



LEGISLATIVE ALERT

January 6, 2015

Dear Representative:

On behalf of the AFL-CIO, I urge you to vote against the misnamed Save American Workers Act. This bill will result in lost work hours for 6.5 million workers, and it will cause many to lose their employment-based insurance coverage, resulting in higher costs for government-subsidized health coverage.

When the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) scored this legislation in July 2014, they found it would increase budget deficits by \$45.7 billion due to a decrease in employer penalty collections and an increase in government-funded health coverage. CBO and JCT found that reductions in employment-based coverage would increase spending for marketplace premium subsidies by \$12.7 billion and for Medicaid and Children's Health Insurance Program coverage by \$6.9 billion.

The Affordable Care Act (ACA) extends coverage to the uninsured by allocating responsibility for the costs among individuals, employers, and government. Under this shared responsibility framework, employers with 50 or more full-time equivalent employees must pay their fair share by offering health care coverage to employees who work 30 or more hours a week or paying a penalty if these workers access exchange subsidies instead. To ensure the success of the ACA, an employer responsibility requirement is needed to preserve current levels of employer-based coverage. However, the 30-hour "cliff" created by the law has motivated some employers to reduce workers' hours to avoid providing coverage. This has been a particular problem for workers employed at retailers, restaurants, public schools, and institutions of higher learning.

Proponents of the Save American Workers Act claim they want to help part-time workers by moving the threshold for employer penalties from 30 to 40 hours. But raising the threshold will only move the cliff and actually *increase* employers' incentive to reduce workers' hours. According to experts at the UC Berkeley Center for Labor Research and Education, moving the threshold to 40 hours will result in lost work hours for 6.5 million workers. That is nearly three times the number that are vulnerable to employers cutting their hours under the current threshold (2.3 million). The researchers also found that the policy would essentially eliminate the employer responsibility requirement, since employers' costs in moving workers from 40 to 39 hours per week are negligible compared to the costs of offering coverage or paying the employer responsibility penalty.

Congress should strengthen the employer shared responsibility requirement and eliminate the hours cliff, not simply move it. The employer responsibility requirement should be strengthened by *lowering* the threshold, requiring employers to provide coverage for workers who work 20 hours a week or more or risk a penalty, and by applying a pro rata penalty if workers with fewer than 20 hours are not offered coverage. This is the only way to protect groups of workers that will lose wages under the existing incentive to reduce hours.

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We look forward to working with you to strengthen the employer responsibility rules of the ACA, by extending coverage requirements to all workers and improving requirements related to the affordability and comprehensiveness of coverage. Achieving the coverage goals of the Affordable Care Act will depend upon enhanced employer responsibility for providing coverage to working families.

Sincerely,

A handwritten signature in black ink, appearing to read "William Samuel". The signature is fluid and cursive, with a large initial "W" and a long, sweeping tail.

William Samuel, Director
Government Affairs Department