



January 6, 2014

Senator Susan Collins
413 Dirksen Senate Office Building
Washington, D.C. 20510

Senator Joe Donnelly
720 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Collins and Donnelly:

The undersigned members of the Council for Affordable Health Coverage (CAHC) are writing to endorse the bipartisan *Forty Hours is Full Time Act*, because it will lower health costs, and likely increase employment and pay. CAHC is a broad-based alliance with a singular focus: bringing down the cost of health care for all Americans. Our membership reflects a broad range of interests—organizations representing small and large employers, manufacturers, retailers, insurers, brokers and agents, physician and consumer organizations.

The Affordable Care Act (ACA) mandates that employers with more than 50 full time equivalent (FTEs) employees must provide qualified health benefits to full time workers or incur a penalty. The ACA defines a FTE as a person working at least 120 hours a month, which is 30 hours a week. For purposes of counting the number of FTEs two people each working 60 hours a month would count as one FTE. The bill would set the definition of a full time employee as someone who works at least 40 hours a week, or 160 hours a month.

There is ample evidence the ACA's departure from the conventional 40-hour work week would reduce employees' hours and wages and discourage some employers from hiring if they are approaching the definition of 50 FTEs.

Based on our own research, this is not surprising. CAHC commissioned a study to examine the impact of rising health costs on labor markets.¹ The authors found that benefit costs had absorbed a growing share of worker paychecks. During 2000-2009, the employer-funded portion of health premiums grew by 6.9 percent as a share of full time wages for workers in the third earnings decile, an amount equivalent to employer Social Security contributions.² By the end of the decade, premium growth was exceeding productivity growth for the lowest paid.

As a practical matter, employers cannot hire or retain workers whose total compensation rises faster than their productivity. Even without the mandate, exploding health costs were distorting labor demand. Extrapolating from empirical research, Schieber and Nyce calculated that in 2009,

¹ Nyce and Schieber Study: *Treating Our Ills and Killing Our Prospects*. On the Internet see: <http://www.cahc.net/2011/10/nyce-and-schieber-study-treating-our.html#more>.

² Computed from U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts* found at: <http://www.bea.gov/national/nipaweb/index.asp>.

one-fifth of unemployment was the result of premiums growing faster than productivity at the bottom of the pay scale. Looking forward, the authors estimated that if workers respond to the ACA's individual mandate by enrolling in mandated employer health plans, the rise in employer premiums would absorb more than 100 percent of productivity gains for the bottom quarter of wage earners between now and 2030.

The likely result will be fewer jobs or lower pay.

CAHC believes that the 30 hour work week definition contributes to this dynamic by subjecting more employers to the mandate than otherwise. We thus oppose as inefficient and counterproductive the 30 hour definition because it discourages business expansion and hiring just when our economy and communities need them most. Adopting your legislation is an essential first step toward addressing these issues.

Again, we are pleased to express our strong support for the *Forty Hours is Full Time Act* because it will lower health costs and likely increase employment and pay. We look forward to working with you and your staff to pass this legislation and to address the root causes of America's troubling and unsustainable health cost spiral.

Sincerely,

Communicating for America
Evolution1
National Association for the Self Employed
National Association of Manufacturers
National Retail Federation
Retail Industry Leaders Association
Small Business & Entrepreneurship Council
U.S. Chamber of Commerce