

**TESTIMONY OF PETER ANASTOS
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BEFORE THE

U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON WAYS AND MEANS

“Impact of the Employer Mandate’s Definition of Full-time Employee on Jobs and Opportunities”

JANUARY 28, 2014

Chairman Camp, Ranking Member Levin, and Members of the Committee, thank you for the opportunity to testify before you today on the impact of the employer mandate’s definition of full-time employee on jobs and opportunities. My name is Peter Anastos, and I am an owner and co-founder of Maine Course Hospitality Group, which owns, operates and manages a dozen hotels in northern New England. We currently have three new hotels under construction in Bangor and Portland, Maine and in Burlington, Vermont. The Maine Course Hospitality Group portfolio includes Marriott and Hilton branded hotels, which we operate under franchise agreements, as well as two independent hotels. Approximately 350 people are currently employed by MCHG, which will expand to over 500 people in the next 18 months. Two of these hotels will be managed for other owners. I appear here today on behalf of Maine Course Hospitality Group and the International Franchise Association.

I started in business by saving money painting houses for seven years before venturing into real estate. Like thousands of small businesses across America, I slowly built a profitable company. The changes and upheaval caused by the ACA are nothing short of monumental. It is the 30-

hour rule, however, that may be the most detrimental to both our company and our employees.

The Employer Mandate

As a large employer under the law, my business is already at a disadvantage compared to smaller hotels, including other franchisees, which are not required to offer health coverage to employees. Before the Affordable Care Act passed, we had a health benefits plan in place that offered coverage to any employee working 30 hours or more per week, and I plan to continue to offer that same plan with the same eligibility requirements. Out of 152 employees that are currently eligible for this benefit, only 67 are enrolled in the plan. You might wonder why I'm here today to speak in opposition to a mandate that I followed even before it was codified in law. The answer is that, combined with the other harmful aspects of the employer mandate, this definition of full-time employee is what is going to more than double my costs in the next year alone. And it will only get worse. Businesses such as mine will have far less funds available to expand their businesses, which would have created opportunities for employers and employees alike.

Allow me to explain: Right now, the level of enrollment in the health plan offered by Maine Course is fairly low. Half of our workforce already works fewer than 30 hours, and our young people enroll in low numbers, which allows us to offer coverage at 30 hours per week.

Beginning this year, individuals who do not maintain minimum essential coverage will be subject to a tax penalty under the individual mandate. As the tax penalty increases in the

coming years, more of my eligible employees will enroll in the company plan. Although my company has worked hard to comply with the Affordable Care Act's affordability standards by lowering the employee's share of the monthly premium, this has become very difficult as premiums have increased. We are taking on more cost per insured employee than ever before, and we are insuring more employees than ever before. Obviously, as a small business owner, we try to be the best employer possible while still trying to keep our costs low so that I can continue to re-invest in our business. So a drastic cost increase like this one, coming so soon after the recession, is crippling. My employees are now forced to choose between enrolling in a relatively expensive employer health plan and enrolling in a plan in the Health Insurance Marketplace without the assistance of a premium tax credit, which they are ineligible for since they have been offered an employer-sponsored plan. It's truly a lose-lose situation for both employers and workers.

40 Hours Is Full Time

Many of my competitors have already made significant workforce changes in order to manage costs under the law. Some area hotels have stopped hiring new workers so as to not cross the threshold of 50 full-time equivalent employees that would make an employer "large" under the employer mandate. Those that are already large employers are cutting the hours of variable-hour employees to less than 30 per week so as to avoid providing health coverage to large groups of workers. As a result, my competitors will have larger profit margins, and will be able to offer lower prices to customers. If I provide health insurance to 20 full-time employees, while my competitor offers none at his similar hotel with 30 part-time employees, he gains a

large and immediate advantage of tens of thousands of dollars. I realize that, if the threshold were raised to 40 hours, some employers may simply lower their employees to 39 hours or fewer. But I would submit that losing one hour of work and still not having health insurance is not nearly as bad as losing 11 hours (27.5%) of work while still being uninsured.

Changing the definition of full-time employee in the Affordable Care Act will help both employers and workers in ways that many people do not understand. Employers across the country have been criticized and boycotted over plans to reduce the hours their employees work, or for cutting health benefits altogether. We refuse to do that to our business or our workers, so our only option is to work within the law while advocating for commonsense changes that make the Affordable Care Act more workable for small business owners. I am committed to maintaining the coverage that my current employees currently have access to. As a result of increased enrollment due to the individual mandate, this will mean absorbing a large cost increase. While I am willing to take on that cost, the business owner in me wants to limit that cost increase as much as I am able. Keeping these priorities in mind, one option I have is to keep my workers who currently work 30 hours per week or more at or above that mark, while keeping my workers currently below 30 hours per week below that mark. This will create a bifurcation in my workforce that any smart manager would like to avoid, but maintaining the status quo for my workers must come first. This will not necessarily reduce the cost of providing health coverage, but it will stabilize the cost and help me create my future business plans. Unfortunately for my part-time workers, they will no longer be able to pick up additional shifts when their schedules change, or work more hours during busier times to bring

home more pay. Ordinarily, we would reward our best employees with more hours. Decisions like this one are evidence that the employer mandate and the definition of full-time at 30 hours have created an increase in part-time work throughout the American economy.

Increase in Part-Time Work

As we build new hotel locations in Maine and Vermont this year, we will most likely bring on employees that will work below 30 hours per week initially. These employees will need to seek health coverage in the Marketplaces, and I am hoping that by increasing the definition of full-time employee to 40 hours per week, these employees will be able to gain more take-home pay to better afford the coverage they purchase in the Marketplaces. While this situation is not ideal either for expanding my business or for hiring the best workers possible, it is all I can do to keep myself in business while maintaining my commitment to my current employees. Although the White House maintains that the Affordable Care Act has not increased part-time work, a recent study of franchise owners by the International Franchise Association revealed that 31 percent of franchise owners have already reduced worker hours and 27 percent have already replaced full-time workers with part-time ones, a full year before the employer mandate is set to take effect. With fewer hours and less take-home pay, workers who have had their hours cut are not only ineligible for employer-sponsored coverage, they are also less able to afford their own coverage. These statistics are discouraging, and they show that the employer mandate provides perverse incentives for many employers who are now forced to choose between covering their employees and making workforce changes to stay competitive in business.

Conclusion

For decades, employers have used the 40-hour work week as a standard for workforce management. The ACA's provision requiring employers to provide coverage to full-time employees, and defining full-time as 30 hours per week, will cause many employers to simply manage their employees to fewer hours. Not only has the employer mandate discouraged job creation and business expansion, it has also damaged existing jobs by including a misguided statutory requirement that discarded more than a half-century of established labor policy. Even though the employer mandate has been delayed for one year, key changes are still necessary to help franchises and other small businesses better implement the law without undermining competition and negatively impacting local economies.

Several pieces of legislation have been introduced to re-define "full-time employee" as one who works at least 40 hours per week. The Forty Hours Is Full Time Act and the Save American Workers Act will both accomplish this goal, and relieve an enormous strain on both employers and workers. Many employers want to provide health coverage to their workers, but the increased cost associated with the employer mandate makes this impossible for some businesses. We also do not want to limit deserving employees to 29 hours, which would drastically limit their incomes. Businesses of less than 500 employees make up a large portion of the country's workforce, but do not have the resources to absorb losses incurred by the ACA bill. Compounding the problem is that most small businesses are required to sign personally on all loans and mortgages, putting even our homes at risk. These huge changes, both financial and procedural, are an imposing threat to the health of a large swath of American businesses.

Congress should do everything it can to lessen the enormous financial burden of the Affordable Care Act. I believe that if some key changes are made, employers will shift their attention from trying to find ways around the employer mandate to trying to find ways to maintain financial stability while offering coverage to deserving workers. The proposed legislation will greatly benefit employees and employers, as well as our economy. Thank you for the opportunity to testify before you today, and I look forward to any questions you may have.