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OBAMACARE'S IMPACT ON JOBS

WEDNESDAY, MARCH 13, 2013

House of Representatives,
Subcommittee on Health,
Committee on Energy and Commerce,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:12 a.m., in Room 2123, Rayburn House Office Building, Hon. Joseph R. Pitts [chairman of the subcommittee] presiding.

Present: Representatives Pitts, Burgess, Hall, Shimkus, Lance, Cassidy, Guthrie, Griffith, Bilirakis, Ellmers, Upton (ex officio), Pallone, Dingell, Schakowsky, Green, Butterfield, Barrow, Christensen, Sarbanes, and Waxman (ex officio).

Staff Present: Gary Andres, Staff Director; Sean Bonyun, Communications Director; Matt Bravo, Professional Staff Member; Paul

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Edattel, Professional Staff Member, Health; Steve Ferrara, Health Fellow; Julie Goon, Health Policy Advisor; Debbie Hancock, Press Secretary; Sydne Harwick, Staff Assistant; Robert Horne, Professional Staff Member, Health; Carly McWilliams, Legislative Clerk; Andrew Powaleny, Deputy Press Secretary; Chris Sarley, Policy Coordinator, Environment and Economy; Heidi Stirrup, Health Policy Coordinator; Lyn Walker, Coordinator, Admin/Human Resources; Alli Corr, Minority Policy Analyst; Amy Hall, Minority Senior Professional Staff Member; Karen Lightfoot, Minority Communications Director and Senior Policy Advisor; Karen Nelson, Minority Deputy Committee Staff Director For Health; and Matt Siegler, Minority Counsel.

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Mr. Pitts. The subcommittee will come to order. The chair will recognize himself for an opening statement.

In today's sluggish economy, with depressed wages and millions of American who simply cannot find work, the Federal Government should be encouraging businesses to grow and expand and hire more people. We should be incentivizing good jobs that provide the opportunity for advancement and increased wages. As a result of Obamacare, however, we are doing exactly the opposite. And those who are hurt the most by the law are the most vulnerable: Low-wage young Americans in the retail and service industries.

Obamacare has multiple detrimental effects on American workers. It contains perverse incentives for employers to, one, not hire new employees; two, convert full-time employees to part-time status or only hire part-time workers; and, three, drop coverage they currently provide to employees. Additionally, the new taxes and fees created by the law make it even harder for employers to compete in our current economy.

First, Obamacare requires that employers with 50 or more full-time equivalent employees provide Federally-approved health coverage or face a tax penalty of \$2,000 for every employee beyond the 30th. If a business cannot afford to provide government-approved health insurance, making the decision to hire that 50th worker triggers the \$2,000 penalty on the previous 20 employees as well. In many cases,

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employers have concluded that they simply cannot afford the cost of that 50th employee, effectively capping their growth and ensuring that fewer jobs exist for the millions of Americans who are unemployed or underemployed.

This is not theoretical. According to the January 2013 Report on Economic Activity published by the Federal Reserve, "Employers in several districts cited the unknown effects of the Affordable Care Act as reasons for planned layoffs and reluctance to hire more staff."

Secondly, Obamacare is causing employers to convert full-time employees to part-time status and/or to hire only part-time worker employees, because the law defines anyone working 30 hours a week or more as full time, thus counting against the 50 FTE threshold. We are already seeing employers reducing hours of current employees so as not to trigger the employer mandate and resulting fine. And this trend disproportionately affects low-wage Americans in the restaurant, hotel, retail and service industries. Last month, The Wall Street Journal reported on a phenomenon known as part-time job sharing in the fast food industry. Here fast food chains such as the McDonald's, Burger King, or Wendy's will effectively share employees. And employee will work part-time in one restaurant, and then go work part-time in another. Both employers benefit -- Obamacare does not require them to provide health insurance for part-time workers -- but the employee suffers. He or she now has two part-time jobs, and yet

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still does not qualify for employer-sponsored insurance.

The Federal Reserve report confirms this trend. The report states that in Fed District 7, Chicago, some employers, "Are also beginning to limit hours for part-time workers to less than 30 hours in order to avoid the 30-hour" -- that is the full-time employee status -- "rule related to the Affordable Care Act."

Thirdly, those Americans blessed with a full-time job may lose their employer benefits. Many large employers have concluded that paying the \$2,000 fine is still cheaper than providing health coverage. In some cases, large employers have found that they could save hundreds of millions of dollars or even billions of dollars by dropping coverage and paying the fine.

These devastating consequences of Obamacare are already being seen today. And as the law goes into effect in 2014, we will only get worse in future years. I look forward to hearing from our witnesses today exactly what the effects of Obamacare will be on jobs and the workforce.

And my time is up, so at this time, I will conclude and recognize the ranking member of the Subcommittee on Health, Mr. Pallone, for 5 minutes for an opening statement.

Mr. Pallone. Thank you, Chairman Pitts. Critics of the Affordable Care Act have frequently claimed that the law would have a negative impact on jobs and the overall health of the U.S. economy.

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But these claims have not been borne out by the facts. Simply put, health reform is contributing to lower health care costs which benefits families and employers by helping free up capital for saving, investing and hiring. Overall, national health spending is growing at a lower rate than it has in decades. The latest job numbers released last week showed that over 6 million private sector jobs were created since we passed the Affordable Care Act, and 750,000 of those jobs are in the health care sector.

Now, today I expect my colleagues to attempt to make the case that Congress must eliminate the employer mandate. Of course, they advocate that we should repeal the health care reform and, you know, their budget, which I understand they are voting on right now in the Budget Committee, would once again repeal the Affordable Care Act.

So, you know, they are honing in on the employer mandate as just part of their overall effort to kill the Affordable Care Act. But I strongly believe that these efforts to repeal not only employer mandate, but the whole bill are misguided. Most American workers already get their insurance through their employers. In fact, almost all, 93 percent of businesses with 50 to 199 employees already offer coverage. The Affordable Care Act purposely didn't change that, despite claims that it is a Federal takeover of health insurance. And in a private employer-based system aimed at getting as many Americans covered as possible, which is the main goal of health reform, it is

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important that all but the smallest businesses share the costs. And that is why every small business with fewer than 50 employees is completely exempt from the laws and employer responsibility provisions.

Now, it is no secret that medical care accounts for 18 percent of the U.S. gross domestic product, and it is taking up at least as much of the mind share of plenty of American entrepreneurs and business owners. So what the Affordable Care Act attempts to do is increase access to the millions of uninsured Americans while slowing the growth of health care.

Now, I feel like we have had this discussion so many times, I don't know how -- you know, 50, 100. We will have it again on the floor with the budget this week. Unfortunately, it is still misunderstood that the rate at which health care costs have risen hang on the fact that so many have gone without insurance. Those uninsured don't go uncared for if they get sick, but, instead, they use the emergency room or simply go to the hospital and don't pay. And these billions in uncompensated care get passed along to the health care consumers, including large and small employers who offer insurance in the form of higher premiums. So by covering more people, we eliminate the need to cover this uncompensated care.

Now, I advocated and pushed forward the Affordable Care Act because I strongly believed that as health care costs were

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skyrocketing, American families and businesses simply couldn't continue to bear that weight. Business owners know that if current trends continue, health care spending will double in less than 10 years. For those American businesses and for the economy, defending the status quo just simply wasn't an option. And I know a lot of businesses are unsure, Mr. Chairman, of the law and some are fearful that will cause an inability for the business to grow. But I believe that the mandate helps put smaller businesses on a more competitive footing with large firms, and it evens the playing field for those businesses that already provide health coverage but are forced to compete with companies that don't.

So, Mr. Chairman, let me just close by saying above all else, I believe that most employers want to be part of the solution and once they begin to comply, I am confident they will begin to understand the overall advantages to offering health benefits. Republican efforts to discredit the law and misinform the public can't obscure the fact that more and more Americans are benefiting from the provisions of the Affordable Care Act. I just don't understand. We continue to have hearings about either repealing the bill outright, which is what the Republican budget is discussing, you know, the Republicans are discussing in the Budget Committee right now, or repealing parts of it or cutting back on the funding.

The fact of the matter is the Affordable Care Act is a good bill.

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And the more their efforts are cut back on funding it, not implementing it, the more Americans will suffer. So I hope this is the last hearing we have on why the Affordable Care Act is, in the Republicans' opinion, not a good idea. But I guess that is wishful thinking on my part. I yield back.

Mr. Pitts. That is wishful thinking. On Friday we have one on premium increases that will further discuss the impact of the new law on premiums.

With that, the chair now recognizes the chairman of the full committee, Mr. Upton, for 5 minutes for his opening statement.

The Chairman. Thank you, Mr. Chairman. You know, millions of Americans are still struggling to find jobs, and is this committee's main priority to get them back to work. Today we are going to examine the Affordable Care Act's impact on the economy and jobs. And, fortunately, based on testimony that we are going to hear today, it is clear that the law is hurting our Nation's economy, and those Americans are trying to find work -- particularly with those American who are trying to find work and make ends meet. Just this past week, the Federal Reserve released a report that painted a gritty grim picture of how the law is going to affect our economy. According to the Fed's own analysis, the law is leading employers to delay and minimize new hires.

Uncertainty stemming from the health care law is a leading concern

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for American businesses, large and small. One major provision causing much of the uncertainty is, of course, the law's employer mandate. Starting next year, employers with 50 or more full-time workers will be forced to provide Washington-approved health care coverage or pay a tax penalty. As we are going to hear from our expert witnesses today, this requirement is going to hurt part-time workers looking for more hours and Americans still looking for a job. As a result of the health care law, employers with 49 workers must now weigh whether hiring an additional worker is really worth the \$40,000 tax penalty imposed by the IRS if they are unable to provide Washington-approved health care coverage.

At a time when our unemployment rate is still much too high, the Affordable Care Act is making it harder for our nation's employers to hire new workers. The new law is, in essence, penalizing job creation. For employers who decide that they are still going to want to offer health care coverage, the law is going to make it even more expensive. Last week our committee released a report highlighting over 30 studies that analyzed the new law's impact on health care premiums. One survey found that small group premiums could increase as much as 200 percent for employers with younger workforces. A specific provision causing premium increases is the \$165 billion in new taxes on plans, medical devices, and drugs that are going to go passed onto consumers.

In addition, the Affordable Care Act includes price controls,

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regulations, and mandates that are going to lead to huge premium spikes. In my home state of Michigan, some folks will see their premiums go up as much as 35 to 65 percent. These statistics are not just projections on a sheet of paper, they have significant consequences as millions of American workers will see lower wages and less take-home pay because of the new law. Let's hope that we can work together to see what we can do to get these things down. I yield the balance of my time to Dr. Burgess.

Dr. Burgess. I thank the chairman for yielding. I thank the chairman of the subcommittee for calling this hearing.

We have all heard, of course, that provisions of the Affordable Care Act are not going to take place until January 2014. But, honestly, employers and companies are already feeling the effects of this disastrous law. The affordability -- patient protection afford -- accountability -- I can't even say it; "affordability" doesn't belong in the title. But it has a direct and indirect effect on employers and employees. Individuals who will not only be affected directly by new taxes, but also indirectly as employers are forced to lower wages and decrease hiring in order to compensate for the new taxes that employers face. The law includes a tax intended to encourage employers to provide health insurance to their employees. Instead of encouraging growth, this tax creates a disincentive for employers to grow their workforce.

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Not only does the law tax employers more if they hire additional employees, but the law gives employers an outlet, a safety valve, to drop coverage for their employees by providing premium subsidies to individuals in the exchanges.

At a time this country is beginning to find relief from the severe recession and its high unemployment, now is not the time to discourage economic growth. Instead of expanding coverage and lowering costs, the President's health care law has pushed greater costs onto the backs of consumers, forcing those who are not responsible to bear the effects of higher costs.

Mr. Chairman, I just can't help but observe this past weekend when I sat down with my accountant with a shoe box full of receipts to do any income taxes, he pointed out to me on the W-2 form a new line which has not existed before in which the employer's contribution to an employee's health insurance now appears. That begs the question, why is that there? At some point, that line is going to be taxed. Right now, it is there as sort of an innocent bystander. But, trust me, the IRS will not sit still long before that is added to the tax burden, which only increases the cost of delivering care in this country.

Thank the chairman for the recognition. I yield back my time.

Mr. Pitts. Chair thanks the gentleman. And now recognize the ranking member of the full committee, Mr. Waxman, for 5 minutes for opening statement.

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Mr. Waxman. Thank you, Mr. Chairman. Today's hearing is entitled "Obamacare and Jobs." It is a topic that has been the focus of an endless stream of campaign ads, press releases, and talking points ever since the passage of the Affordable Care Act in 2010. Given this topic's prominence in the Republican echo chamber, and this subcommittee's hearings on it in the last Congress, it is understandable if members experience some deja vu during today's hearing.

We will hear some dire predictions that we have been hearing for 3 years about this supposedly nefarious piece of legislation. And just as before, these claims will be what every independent fact checker has called them: Whoppers, false, and political gamesmanship. Since the passage of the Affordable Care Act, we have added 6 million private sector jobs. That is 3 years of continuous job growth.

Throughout this period of growth, businesses have known what reforms look like. They have had time to plan and to account for new rules and consumer protections. And despite the dire warnings about this job-killing law and the troubling statements some businesses have made in anonymous surveys, we have seen steady job growth and we have seen health costs rise at historically low levels.

Republicans expect us to believe all of this is happening in spite of health reform rather than because of it. And that is their right, to say it, but it is not credible. I hope the Republicans will heed

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Speaker Boehner's advice to accept health reform as the law of the land. I hope that they will start looking at the empirical evidence rather than the Tea Party rhetoric.

Democratic witness today, Dr. Linda Blumberg, has looked at the empirical evidence. She, like the Congressional Budget Office, or I should say the nonpartisan Congressional Budget Office, has crunched the numbers and determined that the Affordable Care Act does not raise costs on employers, will not cause job losses, and will not lead to a decline in employer sponsored health coverage. But I fear that the reason we are here today is not to discuss what is really in the Affordable Care Act or to have a good-faith discussion about ways to improve upon it in the future, or to make sure that it succeeds.

Rather, the goal is to amplify the voices of a small minority who believe that the discriminatory, dysfunctional system we have had before was working fine. My Republican friends think that we should double down on the same deregulatory approach to health insurance that led to ever higher costs, tens of millions of more uninsured, and did nothing to control health care costs.

I don't believe that is the way forward. Because of health reform, insurers will no longer be able to exclude consumers from coverage based on preexisting conditions or gouge them for 40-percent profit margins or charge them premiums 10 times as high as their neighbors because of a preexisting condition, their age, their gender,

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or for any other reason.

Because of health reforms, small businesses are able to get tax credits to help pay for coverage, and they will be able to pool their purchasing power, like bigger businesses, to keep their costs low and decrease the risks that one sick employee will dramatically raise their costs. Because of health reform, workers will have the security of knowing that they can get quality affordable coverage, even if they change jobs, or they employer doesn't offer it.

Because of health reform, businesses will have a healthier, more productive workforce. These are real steps forward. It is interesting to take note of the Republican budget that was just presented to the world yesterday. You know what they did? They took all the savings in the Affordable Care Act that they complained about and kept them. But they took all the benefits of the Affordable Care Act and repealed them. That is what they would like to do to this country. I think that we ought to note that as we have this hearing, which is just for politics, just as their budget is just for politics. But it is the same politics that was rejected by the American people in the last election. Accept the Supreme Court decision, accept the election results, work together as Americans to make sure that we can successfully cover all Americans for health insurers and not see them treated so poorly as we have had in the health care system over all the time up to the present. Thank you, Mr. Chairman.

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Mr. Pitts. Chair thanks the gentleman.

We have one panel today. And I will introduce them at this time. Three witnesses. Ms. Diana Furchtgott-Roth, Senior Fellow to the Manhattan Institute. Dr. Linda Blumberg, Senior Fellow at the Urban Institute. And Mr. Tom Boucher, owner and CEO of Great New Hampshire Restaurants, Inc. He is testifying on behalf of the National Restaurant Association.

You will each be given 5 minutes to summarize your testimony. Your written testimony will be entered into the record.

Ms. Furchtgott-Roth, you are recognized for 5 minutes for your opening statement.

STATEMENTS OF DIANA FURCHTGOTT-ROTH, SENIOR FELLOW, MANHATTAN INSTITUTE; TOM BOUCHER, OWNER AND CHIEF EXECUTIVE OFFICER, GREAT NEW HAMPSHIRE RESTAURANTS, INC., TESTIFYING ON BEHALF OF THE NATIONAL RESTAURANT ASSOCIATION; AND LINDA J. BLUMBERG, SENIOR FELLOW, THE URBAN INSTITUTE

STATEMENT OF DIANA FURCHTGOTT-ROTH

Ms. Furchtgott-Roth. Thank you very much. Thank you very much for inviting me to testify today.

As we have heard, the Affordable Care Act is going to raise the

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cost of employment when fully implemented. Companies with 50 or more workers will be required to offer a generous health insurance package. The penalty raises significantly the cost of employing full-time workers, especially low-skilled workers, because the penalty is a higher proportion of their compensation than for highly paid workers.

So the \$2,000 penalty amounts to 10.9 percent of average annual earnings in the food and beverage industry and 9.3 percent in retail trade. This is in addition to the employers' cost of Social Security and Medicare. So whereas economic models might show that the cost does not have an effect on the overall amount of hiring, it does have effect on specific parts of the employment spectrum, namely, low-skilled workers. To look at the effects of the requirements to offer health insurance, I suggest to the honorable members of the committee the following thought experiment. What if employers were required to pay the cost of food, clothing, or housing for their employees? These are admittedly far more important than health insurance. Well, they would hire with employees with more skills, they would reduce the cash wage to compensate. This is what we are going to see in the same scale for employees with the Affordable Care Act.

So I heard today from the honorable members that the Affordable Care Act doesn't raise costs and they don't see where it raised costs. Well, here's why it does. First of all, it requires an overly generous plan, a plan offered in the exchange has to have no copayments for

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routine care, mandatory drug abuse coverage, mandatory mental health coverage. And low-cost plans, catastrophic health plans, where you are just insured against routine -- where you are just insured against large expenditures, such as falling off your bicycle in traffic or catching cancer or having a heart attack, those kinds of plans are not allowed. But those kinds of plans are less expensive than the other plans.

Another reason it raises costs is the structure of guaranteed issue. Under the Supreme Court decision, you could pay a tax and legally not get health insurance. Tax is \$95 the first year, 2014; about \$350 the second year; 690 the third year. That is much smaller than the cost of buying health insurance. So anyone who is young and healthy is going to just legally pay the tax, not get health insurance. So the pool of sick people who are insured is going to get sicker and sicker. So we are going to get that more sick people in the pool of insured. That is going to raise costs. These people who are uninsured who pay the tax are then going to go to emergency rooms. So people will still be going to emergency rooms. There is also a large loophole in the bill that is again going to require people to go to emergency rooms. If you get affordable care under the act, if your employer offers you affordable care, you are required to take it. So say you are married, you have a family, your employer offers you affordable health care. But he is only required to offer you affordable care for

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a single person, not for a family. You are required to take that. So you have a wife and three children, and you are low income. The wife and three children cannot get subsidies on the exchanges. They are not required to be insured by the employer either. So these people, the families of individuals who are insured by the employer are going to be going to the emergency rooms because they won't qualify for subsidies.

What we have here in the bill is a bill that gives people an incentive to hire high-skilled workers. Because if you hire a high-skilled worker and you pay them, say, average wage above \$50,000 a year or so, you take the cost of the health care plan out of their wage, they get a lower cash wage. So as an employer, you are left basically where you are before. But low-skilled workers, you are incentivized to hire part-time, under 30 hours a week. If you are a small business, you are incentivized not to grow more than 50 workers because then you get a penalty. You are incentivized to hire capital for labor, as we see these self-scanning machines in drug stores, and we see that people who take money when you go out of parking lots are no longer there, you just put your credit card in the machine.

So the economy might do fine, as Dr. Blumberg is going to say. But low-skilled workers are going to lose out. And the costs of health care in the United States are going to rise because of the incentives that I just described. Thank you very much for giving me the

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opportunity to testify, and I would be glad to answer any questions afterwards.

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[The prepared statement of Ms. Furchtgott-Roth follows:]

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Mr. Pitts. Chair thanks the gentlelady, and now recognizes Dr. Blumberg for 5 minutes for opening statement.

STATEMENT OF LINDA J. BLUMBERG

Ms. Blumberg. Mr. Chairman, Ranking Member Pallone, and members of the committee.

I appreciate the opportunity to testify before you today on the impact of the Affordable Care Act on American businesses and workers. The views that I express are my own and should not be attributed to the Urban Institute or its sponsors. My testimony draws on my own and my colleagues' analyses of the ACA, much of it relying on the Urban Institute's health insurance policy simulation model, a micro-simulation model that incorporates the best economic behavioral research to estimate individual and employer responses to the specific provisions of the law.

Our analysis shows that if the Affordable Care Act had been implemented in 2012, employer-sponsored coverage would have increased by over 4 million people. In small, midsized, and large firms alike, more workers and families would have had private health insurance. The largest relative coverage increase, about 6.3 percent, would have occurred among workers in small firms with 100 or fewer employees. The 2.7 percent increase in individuals covered by employer plans in total

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would have cost employers the equivalent of .0003 percent of total wages. For businesses in general, employer premium spending for per person insured would not be affected by the law, remaining constant at about \$3,650. But for small employers, premium spending per person would decline by about 4 percent.

For small businesses with 100 or fewer workers, our analysis shows that on average, employers choosing to offer coverage would find average costs per person insured reduced by 7.3 percent, and spending for the group as a whole reduced by 1.4 percent. The reductions reflect efficiencies in the insurance market and tax credits that offset premium costs for the smallest employers with the lowest wage workers.

The law leaves the cost per person insured virtually unchanged for large businesses with more than 1,000 employees. These employers already cover the vast majority of their employees, will continue to do so, and will retain the flexibility to define their own benefits. Coverage increases, largely due to somewhat higher employee enrollment rates, would increase total spending by large businesses by about 4 percent. Only midsize businesses with 101 to 1,000 employees as a group experience an increase in costs per person insured reflecting penalties on as many as 5 percent of these employers who are not currently providing coverage to their workers.

Expanded enrollment, however, is the primary factor contributing

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to an increase in overall spending. Aggregate employer spending on health, taking into account the increase in the number of covered lives and new assessments, would increase by roughly 2 percent.

In short, contrary to concerns that the ACA will increase costs and reduce employer-sponsored coverage, the law will have a negligible impact on total employer-sponsored coverage and costs and make small businesses, for whom coverage expands the most, financially better off. An increase in employer costs equal to a small fraction of a percent of total wages could simply not have large implications for the overall level of employment. Plus the increase in health care spending under reform will expand employment in the health sectors largely, if not completely offsetting any small employment effects in other sectors.

In addition, Lisa Dubay and colleagues, consistent with analysis by Kolstad and Kowalski, find that there is no evidence that the similar comprehensive reforms implemented in Massachusetts in 2006 had a negative effect on employment in that State. In fact, Dubay, et al., finding hold up, even when looking specifically at the most vulnerable employers, the smallest firms and those in the retail trade and accommodation and food service industries.

Most employers potentially facing additional costs do have counterbalancing effects that should largely offset these. First, the best empirical economic literature finds that most, if not all of the contributions that employers make to the cost of their health

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insurance, are passed back to workers over time in the form of lower wages than they would have had in the absence of health benefits. This will be the case whether the employers' costs come as premium contributions or assessments paid as a consequence of not offering coverage. Most, workers will value having access to employer-sponsored insurance, and evidence shows that they are willing to trade off a portion of their wages to obtain those benefits. Second, employers of low-wage workers can benefit from the expansion of Medicaid eligibility, which will provide comprehensive, low, or no-cost coverage to the lowest income workers, with no penalty to the employers for their participation.

Third, more comprehensive information and easier price comparisons in the small group market could well lead to increased price competition, making employers and their workers more effective shoppers and pressuring plans to lower costs. Many State-based exchanges are already exploring defined contribution approaches for their small group exchanges in order to provide employees with plan choice, largely absent in small group today, while still providing employers to the ability to limit their contributions to the costs of coverage. The bottom line is this is a very complicated set of interactions. But all of our research indicates that the total effects of the ACA on employers and employment will be quite small.

Thank you very much. And I am happy to answer any questions you

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might have.

[The prepared statement of Ms. Blumberg follows:]

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Mr. Pitts. Chair thanks the gentlelady. And now recognizes Mr. Boucher, 5 minutes for an opening statement.

STATEMENT OF TOM BOUCHER

Mr. Boucher. Thank you, Chairman Pitts, Ranking Member Pallone, and members of the committee. I appreciate this opportunity to testify on behalf of the National Restaurant Association. I am Tom Boucher, an independent restaurateur and owner and CEO of Great New Hampshire Restaurants, Incorporated. My business partners and I operate eight restaurants, doing business as T-Bones Great American Eatery, Cactus Jack's Great West Grill, and The Copper Door Restaurant. Like many people in our industry, my first job in our company was as a server.

Over the years, I worked my way up in the organization as a dining room manager, a head kitchen manager, and general manager. In 1995, I became a partner, and in 2004 chief executive officer. Our core business practice is to make decisions that equally benefit our guests, employee, and company. We call it our three-legged-stool approach to success. A high priority is to ensure that we take care of our 503 employees to the best of our ability. As a mature company, we have many veteran and long-term employees who perpetuate our culture and core values.

Over the years, it is our employee benefits, including health

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care, that have helped us recruit and retain the best people to contribute to our success. The food service industry is extremely diverse. Every operator will face a host of difficult decisions based on health care laws requirements. My partners and I have spent countless hours considering how to comply with the law, with a focus on maintaining employees' health care coverage. We have made changes since the law's enactment that we hope will help us better prepare for this transition.

For example, we offer benefits to our salaried full-time employees and hourly employees who work 30 hours a week. Currently, of our 242 hourly full-time employees eligible to enroll in our plan today, only 45 percent accept our coverage. We have found it challenging to predict how many of the remaining 55 percent will accept our offer of coverage in light of the individual requirement that begins January 1, 2014.

For instance, we can't determine how many of our young workforce will choose to pay the individual mandate tax penalty instead of accepting our offer of coverage in 2014, 2015, and beyond. The future coverage take-up rate is hard to predict, given many factors, but it could mean a significant increase in the costs employers may struggle to absorb when offering coverage.

This is merely one example of the uncertainty and challenges resulting from the law. Our team's best estimate is that 75 percent

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of the hourly full-time employees eligible today but are not accepting our offer of coverage today will do so in 2014. Assuming plan costs were to remain the same, which they likely will not, such an increase in the employee take-up rate of our plan would increase our company's health care costs from \$500,000 a year to \$700,000 a year, representing a 40 percent increase.

An industry that already operates on extremely low profit margins, these types of increased costs cannot be easily absorbed or paid for by merely raising menu prices.

While there are numerous aspects of the law that are complex, and my colleagues in our industry will struggle to implement, another that will impact my company is the requirement that businesses with 200 or more full-time employees automatically enroll their new and current full-time workers in their lowest cost plan unless they affirmatively opt out of coverage. This requirement changes the relationship that we have with our employees, especially those that may have health care from a spouse or parent. If that employee does not opt out of coverage, I am forced to enroll them on their 91st day of employment. This creates several problems for me. I do not like deducting premium contributions from my employees' paychecks without their authorization, especially if it leads to duplicative coverage. This reduced paycheck could create financial hardship on the employee. Moreover, it will lead to more administrative work and cost on my end

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as I have to remove them from the plan. Congress should eliminate this provision. There has been a lot of recent attention about the law's definition of full-time employment as 30 hours a week. The restaurant industry is not a 9:00 to 5:00, 5-day a week operation, we are an industry that requires flexible schedules and work weeks. By redefining full-time employment at 30 hours, employers are going to have to make a decision about how many hours their employees work and an unintended consequence of the law could be reduced hours, especially for employees that are just above the 30-hour threshold. As you can probably tell, I made a business decision to not reduce any of my employees' hours. However, this is something that everyone in the industry is going to be closely examining as they better understand the impact of the law on their business.

The National Restaurant Association and its members are hopeful that policymakers will remain open to constructive revisions to the health care law that will mitigate its effects on our Nation's job creating business. We look forward to working with Congress as we address these challenges. Thank you for the opportunity to testify today on the health care law impact, on our restaurant and food service industry, and the challenging environment it will cause for job creation and growth. And I will take questions and thank you for the opportunity.

[The prepared statement of Mr. Boucher follows:]

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Mr. Pitts. Chair thanks the witnesses for their opening statements. And now we will begin questioning by the members. And I will begin questioning, recognize myself for 5 minutes for that question -- for that purpose.

Ms. Furchtgott-Roth, when PPACA was enacted, the then-Speaker of the House, Nancy Pelosi, claimed that the health care law would create 4 million jobs and almost 400,000 jobs immediately. However, your testimony underscores that PPACA will do the exact opposite and hurt job creation. Job creators face major incentives to reduce hiring and shift employees to part-time work to reduce the damage of the law's employer tax penalty. Given your expertise and your experience as the former chief economist at the U.S. Department of Labor, does Former Speaker Nancy Pelosi's claim bear any resemblance to reality?

Ms. Furchtgott-Roth. I don't think that the Health Care Act is going to create 4 million jobs on net. It might -- it is obviously going to create jobs in insurance and hospital administration. Apparently, it is going to create many, many jobs in the IRS. Because the IRS is going to have to evaluate whether individuals have paid the right taxes and penalties and how much subsidy they are entitled to, because anyone under 400 percent of the poverty line gets a subsidy. But it is also going to cost low-wage jobs. As Dr. Blumberg says, with high-wage jobs, employers are just going to subtract the costs of the insurance from the wage. But this means less cash wages.

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So people are going to do -- be able to, say, go out to eat at Mr. Boucher's restaurants less often. That is going to cost jobs. So it is primarily going to have a decrease in low-skilled jobs in the economy and probably other kinds too.

Mr. Pitts. Now, this claim seems particularly specious since PPACA included over 20 new taxes which amount to over \$1 trillion over 10 years. One of the most economically damaging taxes is the 2.3 percent excise tax on medical devices. Studies have shown that the device taxes cost thousands of people their jobs, and cost the economy billions of dollars in lost economic impact.

Now, you personally studied and coauthored a paper on this issue. Could you elaborate on your findings on this one tax alone, how it will affect jobs?

Ms. Furchtgott-Roth. Yes. So if -- we are the only country putting the 2.3 percent excise tax on medical devices. And many medical device manufacturers export overseas. Many of them also have other plants overseas. So the incentive is when the tax is imposed here, what they would do is move production offshore to deal, certainly, with their offshore clients. Because they wouldn't move it offshore to import it in here because they would still face the tax.

So I calculate that if 10 percent of production moved offshore, which I think is reasonable, the lost jobs would be in the range of 43,000 to 64,000; if 20 percent of manufacturing moved offshore, there

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would be a loss of 84,000 jobs to 105,000 jobs; if 30 percent moved offshore, there would be a lost employment range of 125,000 to 146,000.

Mr. Pitts. All right. Thank you. Mr. Boucher, your testimony indicated that the President's health care law will add major costs for your budget. Three parts to this question: Can you explain how this cost increase affects your ability to invest capital and new investments -- new restaurants, create new jobs? Explain how the law's regulations and uncertainty have forced you to spend more money on human resources to comply with the law? And your ability to run your business and create jobs?

Mr. Boucher. Sure. You know, I have spent at a minimum 100 hours this year with my human resource person just trying to figure out the details of this law. And even most recently, we constructed a survey to send out to our staff to understand what their intentions might be, based on what they know of this law right now. That was a task that took some time itself. The response level was very low because they don't understand what's happening. So we had to resurvey them individually, person by person, with our general managers actually spending time with them to do that survey. So these are all times that are not normally spent by our staff or by myself. So that, in and of itself, has been an enormous task.

As far as the future growth of our company, you know, that added \$200,000 is a real number that will not allow me to spend on capital

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improvements, build new restaurants. And as a matter of fact, we opted not to open another restaurant this year because we knew that this was coming and we wanted to see how it was going to play out truly before we made a commitment that we didn't have the cash to do it.

Mr. Pitts. Gentlemen, my time is up. Recognize the ranking member, 5 minutes for questioning.

Mr. Pallone. Thank you, Mr. Chairman. I wanted to ask Dr. Blumberg, obviously our Republican opponents of the Affordable Care Act make these claims that the law kills jobs. They argue that requiring employers to offer health insurance and to improve employee benefits will increase the costs of labor. And I know this is simply not true. In fact, the ACA is helping to create millions of jobs. Since the President signed the bill into law, the U.S. has added 6 million private sector jobs, this includes 750,000 jobs in the health care industry, which so many opponents of the law would be crushed -- you know, they say it is going to be crushed with job-killing regulations.

The restaurant industry, which we hear from today, has added more than 800,000 jobs in that same time period. And independent fact checkers have examined the claim that the ACA kills jobs and call it false and a whopper and have rated it with three Pinocchios.

So, Dr. Blumberg, can you explain whether the ACA is a job killer? And can you give us some perspective on the other factors that we should

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consider when looking at the law's impact on job growth?

Ms. Blumberg. Sure. The empirical evidence is quite consistent that the Affordable Care Act is not a job killer. That what we have looked at over time repeatedly with doing comprehensive health care reform, all of the macroeconomic models indicate that when you invest additional funds in health care that some of -- yes, some dollars are shifted from other products into the consumption of health care. But because health care is, by its nature, a locally-produced good, and when others are buying things that are coming from other countries, that what happens is that some of that money that shifted to health care from other sectors actually can create a positive impact on jobs locally as a consequence of how health care is, by its nature, purchased.

So while health care reform is not expected to have enormous positive job impacts, it is expected to have small net positive impacts.

And, in fact, when you look at the impacts on small employers, who are most disadvantaged by the health care system today, there is very significant positive implications for them in terms of cost reductions and assistance in their ability to be competitive in purchasing labor with larger firms. So all of this on net, in addition to the fact that the change in costs in total to employers is very small. As I noted earlier, relative to total compensation, we can't have big effects when the change in compensation is that tiny.

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Mr. Pallone. All right. Now, let me talk -- prior to the ACA, only half of the States had the legal authority to reject a proposed insurance premium increase that was deemed excessive or unwarranted. But the ACA provides States with 250 million in health insurance premium review grants over 5 years to help States improve their rate review process and hold insurers responsible.

The ACA also establishes a new medical loss ratio requirement to require insurers to spend 80 to 85 percent of premium dollars on benefits. Consumers have already received over \$1 billion in rebates from insurance companies that failed to meet this important new standard.

Together, these provisions have already saved consumers over \$2 billion, and the number of double-digit premium increases has fallen dramatically. In March 2012, CBO projected that premiums are estimated to be 8 percent lower by 2021 than originally estimated. And this is an especially important finding because of all the ACA does to make sure consumers have, you know, overall, more valuable quality insurance.

So, Doctor, just talk a little about how policies like rate review and limiting excessive insurance company administrative costs benefit businesses and consumers.

Ms. Blumberg. The medical loss ratio changes that you talked about moving to across the board minimums of -- minimums of 80 percent

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in a small group and the non-group markets in particular are very significant changes. The medical loss ratios in large group coverage were already reasonably high. So the law doesn't have nearly as much impact on them. But we have looked very carefully at medical loss ratios prior to the implementation in reform by State. And found that, first of all, there is dramatic variation across States, with some States having the vast majority of enrollment in the small group and non-group market in plans that have lower medical loss ratios than the law required. And so the impact on them is going to be very substantial in terms of lowering premiums.

Those plans are -- those carriers are going to have to restructure and are already in the process of restructuring their cost structure in order to be more efficient in terms of their administrative costs and the way that they market their plans. And, in addition, the exchanges will help with that in terms of doing more centralized marketing for coverage and lowering those costs.

In addition, we have had a great deal of experience going to a number of States to talk to them about their experiences in implementing the Affordable Care Act so far. And one thing stands out on this topic that we -- conversations we had with State regulators, insurance regulators across the country who noted to us that what was amazing was as soon as the medical loss ratio -- or the medical loss ratios and the rate review rules came in, and the rate review rule indicates

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that there has to be clear evidence of a reason for increasing rates more than 10 percent; otherwise, they are prohibited. And what these regulators told us, as soon as the law went into effect, suddenly all the carriers were clustering, instead of having much higher increases that they were requesting, they were all requesting them at 9.9 percent.

Mr. Pitts. Time has expired.

Ms. Blumberg. And so this was evidence from the regulators' perspective that the law was already having a significant effect, even in the early years of implementation.

Mr. Pallone. Thank you.

Mr. Pitts. Chair thanks the gentleman. Now recognize the ranking member, Dr. Burgess, 5 minutes for questions.

Dr. Burgess. Thank you, Mr. Chairman.

Mr. Boucher, I am so glad you are here on this panel. I know it must be tough for you. I know that because every Friday night I go to my pizza restaurant, a Domino's on Southwest Parkway in Lewisville, Texas. And I get an earful from the owner who just, like you, doesn't understand how in the world they are going to comply with all of the things that are coming their way and coming pretty fast.

Staff printed off for me the 21-page application that an employee will have to fill out in order to go into the exchange. I mean, it is no wonder that when you polled your employees about what they think about this, they take one look at something like this and say, "I'm

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going fishing, I'm not going to think about it right now."

But let me ask you, you heard Dr. Blumberg's responses to some questions. Let me just ask you, do you think the Affordable Care Act is a job killer?

Mr. Boucher. It absolutely can be.

Dr. Burgess. It hasn't been in your case, hasn't it?

Mr. Boucher. In this particular year, it was, because we didn't actively pursue opening a restaurant. We did open one in 2011. However, that was before the elections. And, quite honestly, we waited to see what was going what was going to happen with the elections for this year. So in this case, we opted not to.

Dr. Burgess. You are not alone in that election stuff.

Does the Affordable Care Act reduce your insurance costs?

Mr. Boucher. Well, as it stands right now, it is going to increase it because of the amount of people that are going to come on our plan. It is not going to reduce the existing plan, because every year our insurance rates have gone up. What is going to happen next year, I can only assume they are going to go up, based on historical data. But certainly from what I testified earlier that the projected amount, and this is a real number, we did surveys, individually, that 75 percent of our uninsured right now will come on. Our plan, it is going to increase. It is going to increase our health insurance costs. \$200,000 is a big, big number for us to try and find a way how we are

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going to pay for that.

Dr. Burgess. Let me ask you this. I mean, you are a representative of the Restaurant Association; is that correct?

Mr. Boucher. Yes. I am on the board.

Dr. Burgess. Do you have any experience dealing with cost and coverage for the State of Massachusetts after the implementation of their health reform?

Mr. Boucher. No, I don't. I just -- even though we are States right next door to each other, I just don't have enough information about what exactly their plan is.

Dr. Burgess. Fair enough. We might work on trying to find that out.

Ms. Furchtgott-Roth, let me ask you a question.

You talked about the, really, I think what I would refer to as entry-level jobs, people who are just starting in the workforce.

Ms. Furchtgott-Roth. Right.

Dr. Burgess. They might find those jobs to be diminished as a result of the Affordable Care Act. Is that not correct? Did I infer correctly from your testimony?

Ms. Furchtgott-Roth. They will find that. And they are already finding that. We hear that 6 million jobs have been created since the Affordable Health Care Act was passed. It is about 4 percent of total payroll jobs. Our unemployment rate is 7.7 percent. Our labor force

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participation rate is at 63.5, which is the same as September 1981, the beginning of the decade, when millions of women moved into the market, before the Reagan revolution.

Our employment is shrinking. In normal recovery, as economic growth expands, then employment also expands, labor force participation rate goes up. Our labor force participation rates have been going down and shrinking. Unemployment rates for teens are about 25 percent, unemployment rates for African-American teens are 43 percent. Unemployment rates for low-skilled workers are about 11 or 12 percent. These are the people who are hurt by putting a mandate on employers. The other people are, as Dr. Blumberg says, they take it out of their wage. Well, there's also effects to having less cash wages. If people are paying more for their health insurance, they have less cash wages to spend, and they can't go Mr. Boucher's restaurant.

Dr. Burgess. Have you had a chance to look at this application for employees to apply for health insurance in the exchanges?

Ms. Furchtgott-Roth. I have not. But even a 2- or 3-page application would be daunting to me; I can't imagine what a 20-page application would be.

Dr. Burgess. Correct. To someone who is just starting in the workforce who has had no experience with this type of thing in the past.

You know, I think someone brought up about constructive revisions to the Affordable Care Act. Do you have any thoughts on constructive

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revisions? I mean, in other words, we are sitting here now less than, what, 6 months away or 6 months away now from the implementation where people are supposed to be able to go online, live, and register for health insurance in the exchange, starting October 1st. Do you have a sense that this can all be accomplished in that time? Or should we be looking at something that would perhaps postpone by a little bit this exchange activity?

Ms. Furchtgott-Roth. I think we should definitely postpone it. HHS is behind in issuing regulations in helping set up exchanges. I would say that there are a number of things you could do. First of all, allow any plan to be listed on the exchange. Right now, only a qualified benefit plan can be listed on the exchange. Those are very large, generous expensive plans, no copayments, all these different mandates like mental health coverage, drug abuse coverage, you know, contraceptive coverage, et cetera. Why not allow catastrophic health plans to be listed for everybody? Right now, it is just for 30 and under. What if everybody could buy a catastrophic health plan? I mean, that would make health insurance much less expensive right then.

Then also, the grandfathering provisions for employers. Mr. Pallone said that employers would continue to offer their coverage and that they continue offering coverage. Well, it is grandfathered only under certain circumstances. You make any little change in the plan, it is not grandfathered anymore. So why not extend

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grandfathering and just say employers can continue to offer whatever plans they want.

And, third, I don't think that employers should have to pay for employees' health coverage, just as they don't have to pay for their food, they don't have to pay for their housing, they don't have to pay for their clothing. If we want to do this, let's have a more general tax on everyone so we don't disadvantage hiring.

Dr. Burgess. Thank you, Mr. Chairman.

Mr. Pitts. Chair thanks the gentleman. Now recognize the ranking member emeritus, Mr. Dingell, for 5 minutes for questions.

Mr. Dingell. Thank you for your courtesy, and I commend you for the hearing. I hope this hearing will be successful in establishing ways to improve and see to it that the Obamacare legislation becomes an effective support for our society and for employment. I want to commend our panel for being with us today. And I want to observe that it is very important action for this Congress to recognize that the people have spoken, the Congress has voted, the decision of the Supreme Court, and the voice of the voters in the last campaign have all been heard in support of the legislation we discussed today. My questions are to Dr. Blumberg, and they will require only a yes-or-no answer.

Doctor, the intent of the Affordable Care Act is improving the quality of health care delivered in our health care system as well as expanding the access to affordable health coverage for individuals and

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small businesses. This is done, in part, by offering subsidies for individuals to purchase health coverage and tax credits to small employers who opt to provide such coverage.

In 2014 and 2015, small employers with 50 or fewer employees will be eligible for the tax credits, and after 2015, those with 100 or fewer employees will be eligible for the tax credit. Is this correct? Yes or no.

Ms. Blumberg. Not quite.

Mr. Dingell. Now, next question. The IRS has notified more than 4 million businesses that they will be eligible for this tax credit. Is that correct?

Ms. Blumberg. I believe that is correct, yes.

Mr. Dingell. Now, Doctor, would you agree that these tax credits make it more affordable for small business to offer health coverage to their employees? Yes or no?

Ms. Blumberg. Yes.

Mr. Dingell. Is that a consensus?

Ms. Blumberg. It is.

Mr. Dingell. Now, Doctor, some of this hearing today will be directed at proving that ACA will increase costs and result in lost coverage for employees. But you have found differently in your research. In your coverage simulation, which included penalties and tax credits in ACA, you found that employer-sponsored coverage did

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increase, and the largest coverage increase occurred among employees from businesses with 100 or fewer employees. Is this correct?

Ms. Blumberg. Yes, it is.

Mr. Dingell. Doctor, with the increase in employer-sponsored coverage, 2 percent, what was the cost in terms of wages to employers? Can you give me some comment on that? I believe the answer is that this is going to only constitute about .003 percent of total wages. Is that correct?

Ms. Blumberg. It was .0003 percent.

Mr. Dingell. Now, this seems to be a relatively small cost to an employer. Would you agree?

Ms. Blumberg. Yes, I would.

Mr. Dingell. Do you think that such relative small costs would have significant or negative impact on employment?

Ms. Blumberg. No.

Mr. Dingell. A pollster, I think, would find this to be within the margin of error. Is that right?

Ms. Blumberg. Yes, it would.

Mr. Dingell. And most scientific or credentialed research would also find this to be within the margin of error. Is that correct?

Ms. Blumberg. I agree.

Mr. Dingell. Now, if then millions of small businesses will be receiving tax credits to help them purchase affordable coverage and

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the cost of an increase in employer-sponsored coverage is relatively small, do you believe that small businesses will be financially better off under the Affordable Care Act? Yes or no?

Ms. Blumberg. Yes.

Mr. Dingell. They don't have a nod button; you have got to say yes or no.

Ms. Blumberg. Yes.

Mr. Dingell. Dr. Blumberg, I thank you for your assistance to the committee.

Mr. Chairman, I just want to make this observation: The Congress has fallen to a place that I think all of us find to be very distressing. We are known for gridlock, for inaction, and for ineffectiveness. And the public generally has an attitude towards the Congress that is somewhere below bill collectors and just slightly above child molesters. I think that working together to resolve the questions that we have, to solve the budget concerns, to make Affordable Care Act is a laudable goal.

I know my colleagues want to do it. I hope that this hearing will have as its purpose the idea that we are going to do that, and that we are going to work together on this committee to see to it that we don't just have carping and criticism but, in fact, that we do have steps taken by this committee that will make this a program which will be good for this country. We are the only nation in the world which

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doesn't have -- the only major industrialized nation which doesn't have a program of this kind. So I look forward to working with you in a spirit of remarkable goodwill to accomplish that purpose. Thank you.

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RPTS KERR

DCMN ROSEN

[11:15 p.m.]

Mr. Pitts. Chair thanks the gentleman and now recognizes the gentleman from Texas, Mr. Hall, 5 minutes for questions.

Mr. Hall. Well, thank you, Mr. Chairman.

Mr. Boucher, you told us of your growth and the steps you took to reach, I guess, the top or reach where you are, and I admire you for that, and understand your hesitation to gamble on an additional facility after the election. I think I know what you were saying there, and I agree with you on that.

And the chair covered some of the complexity of the Act on your business now, but I want to ask you about your business as you started it and go back in the restaurant business and lay out some strategic goals for the success and growth that you had then. How do you think this obstacle would have affected your business when you were getting started as opposed to now that you are well established, or now that we are in what the chair called a sluggish economy?

Mr. Boucher. I mean, we likely would not be where we are today. Being where I have been in this position as the CEO since 2004, it has become more and more and more difficult to operate business because of legislation such as this that it is creating hardship that we hadn't

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seen in the past. And I know for a fact that we would not have opened the number of restaurants that we have opened had this been in place say, you know, 6 years ago.

Mr. Hall. And do you think that the law's definition of full-time employee comports with how most businesses operate today?

Mr. Boucher. Well, no, and --

Mr. Hall. Prior to the Health Care Act was, I think, 30 hours was the typical cutoff point for the part-time employees versus full-time employees.

Mr. Boucher. I think it is -- the definition of full-time is not really clear because the definition of full-time, when you calculate overtime, is 40 hours a week. So the definition of 30 hours a week really doesn't make a lot of sense when you compare to that type of thought process.

Different restaurants will categorize it differently, and I think, you know, I am an exception where I categorize it, but just like the restaurant industry, it is a very diverse industry and business owners in this industry will categorize it differently.

Mr. Hall. Ms. Furchtgott-Roth and Dr. Blumberg, do you have a different opinion of the answers that Mr. Boucher gave us or any comment you want to make on it? I have about 2 minutes left.

Ms. Furchtgott-Roth. I think it is important to look at the difference between the cost of health care as an average cost of the

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average wage, as a fraction of the average wage which is very well a small fraction of the average wage, and the cost of a health policy to an employer as a percent of a particular wage. So the fraction of a percent is a fraction of a percent overall, but it is 9 to 11 percent of the wage in low-cost occupations such as retail and food.

And so whereas to an average employee it might not make so much difference, it is very important to low-skilled workers, it is very important that they be able to get their foot on the first rung of the career ladder. Health insurance policies are going to be very expensive. In March 2012, CBO estimated that for a family of four, a health insurance policy was going to cost \$20,000 a year in 2016.

Ms. Blumberg. I do have a different perspective. The situation that we need to keep in mind is comparing to where we are today, and one of the things that has been clear to large employers for a long time is that health care costs of employ- -- of their employees have absorbed the costs associated with covering dependents who were employed by medium-sized and smaller firms for many years.

And so what we are -- the situation here when the requirements, the employer requirements become more consistent across employer sizes over 50 is that it basically levels the playing field across employers.

The other thing to keep in mind is that there are demonstrated savings from our analysis for small employers, and there are about twice as many workers in the labor force work for small employers than do

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for the medium-sized firms, and so there are some distributional issues that occur when playing fields are leveled and individuals and firms that have been disadvantaged in the past are put on more equal footing with their other counterparts, but overall it should have positive implications for the --

Mr. Hall. And I thank you. And I yield back.

Mr. Pitts. The chair thanks the gentleman. The chair now recognizes the gentleman from North Carolina, Mr. Butterfield 5 minutes for questions.

Mr. Butterfield. Thank you very much, Mr. Chairman, and thank the witnesses for their testimony today.

You know, Mr. Chairman, when I received the notice of this subcommittee hearing a few days ago, I saw that the title of the hearing was "Obamacare's Impact on Jobs," and quite frankly, I thought we were going to be talking about a positive impact on jobs because the evidence seems to me to be indisputable. There have been 6 million private sector jobs added since the signing of the Affordable Care Act. 750,000 of those jobs have been right in the health care sector, and 800,000 of those jobs have been in the restaurant industry, and so, quite frankly, I thought we were going to be talking about the positive impact on jobs.

I am just having difficulty, Mr. Chairman, understanding how one can, with a straight face, suggest that the Affordable Care Act is in

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fact killing jobs. That is absolutely not the case. It just seems to me that having a healthy and happy workforce must be a net positive for businesses, and so I want to continue this conversation and learn more, but I don't see how the Affordable Care Act is killing jobs. In my estimation, we are creating jobs.

Let me direct my attention to Ms. Roth. Thank you for your testimony. A few minutes ago, Dr. Blumberg, when she began her testimony, she -- and I wrote it down, she said that her words should not be attributed to the Urban Institute. Is that what you said, Dr. Blumberg? Those were your individual words?

Ms. Blumberg. Yes.

Mr. Butterfield. So let me ask you, Ms. Roth, should your words be attributed to the Urban Institute or are these your words?

Ms. Furchtgott-Roth. I work for the Manhattan Institute.

Mr. Butterfield. I am sorry, the Manhattan Institute.

Ms. Furchtgott-Roth. And these are my words.

Mr. Butterfield. So we should not attribute these words at all to the Manhattan Institute?

Ms. Furchtgott-Roth. Right. All the individual scholars speak on their own behalf. The Manhattan Institute has not even seen my testimony.

Mr. Butterfield. But you are on the payroll of the Manhattan Institute?

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Ms. Furchtgott-Roth. That is correct.

Mr. Butterfield. All right. I am interested to know where the funding for the Manhattan Institute comes from. Can you tell us the source of your funding?

Ms. Furchtgott-Roth. I have no idea of the source of my funding.

Mr. Butterfield. You don't know how the Manhattan Institute is funded?

Ms. Furchtgott-Roth. No. I mean, I don't have to go out and get grants. They pay me a salary. I don't have anything to do with funding.

Mr. Butterfield. What is the budget of the Manhattan Institute; do you know that?

Ms. Furchtgott-Roth. I do not have that number, but I can get that for you. I am sorry.

Mr. Butterfield. All right. Do you know if by any chance any political organizations or any political operatives contribute to the Manhattan Institute?

Ms. Furchtgott-Roth. I don't know the answer to that question.

Mr. Butterfield. All right. Let me now direct the next question to Dr. Boucher. Thank you so much for your testimony. I am a little confused, Mr. Boucher. You mention in one part of your testimony that this could really increase your company expenses by 5- to \$700,000 if you were to add hourly employees?

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Mr. Boucher. No, it would increase it from 500- to 700,000.

Mr. Butterfield. Oh, so, I was going to try to ask about the 200,000. I see what you are saying.

Mr. Boucher. Right.

Mr. Butterfield. So it will increase from 500,000 to 700,000.

Mr. Boucher. Right.

Mr. Butterfield. Now, this is not the Restaurant Association. This is your company?

Mr. Boucher. That is right.

Mr. Butterfield. And your company, I believe, is the Great New Hampshire Restaurants, Incorporated.

Mr. Boucher. Right.

Mr. Butterfield. What percentage? I heard the .0003 figure a moment ago. What percentage of your gross sales would that represent?

Mr. Boucher. I believe it was on net gross sales.

Mr. Butterfield. But if you had to spend an extra \$200,000 to provide coverage to your hourly employees, you are saying that would --

Mr. Boucher. I would have to do the calculation in my head.

Mr. Butterfield. But it would be less than one-tenth of 1 percent, I suppose.

Mr. Boucher. No.

Mr. Butterfield. Yeah. Give me -- what are your gross sales?

Mr. Boucher. We are doing somewhere around 28 million, so if you

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do the math.

Mr. Butterfield. And of course that is gross sales. I mean, you have a lot of overhead, and so we figure maybe a 15 percent bottom line, and so --

Mr. Boucher. How much?

Mr. Butterfield. Maybe a 15 percent bottom line?

Mr. Boucher. No.

Mr. Butterfield. It is not that much. You wish. You wish it was.

Mr. Boucher. You are not even close, sir.

Mr. Butterfield. All right. But notwithstanding, a \$200,000 increase in contribution to help your employees would not be a significant amount of money in comparison to your overall operation?

Mr. Boucher. Sir, our bottom line is 9 percent.

Mr. Butterfield. All right.

Mr. Boucher. Then we still have to pay taxes, then we still have to do our capital improvements, which is depreciation, and then we have to pay our business loans. At the end of that, I am left with about 4 cents of every dollar that I take in. So that 200,000 represents another penny off that 4 cents. Now, that is significant.

Mr. Butterfield. You have hourly employees and then you have the higher executive employees within the company. Do you now provide insurance to any of your hourly employees?

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Mr. Boucher. Yes.

Mr. Butterfield. All right. But not all of them?

Mr. Boucher. We offer it to every single hourly employee, and as I testified, about 45 percent -- 55 percent choose not to take the coverage.

Mr. Butterfield. So that would be 30 hours or more?

Mr. Boucher. Correct.

Mr. Butterfield. All right. Mr. Chairman, I am out of time. Thank you. I yield back.

Mr. Pitts. The chair thanks the gentleman and now recognizes the gentleman from Illinois, Mr. Shimkus, 5 minutes for questions.

Mr. Shimkus. Thank you, Mr. Chairman. I think my colleague, who just spoke, it brings to the point, and we had it in my subcommittee, when we invite people to testify, we shouldn't impugn their comments based upon who they are employed by. And I only say this because this was raised in my subcommittee. We want to thank you all for being here and appreciate your testimony.

Having said that, the -- you are from the Manhattan Institute, and Dr. Blumberg, you work for the Urban Institute, so you are not employers. You get a check. You sign the back of the check, correct?

Ms. Furchtgott-Roth. Right.

Mr. Shimkus. You get a check for your work?

Ms. Blumberg. Correct.

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Mr. Shimkus. So there is only one employer here on our panel, and that is you, Mr. Boucher; is that correct?

Mr. Boucher. Yes.

Mr. Shimkus. So you sign the front of the check.

Mr. Boucher. That is correct.

Mr. Shimkus. So you are the expert on how rules, regulations, and taxes affect your business and the people you would like to hire, and the people you hire are the people you would like to keep under employ, and is that correct?

Mr. Boucher. Yes.

Mr. Shimkus. So you are the expert.

Mr. Boucher. I am the expert in my business for sure.

Mr. Shimkus. Thank you. And I guess the other thing that kind of rankled me was this debate about gross and net. That is a big difference, and in this Bill the medical device tax is a tax on gross, not counting the net, not taking out the expenses of producing a good. It is a gross tax across the board; is that correct?

Ms. Furchtgott-Roth. Yes, that is correct. That is a definition of --

Mr. Shimkus. And that is why it is so damaging for our jobs?

Ms. Furchtgott-Roth. Right.

Mr. Shimkus. Is that correct?

Ms. Furchtgott-Roth. That is right, yes.

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Mr. Shimkus. No one else has a tax in this sector in the world on gross.

Ms. Furchtgott-Roth. No other country has singled out the medical device industry for a special tax, correct.

Mr. Shimkus. And Dr. Blumberg, don't you think a gross tax on a good that only this country has that other countries may produce might be a disincentive in the competitive market?

Ms. Blumberg. I would say that there is already a disconnect in the medical industries in terms of what is being charged and --

Mr. Shimkus. Let's stay on the point on the gross versus the net tax. Does that not raise the cost of a good?

Ms. Blumberg. Well, the costs are already higher in the U.S. plus the firms charge us more than --

Mr. Shimkus. Will the gross calculation raise the cost of a good versus a competitor, everything else being equal?

Ms. Blumberg. True.

Mr. Shimkus. Of course. Of course it would.

So, Doctor -- Ms. Furchtgott-Roth, you mentioned job possible losses in the medical device industry, did you not?

Ms. Furchtgott-Roth. Yes.

Mr. Shimkus. In your testimony. And they are and they could and they already are going to be large; is that correct?

Ms. Furchtgott-Roth. Right.

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Mr. Shimkus. So that is why part of this hearing is important, and if we want to fix parts of the bill, the medical device tax would be one way that we could fix it to create jobs.

Ms. Furchtgott-Roth. I would definitely recommend repealing that tax, yes, absolutely.

Mr. Shimkus. Thank you.

Ms. Furchtgott-Roth. And I also question the fact that you-all seem to think that the labor market is healthy and 6 million jobs are being created. Well, the unemployment rate is still 7.7 percent, including discouraged workers, it is 14.3 percent. The youth unemployment rate is 13 percent, and these are people who have student loans and they can't get jobs. The teen unemployment rate is 25 percent. This is not a healthy labor market.

Mr. Shimkus. Yeah. I mean that brings --

Ms. Furchtgott-Roth. And saying that 6 million jobs are being created as though that proves that our labor market is healthy, well, we might have created many, many more without the Affordable Care Act and our employment rate might be lower.

Mr. Shimkus. And that is part of the debate about even youth employment, entry-level jobs, where can they get part-time employment to bus tables, or we even have a debate about raising the minimum wage. Isn't that a disincentive, Mr. Boucher, on hiring high school kids?

Mr. Boucher. What particularly?

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Mr. Shimkus. Either/or? You could talk about increasing the minimum wage. You could talk about these rules and regulations, these forms in respect to job creation.

Mr. Boucher. Any regulation that mandates that I operate my business in a particular manner without me having the choice to do what I think is best for my business is damaging because I am not going to be able to give wage increases to, say, cooks because I have to give it somewhere else, and that is because of a mandate, so --

Mr. Shimkus. And I will end on this. My time is up, and I do think that there is -- as we raise the cost of employment through health care coverage, there is a result, and I think, Dr. Blumberg, in your opening statement, you said there could be a reduction or a slower increase in that wage for that individual consumer. So there are effects, and we just need to have this debate and I appreciate you all being here. Yield back my time.

Mr. Pitts. Thank you, gentlemen. And I now recognize the gentleman from Texas, Mr. Green, 5 minutes for questions.

Mr. Green. Thank you, Mr. Chairman. One of the key design features of the Affordable Care Act is the way it builds on our existing health insurance system to fill in gaps and make improvements rather than making more radical and disruptive change. This is especially true in the employer-based insurance market. Both prior to and after the Affordable Care Act, the majority of the Americans receive health

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care through their employers, but we also know in the last three decades, the percentage of employers covering their employees for lots of reasons has gone down.

And so, but the Affordable Care Act builds on it. People are going to be protected from the worst insurance abuses. They will have access to quality insurance through a fair, individual marketplace and if they change jobs or do not want their employer coverage, but the overall employer-based system is still going to be strong. There have been a host of scare tactics used suggesting employers will fire thousands of workers or drop coverage en masse in response to health reform. And I know particularly the restaurant industry, minimum wage is a big issue, and over the years, so -- and I know every time we increase minimum wage, there is concern about losing employees or that you can't afford it, similar with health care.

Two of the most heavily cited examples are the Westgate Resorts and Darden Restaurant Group which completely reversed their course. Darden employed thousands of people across the country, and it indicated they were planning to limit employee hours to avoid providing health coverage, but Darden reversed course and said it would not limit the hours or drop coverage following an outcry from both its employees and its customers.

The same with Westgate Resorts. The CEO warned its employees of mass layoff if President Obama won re-election. Instead he gave them

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a 5 percent pay increase.

I have talked with restaurant owners in my area in Houston, and one of them is a long-time friend, actually a Republican, told me he costed it out and he owns a number of restaurant locations, so he is pretty large, and he said it is not what he was concerned about. In fact, he said it is going to give him some options to offer to his employees.

In fact, Mr. Chairman, let me say that we have heard a lot today from supposed burdens of health reform on businesses and I want to talk for a moment about the benefits and new opportunities that health care provides small business.

Mike Bray is the owner of a Hobby Works, a hobby and toy store he owned for more than 20 years. Mike has always offered health insurance to employees because it is a great way to attract and retain good employees, but before the Affordable Care Act, Mike's health premiums had tripled, and my experience in the private sector, small business, 13 employees, every year we had to negotiate out our rates because we would sign a 3-year contract, and they would raise our rates after the first year and second year thinking we wouldn't go out, but we negotiated every year.

Before the Affordable Care Act, his premiums tripled. He began to see his employees putting off necessary preventative care for themselves and children. In 2014, when Mike and his employees will

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have more choice of their quality health insurance and competition and cost containment and health reform will begin to drive down cost. Mike says because of the ACA, he finally has hope, and I quote, Spiraling escalating cost and depreciating the quality of coverage might end.

And I would like to submit, Mr. Chairman, ask unanimous consent to submit Mr. Bray's full statement for the record from the small business majority.

Mr. Pitts. Without objection, so ordered.

[The prepared statement of Mr. Bray follows:]

***** COMMITTEE INSERT *****

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Mr. Green. Dr. Blumberg, you have gone in depth of empirical research on employer, health insurance and labor market. Do you think that threats or frightening projections are justified, or do you think most employers around the country should continue to offer coverage and support to their workforce just as Darden, Westgate and Mr. Bray did at Hobby Works?

Ms. Blumberg. We do not expect there to be a significant change in the rate of offer, although we expect to see an increase among small employers in offering as a consequence of the exchanges. And the truth is, is that there is a great deal of misinformation out there, and when you talk to employers, they -- and give them the facts about the Affordable Care Act, they are often relieved relative to what they have heard, but ultimately, employers, as we have seen in many different circumstances, ultimately have to respond to market forces trying to attract labor and stay competitive with others who are hiring, and that is really what drives their decisions, not the fear and the anxiety that comes before something is actually in place.

Mr. Green. I have one of the highest districts in the country of people who work that don't get insurance through their employers. Before the Act, employers are dropping coverage, and again, I have an example of that. But after the Act, if employers make that decision to drop coverage, won't workers have better options in the individual market than they had before the reform?

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Ms. Blumberg. That is absolutely true. The nongroup market is highly dysfunctional in virtually every State, except one in the country, and the improvements in the nongroup -- operation of a nongroup market for consumers will be a big boom for those without offers.

Mr. Green. Well, even in Texas, even though our State won't have a State exchange, the law requires HHS to set up an exchange. For those employers who decide to drop it, their employees will have that option, whereas, before the Affordable Care Act, they didn't have anything.

Ms. Blumberg. That is correct.

Mr. Green. Thank you.

Mr. Pitts. The chair thanks the gentleman. Now recognizes the gentleman from Louisiana, Dr. Cassidy, five minutes for questions.

Dr. Cassidy. Thank you.

Dr. Blumberg, I got to tell you, when I speak to small employers, I mean, it is just so interesting because they all -- you walk in, they are not making a big deal about it, they just say we are going to stay at 49 employees. And they don't make a big deal about it, and you just say, well, why, and then they, oh, now that you ask, it is so because once we get to 50, we are hit with a penalty.

If you will, if we have 49 employees and whatever we do for insurance we do, but once we go to 50, we have to pay \$40,000 in penalties for that 50th employee so that person's worth has to be their salary plus \$40,000. And I am struck that you don't think this will have a

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negative impact upon small businesses hiring.

Ms. Blumberg. Well, I will explain why. Number 1, it shouldn't be a \$40,000 penalty because they pay on -- the only time an employer pays a penalty at all is if at least one of their workers goes into the nongroup exchange and qualifies for a subsidy because of not having affordable coverage. So it is not automatic that --

Dr. Cassidy. But at that point, if they do, then they get credit for 30 employees and it is the 20 that are left that they are 2K per person penalty, correct?

Ms. Blumberg. That is correct, if that is the way that --

Dr. Cassidy. But that wouldn't inhibit somebody from going to 49, because they tell me it does. So, are their irrational or --

Ms. Blumberg. I am happy to respond. I think that you are correct that if an employer is looking to move from 49 to only 50 employees in the long term, that they are unlikely to make the decision to add that next worker unless the value that that worker brings to the firm is going to compensate for any additional cost.

Dr. Cassidy. So that will be their salary plus 40K?

Ms. Blumberg. Let me finish, please. However, that is not the way that employers generally make decisions about hiring. When they are growing, they are growing because they see a long-term expansion in profit that would swamp the --

Dr. Cassidy. I know you are saying that, but can I go on because

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we have a limited time, and I tell you the employers I talk to, they are actually factoring it in.

Secondly, I am struck, when I speak to employers, they are decreasing the number of employees who are full-time down to part-time, and I am struck that Mr. Butterfield says we created more jobs. According to the Bureau of Labor Statistics, we created a lot of part-time jobs, but we actually have 200,000 fewer full-time. There is, I think, 212,000 fewer full-time jobs in the last statistics, and there is 372,000 more part-time jobs, which to me is consistent with what I am reading and hearing that people are converting full-time employees to 30 hours or less.

Now, I grant you we have more employment, but it is more employment with fewer benefits. How would you respond to that?

Ms. Blumberg. Well, in any recovery, there is going to be an expansion of part-time jobs, and I haven't seen the specifics on how many of these jobs are full-time versus part-time, but you would expect there to be an increase in both part-time and full-time.

Dr. Cassidy. But there is actually a decrease in full-time. There is decrease by 212,000 in full-time jobs in the last Bureau of Labor Statis- -- Labor whatever.

Ms. Blumberg. From the prior period?

Dr. Cassidy. From the prior period.

Ms. Blumberg. First of all, the full reforms that would -- if

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anything was going to have an impact on part-time status, those reforms are not in place at the present time. And the complexity of the economy and the dynamics that have been going on with regard to the recession and the recovery from the recession are so large and complex compared to the costs associated with the Affordable Care Act that it would be impossible to attribute those changes --

Dr. Cassidy. So even though Mr. Green gave some high profile cases of people converting to part-time, they are embarrassed, whatever, intimidated not to do so, but we know that is the tip of the iceberg and far more have actually gone ahead and done so. We are not going to attribute it to what we are being told is the attribution, but rather, we are to assume that the answers are too complex for us to understand?

Ms. Blumberg. No. I am saying that complexity of what has been going on with the economy because of the issues related to the financial services district and decisions that were made there with regard to deregulation and other concerns are much more overriding in terms of what has been going on in the economy than the terms of the Affordable Care Act.

Dr. Cassidy. The Federal Reserve recently had a report from all their districts, employers in several districts citing the unknown effects of the Affordable Care Act is reasons for planned layoffs and reluctance to hire more staff. There, they seem to put a point on it.

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Ms. Blumberg. I think that that is -- those were very isolated reports on anecdotal evidence and we don't see any implications of the Affordable Care Act for significant changes in employment over time. So, you know, anecdotal evidence can be frightening, and I appreciate that, but they also --

Dr. Cassidy. This is Federal Reserve. They are not Drudge Reports --

Ms. Blumberg. -- market prices.

Dr. Cassidy. -- they are, you know, Federal Reserve, so presumably, they would vet a little bit and try and put it in context.

Ms. Blumberg. At this point I have not seen -- I looked at that report. There was no data behind that. I do believe that they were conversations with particular employers, and I do understand that there is misinformation and anxiety that is being provoked in employers at this point prior to implementation of the full reforms.

But as I noted earlier, employers are interested in making profit, they are interested in pursuing labor and hiring the right types of workers. In order to get the kinds of workers they want, they have got to compete with other employers and so they have to provide them with the benefits and compensation --

Dr. Cassidy. So just because we are out of time, we have to yield back. I will point out that also there is a CBO report that shows those who are most vulnerable are low-wage workers. Their elasticity of

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employment is the greatest. I grant you the CEO or the solar engineer is going to have a job. It is going to be the low wage earner who is going to be most vulnerable, and that is per CBO, but I yield back. I am out of time.

Mr. Pitts. The chair thanks the gentleman. And now recognize the gentlelady from the Virgin Islands, Dr. Christensen 5 minutes for questions.

Dr. Christensen. Thank you, Mr. Chairman.

Ms. Roth, your testimony -- you make a number of assertions that really seem to run counter to the facts supported by independent sources like the Bureau of Labor Statistics as well as CBO about the impact of the ACA job creation.

For example, the restaurant industry which you claim and Mr. Boucher suggests would likely drop coverage and downsize their employees as a result of health care reform, of the law, actually has added more than 800,000 jobs since the passage of the Affordable Care Act. And as we heard from Dr. Blumberg, you know, you would expect some to be part-time, some to be full-time, but 800,000 new jobs.

But my question relates to one particular threat posed by -- that you pose to health care reform in your testimony that I found particularly interesting. You wrote that because of health care reform, businesses have an incentive to become more automated or machinery intensive, and your examples are the fast food restaurants

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might serve precooked rather than freshly cooked food or that DVD rental stores might close in favor of automated DVD rental machines, or the convenience stores might start allowing for self-checkout. These dangers that you cite as a part of Obamacare are particularly interesting because they have really been occurring for a very long time.

Automation and increasing use of technology are enormous seismic shift in our global economy. Is it really your contention that these trends would not be occurring if health care reform were repealed?

Ms. Furchtgott-Roth. Well, thanks for that excellent question. My contention is that more employers will choose to substitute capital for labor as labor becomes more expensive, and of course, our economy has been continually getting more mechanized. What I was saying is that these trends would be faster.

Also, with the 800,000 jobs added to the fast food and restaurant industry, there might be even more of them added without the Health Care Act. But I think more importantly, the incentives to choose part-time workers over full-time workers will mean that actually there will be more employees in the restaurant and retail and other low wage sectors, because employers will have an incentive to keep them to fewer than 30 hours a week because if it is fewer than 30, they won't have to pay a penalty, so it makes sense for companies to share.

Dr. Christensen. Yeah. But my question is really about tying

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it to the increasing use of technology, which is happening at, you know, a really fast speed, not only here, but across the country, and so, you know, there are a lot of wild predictions of the impacts of health care reform, but I think examples that were used in your testimony are really beyond explanation.

We have a global economy in which every other advanced country has some form of universal health care, and they are experiencing the same dramatic technological advances that are happening every day, and to blame Obamacare because Netflix is popular and Blockbusters closing just defies belief.

You know, I think, you know, as other people have pointed out, some of the assertions that are made about job losses from Obamacare are really over the top, but I wanted to ask -- use the rest of my time for Dr. Blumberg, if I might. Marcellus Owens --

Ms. Furchtgott-Roth. Am I allowed to respond?

Dr. Christensen. No, I need to use my time.

He was 11 years old when he stood next to President Obama when he signed the Affordable Care Act into law, and his mother's poor health has cost her a job, her health insurance. She is a person with a pre-existing condition and she eventually died, and that is an example of what happens every day in our country, especially to minorities and people living in rural communities, and it not only costs lives, maybe as many as 100,000 are what is reported and it costs the country an

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excess of over \$80 billion a year by some reports.

So, it is an example of just why health care reform is so important. Uncompensated care costs to providers such as hospitals and community health centers will flourish if the numbers of uninsured rise, and more people will use emergency rooms, they will become more overcrowded, hospitals will be bearing more of unpaid care.

Could you please just elaborate for us, Dr. Blumberg, on how detrimental uninsurance is for individual families and for our country overall?

Ms. Blumberg. Sure. The uninsured -- or the research evidence is very clear on this, that the uninsured receive less medical care and they receive less timely care and they have worse health outcomes, and in fact, the risk of death with a given medical condition controlling for health status appears to be about 25 percent higher for the uninsured than for those who are insured.

We have seen, from the experience with comprehensive health care reform similar to that of the Affordable Care Act in Massachusetts, that since its implementation, individuals have had greater access to care, they have had lower rates of not being able to afford care, and that that has stayed consistently increasing even throughout the recession period.

In addition, the lack of insurance, as you know, provides a very substantial financial burden on many families, and this also decreases

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their use of care and causes many bankruptcies.

Dr. Christensen. Thank you. Thank you, Mr. Chairman.

Mr. Pitts. Thank you. And the chair recognizes the gentleman from Kentucky, Mr. Guthrie, for 5 minutes for questions at this time.

Mr. Guthrie. Thank you, Mr. Chairman.

Ms. Furchtgott-Roth, you were going to respond to Dr. Christensen. I was interested in what you had to say. If you would just take a couple of seconds or half a minute what you were going to respond back, I would like to.

Ms. Furchtgott-Roth. Okay. Well, thank you very much.

Well, as the cost of labor gets higher and we had the minimum wage start to go up at -- from \$15.15 an hour in 2007 and gradually rise, as the cost of labor steadily gets more expensive, employers have an incentive to substitute machines for labor. This MIT professor called Alberto Alesina who has written in great detail about that, I would be happy to provide any of you with any of the papers, show -- he compared Europe and the United States, showing how high cost of labor in Europe resulted in more capital intensity there in the production.

Mr. Guthrie. Thank you.

And Mr. Boucher, somebody said earlier that you couldn't say with a straight face that jobs were -- had been either on hold or some way because of the President's health care bill, but you -- I think your face was straight, and I am not sure if I know what a straight face

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is or not, when I looked, but I looked. But you did make a decision not to open a restaurant because of the uncertainty affiliated with the health care; is that true?

Mr. Boucher. That is correct, and the key word being "uncertainty." That was -- and it still exists right now with regard to a fair amount of the rules that are not real clear right now. There is still a slot of uncertainty.

Mr. Guthrie. And that is what you hear. I mean, I hear that quite a bit. I know it is anecdotal, and I appreciate research and appreciate that, but on Friday, we were in our districts and I was working at a call to go see a gentleman who just went to a business owner, that just had gone to a seminar. He had got his group together with their insurance agents and the anxiety is not -- was not settled with him, and he was really concerned about decisions he was going to make in his business, the part-time work and so forth. Those are the real issues.

I know we are talking about 6 million new jobs in the labor force, and we are grateful to have 6 million new jobs, but you look at labor force participation, you look at the underlying part of it, and every -- even last month, when the new jobs -- I think it was 170,000 new jobs or something, but they say, we need to make 250,000 to keep up, so I don't think any -- even though we are glad we are not going the other direction like we were, I don't think anybody is saying that

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we have a robust economy moving forward, and I don't think you can just point out one thing, and say it is this health care bill, and I think it is a conglomeration of a lot of things that are going on to create uncertainty. But I certainly think, and I do know and it is anecdotal, but it is everybody I see that is in business are just concerned about -- even people who offer good plans of what is going to be an essential benefits plan, what are the rules going to be and how they are going to have to treat those, and so it is a real concern that businesses have, and this just isn't -- and this just isn't a us get together and try to point out different things.

This is what we hear when we go home. I mean, I go -- you hear concerns about we are not even thinking about -- I mean, I walked, somebody says, well, if the rebate comes back from the health insurance company to my employee because of the medical loss ratio, do I get that? Does it come to me? Does it come to the employee? I paid 80 percent of the premium. Do I get that back? Well, we got to sort that out.

Then the question, next question was, well, is it going to be chargeable to this year's wages or next year wages, do I have to go do another W-2? So there are just all these things that are out there that really that maybe in the future will be, obviously, will be settled and people will get -- you know, if it is the law of the land, then we will figure out how to make it work, but you can't say it is not affecting people's business decisions today, I don't think. And I can

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say that with a straight face.

Mr. Boucher. And if I may, you know, I am considered someone who is knowledgeable on this topic, and I still don't know nearly what I need to know, and I have fellow restaurateurs calling me asking me, so, what are you going to do? And my answer to them is I am not sure yet, and they are relying on me to help them kind of walk through this, and truly, I am not exactly sure what we are going to do yet.

Mr. Guthrie. Because, you know, the other concern being in the restaurant business, you have three restaurants and each restaurant has 20 employees. Then you got to decide do I have -- do I keep the third restaurant? Or if you have two restaurant, do you open a third? If you have three, do you close one. I mean, those are real concerns out there, and it is not, as some people have said that we are sitting here just trying to do political points.

My family is in business, we offer health insurance and pretty good health insurance actually, and we are in that midsize employer category, and I guess, Dr. Blumberg, you talked about the change in compensation would be tiny. I think I wrote that in a quote. Doesn't it really depend on the level of skill of your employee? The people were trying to -- there is a book called "Chutes and Ladders," it was interesting about getting people into -- it was a fast food restaurant study, the ones who showed up for work, came to work every day, they studied him over a course of time, and they are all managers. I think

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that is how you said you started, managers in restaurants.

And so the question is, if you are low skilled, and those are the people I work with and deal with, how do you get them into the workforce if you make them too expensive to bring to the workforce? Do you think that will have an effect?

Ms. Blumberg. I do take that into account. One of things that is important to remember is that for very low wage workers, the Medicaid expansion provides very comprehensive no-cost coverage to those individuals for the states that are choosing to participate, and those individuals, those workers, when they participate in Medicaid, they incur no penalties on the employers as a consequence.

In addition, while the midsize employers are obviously a concern, we know that most of -- there is about twice as many workers in the small employer group than in the mid-sized employer group, and they are significantly more likely to have lower wage, those workers, and as a consequence of the small employers being consistently low, they will continue to be less likely to offer them their larger counterparts for a number of reasons. But the nongroup market and its financial assistance for the modest income who are above Medicaid eligibility is going to be a huge boon for low-income workers and small firms as a consequence of reform.

Mr. Guthrie. Thank you. Yield back.

Mr. Pitts. Gentleman 's time has expired. Chair recognizes the

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gentleman from Maryland, Mr. Sarbanes, for 5 minutes for questions.

Mr. Sarbanes. Thank you, Mr. Chairman.

Before I turn to the panel, I just wanted to caution. I had heard this discussion a moment ago about repealing the medical device tax, and I do want to point out that Congressman Ryan's budget plan includes the revenue from that tax in his proposal, so it is a little bit like that game "Pick-up Sticks" where you throw them down, they are all tangled and you start pulling sticks out of the thing, the whole thing will collapse, and we need to make sure that that and other things related to the budget proposal are in the record.

Now, Mr. Boucher, just real quick, you said in response to a question, you made a decision not to open another restaurant. When was that decision made?

Mr. Boucher. In July of last year as we were heading towards the elections.

Mr. Sarbanes. Right. I want to follow up on something that Dr. Blumberg said. I think it is a terrific point, and that is, the ultimate fate of the ACA was in question really until this election was over. It was kind of a three-part drama. We had the passage of the bill, which was highly contested, then we had a judicial challenge to it. The Supreme Court removed that piece of uncertainty, and then we had a referendum in effect on whether it should go into effect, and that was the election, and it is now the law of the land, as Speaker

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Boehner has indicated.

There are a lot of people, and I would imagine you were among them and many of your colleagues, who were sort of saying to themselves, until I know whether this is actually going to be the law and implemented, why am I going to spend a lot of time trying to figure it out? And so there was good reason why many, many people remained uninformed about the details of implementing this.

Now, I think, you have got people that are very eager to know how it is going to be implemented. You indicated, Dr. Blumberg, that as you talked to small business people, they are exhibiting a tremendous amount of relief in many instances when they understand what is, in fact, required as against a lot of the misinformation that was put out, which gets further distorted in the midst of a highly charged political campaign, of course. We end up with sloganeering instead of real attention to what the regulations would require.

So I think that is going to be a make a difference now as small business people and others, frankly, come to the table and try to understand better what we were trying to achieve.

Now, a lot of what we are trying to achieve was to address the situation as small business people in this country who are dealing with stratospheric health care costs, having to make these tough decisions affecting their work force, and much of what we designed was meant to address that anxiety, specific anxiety of small businesses. And I say

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that because if we determine over time that there are certain things that we need to go in and tweak and fix and address to make sure that the concerns of small businesses are met, we are going to do that because that was largely the original motivation behind many of our investing so heavily and putting a lot of the political capital behind the ACA.

I remember a statistic that small businesses, on average, are paying somewhere between 18 and 22 percent more in premiums for the same exact benefit packages than large employers because they didn't have the benefit of pooling. I imagine that is going to be addressed, and you see that playing out in your models; is that correct?

Ms. Blumberg. That is correct. It is both the lack of pooling that has been in place for small employers so that the health status of even one of their workers or dependents can have a very dramatic effect on their average premium, plus the fact that they were charged considerably higher administrative costs for purchasing coverage than were their larger counterparts, plus the fact that they tend to employ lower wage workers, and as a consequence, there is less flexibility in terms of adjusting wages versus benefits.

Mr. Sarbanes. Right. So we have good expectation that that can be addressed over time.

The other thing is, I recall another statistic that the cost shifting that went on, because you have people showing up in an emergency room, that cost had to be borne some place and it was going

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to be borne by those who did have health insurance to the tune potentially, in some instances, of \$1,000 per person in terms of increased premium.

Now, I don't know if it was a thousand in certain instances and not others, but there was an extra premium being put in there because of the cost shifting; isn't that correct?

Ms. Blumberg. Depending upon the market power of the hospitals, yes. There is some potential for cost shifting. There are a lot of those uncompensated care costs are paid through State and local governments that will have some relief and should lead to lower taxes.

Mr. Sarbanes. So I guess I am going to run out of time here, but if there is an uptake of 75 percent of the 45 percent that currently have not uptake your offer, if 75 percent will do, and I recognize it represents a cost for your business, but that is less people that are going to show up in an emergency room and result in cost shifting, it is a burden on your business and others, and the point is, over the long term, the trajectory where we were headed for small businesses and their costs was going like this. I think with ACA, it is going to still be going up for awhile like this but it is going to start going like this eventually, and we are going to get the benefit of this reform, and that is going to be a significant benefit for small businesses in this country. I yield back.

Mr. Pitts. Gentleman's time has expired. The chair now

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recognizes the gentlelady from North Carolina, Mrs. Ellmers for 5 minutes for questions.

Mrs. Ellmers. Ms. Roth, I have a -- going back to the medical device tax, I have a question for you. You know, the administration and other supporters argue that there will be a "windfall" from the increase from newly insured patients as a result of ACA and the tax will be offset.

Based on your analysis, do you believe that there will be a windfall for medical device companies or will the tax hurt device startups, capital investment and job creation?

Ms. Furchtgott-Roth. So, I think that it will hurt medical device companies because quite a lot of their products are exploited overseas, and they also have foreign plants, so they will probably shift the production of the export into their foreign plants.

First, and also, I don't really see as much of a decline in the uninsured as Dr. Blumberg and others seem to think, because with the Supreme Court's decision, it was legal to pay a tax of \$95 in 2014, about 315 in 2015, about 690 in 2016, and then you don't have to buy insurance. Well, CBO says the cost of a premium for a family of four is 20,000; for a single person, it is about 12,000. A lot of people are just going to pay the tax, which is legal, according to the Supreme Court.

Mrs. Ellmers. Right.

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Ms. Furchtgott-Roth. And then go uninsured. They will then continue to get their care from community health centers or emergency rooms, and then when they get sick, then they can sign up for insurance because right now, if you are sick, you can't write -- you can't sign up for insurance. You have to be -- because of the pre-existing condition.

Mrs. Ellmers. Right.

Ms. Furchtgott-Roth. You are insured already, but under the new law, anyone can sign up at any time.

Mrs. Ellmers. At any time.

Ms. Furchtgott-Roth. It is completely rational to stay uninsured until you are sick.

Mrs. Ellmers. Sure.

Ms. Furchtgott-Roth. And then the pool of insured is going to get sicker and sicker. The price is going to go up. Every time the price goes up, it will be more worthwhile for someone to pay the tax instead of getting the insurance.

Mrs. Ellmers. Versus the insurance. Thank you so much for your testimony. Thank you to the entire panel. This is very helpful.

Dr. Blumberg, I do have some questions for you. You know, you had just mentioned that the study shows that, you know, putting patients on Medicaid, that that is actually a much better situation, and I actually have a study that is completely the opposite.

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In 2010, the University of Virginia released a landmark study on patients who have had surgery, and it is in stark contrast to what you -- the testimony you just gave, and I would ask the chairman if we would be able to submit that study for the purposes of this subcommittee.

Mr. Pitts. Without objection, so ordered.

[The University of Virginia study follows:]

***** COMMITTEE INSERT *****

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Mrs. Ellmers. Great. Thank you. And I won't get into the details of it, but basically, it is startling to know that if you are on Medicaid, you actually have a 13 percent higher chance of dying than if you are uninsured, according to this study, and actually double the amount if -- versus someone who is insured. So it is an interesting thing. And also the cost of health care actually increases because you are -- if you are on Medicaid, your health care stay in the hospital would actually be 42 percent longer than if you had insurance.

So, that being said, you had given your testimony about your study, and I am -- I would like to submit mine. But I also, you know, to this point about anecdotal discussions that are being had by employers, you know, I have these discussions with my constituents every day, and they are so concerned about the cost of doing business and the ability to provide jobs in the future as a result of the Affordable Care Act.

I have one particular constituent, Mr. Gerald Kivit who, you know, he produces church furniture, the old-fashioned way, and his business, it has been a family-owned business for over 55 years. Five years ago he had 150 to 200 employees. He is now down to 46 employees and that is as a result of the economy. That obviously is not a result of Obamacare, but let's look at the facts.

You know, the issue of, you know, adding employees, the economy is going to turn around at some point and he is going to want to hire

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employees. How can he go beyond that 49th employee? And that is his question. If he were here today, he would ask you directly, you know, he said -- he has asked me how can I, you know, afford this when my bottom line already is in the negative? So if Mr. Kivit were here today, how would you describe to him what you have been saying, which is that the Affordable Care Act is actually going to help small businesses?

Ms. Blumberg. I would like to respond to that, and I would also like to mention that it is not true that an individual can buy insurance coverage at any time regardless of their health status because there are open enrollment periods in the Affordable Care Act, so people can only buy at certain times of the year; otherwise, they will not be able to enroll.

In addition, with regard to the Virginia study, there has been a great deal of experimental research done by rather -- with economists at Harvard University who have looked specifically at experimental data from the implementation of public coverage in Oregon and shown that in a very short period of time, there was actually very positive health status effects for those that were randomly enrolled in the expansion of public coverage there relative to those who are remaining uninsured.

So I just want to say that the analysis that you are referring to, I haven't seen specifically, but it is inconsistent with all of the other economic research and health that I have seen on that topic.

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Mrs. Ellmers. We will make sure that you get that study as well.

Ms. Blumberg. That will be great.

Mrs. Ellmers. Thank you. And to, you know, again, if I were Mr. Kivit, what would you say as far as, you know, how is this going to help him to be able to provide health care for his -- continue to provide health care for his employees?

Ms. Blumberg. Well, right now it is going to save him a considerable amount of money potentially and help his workers obtain health insurance coverage even if he doesn't offer coverage today. If he does offer, he is going to have new opportunities to offer coverage in the insurance exchange if he wants to; otherwise, he can continue to offer coverage outside the exchange as he may or may not do today, depending upon his situation.

If he doesn't offer and his workers need -- would like to obtain coverage, don't get it through a spouse, they can then go into the nongroup exchange. There is no penalty assessed on him. They can get financial support if they need it to buy coverage, so those are --

Mr. Pitts. The lady's time has expired. The chair recognizes the gentleman from Florida, Mr. Bilirakis, 5 minutes for questions.

Mr. Bilirakis. Thank you, Mr. Chairman. Appreciate it very much.

Ms. Roth, recently a major Florida employer announced that they were dropping health care coverage for part-time workers because the

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health care law effectively outlawed the low premium limited coverage plans that were offered to their employees.

I am concerned that this law is making coverage more expensive for Florida and causing premiums to increase an average of 61 percent according to actuarial studies. Could you elaborate on the provisions of the ACA that will raise the cost of coverage for small employers and other individuals that might stay in?

Ms. Furchtgott-Roth. So one element that is going to raise the cost of coverage is requiring a very large generous plan rather than the plans that the employer you mentioned had before, so those are not going to be permitted, so that is one thing that raised the cost of coverage.

Another thing that raised the cost of coverage is being able to sign up at -- I shouldn't have said any time -- at any open enrollment period because that means that you can go without insurance, you can pay the tax legally, and then you can sign up at the next open enrollment period, and in the meantime, go to hospital emergency rooms.

A third thing is just the big -- a new administrative cost of providing health insurance with a mandatory electronic record, all the administrators, all the new IRS officials who are going to have to calculate what kind of penalties people are going to pay; also, the subsidies which reach up to 400 percent of the poverty line. When you go to exchange the amount you pay, it is going to depend on how much

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you earn. Again, this is a very big administrative burden.

The tax credits for small business, those phase out. That is not for all small business. It phases out between 10 and 25 workers, so you get the most tax credit if you have 10 workers, declining to 25. You employ 26 workers, you don't get a tax credit. It also declines if your average wage is between 25,000 and 50,000, so it will steadily decline from 25- to 50,000. If you pay an average wage of 50,000, you don't get the tax credit, even if you have over 10 workers.

So, all these different things increase the cost of health care. I would say the Number 1 is mandating a large generous plan and completely disallowing the smaller plans where people shop around and so they pay more attention to their health expenditures.

Mr. Bilirakis. Thank you. Mr. Boucher, do you feel HHS has been forthcoming with the guidance on how to implement the health care law, the provisions of the health care law? If not, has this made it very difficult, of course, for you and others in the industry to manage?

Mr. Boucher. Well, I think there is -- I think they have in some cases, but there is still a lot of uncertainty with regard to many of the rules. You know, there is a laundry list of items that I am still not clear on how it is going to affect our business, or even our employees, and we are anxious to hear how it is going to be defined so that we can plan and strategize for our future because right now we are -- you know, we are just waiting and trying to work -- the

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Association is trying to work and find, you know, solutions that work for both parties, but we need some answers that work.

Mr. Bilirakis. Thank you. Again, last question for Mr. Boucher. Has navigating the ACA regulations forced you to incur any additional costs?

Mr. Boucher. Well, as I stated earlier, I personally have spent and my human resource person has spent in upwards of 100 hours just filtering through all of this, and I anticipate it to continue not at that pace because we are up to speed pretty good now, but there is still a fair amount of work to do once these rules continue to work out.

And then ongoing, the administrative efforts that we are going to need to track and enroll employees if the auto enrollment stays as it is at 90 days, which, you know, we are opposed to, that, that is going to be an extremely difficult process for us. And even right now, looking back to try and determine the look-back period, we are having to deal with two different sets of data because we switched payroll companies at the end of the year. So we are trying to meld one payroll company's data with this year's payroll company data, they don't really talk to each other that great, and neither one of them has a great system in place right now for helping us to track that looking forward.

So, I feel like we are, you know, we are behind schedule here, and I personally would appreciate some relief in some fashion so that we are not subject to some kind of penalty because either the payroll

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companies aren't up to speed or the rules haven't been defined yet,
and that is really the crux of the uncertainty that we are facing.

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RPTS JANSEN

DCMN ROSEN

[11:12 a.m.]

Mr. Bilirakis. Thank you, Mr. Chairman, I yield back.

Mr. Pitts. Chair thanks the gentleman. And now recognize the gentleman from Virginia, Mr. Griffith, for 5 minutes for questions.

Mr. Griffith. Thank you, Mr. Chairman. I have heard numerous people here today say that this probably shouldn't have a big impact on jobs. I have even heard some folks say they thought when they heard the title of the hearing was "Health Care Act and Jobs," they thought it was going to be, you know, something positive. I am here to tell you that is just not the case. I am proud to represent the Commonwealth of Virginia. Served in the General Assembly there for 17 years. Virginia, which would be closer to a big business than a smaller business, has made the decision, both the House and the Senate at the request of the Governor, have limited part-time hours for State employees.

Now, it still sits on Governor's desk and has not yet been signed into law. But since he requested it, I doubt he is going to amend it out. And so we are facing a situation where 7,000 workers in Virginia are going to find that their hours are being cut. A trend of a friend, it has been reported to me that a friend of a friend is now looking

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for new work. She had been working for the Department of Health. But with the cutback in the hours, she has got to find something else in order to take care of her family.

These are the real impacts. This is the real impact on jobs. And it is just not the Commonwealth of Virginia alone. And I don't know about other States. But in my district, the town of Wytheville -- now, it is not a big town, and I am sure it is not nearly the 7,000 people who are affected Statewide, but the town of Wytheville is also considering cutting back on their part-time hours. And in an editorial, and I think they said it very, very well, in an editorial that ran on the Tricities.com site, which usually means it is either the Wythe paper, or more likely, the Bristol Herald Courier, they said that, "Consider these cuts in referencing the fact that the town of Wytheville." And Councilman Hunley said, "It would be cost prohibitive to provide all the town's part-time employees with health insurance. So they are cutting their hours back." And then they reference the Commonwealth of Virginia and they said, "Consider that these cuts are coming from entities with no profit motive, no corporate board demanding rightsizing, no shareholders screaming for costs to be held down, and no customers who can take their business elsewhere. Then ask yourself what the average business, which does not face those extra demands, is going to do."

Well, I will tell you that what I hear from numerous small- and

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medium-sized businesses, what they are going to do is that they are also going to cut the hours of their part-time workers. And in some cases, and I will ask you this, Mr. Boucher, I know you haven't done it, but if you are not hearing from lots of your colleagues that they are, in fact, shutting down stores in advance, knowing that if they have a store -- now, it is not all the PPACA or Obamacare, but as one of the restaurant chains in my area's CEO told me, he said, we are not going to shut all our stores down. It is going to make life harder. But in those stores that are marginal stores, we are going to shut down. And I don't know if that was the only factor, but I did notice about 6 months ago, an announcement that one of his stores in area that is probably a marginal area had, in fact, shut down.

Are you already seeing in the industry -- I know you didn't do it -- but are you seeing in the industry that folks are eliminating those stores that may be in the black but are just barely in the black, and the cost of this additional cost to them with their part-time employees will hurt and, therefore, they are just going ahead and making the decision to shutter the doors.

Mr. Boucher. You know I can't speculate on what other restaurateurs are doing. But I will tell you that there are different business models for different levels of dining. You know, fine dining has different business model than fast food than casual. And as I stated earlier to the gentleman that, you know, our end of the day is

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\$0.04 of every dollar. If there are restaurants that are \$0.01 on every dollar this --

Mr. Griffith. You can see under certain business models -- because I have limited time -- you can see under certain business models that this might very well affect those entry-level workers and folks working in the restaurant industry. Am I correct?

Mr. Boucher. There are will restaurants that are right on that tipping edge that could be pushed over.

Mr. Griffith. And let me say this, in Virginia, the vast majority, although I referenced somebody at the Department of Health, the vast majority of these employees actually work in our 23, 2-year community college systems. And one of those community colleges spokesmen was quoted as saying that one of the big detriments that they have from the State taking this action as a result of the PPACA, that they are going to lose an asset. And I quote, Josh Meyer, spokesman for Virginia Western Community College, "One of the great advantages of community colleges, like Virginia Western, is that we can agilely adapt the training and educational needs of the region. Our adjunct faculty gives us the flexibility to create new courses as the need arises. This new policy will limit the hours that such faculty can teach." He wrote that in an email to the newspaper. And, obviously, if you need to gear up for some new area, and you don't have the personnel to do it, you are actually going to impact the ability to retrain folks

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who need jobs. Am I correct?

Mr. Boucher. That is correct.

Mr. Griffith. I thank you and yield back my time, Mr. Chairman.

Mr. Pitts. Chair thanks the gentleman. That concludes our first round of questions. We will go to one follow-up per side. And chair recognizes Mr. Pallone for 5 minutes for follow-up.

Mr. Pallone. Thank you, Mr. Chairman.

As we hold this hearing today, I have mentioned that our colleagues on the Budget Committee are debating the House Republicans' latest budget. The Republican budget repeals coverage provisions of the ACA and will leave 27 million additional Americans uninsured. It will roll back all of the consumer protections the law has put in place, allowing insurers to discriminate on the basis of preexisting conditions, charge women more than men for the same insurance, et cetera. And it turns Medicaid into a block grant.

So I just wanted to ask Dr. Blumberg, much of the discussion today has been around the changes the ACA represents for our Nation's businesses. But I wonder if you can help give us some perspective here. If the ACA were repealed and Medicaid faced significant cuts that Chairman Ryan envisions, are the millions of Americans who lost health coverage likely to have affordable coverage options in the private market? And then secondly, what would the loss of benefits associated with these cuts do to the economic and physical well-being of these

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Americans.

Ms. Blumberg. There would be very dramatic, negative effects of repeal and block granting Medicaid. Not only on middle-income Americans who are looking forward to the relief that the Affordable Care Act could provide them, but most especially on low-income Americans who really don't have other options. Very relatively small percentage of people even in profit, adults in poverty today are eligible for public insurance coverage. They don't have the financial wherewithal to be able to purchase coverage. In addition, a signet to the financial implications for the low-income and modest-income population, repealing would also have very negative implications for those that have poor health status, who are highly disadvantaged and being able to obtain health insurance coverage today if they don't have access to an employer-base offer of coverage.

So they would have -- they would basically set us back to all of the problems that we have experienced in the past. The block granting is another issue. Because the way that that block grant is designed is that to give a particular amount of money to each State to diagnose their Medicaid costs. But the Federal dollars would not grow over time at the same rate at which medical expenses increase. So not only are you losing all the potential cost containment implications of the Affordable Care Act, but you are also then putting State budgets at a serious disadvantage relative to where they are today in order to

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provide coverage for the low-income population that they do currently have eligible.

And so over time, they either have to cut substantially back on the benefits, cut substantially back on eligibility for the benefits that they have been providing. And this can have very damaging -- or to spend a significant amount more money of their own budgets in order to keep coverage where it is today, which it is often not feasible at the State level. So there would be a lot of negative ramifications, both for individuals and for State government as a consequence of doing -- taking those steps.

With regard to the implications for the economy in general of repeal, as we talked about, there is often at least small net employment gains as a consequence of investing more in health care, which is a locally produced and purchased good, and so those would be eradicated as well.

Mr. Pallone. Now, I know the ACA includes an employer responsibility requirement that encourages employers with more than 50 employees to offer affordable coverage. And then there is a penalty if an employer chooses not to offer coverage. However, 96 percent of small businesses in the U.S. have fewer than 50 employees and are therefore exempt from the requirement, and the firms that will be subject to the requirement, more than 95 percent already provide health insurance.

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So just talk a little bit -- there is not much time here -- about some of the economic benefits of the ACA for small businesses.

Ms. Blumberg. Well, particularly for small businesses, they are hugely disadvantaged today by not being able to buy, as you referred earlier, to not being able to buy employer-based coverage for their workers at the same price as do their larger counterparts. This is because the administrative costs that carriers charge the smaller groups are much higher because they are selling small group by small group and they are doing medical underwriting, they had been doing medical underwriting of those policies, will continue to do that until January 1st, 2014.

All of those considerations increase administrative costs significantly for those small employers, which would be decreased substantially under the Affordable Care Act. So lowering administrative costs would be a very significant change because that is a big burden on small employers today, one of the reasons they are less likely to offer. In addition, they tend to employ a lot of low-wage workers compared to their larger firm counterparts. And that means that under the Affordable Care Act those that don't offer their workers will be able to have access, guaranteed access to affordable coverage through the non-group exchanges, which they don't have today. And that makes it easier for them to hire workers in the small group market. In addition, right now, the small employers are disadvantaged

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because by their nature of being small they -- the average risk for them that they are bearing in terms of looking at a price for health insurance can be extremely variable. So --

Mr. Pitts. Gentleman's time has expired.

Chair recognizes the vice chairman of the subcommittee, Dr. Burgess, 5 minutes for follow-up question.

Dr. Burgess. Thank you, Mr. Chairman. I do appreciate the panel being here today. I know it has been a long morning. Just a couple of things I would like to kind of close the loop on. Mr. Sarbanes mentioned the issue of cost shifting and why it was so important to get the Affordable Care Act done because all this cost shifting that is going on by the free riders of the system, people show up in emergency rooms who don't have insurance. But, in fact, really look at the cost shifting that is going on, it is happening in the Federal programs. Right now, we have real difficulty in the State of Texas because a lot of providers are not opening their doors to Medicare or Medicaid patients. Why is that? Because the Federal reimbursement is lower than what that it is on the private side. What happens then is the private side, private insurance or self-paid patients end up making up the difference.

I have got to tell you one of the most frustrating mornings I have spent in the last 2 years was the morning, the second morning of oral arguments over at the Supreme Court. I was fortunate enough to be

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there. And listening to the Solicitor General base his entire case on the fact that, well, you got people who are showing up at the emergency rooms without health care coverage, and this cost shifting is costing all of us a bundle. Wait a minute. The patient who is covered by Medicaid -- we are going to expand that by a bunch; I don't know how much, but 16, 20 million people with full implementation of the Affordable Care Act in a year's time. If they can't get a doctor's appointment, then they are not going to a clinic, what are they going to do? They are going to show up in the emergency room, because that is what they have always done. And that cost shifting will still occur. Because the government's reimbursement for Medicare and Medicaid is less than the cost of delivering the care, the cost shifting continues, and if anything, we are doubling down on that.

This is not to disparage the person who is covered under Medicaid, but to disparage the agency that is responsible for the oversight of this. And for heaven sakes, this committee, the best we could do if we want to extend coverage to more Americans, we sit here in this committee, the best we can do is to expand a program that is 45 years old that was intended to be a safety net program back in 1965. Ranking member was chairman at that time. I just submit that there were better ways, but we never bothered, we never bothered to even ask.

So I had to get that off my chest. Mr. Sarbanes said it was cost shifting that was costing the program. Well, cost shifting may be

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costing the program. It is not free rider, it is not the 27-year old who would rather buy a basketball than an insurance policy. The problem is the expansion, the vast expansion of Medicaid is going to make this problem a great deal worse.

Let me just ask you a question, Dr. Blumberg. And it is a relatively simple question. I think Ms. Furchtgott-Roth touched on the subject that some dependent coverage is going to go away as a consequence of the requirements under the Affordable Care Act. Is that a fact?

Ms. Blumberg. There should not be a decrease in dependent coverage. It is --

Dr. Burgess. Let me stop you there. Ms. Furchtgott-Roth, you suggested that there would be. Will there be a decrease in dependent coverage under the Affordable Care Act?

Ms. Furchtgott-Roth. Employers are required to offer an affordable policy, affordable for a single person. So say you have somebody who earns more, is ineligible for Medicaid. Say, someone who earns \$30,000 a year or \$40,000 a year who has a wife and three children. His employer offers him affordable single coverage. Under the law, he is required to take that affordable single coverage. Also under --

Dr. Burgess. Now, that is an important point. So he is required, he or she is require to take that coverage.

Ms. Furchtgott-Roth. Cannot turn it down. Right. Exactly.

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And his wife and children then are not allowed to get subsidized coverage on the exchange. Because he is getting affordable single coverage from his employer.

Dr. Burgess. I have got to tell you --

Ms. Furchtgott-Roth. They can buy coverage on the exchange, but it has to be at full price. They don't qualify for the subsidies for people making 400,000 -- under 400 percent of the poverty line. This is a very serious problem --

Dr. Burgess. Serious.

Ms. Furchtgott-Roth. -- dealt with in the discussions. Because, originally, employers were required to provide affordable coverage for families, not just for singles.

Dr. Burgess. Here is the deal. The Fort Worth Star Telegram, in the middle of January, headline of "500,000 Children to Lose Health Care Under the Affordable Care Act." I mean, that is a big deal. Can you imagine if a Republican president pushed through a law that kicked 500,000 children off their health insurance? I mean, we would be hearing screaming from the mountaintops if that had occurred under a Republican administration. I don't know why it barely rated a news story. Now, the good news for those uninsured children, I think the Internal Revenue Service, under the Department of Treasury has promulgated rules where those children will not be fined for not having health insurance that they then lost because of the Affordable Care

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Act. Is that your understanding as well?

Ms. Furchtgott-Roth. I just don't know the answer to that question. There was a headline about it, an editorial in The New York Times last August, the editorial was entitled "A Glitch in the Health Care System."

Dr. Burgess. Mr. Chairman, there are a lot of glitches in the health care system as we have heard this morning. I hope this committee continues its due diligence to, not just to expose these problems, but we need to work on solutions. I mean, after all, we can argue about the political stuff. But Mr. Boucher has got to deal with it on a very real, personal basis. He is not a think tank, he is not a public employee like we are. He is out there grinding it out every day, trying to battle the forces and to make it all work and to provide for his employees. We shouldn't make the landscape harder for him, we should try to empower him.

Thank you, Mr. Chairman. I will yield back my time.

Mr. Pitts. Chair thanks the gentleman.

That concludes our questions for the panel. I would like to thank the witnesses for their testimony, for their answers. I remind members that they have 10 business days to submit questions for the record, and I ask the witnesses to respond to the questions promptly.

Members should submit their questions by the close of business on Wednesday, March 27th.

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Excellent testimony, excellent hearing. Thank you very much.
Without objection, the subcommittee is adjourned.

[Whereupon, at 11:31 a.m., the subcommittee was adjourned.]