide system to track their hours. Providing such professional development becomes a challenge based on the new limits.

This discussion is necessary. This is about ensuring we are able to provide the best educational product we can at Ivy Tech while protecting the jobs of our adjunct faculty and their working conditions. The goal is clear and that is to increase educational attainment levels across our nation but I fear these changes will only increase the cost of higher education and decrease those attainment levels. At a minimum education possibly could be exempt from these limits as the 30-hour rule puts the burden on a segment least able to benefit from it and afford it.

Thank you for the opportunity to visit with you today.

Chairman ROE. Thank you, Mr. Snyder.

Mr. Forkner, you are recognized for five minutes.

STATEMENT OF TOM FORKNER, PRESIDENT, ANDERSON FEDERATION OF TEACHERS, AFT LOCAL 519, ANDERSON, INDIANA

Mr. FORKNER. Thank you. Good morning, Mr. Chairman and members of the subcommittee. My name is Tom Forkner. I am the president of the Anderson Federation of Teachers, an affiliate of the American Federation of Teachers, AFL–CIO.

Thank you for this opportunity to discuss the many positive effects of the President's health care law on our state. First and foremost, I am pleased that more than 132,000 Hoosiers have already enrolled in a Marketplace plan and now have access to affordable, accessible, and high-quality health care.

Our local represents about 450 certified teachers and about 100 noncertified custodians, school secretaries and maintenance workers in the Anderson Community Schools. All of our members are provided health insurance through our collective bargaining agreement.

There are about 100 classroom aides and 100 food service workers who work in the school system, but are not part of our local. Many of the classroom aides work in special needs classrooms, where they help the teacher by working one-on-one with special needs students. Sadly, neither the classroom aides nor the food service workers are offered health insurance by the school system.

Prior to the implementation of the *Affordable Care Act,* or ACA, classroom aides and food service employees worked about 33 hours per week. In the fall of 2013, we joined administrators in discussions to assess the impact of the ACA on the school system. Instead of embracing the new law's fundamental purpose, to provide high-quality health care to uninsured Americans, school representatives focused solely on how they could avoid the Act's requirement to provide coverage for all employees working 30 or more hours per week.

Their shortsightedness led them to pursue a plan to cut the hours of the non-represented classroom aides and food service workers to 29 hours or fewer to circumvent the ACA's employer mandate. By reducing the total number of hours they worked, the system avoided any responsibility to provide them with insurance coverage or pay any of the ACA fees.

While classroom aides' wages of $75 per day or $13,500 a year were maintained, food service workers, who earn between $11.10 and $15.50 per hour, or $11,588 to $15,660 a year, actually experienced a cut in pay when their hours were lowered from about 33 per week to 29. These groups of workers had to get health care through either a spouse, a second job that provides insurance, or the Federal Exchange.

While we have no right to bargain over the wages, hours, and working conditions of these employees, we argued that the intent of the ACA was to expand health insurance coverage and urged the system to reconsider its position. We made this recommendation with the full understanding that if the system included these 200 employees in our plan, claims costs would likely increase and put

pressure on our premiums. But we believe that this is the right thing to do and that an employer-sponsored plan can provide better benefits for our fellow employees than what is offered under an exchange.

Moreover, we have so much confidence in our joint health care committee that we believe we can always work together to solve complex problems and keep health care costs as low as possible.

I know that many employers complain about the imposition of the reinsurance fee and the patient-centered outcomes research fee on their budgets. However, my experience as a local president has taught me that our system doesn't retain costs but instead shifts them to employees or short-changes student services. So I imagine that the imposition of these fees on health plan sponsors will eventually result in some combination of less pay and more work for our educators and will detract from the high-quality education that all of our students need and deserve.

Let me end by sharing a story that illustrates the consequences of not providing aides and cafeteria workers with access to health care. This summer a very talented, mid-career special needs classroom aide told me that he was resigning from the school system because he found a job with higher pay and health insurance. He said that he loved the children he worked with every day and wanted to stay in the system but could not afford to pass up a job with more money and health care. While the system hired a new aide to replace my colleague, this is not always the case. Moreover, the cut in hours from about 33 per week to 29 per week means that the students miss out on about 45 minutes of classroom attention per day.

In special needs classes, the presence of an aide enables teachers to complete their lessons for the day while meeting the needs of their students with disabilities. If the aide is not there and a student requires assistance, the teacher must stop teaching to do what is needed to help that student re-engage in that day's lesson. These types of disruptions negatively affect student learning and the learning environment.

Thank you again for letting me share my views on the importance of the ACA based on the experience of my members, all school employees, and the students we serve in Anderson.

[The statement of Mr. Forkner follows:]

TESTIMONY OF TOM FORKNER,
PRESIDENT, ANDERSON (IND.) FEDERATION OF TEACHERS,
BEFORE THE HOUSE EDUCATION AND THE WORKFORCE SUBCOMMITTEE ON HEALTH, EMPLOYMENT, LABOR AND PENSIONS
SEPTEMBER 4, 2014

Good morning, Mr. Chairman and members of the subcommittee. My name is Tom Forkner, and I am the president of the Anderson (Ind.) Federation of Teachers, an affiliate of the American Federation of Teachers (AFL-CIO).

Thank you for this opportunity to discuss the many positive effects of the president's healthcare law on our state. First and foremost, I am pleased that more than 132,000 Indianans have already enrolled in a Marketplace plan and now have access to affordable, accessible and high-quality healthcare.

Our local represents about 450 certified teachers and about 100 noncertified custodians, school secretaries and maintenance workers in the Anderson Community Schools. The school system is composed of one high school, one middle school and eight elementary school buildings, including one dedicated to early childhood education for 3- and 4-year olds. All of our members are provided health insurance through our collective bargaining agreement.

There are about 100 classroom aides and 100 food service workers who work in the school system but are not part of our local. Many of the classroom aides work in special needs classrooms, where they help the teacher by working one-on-one with special needs students. Others work under the direction of teachers in regular but larger classrooms, where they work with groups of students or, in some cases, individual students. Sadly, neither the classroom aides nor the food service workers are offered health insurance by the school system.

Our local has established a joint healthcare committee with the school system that continually tracks our claims, identifies trends, detects problems and recommends changes to address any problems. Two union members and two management members serve on this committee, which meets quarterly. Our plan is self-funded, and Anthem Blue Cross Blue Shield serves as our third-party administrator (TPA). Remarkably, by working closely with our TPA

and healthcare consultants, we have been able to keep our healthcare premiums flat—no increase—for the last five to six years. This has been accomplished by a combination of plan design changes and a drawdown from our claims reserve fund. We are very proud of this accomplishment.

About five years ago, our consultants brought to the committee's attention a growing trend in the use of high-cost emergency room and urgent care centers for what appeared to be routine, nonurgent services. The claims data showed us that school employees were going to these expensive settings for treatment of chronic conditions like asthma attacks and sinus infections. After a joint yearlong review, the committee recommended that the union and the school system establish a health clinic, and they agreed. We have contracted with a community hospital in Anderson to provide primary care doctors and nurse practitioners at our high school, with hours of operation that are compatible with our members' work schedules. The clinic is open after school on Mondays, Tuesdays and Thursdays and stays open until 7 p.m. at least one night a week. It is also open on Saturday mornings, which makes its easier for members to make and keep appointments. Members can now get various preventive care services, such as flu and shingles shots, on site, and they can get prescription drugs for chronic illness and eliminate a second trip to a pharmacy. The program has been so successful in bringing down our use of emergency rooms and urgent care centers that we are thinking of either expanding the program to a second facility or extending the days the clinic is open.

Despite the success of the clinic and our recommendation that these services be provided to all Anderson school employees, the school board has not extended coverage to the 200 nonrepresented classroom aides and food service workers. We viewed this as a shortsighted decision, given that these employees come in contact with students, parents, our members and the community on a daily basis. Failing to give them even the most basic services puts everyone at risk and leads to preventable absences in schools and other workplaces.

Prior to the implementation of the Affordable Care Act (ACA), classroom aides and food service employees worked about 33 hours per week. In the fall of 2013, we joined administrators in discussions to assess the impact of the ACA on the school system. Instead of embracing the

new law's fundamental purpose—to provide high-quality healthcare to uninsured Americans—school representatives focused solely on how they could avoid the act's requirement to provide coverage for all employees working 30 or more hours per week. Their shortsightedness led them to pursue a plan to cut the hours of the nonrepresented classroom aides and food service workers to 29 hours or fewer to circumvent the ACA's employer mandate. By reducing the total number of hours they worked, the system avoided any responsibility to provide them with insurance coverage or pay any of the ACA fees. While classroom aides' wages of $75 per day ($13,500 a year) were maintained, food service workers, who earn between $11.10 and $15.50 per hour ($11,588 to $15,660 a year), actually experienced a cut in pay when their hours were lowered from about 33 per week to 29. These groups of workers had to get healthcare through either a spouse, a second job that provides insurance or the federal exchange.

While we have no right to bargain over the wages, hours and working conditions of these employees, we argued that the intent of the ACA was to expand health insurance coverage and urged the system to reconsider its position. We made this recommendation with the full understanding that if the system included these 200 employees in our plan, claims costs would likely increase and put pressure on our premiums. But we believe that this is the right thing to do and that an employer-sponsored plan can provide better benefits for our fellow employees than what is offered under an exchange. Moreover, we have so much confidence in our joint healthcare committee that we believe we can always work together to solve complex problems and keep healthcare costs as low as possible. I know that many employers complain about the imposition of the reinsurance fee and the patient-centered outcomes research fee on their budgets. However, my experience as a local president has taught me that our system doesn't retain costs but instead shifts them to employees or shortchanges student services. So I imagine that the imposition of these fees on health plan sponsors will eventually result in some combination of less pay and more work for our educators, and will detract from the high-quality education that all of our students need and deserve.

Let me end by sharing a story that illustrates the consequences of not providing aides and cafeteria workers with access to healthcare. This summer, a very talented, midcareer special needs classroom aide told me that he was resigning from the school system because he found a

job with higher pay and health insurance. He said that he loved the children he worked with every day and wanted to stay in the system, but could not afford to pass up a job with more money and healthcare. While the system hired a new aide to replace my colleague, this is not always the case. Moreover, the cut in hours from about 33 per week to 29 per week means that the students miss out on about 45 minutes of classroom aide attention per day. In special needs classes, the presence of an aide enables teachers to complete their lessons for the day while meeting the needs of their students with disabilities. If the aide is not there and a student requires assistance, the teacher must stop teaching to do what is needed to help that student re-engage in that day's lesson. These types of disruptions negatively affect student learning and the learning environment.

Thank you again for letting me share my views on the importance of the ACA, based on the experience of my members, all school employees and the students we serve in Anderson.

Chairman ROE. Thank you, Mr. Forkner.

Mr. Tanoos, you are recognized for five minutes.

STATEMENT OF DANNY TANOOS, SUPERINTENDENT, VIGO COUNTY SCHOOL CORPORATION, TERRE HAUTE, INDIANA

Mr. TANOOS. Thank you, Chairman Roe and members of the subcommittee, for the opportunity to speak today and give testimony. A special thank you to Congressman Bucshon for his continued support on this topic over the course of time.

My name is Danny Tanoos, and I am fortunate to serve as Superintendent of the Vigo County School Corporation in Terre Haute, Indiana. Our school system is the fifth largest school system in the State of Indiana.

My comments today will focus on how the employer shared responsibility penalties under the Patient Protection and Affordable Care Act impact our great school system.

On April 23, 2013, I traveled to Washington, D.C., to provide public comments to the Internal Revenue Service and the U.S. Department of the Treasury on the proposed rule regarding employer shared responsibility penalties. I informed the panel that the shared responsibility provisions under the *Patient Protection and Affordable Care Act* would hurt children and substantially undermine the quality of education that we can provide in our public schools. Similar comments were made during the hearing by Rick Allen, superintendent of Southeast Dubois County School Corporation, and Kathy Friend, the Indiana Association of School Business Officials representative.

In addition to our public comments, representatives of Indiana public schools sent approximately 130 letters to the IRS, and I have those with the presentation to give to you today, and the Treasury expressing similar concerns. I am submitting those letters with my testimony today.

I very much wish that I could report to you today that the IRS and the Treasury respectfully considered our comments. I also wish that I could point to a detailed response in the IRS final rule addressing the issues that we presented. Unfortunately, I cannot. The IRS dismissed our pleas in a single sentence in the 277-page final regulations. I continue to be gravely disappointed that the IRS failed to acknowledge and address our concerns.

Today, I am here to provide specific examples of employees in my school district who have been hurt by the prospect of employer penalties under the *Patient Protection and Affordable Care Act.* I appeal to this committee to find a bipartisan solution to fix this significant, ongoing problem that is negatively impacting schools across Indiana.

The principal of Consolidated Elementary School in Terre Haute, Suzanne Marrs, reports that one of the school's bus drivers is in desperate need of another job to supplement her family's income after her husband lost his job. Mrs. Marrs wanted to offer the bus driver an aide position; however, she could not because the school has imposed, and we have, a 29.5-hour cap on hours for classified employees.

Combining the bus driver position with the classroom aide position would have pushed this particular employee over 30 hours per

week. Mrs. Marrs stated that the employee is a "hard working lady who is dedicated to her job. I was very sad to have to turn her down, when I know she would have been an excellent fit for our students."

This is a picture of that employee. She has a face, she has a name, and she is hard-working and dedicated. I know her.

Our Director of Facilities, Support, and Transportation, Mr. Fennell, tells me that his staff believes that the Affordable Care Act works against them. His bus drivers previously were allowed to work up to 39 hours per week. However, as a result of the potential penalty, these bus drivers are restricted to 29 hours per week and cannot take field trips, academic trips, or athletic trips to earn more money. Instead of working for our school corporation, these bus drivers have to obtain other employment if they wish to work extra hours.

The most significant impact is on our special needs students. These students need and want consistency. It is difficult for a student with autism or special needs to get comfortable with a driver and for the driver to understand all the needs of the student. It is best for our special needs students to have the same bus driver for their special needs and for their routes.

Unfortunately, we now must split the route between two drivers. By using different drivers for the same route, our special needs students are subject to constant change, which is uncomfortable for our special needs students and not in their best interests.

Faithful, dependable workers have been penalized due to the Affordable Care Act. One of our 20-year special education teaching assistants, Nancy Icenogle—and this is Nancy—has worked very hard and rarely misses work. This has negatively impacted her potential as an employee. Nancy has worked taking tickets at our extracurricular activities. She counted on this extra money in her budget for taxes, insurance, and to assist her at-risk grandchildren. Now she can no longer work the extracurricular activities because the extra hours put her over the limit.

At Farrington Grove, the prospect of the employer penalty prompted the school to reduce both Debbie Lane and Amanda Lyttle from 6.5 hours to 6 hours per day. Both individuals previously assisted the school with dismissal supervision. Both are single parents with limited to no child support for their children. The reduction in hours results in the reduction in pay, which directly impacts their ability to provide for their children.

That is the employee working with one of our students, who can no longer do so.

Last winter, we had to charter a bus to transport 40 needy children from Farrington Grove Elementary School to Terre Haute South for a Christmas Party. Our own bus drivers were not permitted to drive for the field trip due to being over the 30 hours. Forty children nearly lost out on numerous Christmas gifts due to a transportation issue. The bus cost the school more than $300 to transport the kids less than five miles away.

Sarah Gore, the principal at Otter Creek Middle School, told me about how the 30-hour threshold created an unnecessary emotional disruption for a special needs student. Ms. Guy is an educational assistant in the functional classroom. As a result of the *Affordable*

Care Act, her hours were reduced to 6 hours per day. Accordingly, it is now necessary for another educational assistant to serve the children in the functional classroom for the remainder of the day. One particular child did not adjust well to the change and has struggled.

The principal at Ouabache Elementary School has the same situation. Mr. Quade is trying to put himself through college, work, and raise a toddler. Mr. Quade is an educational assistant, and he loves his job. He wants to stay in education for his career. He also wants to put in time volunteering and helping the kids. However, he can no longer come to family nights and evening events to support the kids because of the hour restrictions, and this is a picture of him. Struggling to find another job is very difficult for Mr. Quade.

At Sarah Scott Middle School, the hours for educational assistants had to be staggered to cover the day. Different staff members now have to be utilized to staff the nurse's office. Some students are dropped off at school very early in the day so their parents can get to work, but the school is unable to test students, for instance, for blood sugar until 7:45 in order to reduce the hours.

Hillary Shepard has had to stop coaching cheer and dance due to do the hours, which she has worked. They put her over the limit.

Others have had to stop working at after-school activities such as ball games and detentions, which allowed them to earn more money.

We had a secretary at Otter Creek, Debby Davis, who took tickets at the ball games for years. Due to the potential employer penalties, she is no longer able to take tickets. She knows our students; she knows our families. She can no longer do this.

Lonnie Sapp has been coaching football at Terre Haute South High School for 20-plus years. He wanted to be our alternative educational placement individual. He would have been a great addition to our staff. He is a positive role model for our students. He was unable to perform both positions due to hour restrictions. When we told him this, he had tears in his eyes. I talked to Lonnie personally. In fact, I talked to every one of these employees personally. He needed the position and wanted to be with our students. He had to choose, and he chose to do football and be a Kelly substitute through Kelly Services.

The 30-hour threshold devalues the worth of a person. Our employees love their jobs and love kids, and when they are told that they can no longer contribute, it makes them very sad. The consequence of the Affordable Care Act is that many of these people feel demoralized because they can no longer contribute as they have in the past.

The experience of Vigo County School Corporation is not unique. Almost all school systems in the State of Indiana are experiencing the same issues. On behalf of the Indiana children, I urge you to fix the employer shared responsibility penalty to allow our very good and dedicated employees to get back to work.

And I go back to this picture. Would President Obama, the IRS, or anyone want this particular person to have to not work during the day two jobs in our school system; iroder to go out and get a

night job and leave the family alone without having a mother in the house? I would say no.

Thank you.

[The statement of Mr. Tanoos follows:]

Written Testimony of Daniel Tanoos

Superintendent of Vigo County School Corporation

Before the U.S. House Committee on Education and the Workforce

Subcommittee on Health, Employment, Labor and Pensions

September 4, 2014

Chairman Roe and Members of the Subcommittee, thank you for the opportunity to provide testimony today. My name is Daniel Tanoos, and I am fortunate to serve as superintendent of Vigo County School Corporation in Terre Haute, Indiana. Vigo County School Corporation is the 5th largest school corporation in the State of Indiana. My comments today will focus on how the employer shared responsibility penalties under the Patient Protection and Affordable Care Act impact Vigo County School Corporation.

On April 23, 2013, I traveled to Washington, D.C. to provide public comments to the Internal Revenue Service and the U.S. Department of the Treasury on the proposed rule regarding employer shared responsibility penalties. I informed the panel that the shared responsibility provisions under the Patient Protection and Affordable Care Act would "hurt children and substantially undermine the quality of education that we can provide in our public schools." Similar comments were made during the hearing by Rick Allen, superintendent of Southeast Dubois County School Corporation, and Kathy Friend, representing the Indiana Association of School Business Officials.

In addition to our public comments, representatives of Indiana public schools sent approximately one hundred thirty (130) letters to the IRS and Treasury expressing similar concerns. I am submitting with my testimony copies of the letters that were submitted in 2013 by representatives of Indiana public schools.

I very much wish that I could report to you today that the IRS and Treasury respectfully considered our comments. I also wish that I could point to a detailed response in the IRS final rule addressing the issues that we presented. Unfortunately, I cannot. The IRS dismissed our pleas in a single sentence in the two hundred twenty seven (227) page final regulations. I continue to be gravely disappointed that the IRS failed to acknowledge and address our concerns.

Today, I am here to provide specific examples of employees in my school district who have been hurt by the prospect of employer penalties under the Patient Protection and Affordable Care Act. I appeal to this committee to find a bi-partisan solution to fix this significant, ongoing problem that is negatively impacting the children in many of our communities.

- The principal of Consolidated Elementary, Suzanne Marrs, reports that one of the school's bus drivers is in desperate need of another job to supplement her family's income after her husband lost his job. Ms. Marrs wanted to offer the bus driver an aide position; however, she could not because the school has imposed a 29.5 hour cap on hours for classified employees. Combining the bus driver position with the classroom aide position would have pushed this particular employee over 30 hours per week. Mrs. Marrs stated that the employee is a "hard working lady who is dedicated to her job. I was

very sad to have to turn her down, when I know she would have been an excellent fit for our students."

- Our Director of Facilities, Support and Transportation, Franklin Fennell, tells me that his staff believes that the Affordable Care Act works against them. His bus drivers previously were allowed to work up to 39 hours per week. However, as a result of the potential penalty, these bus drivers are restricted to 29 hours per week and cannot take field trips, academic trips or athletic trips to earn more money. Instead of working for our school corporation, these bus drivers have to obtain other employment if they wish to work extra hours.

  The most significant impact is on our special needs students. These students need and want consistency. It is difficult for a student with autism or special needs to get comfortable with a driver and for the driver to understand all the needs of the student. It is best for our special needs students to have the same bus driver for their routes. Unfortunately, we now must split the route between two drivers. By using different drivers for the same route, our special needs students are subject to constant change which is uncomfortable for our special needs students and not in their best interests.

- Faithful, dependable workers have been penalized due to the Affordable Care Act. One of our twenty year special education teaching assistants, Nancy Icenogle, who rarely misses work, has been negatively affected by the potential employer penalties. For at least 10 years, Nancy has worked taking tickets at our extracurricular activities. She counted on this extra money in her budget for taxes, insurance and to assist her at-risk grandchildren. Now she can no longer work the extracurricular activities because the extra hours put her over the limit.

- At Farrington Grove, the prospect of the employer penalty prompted the school to reduce both Debbie Lane and Amanda Lyttle from 6.5 hours per day to 6.0 hours per day. Both individuals previously assisted the school with dismissal supervision. Both are single parents with limited to no child support for their children. The reduction in hours results in the reduction in pay which directly impacts their ability to provide for their children.

- Last winter, we had to charter a bus to transport 40 needy children from Farrington Grove to Terre Haute South Vigo for a Christmas Party. Our own bus drivers were not permitted to drive for the field trip due to the risk of going over the 30 hours a week. Forty children nearly lost out on numerous Christmas gifts due to a transportation issue with hours. The bus cost the school more than $300.00 to transport the kids less than 5 miles one way.

- Sarah Gore, the principal at Otter Creek Middle School, told me about how the 30 hour threshold created an unnecessary emotional disruption for a special needs student. Ms. Guy is an educational assistant in the functional classroom. As a result of the Affordable Care Act, her hours were reduced to 6 hours per school day. Accordingly, it is now necessary for another educational assistant to serve the children in the functional

classroom for the remainder of the day. One particular child did not adjust well to the change and has struggled with more behavioral issues as a result.

- The principal at Ouabache Elementary asked me to tell you about Eric Quade. Mr. Quade is trying to put himself through college, work, and raise a toddler. Mr. Quade is an educational assistant and he loves his job. He wants to stay in education for his career. He also wants to put in time volunteering and helping the kids; however, he can no longer come to family nights and evening events to support the kids because of the hour restrictions. He is struggling to find another job due to the restriction on hours and he is really frustrated with the entire system. In essence, the Affordable Care Act is preventing Mr. Quade from making a living doing what he loves to do.

- At Sarah Scott Middle School, the hours for educational assistants had to be staggered to cover the day. Different staff members now have to be utilized to staff the nurse's office. Some students are dropped off at school before 7:30 a.m. but the school is unable to test their blood sugar levels until 7:45 a.m. due to the lack of staffing. Hillary Shepard had to stop coaching cheer and dance due to the hours worked which added to her to total weekly hours. Others have had to stop working at after school activities such as ball games and detentions which allowed them to earn more money. The hour restrictions impact the time and the number of days each week we can hold our alternative education program.

- We had a secretary at Otter Creek, Debby Davis, who took tickets at the ball games for years. Due to the potential employer penalties, she is no longer able to do ticket sales. She knew our students/families and this was a great connection with the community. She also needed the extra money to help with her grandchildren. After years of dedicated service, she was no longer able to make this extra income.

- Lonnie Sapp has been coaching football at Terre Haute South High School for twenty plus years. He wanted to be our alternative educational placement individual. He would have been a great addition to our day staff. He is a positive male role model and already has connections with our students. He was unable to perform both positions, due to hour restrictions. When we told him this, he had tears in his eyes. He needed the position and wanted to be with our students. He had to choose and chose to do football and sub each day through Kelly Services.

The thirty hour threshold devalues the worth of a person. Our employees love their jobs and love kids and when they are told that they can no longer contribute it makes that person feel less of an employee. The consequence of the Affordable Care Act is that many of these very proud people feel demoralized because they can no longer contribute as they did in the past.

The experience of Vigo County School Corporation is not unique; almost all school corporations in the State of Indiana are experiencing the same issues. On behalf of Indiana children, I urge you to fix the employer shared responsibility penalty to allow our good, dedicated employees to get back to work.

Chairman ROE. Mr. Tanoos, thank you very much.

Without objection, the letters to the IRS are admitted to the record.

[The information follows:]

[Extensive material was submitted by Mr. Tanoos. The submission for the record is in the committee archive for this hearing.]

Chairman ROE. I now recognize Dr. Bucshon for five minutes.

Mr. BUCSHON. Thank you, Mr. Chairman, and thank you, all of you, for your valuable testimony on behalf of your institutions. It is greatly appreciated.

I am a health care provider. Before I came to Congress I was a practicing cardiovascular and thoracic surgeon for 15 years, the last 12 of which were in Evansville, Indiana. And as a health care provider, my goal is to have every citizen in our country have access to quality, affordable health care in a timely manner regardless of your zip code in our country. So that is the end goal.

Unfortunately, that goal is not going to be met by the Affordable Care Act. The Congressional Budget Office has said that by approximately 2025, over 30 million Americans will still be uninsured, even after the law is fully implemented.

Why is that? Many personally choose not to be insured. The other reason is when you are seeing next year the projections about the costs on the insurance exchanges, we are expecting, many are expecting a double-digit increase in addition to the fact that the deductible levels we have heard in testimony—it is not my opinion—as high as $6,000 to $8,000 per family deductible on the exchange policies, and I would argue you don't have health insurance if you have to pay $6,000 to $8,000 out of your pocket every year. Most people can't afford that.

Indiana is in the process of trying to get the Federal Government to approve Healthy Indiana plan as a way to expand health care access to all of our citizens. I support Healthy Indiana plan because I support the states' abilities, all of our states, to innovate and look for ways to improve the way that we provide health coverage to our disadvantaged and low-income citizens.

And I am hopeful that the U.S. Federal Government will give our state the opportunity to use this innovative way to cover everyone to improve the coverage percentage in our state. It has already been used as a pilot program. It has been shown to be successful at decreasing cost. It has also been shown successful at encouraging individuals to properly access the health care system. What I mean by that is skip preventive health care services and see a physician rather than going to the very high-cost emergency room care for non-emergency purposes.

With that, I would also like to quickly outline what Congress has already done, and a number of our colleagues. Our colleague, Todd Young from the 8th District, introduced H.R. 2575, the *Save American Workers Act.* This legislation, in fact, would change the definition of the full-time employee from 30 hours to 40 hours per week. The bill passed the House this April by a vote of 248 to 179, and 18 of the Democrat members voted for that.

Of course, Congressman Messer has introduced his bill, H.R. 4775, concerning the classrooms, and that is why we are here today, to discuss that.

We have also passed H.R. 2667 by Tim Griffin, 264 to 161, to authorize the employer mandate delay that the President has done administratively, and he threatened to veto the bill, calling it unnecessary.

And finally, the House passed H.R. 2668, the *Fairness for American Families Act,* again by Representative Todd Young from Indi-

ana and many others, which would delay the individual mandate for one year to give individuals and families the same relief employers received from the delay of the employer mandate. It passed 251 to 174.

So Congress is aware of these issues and we are doing what we can to try to convince the United States Senate to at least have a discussion about what we have passed and try to find common ground.

With that, Danny Tanoos, I want to ask you, traditional private-sector businesses may have the flexibility to adjust the cost of their products to cover these increasing costs. Can you discuss this with us briefly? What kind of flexibility, if any, does a school system like yours have to help cover the extra cost?

Mr. TANOOS. Thank you, Congressman. We have zero. I mean, you can't increase the cost of textbooks or fees on students. We refuse to do that if we could. Fifty-six percent of our students are on a fee-reduced lunch. We are a district that is in need to help all of our students with all kinds of things, like clothing and food. To be able to charge them more would be inappropriate. So, no, we don't have that. We are not able to increase the price of any product like a business might be able to.

Mr. BUCSHON. And, Mr. Snyder, you discussed this briefly. At Ivy Tech, what would your option be to cover the increased costs?

Mr. SNYDER. We have estimated that with 4,000—one of the issues we have is that we have the advantage of being a statewide institution. But under the law, it means we have to track every hour and every location. So it really negates the strength that we have as a statewide institution, and we said we had 1,000 people at risk of being covered by health care, that would be $10 to $15 million that would have to be passed on to students because the students are the only flexible place of doing that. That would amount to perhaps as much as a 20 percent increase in tuition, just not affordable for our students, most of whom are on Pell.

Mr. BUCSHON. Thank you. That is the critical part that both of you have just mentioned, is what would happen with these costs. School districts like Vigo County can't do anything. Ivy Tech would have to increase the cost to their students, which may then eliminate some low-income individuals from the ability to get an education.

Mr. Chairman, I am going to introduce a letter from Clay County Community Schools, unanimous consent to introduce this letter to the record concerning their position on the *Affordable Care Act* and how it affects their schools.

Chairman ROE. Without objection, so ordered.

[The information follows:]

Clay Community Schools

Dr. Kimberly Tucker, Superintendent
Dr. Timothy Rayle, Assistant Superintendent for Curriculum & Instruction
Mr. Mark Shayotovich, Business Manager/Treasurer
Mrs. Kathy Knust, Curriculum and Grants Coordinator
Mrs. Carolyn Kumpf, Director of Personnel, Data, & Food Service
Mr. Michael Howard, Director of Extended Services

1013 S. Forest Ave
Brazil, IN 47834
Phone: 812-443-4461
FAX: 812-442-0849

August 25, 2014

To: Chairman Phil Roe

We are writing to inform the Subcommittee on Health, Employment, Labor, and Pensions of the effect that the Affordable Health Care Act provisions have made on both our employees and the school corporation operations.

We currently have over 150 Paraprofessionals in Clay Community Schools. In the past these paraprofessionals have been employed for the duration of our student school day, which consists of 6.75 hours/day or 33.75 hours/week. They are employed for 180 days / year. Therefore they were paid for 1215 hours of work. They have not been offered insurance due to the cost of insurance compared to their salary as well as the corporation could not bear the employer portion of the cost due to decreased funds available for operations of the corporation over the past 10 years.

During the summer of 2012-2013 our school corporation was forced to make a very difficult decision regarding the employment of our paraprofessionals. We analyzed the cost to the corporation for offering insurance to the 150+ employees and determined the cost could be over $900,000 to offer affordable health care. We also analyzed the cost of **penalties** for not offering insurance to those employees who worked over 30 hours / week and those costs would be over $1,500,000. The only conclusion we could conscientiously make to keep Clay Community Schools financially viable was to cut these employees' hours to 29 hours/ week to keep them under the definition of a full time employee. This cut their hours worked from 1215 per year to 1044 per year.

This not only hurts our ability to provide the consistent type of support our students need, but also hurts our employees financially. They still are not eligible for insurance coverage through Clay Community Schools, but they now make a lower wage.

We have had to take a number of measures to try to provide the support to our students that is required. We have staggered the hours during the day worked by our Paraprofessionals, which does not give consistent support to students; we have hired 2 Paraprofessionals in place of 1 so that students with special needs have door-to-door assistance; we have had to eliminate their participation in any extra support activities that will put them over 29 hours/week. All this is for the financial protection of the school corporation **NOT** for what is best for our students or our employees.

We would like to encourage changes in the Affordable Health Care Act to alleviate these problems. Since these employees work only 180 days / year, we would encourage that something be done so that we can average their hours over the 260 work days that would be in a normal work year, or at least average their hours worked over the 10 months that they are employed, allowing us to count breaks as part of the average. The best possible solution would be to exclude public schools from the requirement to offer insurance to these employees who should be considered part-time employees. In fact, this would not be a concern at all if the definition for a full time employee would be the changed from the 30 hours per week back to the traditional definition of a work week being 40 hours / week.

Sincerely,

Kimberly J. Tucker,
Superintendent

Carolyn A. Kumpf.
Director of Human Resources

Mr. BUCSHON. I yield back.

Chairman ROE. I thank the gentleman for yielding.

Mrs. Brooks, you are recognized for five minutes.

Mrs. BROOKS. Thank you, Mr. Chairman. I would also like to thank my colleague, Mr. Messer, for holding this hearing.

As we just heard from Congressman Bucshon, an issue that came up I think was a common theme in all of your testimony was the issue with respect to the 30-hour-work-week being determined now under the *Affordable Care Act* as full-time employment. I am very proud that our colleague, Todd Young from Indiana, did, and it has passed the House, the *Save American Workers Act,* which would change the definition of full-time from 30 hours to 40 hours, and we certainly hope that the Senate would take that up.

But I think, as you all have talked about the 30 hours being the critical piece, I am the daughter of a school teacher and coach and the sister of a teacher, and I am very proud of what—I have been at the Zionsville School District. I have also been at the Anderson School District, and I am very proud of what our school districts are trying to do with very, very limited budgets.

So I am very curious, Mr. Shafer, as the CFO of the Zionsville School, with the small budget that you receive relative to other districts, has the United States Department of Education provided you any guidance or any help as to how to fund these shortfalls when your school district is faced with these huge fees imposed by the *Affordable Care Act?*

Mr. SHAFER. Well, I would have to say that they have not. The school district itself actually receives the least amount per capita in Federal aid through the various Federal Title 1, Title 2, and Title 3 programs of any school district in the state, just as it is near the bottom in SAFE funding. Most of those are also based on the same types of formulas and would give us the same result.

The unfunded mandate to pay $1.6 million under employee responsibility payments are the only alternative to offer insurance to the cost of the better part of $1.25 million is a historically huge unfunded mandate for us, one that we simply have no ability to handle whatsoever that left us with the one and only one solution, which was to reduce our employees. We had to choose between reducing the hours of those employees who we can reduce. The other alternative for us would have been simply to lay off enough teachers to generate enough savings to pay those fees. When you start talking about $1.6 million, you are talking about 27 teacher jobs. We can't do without one teacher that we have now. We certainly can't do without 27. So we had to find a different way that would cover that cost for us, or at least eliminate that cost. That was reducing hours under the 30-hour rule. And no, we received no help from any Federal agency in looking at other ways to do that.

Mrs. BROOKS. Thank you.

Mr. Tanoos, you mentioned that the IRS issued a one-statement response to your 130 letters in the testimony that you provided. Do you recall what that response was?

Mr. TANOOS. Basically, no. I mean, it was never going to change it. The bad part about it, Congresswoman Brooks, is that they said they would get back with us after our testimony in April, that they would get back with us in just a couple of months, and it took them

nearly six months. We had to go to Congressman Bucshon to go over to the IRS and Treasury to try to get a response. School systems were waiting for that answer and never got it. When we did, it was just that one sentence. It was a basically condensed "can't do it."

Mrs. BROOKS. So the Federal Government has not helped in any way in alleviating the challenges that you are facing.

Mr. TANOOS. I think they have actually hurt us in the sense that what they have done is not only reduced it to a 30-hour work week, but also you can't count a school calendar year as the year of work. It has to be the school year or a two-week break period is all you can count. So you can't count those employees. If you had counted over 365 days, it would have been a lot different. But they narrowed that down to just the calendar of a school year.

Mrs. BROOKS. And so I am going to next turn to you, Mr. Snyder, whom I actually used to work for as General Counsel at Ivy Tech Community College, so this is an unusual circumstance to have you here, but I am thrilled. As Dr. Roe said, we still work for you as taxpayers, and also as a resident of Anderson. But I know that Ivy Tech certainly is always incredibly creative, having worked there from '07 until '12, in trying to solve problems on behalf of the students. But one of your biggest challenges by having so many adjunct faculty, which is required, and also they provide tremendous value in the classroom. A lot of students I talk to loved their adjunct faculty because they had such incredible experiences in the workplace that they could bring in.

But you have talked about the challenge in finding credentialed faculty, and often the credentialed faculty would travel from one campus to the other. Can you talk a bit further about how that is impacting student success? How is that impacting students' ability to get the classes they need, students' ability to have access to that kind of expertise?

Mr. SNYDER. Yes. Let me say that is a very important issue. But let me lead in to say, particularly for the people in Indiana who are watching this hearing, it is actually quite—we are very proud of what you have done both for Ivy Tech and for Congress. It is very unusual to have four very important congressmen all from one state on a committee like this. I think for the people in the audience this is not very usual, and to have this powerful assembly, including our chairman from Tennessee, it is very important.

The adjunct has a very unique role in community colleges across the country who do what we do. They are like citizen professors. They have a day job. They usually have other things that they can do; in many cases, not relying on us for health care coverage, relying on us to really expand their life and let them teach as much as they would like to as an avocation and a vocation.

So this has been very constraining for us, particularly with the fact that you have a campus, a new campus in Shelbyville, and a campus in New Castle. We have to have a system where we have to report to the IRS where these people are teaching. It is going to be quite laborious. And then there is this issue of a look-back period that is in the law, which means also there is administrative cost.

I think the administrative cost we have not even captured, and I think that is something that, as we look forward to trying to get people across the aisle to look at, we need to understand that as well as the out-of-pocket cost to the individual who is restricted from teaching.

Mrs. BROOKS. Thank you.

Mr. Chairman, my time is up. I yield back.

Chairman ROE. I thank the gentle lady for yielding.

Next is Mr. Messer.

Mr. MESSER. Thank you, Mr. Chairman. Again, I want to thank everybody for their participation in the committee. I thank the chairman for traveling up from Tennessee and helping the Chamber of Commerce here in Greenfield last night with a dinner in town. I appreciate that.

You know, as the president alluded to, it is unique to have four members of one state on a committee, on any committee, let alone a committee like Education and the Workforce, and then to have four members that are so active and willing to travel around the state to come here, all great friends and great champions for education in our state. I think it is a tremendous opportunity for our state to have my colleagues with me on this committee.

I do see a few other dignitaries. It is a room full of dignitaries. But I see state Representative Randy Frye, Senator Mike Crider. I appreciate you all being here.

I want to point out the biggest dignitary in the room to me is my mother, Chris Messer, who just came in after the opening testimony.

I appreciate the testimony of all of the leaders who are here today.

I do think it is important to say that all of us on this committee believe the status quo in health care is not acceptable, and we all recognize that costs around the country are spiking. We all recognize that with problems like preexisting conditions and other areas, something had to be done.

We are here today, though, to talk about the President's health care law and the real-world impacts of that law, as Dr. Bucshon shared. We all agree that every American should have access to high-quality, affordable health care. The problem is that when the President's bill has moved from intention to results, what we see instead are spiking costs around the country, in many of the communities I represent a reduction in access to health care, and it has hit schools particularly hard.

So one of the questions I have for the three school system leaders—and there is no trick question here. I am just trying to get this all on the record together.

Mr. Shafer, could you tell me again your estimated impact of the cost of the Affordable Care Act on your school system?

Mr. SHAFER. Yes. The employer responsibility payments we estimated at $1.6 million. The alternative to that would have been for us to offer coverage to those employees we weren't covering. We estimated that cost at approximately $1.17 million.

Mr. MESSER. President Snyder, on your school system?

Mr. SNYDER. We have at risk about 1,000 faculty. We pulled back their hours. We have not calculated what we think is our out-of-

pocket loss of income. The cost of insuring them we estimate exceeding $10 million per year.

Mr. MESSER. Mr. Tanoos?

Mr. TANOOS. Thank you. Ours would be $6 million to insure all of our employees.

Mr. MESSER. Six million dollars?

Mr. TANOOS. Yes, sir.

Mr. MESSER. And if you chose to absorb that expense rather than reduce hours in the way you described, how would you pay for that in your school system?

Mr. TANOOS. There is a money tree in back of our school house—

[Laughter.]

Mr. TANOOS. We would pick it off of there.

[Laughter.]

Mr. TANOOS. We would not be able to. I mean, we have worked very hard to run our school system as a successful business, and we have our cash balance to a nice amount to be able to treat our employees fairly. We would not be able to give raises. We would go in the red and eventually be taken over by the State of Indiana.

Mr. MESSER. And, of course, the ultimate person who pays the bills for your school system—

Mr. TANOOS. Yes, sir.

Mr. MESSER.—is the taxpayer.

Mr. TANOOS. Yes, sir.

Mr. MESSER. President Snyder?

Mr. SNYDER. We were just roughing out the number. We have a very low-cost degree, a nursing degree, that you can get for under $10,000. The cost for that nursing degree would go up by $1,500 to $2,000.

Mr. MESSER. It would come out—

Mr. SNYDER. It would have to come out of the pocket of the student.

Mr. MESSER. For your students.

Mr. Shafer?

Mr. SHAFER. As I said earlier, the only way that we could have raised that much money within our budget to not cut hours would have been, in fact, to lay off teachers. We estimate that we would have had to lay off approximately 27 teachers, which is nearly a 10 percent reduction, which is just simply undoable for us to maintain any kind of educational quality.

Mr. MESSER. And, of course, you have limitations on your ability to raise property taxes. But ultimately, if you absorb those fees, that million dollars would have come out of the Zionsville taxpayer.

Mr. SHAFER. One way or another.

Mr. MESSER. Yes, one way or another.

You know, to me this is in some ways a complicated issue, but in other ways very simple. There is no free lunch, as you said. There is no money tree here. We all share the goal of trying to provide affordable health care to every American. But at a time when schools are already cash strapped, it makes no sense to put this additional mandate on our schools. It is not fair to try to balance or pay for the President's health care on the backs of our schools and our students, and if we really care about them, we need to do something about it.

I appreciate your courage and your testimony today in highlighting this important issue. Thanks.

Chairman ROE. The gentleman yields back.

Mr. Rokita, you are recognized for five minutes.

Mr. ROKITA. Well, I thank the Chairman.

It is good to be back here on this side of the state. It is good to see so many friends and familiar faces. I haven't seen some of the audience since I served as Indiana Secretary of State, but thanks, Luke, for organizing us here.

I will admit, though, a couple of months ago I was a little further down the road seeing Thomas the Tank Engine—

[Laughter.]

Mr. ROKITA.—with Kathy and the kids, and that was fun in its own right.

Dr. Roe, thanks for chairing this hearing today. I appreciate your leadership and everything you do.

Picking up on what Luke mentioned and what Mr. Snyder mentioned, yes, it is excellent to see so many Hoosiers on this panel. You know, this committee has jurisdiction, one of only three committees that has jurisdiction over health care in Congress, and of course we do a lot of education issues generally as well. In fact, Susan and Luke are also on a committee that I chair, kindergarten through 12 education. Of course, this committee, the full committee has jurisdiction over a lot of Indiana and the nation's business regulations.

So, in a way, I am not surprised that so many Hoosiers serving in Congress are on this committee because I think, in a lot of ways, it is the leading, cutting-edge practices that we have here in this state that is really going to lead to a turnaround for our entire nation. At least that is the hope, and it is going to start with the leaders here that I have a privilege of serving with.

Indiana simply is a great place to work, and then we have a balanced approach to regulations and so forth, and we are not ideologues or activists when it comes to trying to decide how these regulations should look. In fact, on the whole, I can tell you just from my serving in the state in public office for 12 years in this state, we trust people. We believe in family. We believe in communities. We believe in neighborhoods. We believe in school systems and our ability to solve our problems and not being reliant on some Federal Government program, much the same being as Dr. Bucshon talked about.

I will also say, Dr. Roe, when I was cutting the lawn or—excuse me—cutting the grass last night—around here we say cutting grass, not mowing the lawn, I am not sure how it is in Tennessee—at about sunset I came upon a nest of yellow jackets. So I am pumped full of yellow jacket venom right now. So, number one, I am glad that we have two doctors on the panel. Number two, I mentioned this to somebody else when I came in, I want to be very clear with you, it is not the yellow jacket venom that is going to cause these comments and these questions. I just don't like the law because of the things I said earlier.

So with that, let me go to Mr. Forkner, if I can. I hear a lot about unions, and not just teacher unions but unions generally, trying to get waivers from the *Affordable Care Act.* But I am confused with

your testimony because you say you embrace Obamacare, but you are also providing your own insurance because you want insurance to be there.

So, which is it? Are you going to fully embrace Obamacare, or are you going to try to provide your own, or would you go for a waiver if you had the opportunity? And what do you think about unions who have tried to get a waiver under Obamacare?

Mr. FORKNER. Our position in Anderson is we have a very strong, self-funded insurance program.

Mr. ROKITA. That is good enough. So that is good for you, the union.

Mr. FORKNER. Yes, and we think it is strong enough, and we think we have a good enough working relationship that we would embrace bringing in those employees that don't have insurance.

Mr. ROKITA. Okay. So that is not the private sector but at least a private entity, the union, going after and solving its insurance problem, right?

Mr. FORKNER. Yes.

Mr. ROKITA. So you would be for others doing that, too.

Mr. FORKNER. If they have the resources.

Mr. ROKITA. Right. But if they don't have the resources, or they are just not the same as yours and different from the requirements of Obamacare, whether it be the 30-hour work week effect or whether it be maternity coverage for 45-year-old males, if it is not your insurance or something that you think is as good as your insurance, then you would prefer people be on Obamacare. You said you embraced Obamacare.

Mr. FORKNER. Yes.

Mr. ROKITA. So I want to understand why you might think that it is better, Obamacare. In your estimation you can judge for others what is best for them, like Obamacare.

Mr. FORKNER. I can only speak for what I know, and that is school systems.

Mr. ROKITA. But you are the president of a union, right?

Mr. FORKNER. Yes.

Mr. ROKITA. Or you are an officer in a union. Okay. I guess I am just confused by the testimony, and I don't want to say it is hypocritical. I just want to get some clarification on what you believe. I mean, do you think that Obamacare is best for people, or do you think people making their own decisions about their health care is best for them?

Mr. FORKNER. I think that the Obamacare law, if carried out, is a good law and would provide health care for people who drastically need it.

Mr. ROKITA. So you, at that point, upon full implementation—and my time has expired, but upon full implementation of Obamacare, you would cease and desist your own program, health care program?

Mr. FORKNER. I don't think we have to.

Mr. ROKITA. Thank you. My time has expired.

Chairman ROE. I thank the gentleman for yielding.

I will now yield myself five minutes.

First of all, I thank the panel, and I thank you all in the room. Not to be one-upped about your mother, I had lunch with my moth-

er yesterday before I got on the plane to celebrate her 92nd birthday.

[Laughter.]

Mr. MESSER. I won't tell you my mom's age, but she is not 92.

[Laughter.]

Chairman ROE. Well, when I am home, I typically don't tell anybody her age. I just tell everybody she was born in 1922. She gets mad when I say how old she is.

[Laughter.]

Chairman ROE. I was the only one on the panel—and I think you can certainly understand why it is a privilege to work with these four members – not from Indiana. It truly is. I gave up a medical practice to run for the U.S. Congress because I care deeply about this country. I am a U.S. military veteran, a physician, and I thought it is time for physicians— just regular citizens—to stand up and go to Washington, not career politicians, and I truly wanted to work on health care.

I read the *Affordable Care Act,* all 2,700 pages of that bill. I have read every bit of it. I have not read the over 20,000 pages of rules that go along with implementing this, and that is something I want to get into with the panel in just a moment. It is unbelievable when you try to then implement this particular plan. Let me go over a little bit of it.

The way we Americans get our insurance is through our jobs. It used to be 160 million of us did. About 60 percent of those are self-insured, like Mr. Forkner's plan is probably self-insured. The city I ran as a mayor was self-insured. The others just have an individual policy through their job or on their own. So the ERISA-based plan, that is how we covered insurance.

Then we have about 47 million of our citizens are on Medicaid, about 47 million are on Medicare. 15 or 16 percent of us are uninsured. So we did all of this for people who were uninsured, this incredibly complicated scheme. And as I listened right here, remember, the plan was to decrease cost and increase coverage.

What has happened is, just listening to these folks right here, we have increased the cost of them providing the insurance coverage, taken away some of their flexibility, and not another person has been covered. I tried to hear did anybody else get covered here; the answer was no, nobody did.

I have similar stories in my hometown where substitute teachers are being reduced to three days a week and have lost income because of this. And why? Because education budgets are strained. In the State of Tennessee where I live, we don't have a state income tax. We have personal property taxes and sales taxes. That is how we run our state business, on a few fees. That is all we have. So we can't force people to buy more goods and services.

One of the things I want to talk about to help pay for this scheme, the *Affordable Care Act,* is the reinsurance fee. I found this unbelievable that we took major insurance companies, and then we went to people, Mr. Forkner, just exactly like you represent, that are in the individual self-insured market, and what we did to them, for every person—not for every policy but for every person—there is a $63 fee.

One company that came into my office, that is going to cost them $100 million this year, of which they get absolutely nothing for, nothing. What that money goes to is to indemnify to be sure that major insurance companies don't lose money. How awful is that? I mean, that was unbelievable when I heard that. The costs are all passed back down to us, the consumer. We are ultimately going to pay it.

So what we have done to make this care affordable, we call it, is we have narrowed the doctor panels to where many plans don't have the doctors you want on there, we have increased the out-of-pockets, and we have increased the co-pays. Let me give you an example in my community.

I was on the faculty of the medical school for 30 years in my community. We have a hospital there where now, 40 percent of the uncollectable debt are people with insurance. And why? Because if you have a $10,000 out-of-pocket and you make $35,000 a year, it might as well be $100,000 if you are out-of-pocket. You can't pay that. So we have got to have something different.

I want to go on, Mr. Shafer. My time is limited. I want you to talk about the 9.5 percent affordability. So the government decides what is affordable, not the person, the individual. Can you go into that a little bit?

Mr. SHAFER. Yes. The 9.5 percent affordability which, of course, has now been indexed to 9.56 affordability, is a threshold that we would have to meet for any coverage that we provide to our employees. There are penalties for missing the 9.5 percent threshold also built into the law.

Chairman ROE. A tax.

Mr. SHAFER. Yes, a tax essentially, an excise tax. If we were to miss the 9.5 percent, our numbers say that we would lose another $400,000 for penalties for that, as well as the other numbers I mentioned. We think that is unacceptable. Again, that translates into seven more teachers a year that we would have to give up to be able to pay that tax.

We feel like that as a public entity, we have said to the taxpayer we are taxing you through your sales tax, your income tax, your property tax for money for education. We are taking this money from you to educate your children. Oh, no, wait a minute, now we are going to turn around, take the money we have taken from you for educating your children. Instead we are going to send it to the Federal Government for them to forward to insurance companies while, in the meantime, your children suffer from the lack of this money being used in the classroom, as was promised to you. We think this is a major problem.

Chairman ROE. I thank you.

My time is limited. I want to finish by saying that I personally have never seen a Republican or a Democrat heart attack in my life. I have never operated on a Republican or a Democrat cancer in my life. It is a people problem, and we should have sat down, and let me share some frustration.

We invited the Democrats, by the way. This is not a Republican feel-good meeting. The Democrats were invited to be here also and chose not to come.

We offered 80 amendments to that health care bill in 2009. I had 10, myself. I went to the Rules Committee. Not one of those amendments was ruled in order to be heard on the House floor. We were totally shut out of the argument, the debate. That is wrong. This has got to be a bipartisan solution because it affects every American citizen.

The last thing I want to say is that what the government decided was what you buy. Never before in American history has the government said you must buy this, and this is what you must buy or you will be penalized. You have to buy a health care plan that, at minimum, has ambulatory patient services, has emergency services, hospitalization, maternity, and newborn. And let me assure you, being the father of three grown, married children, I don't need maternity services. I would jump off the top of the courthouse if I thought I was going to have to have maternity services again.

[Laughter.]

Chairman ROE. Mental health and substance use—if I stay in Congress much longer, I may need that one.

[Laughter.]

Chairman ROE. Including behavioral health treatment, prescription drugs, rehabilitative services and devices, laboratory, preventive and wellness services, chronic disease, pediatric services, including dental and vision care. I mean, before, we got to pick out what we bought and what we could afford as a family. Now the government has decided that, and that is one of the reasons that the cost has gone through the roof is to provide all that.

I want to thank the committee, a terrific job you all have done here today. I thank you for taking the time preparing this and being here.

Before we dismiss this first panel, I want to do something I normally don't do during a hearing, but we are on the road. You know, I just got back from Vietnam about two months ago, a trip there, and I am a Vietnam-era veteran. If there are any veterans here, I want them to stand, or if they are standing already, hold your hand up.

I want to thank you for your service because without you, we could not have this meeting today.

[Applause.]

Chairman ROE. Thank you for your service to our great nation.

I will dismiss this panel and take a five minute break and be right back with the second panel.

[Recess.]

Chairman ROE. It is now my pleasure to introduce our second panel of distinguished witnesses.

First, Mr. Dan Wolfe is the Owner of Wolfe's Auto Auctions in Terre Haute, Indiana. Since 1980, Mr. Wolfe has served as Vice President, Chief Operating Officer, and General Manager of Wolfe's Auto Auctions.

Thank you, Mr. Wolfe, for being here.

Mr. Mark DeFabis is the President and Chief Executive Officer for Integrated Distribution Services, Inc., in Plainfield, Indiana. Integrated Distribution Services, Inc. provides integrated and logistical services and specializes in retail and direct consumer fulfillment and transportation management.

Welcome.

Dr. Robert Stone is the Director of Hoosiers for a Commonsense Health Plan in Bloomington, Indiana. Dr. Stone is also the State Coordinator in Indiana for Physicians for a National Health Program and teaches at Indiana University School of Medicine as an Assistant Clinical Professor of Emergency Medicine, and is Director of Palliative Care since 2012.

Welcome, Dr. Stone.

Mr. Nate LaMar is the International Regional Manager for Draper, Inc., in Spiceland, Indiana. Mr. LaMar has been with Draper for over 15 years serving as International Regional Manager and the Government Relations Manager.

Welcome, Mr. LaMar, and thank you for your service to our country.

Before I recognize you to provide your testimony, let me briefly explain our lighting system again. You have five minutes to present your testimony. When you begin, the light in front of you will turn green. When one minute is left, the light will turn yellow. When your time has expired, the light will turn red. At that point, I will ask you to wrap up your remarks as best you are able to. After everyone has testified, members will each have five minutes to ask questions.

With that, Mr. Wolfe, you are recognized for five minutes.

STATEMENT OF DAN WOLFE, OWNER, WOLFE'S AUTO AUCTION, TERRE HAUTE, INDIANA

Mr. WOLFE. Thank you, ladies and gentlemen, for letting me be here. You already know who I am. I am Dan Wolfe, so I won't bore you with my resume.

Our family has been in business for 55 years. We have been in the auto auction business for 40 years. We employ 232 people, 64 full time, 168 part time. Those numbers are down from 2008 due to the recession but are rising and will rise again.

We offer health insurance to our full-time employees, although not affordable by today's standards of our government. The current plan is $1,500 deductible, with a $5,000 out of pocket. The cost of that to our business is roughly $2.42 per employee per hour, up to as high as $3.23, and that depends on the work week and how many hours they work.

To meet the proposed guidance of not to exceed 9.5 percent of income, that cost would move to $2.87 per hour, up to $5.15 per hour per employee, representing an 18 to 59 percent raise in cost per hour. Where is this affordable?

To lessen this cost, there are alternatives. We can move to a plan that offers the government minimum, with a $5,000 deductible and $10,000 out-of-pocket expense, which would lower the cost to $2.42 per hour, as high as $3.46 per hour per employee. Still, this represents a raise anywhere from zero to 42 percent. For that coverage, many will not be able to afford the $5,000 or the $10,000, and their next step would be bankruptcy.

All the while, raises will not be forthcoming due to the rising cost of employment. Employees will be looking for greener pastures, always looking everywhere else, and we hire full-time employees to stay with us. We look at longevity. We take time to train these peo-

ple. We focus our energies mainly on customer service and quality of work.

Currently, over 17 percent of our full-time employees have been employed over 10 years, and many of those over 20. These employees get annual raises and bonuses, and that is not to mention the 15 family members who dedicate their lives to this business, a family business.

Other options would be to drop current health insurance and offer nothing, therefore sending current employees to the pool and causing our businesses to pay penalties as high as$140,000 per year, non-tax-deductible. That would call for other options. We would have to cut other expenses, employees, whatever it took, to make up that $140,000 non-tax-deductible money.

Now, keep in mind these numbers are ever changing because we still don't know, when this act becomes an act, when it is going to happen, whether it is '14, '15, '16. Everything is a moving spectrum to us. We spend a lot of time on this trying to figure out exactly what it is going to cost us, and that entails money and time spent that we could spend otherwise making good business decisions and raising people's pay, and also just enjoying a better life.

Is our health care system in need of reform? In my opinion, yes. Is this the answer? In my opinion, no. How do you cut medical and insurance costs without attacking the good old free enterprise system that America was founded on?

Both costs are high but, to some degree, they are warranted. If we are to spend money on an already over-blown budget we currently have in Congress, why not spend it on incentives for the economy and job creation?

In closing, I would urge Congress and the President to look closely at the burdens already imposed upon Americans today with rising utility costs, fuel costs, and general goods and services. Why not have incentives for businesses to employ more and pay higher wages, so Americans can afford insurance? The threat of small businesses lost and, more importantly, jobs and the quality of life lost looms large. Just put America back to work.

[The statement of Mr. Wolfe follows:]

Ladies and Gentlemen,

My name is Daniel T Wolfe. I am President of Wolfe's Auto Auctions – Terre Haute and South Bend operations, and Vice President – Evansville operations. Our family has been in business for 55 consecutive years, and in the wholesale auto auction business for 40 years.

We employ 232 people, 64 full time and 168 part time. Those numbers are down from 2008 (due to the recession) but are and will rise again. We offer health insurance to our full time employees, although not affordable by government standards. The current plan is a $1500.00 deductable with a total out of pocket expense of $5000.00. This cost to our business is roughly in the area of $2.42 to $3.23 per hour per, employee, depending on hours worked. To meet the proposed guidance, of not to exceed 9.5% of income, that cost would move into the $2.87 to $5.15 range PER HOUR PER EMPLOYEE! Representing an 18 to 59% raise in cost per hour per employee. Where is the AFFORDABLE in this Act?

To lessen this cost there are alternatives. We can move to a plan that offers the government minimums with a $5000.00 deductable and $10,000.00 out of pocket expense which would lower that cost to the $2.42 to $3.46 range. Still, this represents a raise in cost from 0% to as high as 42% per employee per hour. For that coverage, many will not be able to afford the $5000.00 deductable or the $10,000.00 out of pocket. Their next step would be bankruptcy!

All the while raises will not be forthcoming due to the rising cost of employment, causing employees to constantly be looking for greener pastures. We hire full time employees, with the hope of longevity, so we may focus our energy on training customer service and quality work in a relaxed environment. Currently over 17% of our full time

employees have been employed over 10 years and many of those over 20 years. These employees enjoy annual raises and bonuses. Not to mention the 15 family members who dedicate their lives to this business, a family business.

Other options would be to drop current health insurance and offer nothing, therefore sending current employees to the pool and causing our businesses to pay penaltys upwards of $140,000.00 NON-DEDUCTABLE through the business! This option calls for other business cuts to offset the tax paid on money truly not made. These are not options they are additional taxes to business and the American public.

Now, keep in mind these numbers are ever changing. When in fact this Act becomes active, we have yet to figure that out (2014-2016), every business will spend countless hours figuring out the best case scenarios for their businesses. This entails money and time spent to protect our livelihood and wasted hours that could well be used to build our businesses so we may employ more people.

Is our Healthcare system in need of repair? In my opinion, yes. Is this the answer? In my opinion, no. How do you cut medical and insurance cost without damaging the free enterprise system of which America was founded? Both costs are high but, to some degree warranted. If we are to spend money from an already over-blown budget, why not spend it on the economy and job creation.

In closing, I would urge Congress and the President to look closely at the burdens already imposed upon Americans today with rising utility cost, fuel cost and general goods and services. Why not have incentives for businesses to employ more, and pay higher wages so Americans can afford insurance? The threat of small businesses lost, and more importantly, jobs and the quality of life lost looms large. PUT AMERICA BACK TO WORK!

I sincerely Thank You for your time

Chairman ROE. Mr. Wolfe, thank you very much.

Mr. DeFabis, you are recognized for five minutes.

STATEMENT OF MARK DEFABIS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, INTEGRATED DISTRIBUTION SERVICES, PLAINFIELD, INDIANA

Mr. DEFABIS. Thank you. Chairman Roe and distinguished members of the subcommittee, thank you for inviting me to testify today. My name is Mark DeFabis and I am the President of Integrated Distribution Services, Inc., a third-party logistics provider in Plainfield, Indiana, where we employ 72 full-time individuals and 100 to 150 seasonal and part-time unskilled workers.

Prior to the implementation of the Affordable Care Act, IDS was experiencing annual premium increases in the 10 to 17 percent range.

Over 50 percent of our employees smoked. Most did not utilize a primary care physician and accessed health services through either the emergency room or an immediate care facility. Many also had chronic conditions such as high blood pressure, high cholesterol or diabetes but were not taking maintenance drugs. It became obvious that if we were to control our health care costs, we would need to address the health of our workers. For that reason, we implemented a wellness program designed to improve the health of our employees, which in turn would reduce our premiums.

Our wellness program offers annual health screenings and incentives to employees to stop smoking, obtain and see a primary care physician, and use maintenance drugs for chronic conditions. Over 80 percent of our employees participate in our wellness program, and the outcomes have been dramatic. We have reduced the number of smokers by over 60 percent, reduced the number of claims related to serious preventable health issues, those with chronic treatable conditions are now on maintenance drugs, and we have seen better awareness by all employees of the benefits of exercise and healthy eating.

In 2009, the last year before the implementation of the ACA, our wellness program and its success translated into a 5.28 percent increase in our healthcare premiums with no change in benefits, proving that IDS could control the cost of our health care by improving the health of our employees.

Unfortunately, that correlation no longer exists under the ACA. Since the implementation of the ACA, IDS and our employees have seen our healthcare premiums increase 76.64 percent. This increase would have been greater had we not mitigated it by raising deductibles 20 percent and maximum out-of-pocket expenses 17 percent. Since September of 2012, 5 percent of our annual premium increase has been due to taxes and fees imposed by the ACA, which our insurer must collect and pay on our behalf.

In summary, since the ACA took effect, our company and employees have seen premiums increase dramatically while deductibles and out-of-pocket costs have been raised, all during a period when the overall health of our employees has improved.

As we prepare for the impact of community rating on our underwriting beginning in 2015, it is clear that the relative health of our employees will have no direct impact on our health care costs, leav-

ing us no choice but to evaluate whether to continue to invest in our popular and effective wellness program. I fear that the implementation of community rating will result in even more dramatic increases on top of the 76.64 percent that we have already experienced.

I want to commend the State of Indiana for allowing insurers in the individual and small group market to delay community rating through grandmothering, also known as transitional relief, and I hope that the insurers will continue the grandmothering by exercising that option through 2015. I have spoken to business acquaintances of mine in states such as Virginia which have not delayed community rating, and they have seen increases between 80 and 90 percent.

From the experience of IDS, I can say that the *Affordable Care Act* is anything but affordable for our employees and our company.

As I mentioned, IDS has between 100 and 150 seasonal and part-time workers. These unskilled workers come to us through various private staffing companies and/or community organizations such as Goodwill Industries. While at our facilities these individuals work in excess of 30 hours per week. As a result of the ACA, these staffing companies and community organizations will be faced with either reducing the number of hours these individuals work or will have to provide health insurance to comply with the ACA.

I have had conversations over the last two years with our staffing companies, and they still cannot provide me with an estimate of the impact this will have on their workforce. One thing I have been told is that whatever the cost impact to our staffing providers, it will be passed on to us in the form of higher rates. This could result in our staffing costs increasing as much as $250,000 per year.

Every company in the third-party logistics industry, which employs hundreds of thousands of part-time and seasonal workers, is facing this same no-win situation. The ACA's arbitrary establishment of a 30-hour work week as full time does not reflect the real world and is ultimately harmful to all small businesses and the unskilled workers for whom we provide jobs.

Largely overlooked are the hidden costs associated with the ACA and its reporting requirements. The recently released IRS draft forms for health coverage information reporting combined with the compliance reporting to determine full-time employees are not only confusing but are cumbersome to complete. Much of the information cannot be gathered with current automated payroll systems and will require many hours of manual work to compile the required data. I am concerned that this is only the beginning. As it becomes ever more apparent that the goals of the ACA are not being met, businesses will be asked to provide increasingly detailed reporting without any consideration for the increased cost.

Thank you for your time today. As a small business owner, both myself and my industry are happy to work with our elected officials on this important topic.

[The statement of Mr. DeFabis follows:]

U.S. House Committee On Education And The Workforce
Subcommittee on Health, Employment, Labor and Pensions

The Effects of the President's Healthcare Law on Indiana's Classrooms and Businesses

Testimony of Mark V. DeFabis
President of Integrated Distribution Services, Inc.
September 4, 2014

Chairman Roe, Ranking Member Tierney and distinguished Members of the subcommittee.

Thank you for inviting me to testify today. My name is Mark DeFabis and I am President of Integrated Distribution Services, Inc., commonly referred to as IDS, a third party logistics provider, located in Plainfield, IN where we employ 72 full time individuals and 100 to 150 seasonal and part time unskilled workers. My company provides third party logistics services including fulfillment, transportation, packaging, labeling and other related services to ecommerce and direct selling companies located throughout the United States.

As a business owner I have always strived to provide our employees with competitive and affordable benefits including healthcare. Prior to the implementation of the Affordable Care Act, IDS was experiencing annual increases in the 10 to 17% range. Much of these increases were driven by the health of our employees. Over 50% of our employees smoked, most did not utilize a primary care physician and accessed health services through either the emergency room or an immediate care facility. Many also had chronic conditions such as high blood pressure, high cholesterol or diabetes but were not taking maintenance drugs. It became obvious that if we were to control our healthcare costs, we would need to address the health of our workers. For that reason, we implemented a Wellness Program designed to improve the health of our employees which in turn would reduce our premiums.

Our Wellness Program offers annual health screenings and incentives to employees to stop smoking, obtain and see a primary care physician and use maintenance drugs for chronic conditions. The program also offers quarterly seminars on topics such as healthy eating, reducing stress, the importance of exercise and other topics designed to encourage a healthy lifestyle. These seminars are combined with onsite visits by our health coach who is available to meet individually with participating employees to discuss any health questions or conditions they may have.

Over 80% of our employees participate in our Wellness Program and the outcomes have been dramatic. We have reduced the number of smokers by over 60%, reduced the number of claims related to serious preventable health issues, those with chronic treatable conditions are now on maintenance drugs and we have seen better awareness by all employees of the benefits of exercise and healthy eating.

In 2009, the last year before the implementation of the ACA, our Wellness Program and its success translated into a 5.28% increase in our health care premiums with no change in benefits, proving that IDS could control the cost of our healthcare by improving the health of our employees. Unfortunately, that correlation no longer exists under the ACA. Since the implementation of the

ACA, IDS and our employees have seen our healthcare premiums increase 76.64%. This increase would have been even greater had we not mitigated it by raising deductibles 20% and maximum out-of-pocket expenses 17%.

Since September of 2012, 5% of our annual premium increase has been due to taxes and fees, imposed by the ACA, that our insurer must collect and pay on our behalf. These include:

1) The Patient Centered Outcome Research Institute fee
2) The Transitional Re-insurance tax and
3) The excise tax on fully insured premiums, which is assessed on and paid by the insurer but is ultimately passed on to us

In summary, since the ACA took effect, our company and employees have seen premiums increase dramatically while deductibles and out-of-pocket costs have been raised, all during a period when the overall health of our employees has improved.

The significant investment that we have made over the years in our Wellness Program proved an effective way to help control our healthcare expense prior to the ACA but now has little to no impact on our rates and underwriting. As we prepare for the impact of community rating on our underwriting beginning in 2015, it is clear that the relative health of our employees will have no direct impact on our healthcare costs leaving us no choice but to evaluate whether the continued investment in our popular and effective Wellness Program is warranted.

I fear that the implementation of community rating will result in even more dramatic increases on top of the 76.64% that we have already experienced since implementation of the ACA began. I want to commend the State of Indiana for allowing insurers in the individual and small group market to delay community rating through "Grandmothering", also known as transitional relief and I hope that the insurers will continue the Grandmothering by exercising that option through 2015. I have spoken to business acquaintances of mine, in states such as Virginia which have not delayed community rating, and they have seen increases of between eighty and ninety percent.

From the experience of IDS, I can say that the Affordable Care Act is anything but affordable for our company and employees. It appears that the dramatic rate increases the Act was designed to avoid will only continue when community rating goes into effect in Indiana.

Premium increases are not the only financial impact the ACA is having. As I mentioned, IDS has between 100 and 150 seasonal and part time workers. These unskilled workers come to us through various private staffing companies and/or community organizations such as Goodwill Industries. While at our facilities these individuals work in excess of 30 hours per week. As a result of the ACA, these staffing companies and community organizations will be faced with either reducing the number of hours these individuals work or they will have to provide health insurance to comply with the ACA.

I have had conversations over the last two years with our staffing companies and they still cannot provide me with an estimate of the impact this will have on their workforce. One thing I have been told is that whatever the cost impact to our staffing providers, it will be passed on to us in the form of higher rates. This could result in our staffing costs increasing as much as $250,000 per year. IDS is not in a position to absorb this magnitude of increase and will be left with no choice but to pass it on to our customers or reduce the number of hours worked by seasonal and part time workers in order to avoid the 30 hour threshold. Every company in the third party logistics industry, which employs hundreds of thousands of part time and seasonal workers, is facing this same no-win situation. The ACA's arbitrary establishment of a 30 hour work week as full time does not reflect the real world and is ultimately harmful to all small businesses and the unskilled workers for whom we provide jobs.

Largely overlooked are the hidden cost associated with the ACA and its reporting requirements. The recently released IRS draft forms for Health Coverage Information Reporting combined with the compliance reporting to determine full time employees are not only confusing but are cumbersome to complete. Much of the information regarding look back measurement, stability period and eligible employee reporting by month cannot be gathered with current automated payroll systems and will require many hours of manual work to compile the required data. I am concerned that this is only the beginning. As it becomes ever more apparent that the goals of the ACA are not being met, I fear businesses will be asked to provide increasingly detailed reporting without any consideration for the administrative cost burden.

Thank you for your time today. As a small business owner, both I and my industry are happy to work with our elected representatives on this important topic.

Chairman ROE. Thank you, Mr. DeFabis. Thanks very much for your testimony.

Dr. Stone, you are recognized for five minutes.

STATEMENT OF ROBERT STONE, DIRECTOR OF PALLIATIVE CARE, IU HEALTH BLOOMINGTON HOSPITAL, BLOOMINGTON, INDIANA

Dr. STONE. Thank you. Good morning, Mr. Chairman and members of the subcommittee. Thank you for the opportunity to testify today.

My name is Robert Stone. I am an M.D. I was born and raised in Evansville and have practiced medicine in Bloomington for the past 31 years, including 28 years working in the Emergency Department.

A doctor in the ER is on the front line of American medicine. There is nowhere to hide. Everything good and bad about our health care system is in plain sight.

I can't tell you how many times I have seen a guy limp in and tell me how he had fallen a few days earlier. His ankle is still swollen and not getting better. I examine it. I probe the sore spots and say I am worried it could be broken. I say we need an x-ray. He says, "Doc, I can't afford an x-ray, I don't have any insurance." What is an x-ray going to add to his bill? At least $200. No wonder he walked on it for a few days.

Then there is diabetes. It is not simple to take care of, and the cost of the medication is bad enough, but it is the test strips used in the glucose monitors, those are the expense that adds up and cuts into people's budgets.

It is commonly believed that if you have a serious condition like diabetes, you must qualify for some sort of insurance, but that is not true. Our best estimate is that there are around 75,000 diabetics in Indiana with no health insurance. I have seen this many times. At first they thought they were coming down with a cold. Then they started vomiting. They ran out of test strips and were afraid to take their insulin for fear of dropping their blood sugar too low, but when they got to the ER they were near death with a sugar over 500. For lack of a 50-cent test strip, they spent a $10,000 night in the ER.

The incidence of diabetes in Indiana is higher than the national average, which is not surprising since 30 percent of our adults are obese. We rank 41st nationally in overall health and 45th in infant mortality. That is shameful. We are less healthy than our neighboring states of Ohio, Michigan, and Illinois, but have traditionally done a little better than Kentucky to the south. Kentucky is catching up to us now because they have cut their percentage of uninsured dramatically by taking full advantage of the *Affordable Care Act*.

Some people say there are those who don't deserve health care. I disagree. Everyone deserves health care. I have been heartened to find support from Governor Pence. Listen to the language he has been using over the past four months.

"I have long believed that a society may be judged not only by how it deals with its most vulnerable, but also by how it comes

alongside those often forgotten working people who are striving every day for a better life."

"Low-income, working Hoosiers lack access to the kind of quality health insurance that their better-off neighbors enjoy. Many Hoosiers cannot access affordable coverage and live in uncertainty."

"Hoosiers have long cherished the principle that we must love our neighbor as ourselves, that we must not walk by on the opposite side of the road when our neighbors are hurting and in need."

In these words, I hear an implicit understanding of the failure of our current system to meet the needs of too many, and an acknowledgement that government must take a larger role in guaranteeing access to health care.

Make no mistake, Governor Pence is no friend of the Affordable Care Act. But he has done the right thing by moving forward to expand Medicaid through the ACA under the title of HIP 2.0.

Mr. Messer, it appears that you too are a sworn opponent of the *Affordable Care Act,* but you have supported Governor Pence on Medicaid expansion, and I commend you for that. However, I want to address some of the misleading points in your editorial on August 26th, "Congress Coming to Greenfield," or at least I fear they are misleading.

You imply that Hoosiers purchasing coverage through the health insurance exchanges will see their premiums rise sharply. To start with, insurance premiums have been rising much faster than wages or inflation for decades. This trend is much older than the ACA. Last Friday the Associated Press reported "Indiana residents will have more than triple the number of health insurance plans to choose from when the Federal insurance exchange enrollment period starts in November," and this is according to the Indiana Department of Insurance. And according to the Indiana Department of Insurance, they are predicting in Indiana premiums are going to rise 5 percent this year. That is quite different from the 13 percent that you wrote.

Likewise, employers have been cutting hours of part-time workers to avoid paying benefits for years. Mr. Messer, you claim that the Congressional Budget Office predicts that the ACA will "push as many as 2.3 million people out of the workforce over the next seven years." Way back in February, the Washington Post refuted that number in an article titled "What the CBO Report on Obamacare Really Found." Under Congressional questioning, "CBO director Douglas Elmendorf confirmed that, in reality, his report suggests Obamacare will reduce unemployment."

This is my family's experience: my son, daughter, and son-in-law are all covered under the Exchange. The cost of all three policies is less than what we paid for my son alone last year.

I will wrap up.

There is an elephant in the room that no one is talking about. The real fear in this room today is not that the ACA is somehow going to ruin this country. It is the fear that the members here, including Mr. Messer, have that as the ACA goes forward, as people understand it and are helped by it, they are going to want to go further, not back. They don't want health care taken away from them. The elephant here, the real fear, is that as people come to

appreciate the ACA, they are going to vote against politicians who are trying to repeal it and take it away from them.

I went to medical school to take care of people. We need to figure out how to take care of everyone.

Everyone.

It's that simple.

[The statement of Dr. Stone follows:]

Testimony of Dr. Robert Stone, MD,
Director, Hoosiers for a Commonsense Health Plan,
House Education and the Workforce Subcommittee on
Health, Employment, Labor and Pensions
Greenville, IN
September 4 2014

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Good Morning Mr. Chairman and Members of the Subcommittee,

Thank you for the opportunity to testify today.

My name is Robert Stone, MD. I was born and raised in Evansville and have practiced medicine in Bloomington the past 31 years, including 28 years in the Emergency Department. A doctor in the ER is on the front line of American medicine. There's nowhere to hide. Everything good and bad about our healthcare system is in plain site.

I can't tell you how many times I've seen a guy limp in and tell me how he'd fallen a few days before, and his ankle is still swollen and not getting better. I examine it, gently probe the sore spots, and say, "I'm worried it could be broken. We need an X-ray." "Doc, I can't afford an X-ray, I don't have any insurance!" What's an X-ray going to add to his bill? At least $200. No wonder he walked on it for days.

Then there is diabetes. It's not simple to take care of, and the cost of the medication is bad enough, but it's the test strips used in the glucose monitor that are the expense that adds up and cuts into people's budgets. It's commonly believed that if you have a serious condition like diabetes you must qualify for some sort of insurance, but that's not true. Our best estimate is that there are around 75 thousand diabetics in Indiana with no health insurance. I've seen this many times: at first they thought they were coming down with a cold, but then they started vomiting. They ran out of test strips and were afraid to take their insulin for fear of dropping their blood sugar too low, but when they got to the ER they were near death with a sugar over 500. For lack of a 50-cent test strip they spent a $10,000 night in the ICU.

The incidence of diabetes in Indiana is higher than the national average, which is not surprising since 30% of our adults are obese. We rank 41st nationally in overall health, and 45th in infant mortality. That is shameful. We are less healthy than our neighboring states of Ohio, Michigan, and Illinois, but have traditionally done a little better than Kentucky. Kentucky is catching up with us now because they have cut their percentage of uninsured dramatically by taking full advantage of the Affordable Care Act.

Some people say there are those who don't deserve health care. I disagree. Everyone deserves health care. I've been heartened to find support from Governor Pence. Listen to the language he has been using over the past four months:

"I have long believed that a society may be judged not only by how it deals with its most vulnerable, but also by how it comes alongside those often forgotten working people who are striving every day for a better life."

"Low-income, working Hoosiers... lack access to the kind of quality health insurance that their better-off neighbors enjoy. Many Hoosiers ... cannot access affordable coverage and live in uncertainty."

"Hoosiers have long-cherished the principle that we must 'love our neighbor as ourselves;' that we must not 'walk by on the opposite side of the road' when our neighbors are hurting and in need."

In these words, I hear an implicit understanding of the failure of our current system to meet the needs of too many, and an acknowledgement that government must take a larger role in guaranteeing access to healthcare.

Make no mistake, Governor Pence is no friend of the Affordable Care Act. But he has done the right thing by moving forward to expand Medicaid through the ACA under the title of HIP 2.0.

Mr. Messer, it appears you too are a sworn opponent of the ACA, but you have supported Governor Pence on Medicaid expansion, and I commend you for that. However, I want to address some of the misleading points in your "Editorial" on August 26, "Congress Coming to Greenfield."

You imply that Hoosiers purchasing coverage through the Health Insurance Exchanges will see their premiums rise sharply. To start with, insurance premiums have been rising much faster than wages or inflation for decades. This trend is much older than the ACA. Last Friday the Associated Press reported "Indiana residents will have more than triple the number of health insurance plans to choose from when the federal insurance exchange enrollment period starts in November," according to the Indiana Department of Insurance. And instead of your prediction that premiums will rise 13%, the Department of Insurance predicts only a 5% increase.

Likewise, employers have been cutting hours of part time workers to avoid paying benefits for years. Mr. Messer, you claim that the Congressional Budget Office predicts that the ACA will "push as many as 2.3 million people out of the workforce over the next seven years." Last February the Washington Post refuted that number in an article titled "What the CBO report on Obamacare really found." Under Congressional questioning, "CBO director Douglas Elmendorf confirmed that in reality, his report suggests Obamacare will *reduce* unemployment."

This is my family's experience: my son, daughter, and son-in-law are all covered this year under the Exchange. The cost of all three policies is less than what we paid for my son alone last year.

There is an elephant in the room that no one is talking about. The real fear in this room today is not that the ACA is somehow going to ruin this country. It's the fear Mr. Messer has that as the ACA goes forward, as people understand it and are helped by it, they are going to want to go further, not to go back. They don't want healthcare taken away from them. The elephant here, the real fear, is that as people come to appreciate the ACA they are going to vote against politicians who are trying to take it away from them.

I went to medical school to take care of people. We need to figure out how to take care of everyone. Everyone. It's that simple.

Chairman ROE. Thank you, Dr. Stone.

Mr. LaMar, you are recognized for five minutes.

STATEMENT OF NATE LAMAR, INTERNATIONAL REGIONAL MANAGER, DRAPER INC., SPICELAND, INDIANA

Mr. LAMAR. I wanted to start by thanking my congressman, Luke Messer, for scheduling this field hearing here in the district. It is great to see that he and fellow Hoosiers, Congressman Bucshon and Congresswoman Brooks, serve on this subcommittee, and that they are joined today by Congressman Rokita, who serves on the larger Education and the Workforce Committee. I would also like to thank Congressman Roe for scheduling this field hearing in Indiana. We greatly appreciate it.

In addition to serving as International Regional Manager for Draper, I also manage Government Relations there and serve as President of Henry County Council. My employer, Draper Inc., was founded in 1902, is privately held, and is currently in the fourth and fifth generations of ownership by the same family.

Draper is a manufacturer of audiovisual products, window coverings, and athletic equipment. With just over 500 employees, Draper is barely into the medium-sized category of companies. Draper is the largest private-sector employer in Henry County, Indiana, and is the third-largest employer in our county overall.

Draper is a fine example of corporate social responsibility, as it established an on-site health clinic in 2006 for employees and their dependents who participate in Draper's health insurance plan, along with a wellness program. Having an employee health clinic so conveniently located has reduced lost work hours. In addition, in early 2014, Draper received a national award as the Healthiest Workplace in America, for which Congressman Messer recognized us on the floor of the U.S. House of Representatives. The Draper Health Clinic even served as a model when Henry County government and the New Castle Community School Corporation jointly established an employee health clinic more recently.

Admittedly, I am no expert on health insurance or human resources. However, I learned the facts that I am about to share with you today from Draper's Director of Human Resources, Karl Dick.

The three most noticeable areas in which the *Affordable Care Act* has affected Draper financially are coverage for employees' children up to age 26; the Patient-Centered Outcomes Research Institute, or PCORI; and the transitional reinsurance fee.

One by one. Coverage for employees' children up to age 26 caused our insurance rates to go up by default when it was added. But this mandate begs the question: What incentive do the so-called "young invincibles" have to sign up for health insurance when they can remain on their parents' plan?

The Patient-Centered Outcomes Research Institute's, or PCORI, purpose seems to be to determine whether the *Affordable Care Act* works. It is funded by the PCORI fee, which cost Draper $893 in 2013, $1,830 in 2014, and who knows how much in 2015. As there is currently no sunset provision for the PCORI fee, it could last indefinitely, and rise indefinitely.

As for the transition reinsurance fee, on January 15, 2015, Draper will owe $63 per covered member, meaning both covered employ-

ees and their dependents, per year. This will amount to somewhere around $75,000, based on our 2014 membership. For 2015, and presumably payable on January 1st of 2016, it will be $44 per member. Based on current enrollment, that would be about $52,000. The transitional reinsurance fee for 2016 has not yet been determined. The program pays insurers in the individual market that covers high-risk individuals. Draper gets nothing for paying this fee.

In addition to these three most salient financial burdens for Draper, mandatory 100 percent preventive services have also increased our health insurance costs. Draper will likely be hit with the excise Cadillac tax, but it is not yet definite. As a result, Draper has already and will begin to take more aggressive action with our health plan designs in order to avoid this tax. The *Affordable Care Act* seems to be a government mandate to treat your employees well, just not too well. We cannot directly pass on the costs of the excise Cadillac tax to employees, but our HR Director's guess is that any impacted company will reconsider wage increases or other employment-related costs to indirectly cover the cost increase due to the additional tax. Draper is strongly enforcing that its part-time employees' annualized averages cannot exceed 30 hours per week.

The ACA's reporting mandates will absolutely bury our Human Resources Department. For example, the IRS' draft forms 1095B and 1095C mandate that a company the size of Draper must report every covered individual's name, Social Security number, and date of birth every year. The forms must be filed electronically for companies with over 250 employees, such as Draper. However, there is no guidance or process yet established to explain how to do this. It is unclear if the information can be downloaded directly into the form or if our HR Department will have to manually enter the information and just send the form back electronically. In addition, the final version of forms 1095B and 1095C are not yet available. Our HR Department's worst fear is that the final versions will be made available on December 15, with a December 31 deadline for submission.

In conclusion, our HR Director told me that the *Affordable Care Act* is not as horrendous as originally thought, but the increased costs are a negative, and the IRS 1095 forms are a paperwork nightmare.

Thank you again for scheduling this hearing, and thank you for your service to our country.

[The statement of Mr. LaMar follows:]

TESTIMONY FOR SEPTEMBER 4, 2014 FIELD HEARING IN GREENFIELD, INDIANA

HEALTH, EMPLOYMENT, LABOR, AND PENSIONS SUBCOMMITTEE of the

HOUSE COMMITTEE ON EDUCATON AND THE WORKFORCE

By: Nate LaMar, MBA

International Regional Manager

Draper Inc.

Spiceland, Indiana

I want to start by thanking my Congressman, Luke Messer, for scheduling this field hearing in the district. It is great to see that he and fellow Hoosiers, Congressman Dr. Bucshon and Congresswoman Brooks, also serve on this Subcommittee, and are joined today by Congressman Rokita, who also serves Indiana well on the Committee on Education and the Workforce. Finally, thank you also to Congressman Dr. Roe for chairing this Subcommittee and agreeing to hold this field hearing in Indiana.

In addition to serving as International Regional Manager for the Middle East, Africa, Central & South Asia, and Latin America, I also manage government relations for Draper, and serve as President of Henry County Council. My employer, Draper Inc., was founded in 1902, is privately-held, and is currently in the 4th and 5th generations of ownership by the same family. Draper is a manufacturer of audiovisual products, window coverings, and athletic equipment. With just over 500 employees, Draper is barely into the medium-sized category of companies. Draper is the largest private-sector employer in Henry County, Indiana, and is the third-largest overall employer in the county.

Draper is a fine example of corporate social responsibility, as it established an on-site health clinic in 2006 for employees and their dependents participating in Draper's health insurance plan, along with a wellness program. Having an employee health clinic so conveniently located has reduced lost work hours. In addition, in early 2014, Draper received a national award as the Healthiest Workplace in America, for which Congressman Messer recognized us on the floor of the US House of Representatives and made a presentation at our corporate headquarters of a framed copy of the Congressional Record mentioning Draper's award! The Draper Health Clinic even served as a model when Henry County government and the New Castle Community School Corporation jointly established an employee health clinic more recently.

Admittedly I am no expert on health insurance or human resources. However, I learned the facts that I'm about to share with you from Draper's Director of Human Resources, Karl Dick. The three most noticeable areas in which Affordable Care Act has affected Draper financially are:

1. Coverage for employees' children up to age 26: This caused our insurance rates to go up by default when it was added. This mandate begs the question: what incentive do so-called "young invincibles" have to sign-up for health insurance, when they can remain on their parents' plans?

2. Patient-Centered Outcomes Research Institute (PCORI): Its purpose seems to be to determine whether the Affordable Care Act works! It is funded by the PCORI fee, which cost Draper $893 in 2013, $1,830 in 2014, and who knows how much in 2015. As there is currently no sunset provision for the PCORI fee, it could last indefinitely.
3. Transitional Reinsurance Fee: On January 25, 2015, Draper will owe $63 per covered member (meaning both covered employees and their dependents) per year for the Transitional Reinsurance Fee. This will amount to somewhere around $75,000, based on 2014 membership. For 2015, presumably payable on January 1, 2016, it will be $44 per member. Based on current enrollment, that would be about $52,000. The Transitional Reinsurance Fee for 2016 has not yet been determined. The program pays insurers in the individual market that covers high-risk individuals. Draper gets nothing for paying this fee.

In addition to these three most salient financial burdens for Draper, mandatory 100% preventative services have also increased our health insurance costs. Draper will likely be hit with the excise "Cadillac tax," but it is not yet definite. As a result, Draper has already and will begin to take more aggressive action with our health plan designs in order to avoid this tax. The Affordable Care Act seems to be a government mandate to "treat your employees well, just not too well." We cannot directly pass-on the costs of the excise Cadillac tax to employees, but our HR Director's guess is that any impacted company will reconsider wage increases or other employment-related costs to indirectly cover the cost increase, due to the additional tax. Draper is strongly enforcing that its part-time employees' annualized averages cannot exceed 30 hours per week.

The Affordable Care Act's reporting mandates will absolutely "bury" our Human Resources Department. For example, the IRS' draft forms 1095B and 1095C mandate that a company the size of Draper must report every covered individual's name, Social Security number, and date of birth every year. The forms must be filed electronically for companies with over 250 employees, such as Draper. However, there is no guidance or process yet established to explain how to do this. It is unclear if the information can be downloaded directly into the form, or if our HR Department will have to manually enter the information and just send the form back electronically. In addition, the final version of forms 1095B and 1095C are not yet available. Our HR Department's worst fear is that the final versions will be made available on December 15, with a December 31 deadline for submission!

In conclusion, our HR Director told me that the Affordable Care Act is not as horrendous as originally thought, but the increased costs are a negative, and the IRS 1095 forms are a "paperwork nightmare!"

Chairman ROE. Thank you very much, Mr. LaMar. I never could figure out why anybody would jump out of a perfectly good airplane like you have.

[Laughter.]

Chairman ROE. Dr. Bucshon, you are recognized for five minutes.

Mr. BUCSHON. Thank you, Mr. Chairman.

I want to thank Dr. Stone for pointing out our Indiana health care data. I did the same on a statewide health care tour that Dr. Tim Brown, who is a state representative and chairman of the Ways and Means Committee for the state, did this past spring and summer, and agree that we have some challenges in Indiana which we need to address, and that is what we are all here to do, to try to figure that out.

I would also like to say that on the rate issue that has been brought up, the promise was the *Affordable Care Act* would decrease rates and make things more affordable. So any increase of a cost under the *Affordable Care Act* is a broken promise.

The other thing is that in actual fact, when you look at what the American people think about the *Affordable Care Act,* it is less popular today than it was the day it was passed. Why is that? Because it is starting to hit people, like many of you, directly.

So I think that is why you are seeing a bipartisan discussion in Washington. I am disappointed we don't have some of our colleagues from the other side that were invited to the hearing to be here today because it is a bipartisan discussion on how to deal with some of these very important issues and how we deal with that.

As far as job loss and unemployment, the CBO actually said that people now have the ability to choose not to work and be dependent on a government program. Hence, we will be losing people out of the workforce voluntarily, choosing not to work because now they have the ability to depend on the rest of us that do to subsidize their health care. In my view, that is not the right approach, to discourage employment.

With that said, Mr. Wolfe, I am going to ask you, your testimony says you prefer to hire full-time employees to promote longevity and maintain quality customer service, which is very true in any business. How has the employer mandate, or the projected employer mandate depending on when it comes into law, impacted your ability to hire full-time employees? And have you hired more part-time employees instead of full-time employees since the *Affordable Care Act* or what you see is happening under the *Affordable Care Act* in the future?

Mr. WOLFE. Well, we have added employees, and there is a constant turnover because of our particular situation.

Mr. BUCSHON. Right.

Mr. WOLFE. And our full-time employees have been burdened with more overtime hours because who wants to be there 48 hours when they don't have to be? Before they were enjoying 40, 41, 42, something like that. Now we have to put the overtime on them so we don't put 28 to 30 hours on everybody else, or above that 28, 30-hour barrier.

So, yes, we have employed more people, but we are seeing more turnover. If they can find a full-time job, of course, they are going to move on to them. I wish them all the best. But I am seeing more

people that are holding down two jobs, getting 25 or 26 hours and having to juggle those hours just so they can—

Mr. BUCSHON. Anybody who has a business, whatever that business is, whether it is health care, whether it is an auto auction, knows that turnover and retraining of employees is a huge expense because your employees who already work there, they have to spend their time training new people, and you can see this especially in hospitals, like nursing departments and others, if you have any transition. So, you can see the impact that will have on your business.

The other thing I wanted to mention that you mentioned is getting people back to work. This past weekend I did the National Republican Saturday address, and the focus of that is what has been done already in the House as it relates to getting people back to work.

The best solution for many of our issues is getting people in solid, good-paying jobs. Tax reform, regulatory reform, 40 jobs bills that we see as potential job-creating bills that have not been acted on in the United States Senate, many of which there are many bills that were sponsored by the Democrats, over 30 of them in other areas that are sitting on the table in the United States Senate.

So when you hear people saying Congress and looping us all in together, I would encourage you to look at the facts. I think getting people back to work is one of the best ways we solve our health care problem.

And then I will make a final statement on health care. Again, as a physician I want everyone to have access to quality, affordable health care. Dr. Stone is on the front lines. I have been there in the ER. I know exactly what he is talking about. It is not right. It is not fair. But again, in my view, the Affordable Care Act is not going to be the solution to solve that problem. It doesn't address cost. Cost is the issue. If we don't address cost, no matter how much insurance you provide for people, we can't sustain our system if we can't control the cost.

So, Mr. Chairman, I yield back.

Chairman ROE. I thank the gentleman for yielding.

Mrs. Brooks, you are recognized for five minutes.

Mrs. BROOKS. Thank you, Mr. Chairman, and thank you to everyone representing small businesses, and to you, Dr. Stone.

One of the things that I think you all talked about in some parts were the wellness of your employees and your staff and how important that is to try to provide and encourage and incentivize wellness opportunities. Certainly, that helps keep folks out of coming to Dr. Stone's ER if employees are well and take care of themselves.

But also, one of the other things that I know small businesses particularly struggle with is the certainty or the uncertainty of the future and how do you plan. As many multi-generational businesses, you haven't been successful by not doing a lot of planning for the future. I think what I heard today is that there has been a lot of uncertainty that the law has created as to what are your expenses going to be with respect to your planning for the future.

I guess I would just like to start with you, Mr. Wolfe, and actually talk to the business owners about how is this impacting your

planning for the future. You certainly talked about the fact that you aren't able to provide—obviously, everyone wants to provide, particularly long-term, great employees, raises and promotions and so forth. How is the implementation of the *Affordable Care Act* affecting the certainty for your business planning?

Mr. WOLFE. On our end, we have spent numerous hours, just the family, talking about how we are going to handle it. With the uncertainty of this plan or this Act, we have no way of knowing. We have tried to figure out if we are better off to pay the current employee and just offer nothing. I think we are going to end up going to one year, when it finally becomes an act or becomes active, we will spend one year, and we may have a debt on that is unreal. We could be looking at $140,000 in our company that is non-tax-deductible. Or we can go with the plan and find out later on that so many went into the pool. There is so much uncertainty with us. We have spent, like I say, the family has spent a lot of time talking, and we really have no answers as of yet.

Mrs. BROOKS. Okay. Thank you.

Mr. DeFabis, how are you planning, and can you talk a little bit more about your wellness program and what you see for its future, which has provided so many terrific results so far?

Mr. DEFABIS. Well, as with any business, you look at your total cost of employees, and the less control we have over our health care costs, that unknown, we can't make decisions about hourly raises and those kinds of things because you don't know how much of the overall cost of your employees can be eaten up by health care anymore. I think that is what we saw the big benefit of in the wellness program, is we had, at least for a period of time, we were able to control ourselves what that increase was, and we then could take—okay, now that we have X amount available for employees' total cost of an employee, you could make an hourly increase. Now we are not able to make that planning, and we are having to wait and look for other ways that reward employees.

Mrs. BROOKS. I know that a lot of logistics companies like yourselves use a lot of staffing companies for the seasonal and the part time. Did those employees, those part-time folks, did they actually take advantage of your wellness program as well?

Mr. DEFABIS. Those that are eligible have. The staffing agencies that we use, some of them offer programs with that regard. But again, trying to engage those staffing agencies and some of the not-for-profits that we are using to supply that worker to us, to say what are their plans, are they going to offer coverage, and what will that coverage look like; and if so, are there controllable areas that they are going to try to address? At this point, there really isn't any definitive answer at all other than whatever that cost is going to be, it is going to get passed on to us.

Mrs. BROOKS. Mr. LaMar, congratulations to Draper for being one of the healthiest companies in America, let alone Indiana. As we heard from Dr. Stone, Indiana has a long way in going in improving the health of our citizenry. So I want to applaud all of the companies for putting a focus on that. But what are you seeing with respect to the costs of the Affordable Care Act and how it is going to affect your wellness program, which obviously is one of the best in the country?

Mr. LAMAR. So far, according to our HR Director, the wellness program, he doesn't foresee a threat to it.

Mrs. BROOKS. Good.

Mr. LAMAR. However, the facts that we have started our own on-site health clinic, there are some concerns about that. He says for the near term we should be safe for the health clinic, but long term it is just unfortunate that Draper, a good example of a company that has done the right thing by its employees by trying to establish an on-site health clinic, why should we be burdened with additional costs to subsidize those companies who have not done the right thing? That is the concern.

And as far as your question goes regarding staffing and planning, we have had to increase our usage of staffing firms, third-party staffing firms, whereas in the past we just offered temporary hires direct employment via Draper.

Mrs. BROOKS. Thank you.

My time is up. I yield back.

Chairman ROE. I thank the gentle lady for yielding.

Mr. Messer, you are recognized for five minutes.

Mr. MESSER. Thank you, Mr. Chairman.

Thank you to our panelists.

I want to start by asking a question of the employers. You can tell from your testimony that the people you work with are people you care about, and it is indicative, frankly, of the businesses I see throughout my district, the employers that work with their employees and, frankly, feel responsible for their well-being and their lives.

So again, not a trick question, just to try to group this together on the hearing record. I will start with Mr. Wolfe. As the *Affordable Care Act* has moved forward over the course of the last year or two, have you seen costs of health care, your ability to provide access to high-quality health care for your employees, and has the cost gone up or the cost gone down?

Mr. WOLFE. We were informed just—September is our policy date. So it went up. There was a 6 percent increase.

Mr. MESSER. Six percent.

Mr. DeFabis, your reference?

Mr. DEFABIS. As I referenced, our cumulative increase over the time since the implementation of the ACA started is over 76 percent. At this point, we have been given no indication that rate of increase is going to be decelerating.

Mr. LAMAR. At the beginning of the ACA, Draper had a low-deductible plan for everybody. However, it launched a high-deductible health savings account plan at the time. Those who signed up for the high-deductible HSA plan had their premiums locked in for a three-year period. That would have been 2010, 2011, and 2012. However, the premiums went up in 2013 and 2014.

Mr. MESSER. Okay. Of course, for those individual consumers, their deductible was much higher and an expensive out-of-pocket potentially.

Mr. LAMAR. And I forgot to mention, for 2014 we launched a third program which is an even higher deductible HSA plan, an $8,000 family deductible, and then the plan that most employees are on is the $4,000 family deductible.

Mr. MESSER. And I applaud the use of health savings accounts. It is an Indiana innovation, founded by Pat Rooney, Golden Rule, and I think that part of the solution of what we needed, we look at a way to try to bring health care costs under control.

I will turn to Dr. Stone. I certainly appreciate your work on the front lines. While we may disagree, I respect your opinion and applaud your willingness to come and be here and speak publicly today.

I would say in your testimony you assert that "some people say there are those who don't deserve health care." I am frankly aware of no one who believes that. That is not my position. I don't think it is the position of anybody here on the panel today.

You do correctly note that I very much oppose the President's misnamed *Affordable Care Act.* There were real problems with our health care system before the law was enacted. Unfortunately, the law leaves too many of those problems unsolved, and it makes health care more expensive for too many people.

My fear is that this law will not work. For too many, it is already not working. And by the time its most ardent supporters realize the damage that has been done, the price of cleaning up the mess will be too high, both financially and in terms of helping those people, who will have been hurt the most, people like students and hourly workers.

You cited some questions about how high premiums are going up. I can tell you on an anecdotal basis I have talked to nobody who says their premiums are going down. You talk to a lot of people who are seeing premiums spike.

As Dr. Bucshon mentioned, the debate about how the President's health care law is littered with broken promises that were made to justify its enactment. One example, the President said the bill could save families $2,500 in coming years. Clearly, that has not happened.

Some proponents like yourself say that—you essentially argue that costs would have gone up more than they have without the law, and frankly I think for the average consumer that is just not good enough.

You mentioned the question about whether 2.3 million people will be pushed out of the workforce in the next seven years. It is a line from the CBO. In testimony, you are right. In committee, there was a discussion about whether some workers will decide, so they can keep the President's subsidies and, frankly, keep their wages artificially depressed, whether they will work less. It essentially sounds like you are heralding the health care law could incentivize people to work less and be more dependent on their Federal subsides. I prefer to incentivize work, personal responsibility, and self-reliance over government dependence.

You mentioned the elephant in the room. If I have a little time—oops, I am out of time.

Chairman ROE. It's okay, go ahead.

Mr. MESSER. Okay. I want to ask just a couple of quick questions because, to me, the real elephant in the room is that the rising cost of health care itself is one of the primary reasons so many people lack access to care. So we need to enact patient-centered, market-

based reforms that will expand access to affordable health care, not just massively redistribute wealth to the few.

So here are a few examples. I think Indiana has been an incredible model on medical malpractice reform, driven by Governor Bowen in the 1970s. Would you support a sort of national approach to medical malpractice reform that would mirror the kinds of success we have had here in Indiana?

Dr. STONE. Well, I might be able to surprise you with my answer on that.

[Laughter.]

Mr. MESSER. Maybe you agree.

Dr. STONE. I am no expert on malpractice, but I have not seen any of the national bills on medical malpractice that were I thought quite as good as what we have in Indiana. Indiana is typically ranked as one of the five best states in terms of medical malpractice. And I will perhaps surprise you again. I come from a family of lawyers, both my grandfathers, my father, my older brother, and my sister-in-law. So I am kind of the black sheep as the only doctor around. But I will tell you that I have friends who are trial lawyers, but the trial lawyers have a lot of power in the Democratic Party, and I worry about the effects of a national bill that might not be as good as what we have in Indiana.

So here is one case where I am all for states' rights. Let's keep our Indiana bill.

Mr. MESSER. Two other quick things, doctor, with your permission, Chairman. Would you support greater price transparency so health care consumers can get the most bang for their buck? One of the real challenges we face is it is hard for consumers to know what the price is and what the quality of the care provided is.

Dr. STONE. Boy, this price transparency thing is a really complicated problem, and I don't fully understand—I wish I did—why it is so hard to get price transparency. But in most of my years working in an emergency department, we were an independent group that contracted with hospitals. We had our own billing company, and we were under a lot of restrictions. We would sign a contract with Anthem, and then we had to sign a confidentiality agreement. We could not report what we were being reimbursed. So it is a very complicated problem.

It sounds like it would be easy. The Time magazine article last year, "Bitter Pill," talked about the incredible differences in charges.

I am not a policy expert, but from a policy perspective I am not sure how you really make that happen, but I would be interested in looking at it.

Mr. MESSER. Of course, to make markets work, we have to know what the price and quality is.

This is probably going to be the easiest one, and then I will let it go, okay? But I do think it is important, and it is something we can do to make a difference. Would you support streamlining health care delivery models in cracking down on waste, fraud, and abuse in the system?

Dr. STONE. Sure, of course.

[Laughter.]

Mr. MESSER. There is much that can be done beyond what has been done with the Act.

Thank you very much.

Chairman ROE. Would that be "Do you still beat your wife?," one of those kinds of questions?

[Laughter.]

Mr. MESSER. That one was easy.

Chairman ROE. Mr. Rokita, you are recognized for five minutes.

Mr. ROKITA. I thank the Chair, and I thank Mr. Messer for his questions. They are along the same lines, the same kind of questions I had.

I do want to make sure the record is clear that the doctor is not for waste, fraud, and abuse. I appreciate that very, very much.

[Laughter.]

Mr. ROKITA. I also appreciate very much the private-sector testimony that we had here today, and I am going to have some questions for you all. But in this time when you turn on the news and you hear elected leaders, especially at the national level, decry companies and individuals being successful and making a profit, I want to be on record congratulating you for your profitability, for being good at what you do, for so many reasons, but chief amongst them is the fact that if you are not making a profit, then no one has a job. I say that here just so we don't lose sight of that as a state and a nation. Thank you for what you do.

Now, we talked earlier, and I think it was Dr. Bucshon who did a nice job of listing out what I would term the piecemeal approach that we have been able to take in Congress so far in getting some reforms, many of them technical in nature, 30 hours versus 40 hours, to the health care law. Certainly, none of that has passed the Senate, and it certainly won't be signed by the President I don't imagine, but we did some good work getting those things out.

But we have to also, I think, make sure we are keeping our eye on the ball in terms of repealing this in a holistic fashion, not because none of us want to see a better system—we certainly do—but so that we can get to what could be. And what could be in a lot of ways are found in those 80 amendments that Nancy Pelosi would not hear back in 2010 or 2009 when this *Affordable Care Act* was passed in the dead of night, a multi-thousand-page bill that no one read, and now we are suffering, as the majority of the testimony here clearly indicates that we are suffering under.

What could be, with 135 co-sponsors already, is a comprehensive bill that goes into transparency, mandates it, very heavy on that Indiana innovation mentioned earlier called Health Savings Accounts. It incentivizes it. Right now, under Obamacare, health savings accounts, the idea that you can empower your employee to make better health care decisions to drive down costs, Mr. DeFabis, is effectively outlawed. The opposite is incentivized under Obamacare. It is effectively outlawed, if not severely limited.

So what we are talking about in the comprehensive sense is empowering the individual, trusting the individual, your employees, from the richest citizen to the simplest of us, knowing that we can make better health decisions for ourselves than some one-size-fits-all, government run, government controlled system.

Let me put that in a little bit of an example. Think about any one of your employees. Think about the examples that the doctor made, that $200 x-ray that fellow couldn't afford. With a Health Savings Account, with a pool of money, even if it is government funded, they could use to make better health care decisions, that man would have shopped that x-ray, would have found the best deal using his skill set that is so natural to all of us as Americans, and that is consumerism, right?

We can go down the streets of Greenfield and I think, if I remember right, there is still a Firestone, still a Goodyear? There is a Burger King and McDonald's. We can find the best value. Each of us knows how to do that. And not every transaction in health care is an emergency. Some are, like if these bee stings had gone the wrong way last night, I wouldn't go to the Internet, I would go to the emergency room.

But a majority of our health care decisions and transactions are not emergency. So let's trust people, not some government bureaucrat or some utopian searching person who is, yes, well-meaning, wants to help people—sure, we all do—but thinks they can do it best for the rest of us.

So with the time I have remaining—I usually don't pontificate like that, but I wanted to get that on the record because I think that is the synthesis of the testimony I have heard today, at least the majority of it.

Health savings accounts. Has your company, Mr. Wolfe, had any experience with them or be willing to try that, the idea that you can actually incentivize your—

Mr. WOLFE. We are actually exploring that right now. We have two insurance companies working with us to see if they can lessen the burden.

Mr. ROKITA. Right. Thank you.

Mr. DeFabis, did you have—

Mr. DEFABIS. Yes. We have a high-deductible plan with HSA, and I can say since we have implemented that, it was a change, a major change for our employees, but I think if you were to go back and ask them now, I think everybody likes it. Now, it is interesting to see the dynamic that happens because they do share information amongst themselves: "Where are you buying your medication? Where are you going?" It has been a pleasure to see that when they have been empowered that way.

Mr. ROKITA. Let's trust that empowerment.

Mr. LaMar?

Mr. LAMAR. We have the high-deductible HSA plan for quite some time now, but the consumer transparency that you mentioned, that is something that our HR department has undertaken for about two years now. We contract with a third-party firm who, if you need an MRI or an even more serious procedure, a colonoscopy or what have you, this firm will go out and shop it for you to find the cheapest rate throughout east central Indiana, and then it will strongly recommend that an employee go to the low bidder. Employees are not mandated to do that. They are not forced to do it, but they are just strongly encouraged to do that, to keep our overall premiums down.

Mr. ROKITA. And it looks like in that sense there may be a new cottage industry developing.

Mr. LAMAR. Exactly.

Mr. ROKITA. That would be helpful to the economy, too.

My time is surely expired. But in the spirit of Congressman Messer taking liberties—

[Laughter.]

Mr. ROKITA.—let me take a little bit less of a liberty, Mr. Chairman, and just finish with a statement.

I know Mr. Pence. I know the governor. I consider him a friend. I probably think he would pop out of his seat if he was still up here, based on Dr. Stone's characterization of his comments. But the Healthy Indiana plan, which is what the Medicaid waiver is all about, central to that, surely you know, is the health savings account. Again, here is an example for the simplest of us Hoosiers, by empowering them with decision-making capability, trusting them to make better value decisions, better than any Federal Government program or state-administrated program could, we are able to cover so far 40,000 more Hoosiers, people who really needed it. That goes to our shared goal of helping everyone get the health care they do deserve without adding to the Indiana budget.

Let's capitalize on that. Let's use examples like that in trusting ourselves more than a one-size-fits-all program.

I yield back.

Chairman ROE. I thank the gentleman for yielding.

I am going to reminisce just a moment as a medical educator and tell you all a short story. My first pediatric in-hospital rotation was at St. Jude's Children's Hospital in Memphis, Tennessee, where I went to medical school, and it had been opened about six or seven years at that time. At that time, 90 percent of those children who went in there I knew who I started an IV on would not survive. They died. Today, 90 percent of those children live.

I don't want to take a step backwards in that other direction. I am telling you, when the Lord walks on the earth again, the first step will be at St. Jude's Children's Hospital. It is a wonderful place. All children are treated for free regardless of their ability to pay. Their parents are put up. And you the citizens make that possible through donations. I don't want to see that medical research take a step back.

In my own community where we have a medical school, and I was on the original faculty of that school, with the *Affordable Care Act,* because Medicare payments to hospitals have been cut, we have lost 50 primary care residency slots. Hospitals pay above the cap, and there is an amount of money that Medicare will pay to help educate us as doctors. We have lost 50 of those. That is 500 doctors that won't get trained in tri-cities Tennessee.

Our hospitals lost 800 jobs, high-paying jobs with health benefits, retirement plans, and futures, I might add. We used to think you could have a future in medicine. It is the most uncertain time I have seen in my lifetime in health care. What we did with this plan, with the *Affordable Care Act,* we took a part of the health care system that was working fairly well—we just heard of two people who had very innovative ways to help hold their costs down,

and we have taken that away from them. Washington has taken that away.

They were figuring it out. I have heard that same story with BAE. When I was the mayor of Johnson City, we put a wellness program in, a self-insured plan, held our costs down. With community rating, that is going to be gone now.

Now, are there going to be some beneficiaries? Sure. There are going to be people who couldn't get health insurance before who can now. There is no question there are going to be some winners, but I think there are a lot more losers, as we have heard today. This theme, I have heard it all over the eastern United States when I have held these forums. It is the same exact theme. Did we need health care reform? Absolutely we needed health care reform. We needed it. And what Mr. Rokita was saying is that we don't trust individuals.

The government, the Federal Government, I do, because the simplest decision in the world—health care decisions ought to be made between a physician and the patient and that patient's family, not the insurance company, and certainly not the Federal Government. Let me tell you, when people tell you can't shop for health care, baloney. Americans are the best shoppers in the world. We will drive across five lanes of interstate to get gas two cents a gallon cheaper. So I know good and well we will shop when we are talking about thousands of our own dollars.

In my own practice, we have 450 employees. I have a health savings account. By far the majority, 85 percent, elected—we said you could have either plan. Mr. DeFabis, you learned exactly the same thing. The employees talked. They found out that they could have it better—it was better for them when they made those decisions, and 85 percent of the people we insure now in our practice use a health savings account.

What Mr. Rokita was talking about was a bill—and it sounds like Dr. Stone would support most of it. I wrote H.R. 3121. Mr. Rokita was very much a part of it, a 182-page bill to put people in charge of their health care, not somebody else. And until I am responsible for the bill, you are not going to look the same at it as if I paid $20 and everything else is covered. Hey, if I had—Mr. Wolfe, if I had car-buying insurance and had a $25,000 deductible, I am driving a Bentley. I have never been in a Bentley. I am not driving a Honda.

So you see what I am saying? We have to be responsible for that or we will never get in control of our costs. There is enough money in the American health care system to cover everybody. I have no doubt about that. There is. It is just the way it is distributed right now is not very good.

In my state, 19 percent increase. My own insurance for my family went up with the *Affordable Care Act* 75 percent. I can pay that. I don't like it when my wife writes the check, but I can afford to do it. A lot of people cannot afford to do that, and they will do without. For the people who are working in these jobs—we had the educators here—who are working five days a week as a substitute teacher, not only do we cut their hours with this and the folks at schools can't get any more money in there without raising taxes on

the senior citizens and other people who are least able to pay, not only do we do that, then we fine them when they don't buy it.

Think about that. We take their jobs away, their hours away, and then we have the audacity to have you pay a fine.

Now, I want to pass along a little tidbit of information that you can use however you want to. This is a personal choice you have to make, but I read the bill. I would recommend everybody do that who voted for it. That didn't happen. But in the bill, there are no criminal or civil penalties if you don't pay the fine, the tax. They can't garnish your wages. The only thing the government can do to get your money is if you over-pay your taxes.

I told that young woman I talked to this week who had lost her job, I said it is between your own conscience whether you over-pay your taxes or not. If I were you, I would under-pay them this year so the government couldn't get their money from you. I think that is the most unbelievable thing in the world is to put a business in a position where they have to cut your hours and then fine you when you can't buy something they force you to buy. Unbelievable.

I think my time has expired. I want to thank the panel. You all have done a tremendous job, both panels.

Mr. Snyder, before I finish, I want to commend you because I think community colleges are absolutely critical in allowing an educational opportunity to people who can't. In Tennessee this year, we passed the Tennessee Promise, where every single high school graduate can go to a technical school or a community college for free. So no longer will the cost be something that a young person has to endure and have these huge debts when they get out.

So I think you are right on, and I want to encourage you to continue to find innovative ways to make it affordable for young people.

I want to thank our witnesses again.

Does anybody have a closing comment?

Dr. Bucshon?

Mr. BUCSHON. Just briefly, Mr. Chairman. Again, one of the reasons I ran for Congress is because I have been in the ER, like Dr. Stone, and I have had patients that had pre-existing conditions that worked their whole lives and couldn't get insurance, and I also know that if you are going to try to solve what I consider maybe one of the biggest issues of our generation—how we get everyone to have affordable, quality health care and access—that certainly physicians in government should be part of that discussion to give our perspective.

That is why, I think along with Dr. Roe, and we have 14 or so other M.D.s, I do think it is important to be part of the discussion, and I would encourage everyone out there who is listening or who is in the crowd that has the ability, regardless of whether you are in health care, to please engage on this issue and give your perspective, not only health care providers but business people, individual citizens. We need your help, and by "we," I mean the people who are your elected officials, to help us solve this problem.

I yield back.

Chairman ROE. Mr. Messer?

Mr. MESSER. I just want to thank the Chairman, thank my colleagues, thank our panelists, and thank everybody here from Indi-

ana State's congressional districts, both here in Hancock County and neighboring counties as well.

Chairman ROE. Thank you.

Mrs. Brooks?

Mrs. BROOKS. Thank you, Mr. Chairman, for coming to Indiana and for holding this hearing.

As a freshman member of Congress, I have been a bit overwhelmed by the number of phone calls, emails, and letters that are written to a member of Congress' office. I will tell you that the number-one issue is health care. That is the number-one issue that we hear from constituents. So while sometimes a lot of people get tired of us continuing to talk about the *Affordable Care Act,* I will tell you it is still top of mind not only for families and individuals, and how they are impacted, but also our medical providers.

We have, I believe, the best medical providers in the world, and we want to make sure that we continue to be the most innovative and the best medical and health care system in the world. So that is, I think, why we have continued, and I want to applaud you for keeping attention on this critical issue, because I too do not believe that the *Affordable Care Act* got it right and we have to fix this.

And I yield back.

Chairman ROE. Mr. Rokita?

Mr. ROKITA. Thank you, Chair.

Like Congresswoman Brooks, the top of mind for my constituents in Indiana's 4th District, which goes all the way from the southern line of Lake County, the Kankakee River, down through Logansport, Lafayette, Kokomo, all the way to Greencastle, this is the issue. It certainly is not stale, and I think leadership demands that we lead on what could be.

So again, I encourage, like Dr. Bucshon said, everyone in the audience, everyone within earshot, let us know your opinion, let your opinion be heard, and not just to your congressman or congresswoman, but to that person walking out of church. Maybe get out of your comfort zone a little bit, someone you might not otherwise talk to about these kinds of issues. This is not just a health care issue; it is a political issue. It is political in the sense of who is going to run your life. Everything we do around Washington, D.C., really comes down to that.

Get out of your comfort zone, because if you are listening to this right now, if you are here in the audience or by some other telephonic method, besides any other addictions or afflictions you have, you are leaders and you are needed. You have a sphere of influence, and people will listen to you, whether your opinion is along the lines of Dr. Stone or along the lines of the majority of other witnesses here today.

It is going to be up to the people to solve this problem, so that is where the focus has to be. Can we do a better job about managing our lives, or are we better off giving it to a subset of us to manage them for us? I certainly believe the former.

But like I said in the beginning, I am very proud to be a Hoosier and very proud of what the state has done. And because of the civil discourse from everyone here today and some of the ideas that were brought up and some of the testimony that we heard, I am

even prouder to leave this dais as a Hoosier. So thank everyone for your continued leadership.

I yield back.

Chairman ROE. I thank the gentleman for yielding.

Once again, I just wanted to spend a minute or two reminiscing about 2009. We had nine physicians on the Doctors Caucus, which I co-chair. There are 15 of us now. And not one of us was asked one thing about the health care bill. I found that astonishing. I thought somebody cared about what I thought. It turned out they didn't, and it was unbelievable to me that you could have spent over 30 years in health care, along with 20 years in health care reform called TennCare.

We had tried to reform our health care system in Tennessee, called TennCare, and I had almost 20 years' experience with that. I really wanted to help and be part of the solution. I was totally shut out of that debate.

As I said just a moment ago, health care is not political. It astonishes me that it is Democrat and Republican. It is unbelievable. It is about providing health care, and there is nothing any simpler. There is no simpler economic transaction in the world than a patient coming to see me, me providing a service, and somehow there is a little remuneration that takes place. It is not complicated.

We have spent a billion dollars on healthcare.gov, and let me give you an example. I now have one full-time staff member who just tries to help people navigate that. One quick example, a young woman called at about six weeks pregnant, and she was having her third baby—second baby. She got to the healthcare.gov website and got stuck there and couldn't move along.

I am not going to tell you the whole story. Four exchanges between our Tennessee Medicaid and healthcare.gov, and on my election day, August 7th, I am on the phone for two hours working on this young woman. I asked the question, I realize I have been out of the operating room and out of delivering babies for a little while.

By the way, I delivered almost 5,000 babies, and it helps to get elected if you have delivered your own voters. I found that out.

[Laughter.]

Chairman ROE. But I asked the question. I said, has the human gestation changed from 280 days yet, or is it still the same? And they sort of laughed, but I said, no, I am serious, because this patient is due in two weeks. I became worried about her.

We got her health coverage through healthcare.gov two weeks before she was to have this baby, which was breach and she had to have a—so she was having complications. And guess what? Because of our state laws, when she went in to see the provider, he thought she had neglected her baby and they called Social Services and the young woman was afraid she was going to lose her baby. That is how crazy this has gotten.

We need to get some common sense back into health care and get a lot of these bureaucrats out of it and thousands of pages and get it back between just doctors and patients and simple things like that. Dr. Stone has dealt with this for 30 years, and he is trying to figure out a way to best do it. I appreciate it and applaud you for that.

I want to finish by saying there are some common themes I have heard today, and those are from our educators, the continuity of care for special needs kids, extra-curricular activities like sports and field trips and things like that. Quite frankly, I have held a large employer roundtable, manufacturing roundtable in the last week, and one of the things those employers are looking for is those soft skills that you learn in athletics—show up on time, give your best effort. Those are very important skills. And the band. All of those things that kids learn how to do, to be there on time, that works well in the workplace.

I have heard about less classroom attention. I don't think anybody thinks that is a better idea today.

By the way, for any of you educators that are out there, I want to set the record straight. You hear every year how terrible you are when compared to Lichtenstein and Norway and whatever. Here are the facts. There are almost 100,000 school systems in the United States. If you take our schools with 10 percent poverty or less, and poverty is defined by free and reduced lunch, we have the highest 15-year-old test scores in the world, bar none, period.

It is a problem with poverty, not our educators. They are doing a great job. So if you know an educator, pat them on the back. They feel kind of beat down right now with all that is going on, at least they do in my state.

Reporting requirements, they are unbelievable. Right now, Mr. Wolfe, they don't know what they are. Every business up here doesn't know exactly. That adds cost to their business and uncertainty to their business, new fees and taxes. This reinsurance fee where you make sure big, powerful, wealthy insurance companies don't lose money is mind-boggling when this city right here—I guarantee you, the mayor of this city is going to have to provide a check from people who pay taxes here to pay that reinsurance fee, of which he will get nothing for it, the people who are recipients will get nothing for it, higher turnover rates because people need full-time work.

I have learned a lot today. I have heard a lot of good things and certainly appreciate working with my four great colleagues here.

I want to thank our police officers who are here today and with us. I want to thank you all for your service. You put your life on the line every day. I know as a mayor, when I would drive by a car with one of you guys pulling somebody over, I would say a little prayer for you because you do very dangerous work, and I thank you for that work, making our communities safer.

I thank all of you all for being here and attentive. This has been a great audience. We are going to keep doing this dog and pony show on the road because I like to get out among the people where the common sense is because, I can tell you, inside 395 and Washington, D.C., the oxygen ain't right.

[Laughter.]

Chairman ROE. With no further business, the committee stands adjourned.

[Applause.]

[Additional Submission by Mr. Messer follows:]

"Achieving Our Personal Best in the Pursuit of Excellence"

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September 3, 2014

Congressman Phil Roe
407 Cannon House Office Building
Washington D.C. 20515

Re: Patient Protection and Affordable Care

Dear Congressman Roe:

Starting in 2015, school corporations employing at least 50 full-time employees or full-time equivalents will be subject to employer penalties under the Patient Protection and Affordable Care Act ("PPCA"). Under these provisions, if an employer does not offer affordable health coverage that provides a minimum level of coverage to its full-time employees (and their dependents), the employer may be subject to an employer penalty if at least one of its full-time employees receives a premium tax credit for purchasing individual coverage as one of the new insurance exchanges. A full-time employee is defined as an employee who is employed on average at least 30 hours of service per week.

The IRS published guidance earlier in 2012 that permits an employer to utilize a 12-month or shorter measurement ("look back") period to determine full-time employee status. A 12-month look-back period would have been advantageous to Indiana public school corporations, because, on a full-year basis, many school employees do not work at least 30 hours per week. Accordingly, the school corporation would not be subject to an employer penalty with respect to your individuals.

However, the IRS issued proposed regulations on January 2, 2013 that close this window. In performing the look-back calculation, a school corporation will be required to utilize an average of the employee's hours during the school year for purposes of the summer break. Accordingly, if a school employee works at least 30 hours per week during the academic year, that employee will be treated as a full-time employee during a 12-month look back period.

If this rule is implemented, this will be a financial disaster for schools. Southern Hancock Schools is a small school district of about 3,200 students. Under this proposal, the cost of adding insurance to workers and on this definition would be about $450,000. After all of the budget cuts schools in Indiana and the nation have incurred, where are we to find that kind of money? We need your help in getting the IRS to use the 12-month "look back" rather than <u>only</u> the school year. Also, the look back period needs to be less complicated. Very few people are certain about how to accurately make this calculation.

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Classified staff members in a school corporation work approximately 180 days out of the calendar year. Most of these people make around $11,000 to $13,000 per year. But this benefit will cost approximately $4,000 per year. How do you offer a benefit that equals almost half of their wages? If the definition of a full-time employee is raised to 35 hours of service per week, this would be a tremendous help to schools.

The PPACA has caused our insurance premiums to increase about 8%. The sledgehammer penalty and the mallet penalty are devastating if they are assessed.

Please raise the definition of a full-time employee to 35 hours per week. Also, please simplify the look-back period calculation.

Your help in this situation is greatly appreciated.

Sincerely,

Bob Yoder
Assistant Superintendent

[Whereupon, at 12:34 p.m., the subcommittee was adjourned.]

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