

TESTIMONY BEFORE THE UNITED STATES CONGRESS  
ON BEHALF OF THE  
NATIONAL FEDERATION OF INDEPENDENT BUSINESS

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Testimony of

**Mr. William J. Gouldin**

before the

**Small Business Committee**

on the subject of

**The Health Care Law: Implementation and Small  
Businesses**

on the date of

**April 17, 2013**

Chairman Graves, Ranking Member Velázquez, and members of the Small Business Committee, thank you for inviting me to testify on how new federal definitions in the healthcare law will impact the marginal costs of small businesses and the livelihood of their employees.

I am Bill Gouldin and I have been the President of Strange's Florists, Greenhouses, and Garden Centers since 1978. I came to the business in 1971 after going to college and serving in the U.S. Army. My father owned the business and managed it on a part-time basis because he worked as a full-time railroad engineer. Two of my brothers joined me in the business after graduating from high school and college. My wife works for the business as our Human Resources Manager. My son joined the business as Treasurer after graduating from college and serving in the U.S. Army. My daughter joined the business as Assistant Manager of Human Resources after graduating from college.

We currently have four retail florists, a wholesale greenhouse range, and two retail garden centers in the Richmond, Virginia metropolitan area. Due to the highly seasonal nature of our business, virtually all of our employees are paid by the hour. Our staff size ranges from a low of approximately 120 employees to a high of over 150 employees depending on the season. We have a blend of full-time, part-time and seasonal personnel that is constantly changing. In addition to our employees, we pay a large number of contract drivers to assist our delivery staff around the holidays.

We provide health insurance for our full-time employees who work over 37.5 hours per week. We have been paying 100% of the health insurance premium of all of our full-time employees that desire it my entire career. My father started the policy of paying for health benefits before me. In 1983, we started our 401(k) plan for all full-time employees as a tool to help our employees to save for their retirement and learn about return on investments. In the early years, I felt providing health insurance was the proper thing to do because our employees should have coverage and we could provide it for less than it would cost them individually. As I studied the results over the years, I realized that all third party payment systems are inherently inefficient because the beneficiary has little knowledge, or concern in some cases, for the total costs; and providers have very few tools to control costs.

#### Before Passage – Employer Confusion

By necessity, not by choice, I have become well-aware with our business' rising cost of providing health insurance. Our premium costs have risen from .44% of sales in 1968 to nearly 2% of sales in 2012 and will continue to increase. Of course, the constant rise in health insurance costs is regressively suppressing wages.

When the healthcare debate was raging I realized there was plenty of rhetoric by proponents selling all of the benefits and opponents displaying all of the negatives, but no one seemed to have any detailed information. Simple mathematics seemed to be lost in the debate. I asked questions of all of our professional organizations in which we have memberships, my Congressman, and Senator, but could not get all of my questions answered. When people ask me what caused the financial crisis, my answer is the lack of due diligence and integrity by all of us. The same is true of our healthcare system and the Patient Protection and Affordable Care Act.

That caused me to take the time to begin scanning the House and Senate bills as they were progressing. I looked for the words employee and employer. I printed every page I could find that referenced the employer and employee and quickly realized there were parts that were very vague and confusing, many parts that were not workable, and some that were very dangerous to employees and their employers. I realized that this law would be the most disruptive instrument to the American workplace in my lifetime and no one seemed to know, or care, right in the middle of the worst recession/depression since the Great Depression.

#### After Passage – Disruptive and Problematic Definitions

The IRS has the undesirable task of weeding through the details of implementation and is making some progress but they have a long way to go. Their most complete list of interpretations and opinions was released on December 28, 2012. That was very late in the game but helped answer some of my outstanding questions. Unfortunately, some provisions were designed in a way that cannot be fixed by regulations. For example, a new federal employment definition that must interact with an affordability test will harm employees by reducing hours and wages. One of the most dangerous parts in the law is the statutory definition of full-time employment as 30 hours per week, or 130 hours per month. The IRS cannot correct that definition. Congress will have to amend the law. The use of 30 hours to define full-time employment is the lowest in the world and far below the common practice of 37.5 to 40 hours used by most public and private employers. This is already causing rescheduling of employees where public and private employers have read the law. The federal government has never attempted to define full-time employment until now.

If the 30 hour definition is not amended several consequences will occur. Every employer will be forced to define part-time employment as something below 30 hours per week and most will use between 20 and 27.5 hours per week. There are millions of people who currently work between 30 and 36 hours per week because that works for their lifestyle and income needs. Many are students trying to pay for their education or the second wage earner in the household. These people will be required to lose needed hours of work and income. Millions will be forced to work two part-time jobs. The fixed cost of health insurance premiums is already so high that many employers will pay the penalty of “time and a half” because it is less than the marginal cost of health insurance per hour for an additional employee. Using the 30 hour definition begins to override the “time and a half” penalty. The new full-time employee definition will cause a hole in employment between 27.5 and 37.5 hours per week and very few people will be allowed to work between those hours.

In 2009, I created the attached tables to show the hourly costs of health insurance based on the Kaiser Family Foundation Survey. I used their average national premiums from 2009 and have updated the table annually to 2012. I have projected premium modest increases of only 5% per annum for 2013 and 2014. The tables show the marginal cost of offering health insurance at \$119.05 per hour for an employee allowed to work 30 hours per week when the employer pays 100% of the premium or \$95.24 if the employer pays 80% of the premium. These staggering marginal costs are evidence of the problematic employment wedge that has been created. This is a very regressive law. The cost of health insurance is of less concern as you move up the income scale and is why so many highly paid people have overlooked this problem. The 9.5%

affordability test will only aggravate the problem, and drive wage rates at healthcare inflation rates (as shown on the right side of the tables).

My concern is that no one seems to care about the millions of employees that will lose their job in whole or in part because of this provision. Most employers have no pricing power to pass these increased costs on to the consumers so they have no options but to reduce hours or personnel. If a business tries to absorb these costs and goes out of business, everybody loses their jobs.

### Now is the Time for a Simple Fix

The employer confusion caused by this law is already causing higher unemployment and I believe that real unemployment (U-6 table) will rise if a change is not made. I have tried to be aware of the language in the law, but very few businesses have any idea of what is in this law. But they are beginning to find out.

Amend the definition of full-time employee to read 37.5 hours per week and begin to improve the U-6 unemployment table today instead of watching it rise above 14.5%. This will increase employment better than any scheme that I have heard and cost the government a dime. Our every effort should to move people from unemployment (expense column) to working taxpayers (revenue column).

We all know that tax rates have been raised and some deductions will probably be changed. Many spending programs have been overpromised and must be cut or altered. The least painful way out of this mess is economic growth and maximum employment. We need a paradigm change to genuine respect for those private businesses that create jobs in this country and for those who go to work every day. It is very important to enhance, and not prevent, the opportunity of young people to work part-time to gain the experience of working. This basic training may lead to a full-time job upon finishing high school or college. Most businesses have entry level training in-house and some have tuition assistance for full-time employees who want more formal training or college. There are many benefits to working beyond wages and health insurance. The middle class flourished in the period between 1945 and 1970 and has been struggling since. The belief that there will always be an endless supply of businesses that want to hire Americans should have ended then because the rest of the world had recovered from WWII and became stronger competitors. Every law, and tax, needs to be reviewed to see if it will enhance private sector job creation or thwart it. The most patriotic thing any of us can do today is create a job or go get a job. Our Generals are smart enough to understand that the greatest risk to our country's safety is a weakened private sector that cannot keep pace with our growing government.

Thank you for your time. I look forward to answering any questions.