113TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
113–386

SAVE AMERICAN WORKERS ACT OF 2014

MARCH 26, 2014.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. CAMP, from the Committee on Ways and Means, submitted the following

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 2575]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 2575) to amend the Internal Revenue Code of 1986 to repeal the 30-hour threshold for classification as a full-time employee for purposes of the employer mandate in the Patient Protection and Affordable Care Act and replace it with 40 hours, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

CONTENTS

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Save American Workers Act of 2014".

SEC. 2. REPEAL OF 30-HOUR THRESHOLD FOR CLASSIFICATION AS FULL-TIME EMPLOYEE FOR PURPOSES OF THE EMPLOYER MANDATE IN THE PATIENT PROTECTION AND AFFORDABLE CARE ACT AND REPLACEMENT WITH 40 HOURS.

(a) FULL-TIME EQUIVALENTS.—Paragraph (2) of section 4980H(c) of the Internal Revenue Code of 1986 is amended—

(1) by repealing subparagraph (E), and

(2) by inserting after subparagraph (D) the following new subparagraph:

"(E) FULL-TIME EQUIVALENTS TREATED AS FULL-TIME EMPLOYEES.—Solely for purposes of determining whether an employer is an applicable large employer under this paragraph, an employer shall, in addition to the number of full-time employees for any month otherwise determined, include for such month a number of full-time employees determined by dividing the aggregate number of hours of service of employees who are not full-time employees for the month by 174.".

(b) FULL-TIME EMPLOYEES.—Paragraph (4) of section 4980H(c) of the Internal Revenue Code of 1986 is amended—

(1) by repealing subparagraph (A), and

(2) by inserting before subparagraph (B) the following new subparagraph:

"(A) IN GENERAL.—The term 'full-time employee' means, with respect to any month, an employee who is employed on average at least 40 hours of service per week.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to months beginning after December 31, 2013.

I. SUMMARY AND BACKGROUND

A. PURPOSE AND SUMMARY

H.R. 2575 would, for purposes of the employer mandate established under the Patient Protection and Affordable Care Act ("PPACA"), repeal the 30-hours-per-week definition of full-time employee and the 120-hours-per-month definition of full-time equivalents, replacing those respective thresholds with 40-hours-per-week for full-time employees and 174-hours-per-month for full-time equivalents.

B. BACKGROUND AND NEED FOR LEGISLATION

The majority of employers that voluntarily provide health coverage for their employees do so for their full-time employees, and most adopt 40 hours a week as the standard definition for full time, consistent with Federal overtime rules. This system successfully provides coverage for nearly 160 million Americans—by far the largest source of health coverage in America.

Employers and employees have adapted to a system where health benefits are voluntarily offered to full-time employees and rarely offered to part-time employees. According to research from the payroll benefits firm ADP, for large firms, 88% of full-time employees are eligible for benefits, while only 15 percent of part-time workers are offered health insurance. Since health benefits are a component of total compensation, providing coverage for part-time workers is cost-prohibitive for employers, and part-time employees tend to value cash compensation over health benefits.

The employer mandate and the 30-hour rule within section 4980H of the Internal Revenue Code of 1986, as established under PPACA, disrupt this successful system. The 30-hour rule, in particular, forces employers who have been providing coverage—in some cases for decades—to alter their benefit plans, drop coverage, or shift more of their workforce to part time to mitigate the effects of the mandated cost increases.

Industries that employ lower-skill workers, and often provide entry-level opportunities for younger workers, are disproportionately affected by the 30-hour rule. Recent Hoover Institution research concluded:

- The 30–hour rule puts 2.6 million workers with a median income of under $30,000 at risk for losing jobs or hours;
- 89 percent of workers affected by the rule do not have college degrees; and
- 63 percent are women, and over half have a high school diploma or less.

There are widespread reports of employers reducing the number of hours for their workforces to below 30 hours to avoid, or at least mitigate, the penalty taxes associated with the employer mandate. Additionally, school districts, community colleges, and universities have reduced work hours for students, adjunct professors, and support staff.

On July 2, 2013, the Obama Administration delayed enforcement of the employer mandate, and therefore the 30-hour rule, until 2015. Despite the delay, employers have already begun to respond to the mandate. According to the U.S. Chamber of Commerce survey of small business executives, 71 percent of small businesses believe the health care law makes it harder to hire. Additionally, one-half of small businesses report that they will either cut hours to reduce full-time employees, or replace full-time employees with part-timers to avoid the employer mandate.

C. Legislative History

BACKGROUND

H.R. 2575 was introduced on June 28, 2013, and was referred to the Committee on Ways and Means.

COMMITTEE ACTION

The Committee on Ways and Means marked up H.R. 2575, the Save American Workers Act of 2014, on February 4, 2014, and ordered the bill, as amended, favorably reported (with a quorum being present).

COMMITTEE HEARINGS

The problems associated with the employer mandate were discussed at four hearings during the 113th Congress:

- Oversight Subcommittee hearing on the Tax-Related Provisions in the President's Health Care Law (March 5, 2013);
- Health Subcommittee hearing on the Delay of the Employer Mandate (July 10, 2013);
- Health Subcommittee hearing on the Delay of the Employer Mandate Penalties and Reporting Requirements (July 17, 2013); and
- Full Committee hearing on the Impact of the Employer Mandate's Definition of Full-time Employee on Jobs and Opportunities (January 28, 2014).

II. EXPLANATION OF THE BILL

A. Repeal of 30-Hour Threshold for Classification as Full-Time Employee for Purposes of the Employer Mandate in the Patient Protection and Affordable Care Act and Replacement With 40 Hours

PRESENT LAW

In general

Under PPACA,[1] as amended by the Health Care and Education Reconciliation Act of 2010 [2] (generally referred to collectively as the "Affordable Care Act" or "ACA"), an applicable large employer may be subject to a tax, called an "assessable payment," for a month if one or more of its full time employees is certified to the employer as receiving for the month a premium assistance credit for health insurance purchased on an American Health Benefit Exchange or reduced cost-sharing for the employee's share of expenses covered by such health insurance.[3] (This is sometimes referred to as the employer shared responsibility requirement.) As discussed below, the amount of the assessable payment depends on whether the employer offers its full-time employees and their dependents the opportunity to enroll in minimum essential coverage under a group health plan sponsored by the employer and, if it does, whether the coverage offered is affordable and provides minimum value.

Under the ACA, these rules are effective for months beginning after December 31, 2013. However, the Internal Revenue Service ("IRS") has announced that no assessable payments will be assessed for 2014.[4] On February 10, 2014, the Department of the Treasury and the IRS issued final regulations on the employer shared responsibility requirement and announced that no assess-

[1] Pub. L. No 111–148, enacted March 23, 2010.
[2] Pub. L. No. 111–152, enacted March 30, 2010.
[3] Sec. 4980H, added to the Code by section 1513 of PPACA and amended by 10106 of PPACA and section 1003 of the Health Care and Education Reconciliation Act of 2010. (Unless otherwise stated, all section references herein are to the Internal Revenue Code of 1986, as amended.) An applicable large employer is also subject to annual reporting requirements under section 6056. Premium assistance credits for health insurance purchased on an American Health Benefit Exchange are provided under section 36B. Reduced cost-sharing for an individual's share of expenses covered by such health insurance is provided under section 1402 of PPACA. For further information on these provisions, see Part III.B-D of Joint Committee on Taxation, *Present Law and Background Relating to the Tax-Related Provisions in the Affordable Care Act* (JCX–6–13), March 4, 2013, available on the Joint Committee of Taxation website at *www.jct.gov*.
[4] Notice 2013–45, 2013–31 I.R.B. 116, Part III, Q&A–2.

able payments for 2015 will apply to applicable large employers that have fewer than 100 full-time employees and full time equivalent employees and meet certain other requirements.[5]

Definitions of full-time employee and applicable large employer

For purposes of applying these rules, full-time employee means, with respect to any month, an employee who is employed on average at least 30 hours of service per week. Hours of service are to be determined under regulations, rules, and guidance prescribed by the Secretary of the Treasury, in consultation with the Secretary of Labor, including rules for employees who are not compensated on an hourly basis.

Applicable large employer generally means, with respect to a calendar year, an employer who employed an average of at least 50 full-time employees on business days during the preceding calendar year.[6] Solely for purposes of determining whether an employer is an applicable large employer (that is, whether the employer has at least 50 full-time employees), besides the number of full-time employees, the employer must include the number of its full-time equivalent employees for a month, determined by dividing the aggregate number of hours of service of employees who are not full-time employees for the month by 120. In addition, in determining whether an employer is an applicable large employer, members of the same controlled group, group under common control, and affiliated service group are treated as a single employer.[7] If the group is an applicable large employer under this test, each member of the group is an applicable large employer even if any member by itself would not be an applicable large employer.[8]

Assessable payments

If an applicable large employer does not offer its full-time employees and their dependents minimum essential coverage under an employer-sponsored plan and at least one full-time employee is so certified to the employer, the employer may be subject to an assessable payment of $2,000[9] (divided by 12 and applied on a monthly basis) multiplied by the number of its full-time employees minus 30, regardless of the number of full time employees so certified. For example, in 2016, Employer A fails to offer minimum essential coverage and has 100 full-time employees, 10 of whom receive premium assistance credits for the entire year. The employer's assessable payment is $2,000 for each employee over the 30-employee threshold, for a total of $140,000 ($2,000 multiplied by 70, that is, 100–30).

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[5] Section XV.D.6 of the preamble to the final regulations, 79 Fed. Reg. 8544, 8574-8575, February 12, 2014.

[6] Additional rules apply, for example, in the case of an employer that was not in existence for the entire preceding calendar year.

[7] The rules for determining controlled group, group under common control, and affiliated service group under section 414(b), (c), (m) and (o) apply for this purpose.

[8] In addition, in determining assessable payments (as discussed herein), only one 30-employee reduction in full-time employees applies to the group and is allocated among the members ratably based on the number of full-time employees employed by each member.

[9] For calendar years after 2014, the $2,000 dollar amount, and the $3,000 dollar amount referenced herein, are increased by the percentage (if any) by which the average per capita premium for health insurance coverage in the United States for the preceding calendar year (as estimated by the Secretary of Health and Human Services ("HHS") no later than October 1 of the preceding calendar year) exceeds the average per capita premium for 2013 (as determined by the Secretary of HHS), rounded down to the next lowest multiple of $10.

Generally an employee who is offered minimum essential coverage under an employer-sponsored plan is not eligible for a premium assistance credit or reduced cost-sharing unless the coverage is unaffordable or fails to provide minimum value.[10] However, if an employer offers its full-time employees and their dependents minimum essential coverage under an employer sponsored plan and at least one full-time employee is certified as receiving a premium assistance credit or reduced cost-sharing (because the coverage is unaffordable or fails to provide minimum value), the employer may be subject to an assessable payment of $3,000 (divided by 12 and applied on a monthly basis) multiplied by the number of such full-time employees. However, the assessable payment in this case is capped at the amount that would apply if the employer failed to offer its full-time employees and their dependents minimum essential coverage. For example, in 2016, Employer B offers minimum essential coverage and has 100 full-time employees, 20 of whom receive premium assistance credits for the entire year. The employer's assessable payment before consideration of the cap is $3,000 for each full-time employee receiving a credit, for a total of $60,000. The cap on the assessable payment is the amount that would have applied if the employer failed to offer coverage, or $140,000 ($2,000 multiplied by 70, that is, 100–30). In this example, the cap therefore does not affect the amount of the assessable payment, which remains at $60,000.

Proposed and final regulations

The IRS issued proposed regulations on the employer shared responsibility requirement on December 28, 2012.[11] The preamble to the proposed regulations invited the public to provide comments on issues relating to the application of the employer shared responsibility requirement. As of February 4, 2014—the date on which the Ways and Means Committee marked up and ordered reported H.R. 2575, as amended—final regulations had not yet been issued.

As noted above, final regulations were issued on February 10, 2014. The regulations define full-time employee (based on an average of at least 30 hours of service a week), full-time equivalent employee (based on 120 hours of service a month) and hours of service, as well as providing rules for determining an employer's full-time employees and full-time equivalent employees, effective for periods after December 31, 2014.[12]

REASONS FOR CHANGE

The Committee notes that for decades the standard work week in the United States has been 40 hours. The Committee believes that, by imposing a financial burden on employers with respect to employees who work less than the standard 40-hour work week, the Affordable Care Act creates incentives to reduce the paid hours of part-time employees or to dismiss these employees. Either out-

[10] Under section 36B(c)(2)(C), coverage under an employer-sponsored plan is unaffordable if the employee's share of the premium for self-only coverage exceeds 9.5 percent of household income, and the coverage fails to provide minimum value if the plan's share of total allowed cost of provided benefits is less than 60 percent of such costs.

[11] REG–138006–12, 78 Fed. Reg. 218, January 2, 2013. The IRS issued an advance notice of the proposed regulations on December 28, 2012. As noted above, the IRS subsequently announced that no assessable payments will be assessed for 2014.

[12] Treas. Reg. secs. 54.4980H–1(a)(21), (a)(22) and (a)(24), 54.4980H–2(c), and 54.4980H–3.

come is detrimental to the employees and the economy. The Committee believes the appropriate measure of full-time employee status is the longstanding standard of 40 hours per week.

EXPLANATION OF PROVISION

Under the provision, full-time employee means, with respect to any month, an employee who is employed on average at least 40 hours of service per week (rather than 30 hours as under present law). In addition, the number of full-time equivalent employees for a month is determined by dividing the aggregate number of hours of service of employees who are not full-time employees for the month by 174 (rather than 120 as under present law).

EFFECTIVE DATE

The provision is effective for months beginning after December 31, 2013.

III. VOTES OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means in its consideration of H.R. 2575, the "Save American Workers Act of 2014."

The bill, H.R. 2575, was ordered favorably reported as amended by a roll call vote of 23 yeas to 14 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Camp	X			Mr. Levin		X	
Mr. Johnson	X			Mr. Rangel		X	
Mr. Brady	X			Mr. McDermott		X	
Mr. Ryan	X			Mr. Lewis		X	
Mr. Nunes	X			Mr. Neal		X	
Mr. Tiberi	X			Mr. Becerra			
Mr. Reichert	X			Mr. Doggett		X	
Mr. Boustany	X			Mr. Thompson		X	
Mr. Roskam	X			Mr. Larson		X	
Mr. Gerlach	X			Mr. Blumenauer		X	
Mr. Price	X			Mr. Kind		X	
Mr. Buchanan	X			Mr. Pascrell		X	
Mr. Smith	X			Mr. Crowley		X	
Mr. Schock	X			Ms. Schwartz			
Ms. Jenkins	X			Mr. Davis		X	
Mr. Paulsen	X			Ms. Sanchez		X	
Mr. Marchant	X						
Mrs. Black	X						
Mr. Reed	X						
Mr. Young	X						
Mr. Kelly	X						
Mr. Griffin	X						
Mr. Renacci	X						

IV. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 3(d) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the bill, H.R. 2575, as reported.

The bill, as reported, is estimated to have the following effects on Federal budget receipts for 2014–2024:

ESTIMATED BUDGET EFFECTS OF H.R. 2575,
THE "SAVE AMERICAN WORKERS ACT OF 2014,"
AS REPORTED BY THE COMMITTEE ON WAYS AND MEANS

Fiscal Years 2014 - 2024

[Billions of Dollars]

Provision	Effective	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-19	2014-24
Repeal the 30-Hours-Per-Week Definition of Full-Time Employee and the 120-Hours-Per-Month Definition of Full-Time Equivalents, Replacing those Respective Thresholds with 40-Hours-Per-Week for Full-Time Employees and 174-Hours-Per-Month for Full-Time Equivalents [1] [2] [3]	**mba 12/31/13**	**---**	**[4]**	**-4.5**	**-6.1**	**-7.0**	**-7.9**	**-8.1**	**-8.6**	**-9.2**	**-10.8**	**-11.6**	**-25.4**	**-73.7**

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column: mba = months beginning after

[1] Estimate produced jointly with the Congressional Budget Office. Estimate includes effects of reduction in employer responsibility payments, along with associated changes in indirect revenues, individual mandate penalty taxes, exchange subsidies, and Medicaid and CHIP payments.

[2] Estimate includes the following effects on	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-19	2014-24
outlays	---	0.3	1.1	1.8	2.1	2.1	2.3	2.7	2.8	2.9	2.9	7.4	20.9

[3] Estimate includes the following change in off-budget	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-19	2014-24
receipts	---	0.1	0.8	1.0	0.9	1.0	1.3	1.3	1.4	0.9	0.6	3.8	9.3

[4] Loss of less than $50 million.

B. Statement Regarding New Budget Authority and Tax Expenditures Budget Authority

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no new or increased budget authority. The Committee states further that the bill involves no new or increased tax expenditures.

C. Cost Estimate Prepared by the Congressional Budget Office

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the CBO, the following statement by CBO is provided.

U.S. Congress,
Congressional Budget Office,
Washington, DC, February 25, 2014.

Hon. Dave Camp,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2575, the Save American Workers Act of 2013.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Jean Hearne and Sarah Masi.

Sincerely,

Robert A. Sunshine
(For Douglas W. Elmendorf, Director).

Enclosure.

H.R. 2575—Save American Workers Act of 2013

Summary: H.R. 2575 would alter the calculation of the number of full-time equivalent employees for the purposes of determining which employers are subject to penalties under the Affordable Care Act (ACA) for not offering health insurance for their employees or for offering insurance that does not meet certain criteria specified in the law.[1] In addition, the legislation would change the definition of "full-time employee" used for the calculation of those penalties. Specifically, the bill would raise the threshold that defines full-time employment from 30 hours per week under current law to 40 hours per week.

Those changes to the employer responsibility requirements of the ACA would reduce the number of employers assessed penalties and lower the penalties assessed against employers that do not offer insurance (or offer insurance that does not meet certain criteria) and that have at least one full-time employee receiving a subsidy through a health insurance exchange. As a result, the largest budgetary effect of H.R. 2575 would be to reduce the amount of penalties collected from employers.

[1] The Affordable Care Act comprises the Patient Protection and Affordable Care Act (Public Law 111–148), the health care provisions of the Health Care and Education Reconciliation Act of 2010 (P.L. 111–152), and the effects of subsequent judicial decisions, statutory changes, and administrative actions.

As a result of those changes in who would pay penalties and what amounts they would have to pay, CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting H.R. 2575 would change the sources of health insurance coverage for some people. Specifically, in most years over the 2015–2024 period, CBO and JCT estimate that the legislation would:

- *Reduce* the number of people receiving employment-based coverage—by about 1 million people;
- *Increase* the number of people obtaining coverage through Medicaid, the Children's Health Insurance Program (CHIP), or health insurance exchanges—by between 500,000 and 1 million people; and
- *Increase* the number of uninsured—by less than 500,000 people.

As a consequence of the changes in penalties and in people's sources of insurance coverage, CBO and JCT estimate that enacting H.R. 2575 would increase budget deficits by $25.4 billion over the 2015–2019 period and by $73.7 billion over the 2015–2024 period. The 2015–2024 total is the net of an increase of $83.0 billion in on-budget costs and $9.3 billion in off-budget savings (the latter attributable to increased revenues). Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

JCT has determined that H.R. 2575 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 2575 is shown in the following table. The costs of this legislation fall within budget function 550 (health).

	By fiscal year, in billions of dollars—												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014–2019	2014–2024
CHANGES IN DIRECT SPENDING													
Exchange Subsidies:													
Estimated Budget Authority	0	0.1	0.8	1.4	1.7	1.7	1.9	2.2	2.3	2.3	2.3	5.8	16.8
Estimated Outlays	0	0.1	0.8	1.4	1.7	1.7	1.9	2.2	2.3	2.3	2.3	5.8	16.8
Medicaid and CHIP:													
Estimated Budget Authority	0	0.2	0.4	0.7	0.5	0.5	0.6	0.6	0.6	0.7	0.7	2.4	5.5
Estimated Outlays	0	0.2	0.4	0.7	0.5	0.5	0.6	0.6	0.6	0.7	0.7	2.4	5.5
Other:													
Estimated Budget Authority	0	*	−0.2	−0.2	−0.2	−0.1	−0.2	−0.2	−0.2	−0.1	−0.1	−0.8	−1.4
Estimated Outlays	0	*	−0.2	−0.2	−0.2	−0.1	−0.2	−0.2	−0.2	−0.1	−0.1	−0.8	−1.4
Total Changes in Direct Spending:													
Estimated Budget Authority	0	0.3	1.1	1.8	2.1	2.1	2.3	2.7	2.8	2.9	2.9	7.4	20.9
Estimated Outlays	0	0.3	1.1	1.8	2.1	2.1	2.3	2.7	2.8	2.9	2.9	7.4	20.9
CHANGES IN REVENUES													
Estimated Revenues:	0	0.2	−3.4	−4.3	−4.9	−5.7	−5.8	−6.0	−6.4	−7.9	−8.7	−18.0	−52.8
On-Budget	0	0.1	−4.2	−5.2	−5.8	−6.7	−7.1	−7.3	−7.8	−8.8	−9.3	−21.9	−62.1
Off-Budget [a]	0	0.1	0.8	1.0	0.9	1.0	1.3	1.3	1.4	0.9	0.6	3.8	9.3
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Change in the Deficit	0	*	4.5	6.1	7.0	7.8	8.1	8.6	9.2	10.8	11.6	25.4	73.7
On-Budget	0	0.1	5.3	7.1	7.9	8.8	9.3	9.9	10.6	11.7	12.2	29.3	83.0
Off-Budget [a]	0	−0.1	−0.8	−1.0	−0.9	−1.0	−1.3	−1.3	−1.4	−0.9	−0.6	−3.8	−9.3

Notes: Numbers may not sum to totals because of rounding.
CHIP = Children's Health Insurance Program; * = savings or costs of less than $50 million.

[a]. All off-budget effects would come from changes in revenues. (The payroll taxes for Social Security are classified as "off-budget.")

Basis of estimate: Under current law, beginning in 2015, certain large employers who do not offer health insurance coverage that meets the affordability and minimum-value standards defined in the ACA will have to pay a penalty to the federal government if they have full-time employees who receive a subsidy through a health insurance exchange.[2] Employers with at least 50 full-time equivalent employees (FTEs) will be subject to that employer responsibility requirement. In 2015, however, those employers with at least 50 but less than 100 FTEs will be exempt from the requirement if they certify that they did not make certain reductions to health insurance coverage or to the number of FTE employees.

For the purpose of determining which employers are subject to the penalty under the ACA, the number of FTEs for a given month is calculated by adding the number of full-time employees (defined as those who work at least 30 hours per week) to the number of hours of service for part-time employees in that month divided by 120. (That figure represents an average of 30 hours a week for four weeks.)

Penalties for affected employers will be a set dollar amount times a certain number of their full-time employees. The penalty will be calculated slightly differently depending on whether the employer does not offer health insurance at all or does not offer health insurance that meets the standards established by the ACA, as follows:

- If a large employer does not offer health insurance coverage to a certain minimum percentage of its full-time employees, and if at least one of those full-time employees receives a subsidy through a health insurance exchange, the penalty will be based on the number of employees who work at least 30 hours per week, with some adjustments.[3]
- If a large employer offers health insurance coverage to at least the minimum percentage of full-time workers and one or more full-time workers receive a subsidy through a health insurance exchange, or if the coverage offered does not meet either the affordability or minimum-value standard defined in the ACA, the penalty will be based on the number of employees who work at least 30 hours per week that receive a subsidy through a health insurance exchange (up to a maximum).

H.R. 2575 would make two changes to the calculation of FTEs for the purpose of determining which employers are subject to the employer responsibility requirement for a given month. First, the number of full-time employees would be defined as those who work at least 40 hours per week instead of those who work at least 30 hours per week. Second, that number would be added to the number of hours of service for part-time employees, defined as those working less than 40 hours per week, divided by 174 instead of 120. (That figure of 174 is roughly equal to 40 hours per week for 52 weeks, prorated to produce a monthly average.) For many employers, those changes to the FTE calculation would reduce the

[2] Under the ACA, coverage is considered affordable if the employee would be required to pay no more than a specified share of his or her income (9.5 percent in 2014) for self-only coverage. In addition, the plan offered must pay at least 60 percent of the costs of covered benefits.

[3] In 2015, a large employer must offer health insurance coverage to at least 70 percent of its full-time employees. (That percentage requirement grows to 95 percent in 2016 and later years.) In general, the first 30 full-time employees will be excluded from the penalty calculation for failing to provide health insurance coverage to a certain percentage of full-time employees. However, in 2015, for employers with at least 100 FTEs, the first 80 full-time employees will be excluded from the penalty calculation.

number of FTEs, thereby making fewer employers large enough to be subject to the employer responsibility requirement.

In addition, H.R. 2575 would change the definition of full-time employees for purposes of calculating the employer's penalty. Under current law, full-time employees for whom those penalties could potentially be assessed are defined as those who work at least 30 hours per week. Under H.R. 2575, penalties could be assessed only for those who work at least 40 hours per week.

Effects on employers' incentive to offer coverage

The employer responsibility penalty under current law increases the cost of not offering employment-based coverage and thus increases the incentive for employers to offer employment-based coverage. In contrast, under H.R. 2575, some employers would no longer be subject to the employer responsibility requirement because of the change in the calculation of the number of FTEs. Other firms would still be subject to the employer responsibility requirement but would face lower penalty payments because fewer workers would be classified as full-time for purposes of the penalty calculation. As a result, CBO and JCT expect that more employers would choose to not offer coverage to their employees.

Nevertheless, most of the affected employers would continue to offer coverage because most employers construct compensation packages to attract the best available workers at the lowest possible cost. That is, firms attempt to offer the mix of wages and nonwage benefits that will be most attractive to their current and potential employees while having the lowest cost. Most employers would continue to offer employment-based coverage to their employees under H.R. 2575 because their employees prefer such coverage over insurance policies offered through the individual market or exchanges.[4]

Under H.R. 2575, CBO and JCT expect that some employers would choose to reduce the number of employees who work 40 or more hours per week, in order to avoid or reduce the penalty. For example, without changing the total number of hours worked by its employees, an employer might reassign hours worked so that there are more employees just below the 40-hour threshold than there would otherwise be.

Also, enacting H.R. 2575 would probably provide an incentive for some employers to redefine work hours so that more employees would be categorized as part-time. Some employers might seek to avoid or lower penalty payments by reducing the number of hours counted toward the full-time threshold without changing the actual number of hours worked or employees' wages. For example, an employer could discontinue counting lunch hours or breaks as work time. (The ability of employers to make such adjustments depends on labor-related state laws, as well as limitations under the Fair Labor Standards Act.)

Because many more workers work 40 hours per week (or slightly more) than work 30 hours per week (or slightly more), the changes made by H.R. 2575 could affect many more workers than are affected under current law. CBO and JCT expect this effect to be lim-

[4] See Congressional Budget Office, CBO and JCT's Estimates of the Effects of the Affordable Care Act on the Number of People Obtaining Employment-Based Health Insurance (March 2012), *http://www.cbo.gov/publication/43082*

ited, however, by employers' incentives to attract the best workforce for their firm in making decisions about hours, wages, and benefits. Even without any statutory requirements, employers whose current workforce comprises mostly 40-hour workers tend to offer health coverage at a greater rate than employers whose employees typically work between 30 and 35 hours per week. All told, CBO and JCT expect that a small percentage of employers would either reassign or reduce hours of employees who work 40 hours per week or slightly more.

Effects on insurance coverage

Enacting H.R. 2575 would reduce the number of people enrolled in employment-based coverage and thus increase the number of people who would obtain health insurance from other sources or would be uninsured, CBO and JCT estimate.

Specifically, if H.R. 2575 was enacted, CBO and JCT estimate that in most years between 2015 and 2024, insurance coverage would change in the following ways relative to CBO's current baseline projections:

- Roughly 1 million fewer people would enroll in employment-based coverage.
- Between 500,000 and 1 million more people would obtain coverage through an exchange, Medicaid, or CHIP.
- Fewer than one-half million additional people would be uninsured.

Effects on federal revenues and spending

CBO and JCT estimate that H.R. 2575 would result in net budgetary costs to the federal government of $73.7 billion over the 2015–2024 period. (For purposes of this estimate, we assume that the bill will be enacted during 2014; we expect that there would be no effect on the budget during the remainder of fiscal year 2014 because the employer responsibility requirement will not take effect until 2015.) That projected increase in federal deficits consists of a $52.8 billion net reduction in revenues and a $20.9 billion net increase in direct spending over the 10-year period. Of the net revenue decrease, an estimated $62.1 billion would stem from a decrease in on-budget revenues, partially offset by an estimated $9.3 billion increase in off-budget (Social Security) revenues.

The reduction in revenues would result from smaller collections of penalty payments by employers. CBO and JCT estimate that those payments would be $63.4 billion lower over the next 10 years for two reasons, a reduction of more than 40 percent: Fewer employers would be subject to the employer responsibility provision and thus would be exempt from paying penalties; and some employers that would be assessed penalties under the bill would make smaller penalty payments because fewer employees would be included in the calculation for those employers' penalty assessments.

The reduction in revenues for penalty payments would be partially offset, CBO and JCT estimate, by a $12.4 billion increase in tax revenues over the 2015–2024 period because fewer people would be enrolled in employment-based coverage. That change would lead to a larger share of total compensation taking the form of taxable wages and salaries and a smaller share taking the form of non-taxable health benefits. (Other effects, including changes in

the amount of exchange subsidies discussed below, would account for the remaining $1.8 billion net decrease in revenues.)

CBO and JCT estimate that, over the 2015–2024 period, outlays would be higher (by $16.8 billion) and revenues would be lower (by $2.1 billion) under H.R. 2575 because more people would obtain premium and cost-sharing subsidies through insurance exchanges.[5] That change would mostly reflect a movement away from employment-based insurance.

In addition, CBO estimates that federal outlays for Medicaid and CHIP would be $5.5 billion higher over the 2015–2024 period because more people would enroll in those programs. Most of that additional enrollment would be by people who would otherwise have employment-based insurance under current law. Other, smaller effects would reduce outlays by $1.4 billion over the 10-year period.

Pay-As-You-Go considerations: The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

[5] Subsidies for health insurance premiums are structured as refundable tax credits; the portions of such credits that exceed taxpayers' liabilities are classified as outlays, whereas the portions that reduce tax payments are reflected in the budget as reductions in revenues.

CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR H.R. 2575, AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON WAYS AND MEANS ON FEBRUARY 4, 2014

	By fiscal year, in millions of dollars—												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014–2019	2014–2024
NET INCREASE OR DECREASE (−) IN THE ON-BUDGET DEFICIT													
Statutory Pay-As-You-Go Impact	0	120	5,324	7,078	7,912	8,832	9,324	9,907	10,593	11,672	12,244	29,266	83,006
Memorandum:													
Changes in Outlays	0	260	1,135	1,842	2,084	2,090	2,273	2,655	2,770	2,881	2,926	7,412	20,917
Changes in Revenues	0	141	−4,188	−5,236	−5,828	−6,742	−7,051	−7,253	−7,822	−8,791	−9,318	−21,854	−62,088

Note: Numbers may not sum to totals because of rounding.

Intergovernmental and private-sector impact: JCT has determined that H.R. 2575 contains no intergovernmental or private-sector mandates as defined by UMRA.

Estimate prepared by: Sarah Masi, Jean Hearne, and staff of the Joint Committee on Taxation.

Estimate approved by: Holly Harvey, Deputy Assistant Director for Budget Analysis.

D. MACROECONOMIC IMPACT ANALYSIS

In compliance with clause 3(h)(2) of rule XIII of the Rules of the House of Representatives, the following statement is made by the Joint Committee on Taxation with respect to the provisions of H.R. 2575: the effects of the bill on economic activity are so small as to be incalculable within the context of a model of the aggregate economy.

Under present law, firms that employ more than 50 full-time equivalent employees are required either to provide qualifying affordable health coverage to their full-time employees or pay mandate penalties based on the number of full-time employees.[13] The bill changes the calculation of "full-time equivalent employee" such that fewer firms cross this threshold to become subject to the requirement. It also changes the definition of "full-time employee" from an employee who works at least 30 hours per week to an employee who works at least 40 hours per week, thus reducing the number of employees to whom firms are required to provide health coverage. Both provisions of the bill, therefore, provide some firms relief from a specific form of employment cost required under present law.

Under present law and under the bill, the amount employers are willing to pay in employment costs for their employees is determined by the amount they expect employees to generate in additional output. Compensation costs include wages, benefits (including health coverage), and associated employment taxes (including any mandate penalty). If a change in tax policy changes the relative costs of these components of compensation, it is expected that their relative shares would be adjusted to minimize after-tax costs to employers while maximizing after-tax compensation for employees. Thus, one behavioral response to the health coverage mandate is that employers may reduce cash wages or other benefits in order to hold their total compensation costs fixed. In this way, firms can avoid incurring increased costs of overall compensation. It is expected that the relaxation of the coverage mandate provided for in the bill will not affect overall employment costs for firms able to substitute between health benefits or the penalty and cash wages and other benefits. These types of adjustments are not expected to have an effect on overall economic growth, although they could have an effect on taxable income. The effects of these adjustments on taxable income are accounted for in the conventional revenue estimate.

However, some employers may not be able to reduce cash wages and other benefits sufficiently to hold their employment costs fixed, either because their wage rates are at or near the minimum wage

[13] As discussed elsewhere in this report, final regulations granted transition relief for firms employing between 50 and 100 employees in 2015.

or because they are subject to some other institutional restrictions on adjusting wages and benefits, such as civil service requirements or collective bargaining contracts. And some employers may calculate that their employees would be better off with a small reduction in hours than with a reduction in other forms of compensation. For these employers, the employer mandate penalty under present law may result in increased costs, and provide some incentive for firms to adjust employment practices to avoid the requirements. It is expected that where possible, firms would reallocate hours worked among employees to minimize the number of employees deemed to be "full-time." There have been many survey and anecdotal accounts of employers taking or planning to take such action under current law.[14] These accounts do not provide enough information for us to be able to quantify the extent to which the reduction in hours per employee would result in an overall reduction in hours, or a reallocation of hours among employees.[15] Because the health insurance requirements are unlikely to affect demand for the services of the employer, if the employer can minimize its exposure to the requirements without changing its scope of operations, it is expected to do so, by reallocating hours among employees. Such adjustments are not expected to have an effect on overall economic growth, although they would affect the allocation of disposable income among individual employees.

However, some employers may find that the adjustment costs associated with reallocating hours among employees sufficiently large that they prefer to reduce the total number of hours worked or reduce hiring to stay below the 50 full-time equivalent employee threshold. This could have an effect on overall economic activity, but it would be quite small relative to the overall size of the economy under present law, given the small number of employees working for employers subject to the mandate whose hours of work are near enough to the 30-hour threshold to make reducing hours worked to below 30 per person feasible.

The change in the definition of full-time employee in the bill removes incentives for firms to reduce hours for workers below 30 hours per week. But it would increase the feasibility of reducing hours enough to avoid the mandate for employers whose employees typically work 40-hour weeks. Roughly five times as many workers work 40 hours per week as work 30 to 34 hours per week; thus the incentive to re-allocate or reduce hours could potentially affect a larger share of the workforce under the bill than it does under

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[14] See, for example, John Tozzie, "Franchise Industry: We're Already Cutting Hours Because of Obamacare," *BloombergBusinessweek*, November 13, 2013, *http://www.businessweek.com/articles/2013-11-13/franchise-industry-we-re-already-cutting-hours-because-of-obamacare;* and testimonies of Lanhee J. Chen, Peter Anastos, Neil Trautwein, Thomas J. Snyder and Helen Levy at the Ways and Means Committee "Hearing on the Impact of the Employer Mandate's Definition of Full-time Employee on Jobs and Opportunities," January 28, 2014.

[15] It is too soon for statistically testable data on the response of employers to the employer mandate to be available. There has been some statistical analysis of responses to state and local employer health insurance mandates. Thomas C. Buchmeiller, John DiNardo, and Robert Valleta find no overall reduction in hours or wages over a 25-year period in response to an employer health insurance mandate in Hawaii, but some trend toward substitution of part-time workers for full-time workers in "The Effect of Employer Health Insurance Mandate on Health Insurance Coverage and the Demand for Labor in Hawaii," *American Economic Journal: Economic Policy 3,* 2011, pp. 25–51. Carrie H. Colla, William H. Dow, and Arindrajit Bue find no evidence of a change in employment or wages over a much shorter, 18 month time period in response to enactment of a health insurance mandate in San Francisco in "The Labor Market Impact of Employer Health Benefit Mandates: Evidence from San Francisco's Health Care Security Ordinance," NBER Working Paper No. 17198, July, 2011.

present law.[16] Offsetting this asymmetry, however, is the fact that a much larger share of those who work 40 hours than those who work 30 hours already have offers of qualifying employer coverage even without the employer mandate penalty, and thus their employment costs would not be affected by the bill.[17]

The bill would eliminate possible reductions in economic activity related to 30-hour workers under present law. However, it could provide an additional incentive for employers whose employees work 40 hours per week to rearrange or reduce their hours to fall under the threshold. It is anticipated that under the bill, employers with 40-hour workforces would use the same strategies described for the 30-hour employers to minimize their exposure to costs imposed by the mandate penalty. Most of these strategies would not affect overall economic activity, but it is possible that some of the workers who lose their health insurance under the bill would reduce their work hours in order to qualify for exchange subsidies, thus offsetting gains from restored labor for those who work close to 30 hours. In addition, under the bill there might be some employers of 40-hour workers who would newly view compliance with the employer insurance requirements as a marginal decision, and for whom adjustment costs would be sufficient to cause an overall reduction in their hours worked and output thus also potentially offsetting gains in activity related to removing possible present-law incentives to reduce hours for 30-hour workers.

While the bill is likely to change which employers reallocate or reduce hours worked for their employees, the net change in this practice relative to present law is expected to be quite small. The estimated tax savings for employers due to this bill, while important to individual employers, are quite small relative to overall employment costs in the economy. Thus, the effects of the bill on the economy are too small and uncertain to calculate within JCT macroeconomic models.

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. Committee Oversight Findings and Recommendations

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was as a result of the Committee's review of the provisions of H.R. 2575 that the Committee concluded that it is appropriate to report the bill, as amended, favorably to the House of Representatives with the recommendation that the bill do pass.

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[16] Bureau of Labor Statistics, "Labor Statistics from the Current Population Survey," February 2013. Available at: *http://www.bls.gov/cps/cpsaat19.htmhttp://www.bls.gov/cps/cpsaat19.htm.*

[17] One study notes that almost 80 percent of those in firms of 100 or more who work 37 hours or more per week are covered by employer insurance, while fewer than 50 percent of those who work between 30 and 36 hours per week have employer insurance. See UC Berkeley Labor Center, "Which Workers are Most at Risk of Reduced Work Hours under the Affordable Care Act," February 2013. Available at: *http://laborcenter.berkeley.edu/healthcare/reduced—work—hours13.pdf.* According to an ADP study of large employers, 88 percent of firms offer health coverage to their full time workers, while only 15 percent of firms offer it to part-time workers. see: ADP Research Institute, "ADP's 2012 Study of Large Employer Health Benefits Benchmarks for Companies with 1,000+ Employees," pp.7–8. Available at: *http://www.adp.com//media/RI/whitepapers/NAS%20Health%20Benefits-WhitePaper.ashx,* at pp. 7–8.

B. Statement of General Performance Goals and Objectives

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill contains no measure that authorizes funding, so no statement of general performance goals and objectives for which any measure authorizes funding is required.

C. Information Relating to Unfunded Mandates

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (Pub. L. No. 104–4).

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

D. Applicability of House Rule XXI 5(b)

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that "A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present." The Committee has carefully reviewed the bill, and states that the bill does not involve any Federal income tax rate increases within the meaning of the rule.

E. Tax Complexity Analysis

Section 4022(b) of the Internal Revenue Service Restructuring and Reform Act of 1998 (the "IRS Reform Act") requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses.

Pursuant to clause 3(h)(1) of rule XIII of the Rules of the House of Representatives, the staff of the Joint Committee on Taxation has determined that a complexity analysis is not required under section 4022(b) of the IRS Reform Act because the bill contains no provisions that amend the Code and that have "widespread applicability" to individuals or small businesses, within the meaning of the rule.

F. Congressional Earmarks, Limited Tax Benefits, and Limited Tariff Benefits

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

G. DUPLICATION OF FEDERAL PROGRAMS

In compliance with Sec. 3(j)(2) of H. Res. 5 (113th Congress), the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program, (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Public Law 95–220, as amended by Public Law 98–169).

H. DISCLOSURE OF DIRECTED RULE MAKINGS

In compliance with Sec. 3(k) of H. Res. 5 (113th Congress), the following statement is made concerning directed rule makings: The Committee estimates that the bill requires no directed rule makings within the meaning of such section.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE OF 1986

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Subtitle D—Miscellaneous Excise Taxes

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CHAPTER 43—QUALIFIED PENSION, ETC., PLANS

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SEC. 4980H. SHARED RESPONSIBILITY FOR EMPLOYERS REGARDING HEALTH COVERAGE.

(a) * * *

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(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

(1) * * *

(2) APPLICABLE LARGE EMPLOYER.—

(A) * * *

* * * * * * *

[(E) FULL-TIME EQUIVALENTS TREATED AS FULL-TIME EMPLOYEES.—Solely for purposes of determining whether an employer is an applicable large employer under this paragraph, an employer shall, in addition to the number of full-time employees for any month otherwise determined, in-

clude for such month a number of full-time employees determined by dividing the aggregate number of hours of service of employees who are not full-time employees for the month by 120.]

(E) FULL-TIME EQUIVALENTS TREATED AS FULL-TIME EMPLOYEES.— Solely for purposes of determining whether an employer is an applicable large employer under this paragraph, an employer shall, in addition to the number of full-time employees for any month otherwise determined, include for such month a number of full-time employees determined by dividing the aggregate number of hours of service of employees who are not full-time employees for the month by 174.

* * * * * * *

(4) FULL-TIME EMPLOYEE.—

[(A) IN GENERAL.—The term "full-time employee" means, with respect to any month, an employee who is employed on average at least 30 hours of service per week.]

(A) IN GENERAL.—The term "full-time employee" means, with respect to any month, an employee who is employed on average at least 40 hours of service per week.

* * * * * * *

DISSENTING VIEWS

Because of the short notice, the Joint Committee on Taxation (JCT) and the Congressional Budget Office (CBO) were unable to provide the Committee with estimates on both cost and insurance coverage changes as a result of the bill. In fact, one reason the analysis is unavailable is because the effects of the legislation are so complicated. Given that this legislation could result in substantial compensation and coverage shifts for anyone who works between 30 and 40 hours a week, it will have significant budgetary effects, including both a loss of revenues and increased federal spending. Under the legislation, many employers would no longer be required to offer affordable coverage or pay a "free rider" penalty to help offset their employees' health coverage in the Exchanges or Medicaid.

No member should be asked to vote blindly on legislation with such potentially far-reaching implications. To that end, numerous important questions went unanswered during the Committee's markup, and still remain unanswered, including, but not limited to, the following:

1. How much will this bill cost taxpayers?
2. How much will this bill increase federal spending?
3. What is the estimate of lost revenue resulting from fewer employers being subject to employer responsibility penalties?
4. How many Americans (workers and dependents) will lose their job-based health insurance coverage as a result of this bill?
5. How many Americans will be forced to shift from employer coverage to Medicaid and the Exchanges as a result of this bill?
6. How many Americans will remain or become uninsured as a result of this bill?
7. How many Americans will have their hours cut or otherwise lose wages as a result of this bill?
8. Which income groups are most affected by these changes?

All of these questions are important to understand the cost and health insurance coverage effects of this legislation. The upshot is that it may well increase the federal deficit while simultaneously decreasing employer-sponsored insurance coverage. If that is so, it is two steps in the wrong direction.

While JCT and CBO have been unable to offer estimates at this time, several non-partisan researchers have found that raising the threshold of full-time from 30 hours to 40 hours would place two to five times as many workers at risk of having their hours just slightly reduced in order to avoid employer responsibility requirements. The 30-hour threshold was designed to minimize gaming, since the overwhelming majority of businesses currently use a threshold higher than 30 hours and would have to substantially reduce hours to avoid their responsibility. The fact of the matter is that a business generally operates with either a part-time or full-

time work force. There aren't many employers who will re-tool their entire business practice and staffing model to avoid the 30-hour requirement, but there are those who already operate in a part-time workforce or are planning to do so for other reasons. The simple fact is that some employers want the law changes because it is difficult to avoid their responsibility under a 30-hour standard. This is not about protecting employee benefits, it is about protecting businesses. That's why the legislation is opposed by Consumers Union, AFL-CIO, AFSCME, and the National Education Association.

In fact, recent studies provide little evidence that the Affordable Care Act (ACA) has created an incentive to significantly shift toward part-time work. We fear moving to 40-hours would affect many more workers and invite serious gamesmanship as employers tweak work schedules to reduce hours and avoid their responsibility to offer coverage or contribute to the public cost of coverage for their workers.

The bill is the latest in a continued series of attacks by the Majority on the ACA. Republicans continue to blame the ACA for business decisions that would occur even without reform. It is disingenuous for ACA opponents to claim workforce changes years in advance of the ACA employer responsibility provisions taking effect. Since 2010, we have heard claims of job loss, benefit cuts and other draconian steps to avoid taking responsibility for supporting or helping to fund employee health benefits. However, just this morning, the CBO reported that there is "no compelling evidence that part-time employment has increased as a result of the ACA." The report also indicated that labor force changes predicted under the ACA are "almost entirely because workers will choose" to leave jobs they no longer want or need, now that they can obtain health benefits elsewhere. This frees up those who want to stay home to raise children, need to care for an ailing relative, or want to start a new business. As further proof that the ACA is not the "job killer" claimed by the Republican, the private sector has added 8.1 million jobs since the ACA was enacted in March, 2010.

This bill reiterates the misplaced priorities of the Committee's majority. This bill was brought before the Committee on Ways and Means despite the many pressing issues over which we have exclusive jurisdiction. Among other items, we are in imminent need of legislation to raise the debt ceiling. We have not considered legislation to help more than 1.6 million long-term uninsured Americans hurt by the expiration of emergency unemployment insurance. Instead of considering these key measures, H.R. 2575 has been rushed before the Committee without any firm information on its cost and coverage effects. Under this legislation, millions of Americans are at risk of losing their job-based health benefits or having their hours cut or both. It should be no surprise that the Democratic Members of the Committee on Ways and Means voted against H.R. 2575.

In sum, while we stand ready to work across the aisle to perfect health reform and pursue technical corrections, we oppose efforts

that would undermine its core tenets and lead to a loss in job-based benefits or wages for American workers and their families.

Sincerely,

SANDER LEVIN.
CHARLES B. RANGEL.
JIM MCDERMOTT.
JOHN LEWIS.
RICHARD E. NEAL.
XAVIER BECERRA.
LLOYD DOGGETT.
MIKE THOMPSON.
JOHN B. LARSON.
EARL BLUMENAUER.
RON KIND.
BILL PASCRELL, JR.
JOSEPH CROWLEY.
ALLYSON Y. SCHWARTZ.
DANNY K. DAVIS.
LINDA T. SÁNCHEZ.

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