



LEGISLATIVE ALERT

April 1, 2014

Dear Representative:

On behalf of the AFL-CIO, I urge you to vote against the Save American Workers Act (H.R. 2575). This legislation will cause at least a million Americans to lose their employment-based health care coverage, and it will result in lost work hours for 6.5 million workers.

When this bill was scored for committee markup, the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) found that H.R. 2575 will reduce the number of people receiving employment-based coverage by about one million, and it will incur costs of \$74 billion to the federal government over a ten-year period. In addition, the bill not only fails to address the problem it was intended to solve, it makes the problem worse.

Currently, the Affordable Care Act (ACA) requires employers with 50 or more full-time equivalent employees either to offer affordable, comprehensive health care coverage to employees who work 30 or more hours a week or to pay a penalty if these workers access exchange subsidies instead. The resulting 30-hour “cliff” has motivated some employers to reduce workers’ hours to avoid this shared responsibility requirement. To date, reports about cuts in hours have largely focused on workers employed at restaurants, public schools, and institutions of higher learning.

Proponents of H.R. 2575 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 losing 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.

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', written in a cursive style.

William Samuel, Director
GOVERNMENT AFFAIRS DEPARTMENT