



Statement of the U.S. Chamber of Commerce

**ON: Individual and Employer Mandates in the
President's Health Care Law**

**TO: U.S. House of Representatives Committee
on
Ways and Means
Subcommittee on Health**

DATE: April 14, 2015

1615 H Street NW | Washington, DC | 20062

The Chamber's mission is to advance human progress through an economic,
political and social system based on individual freedom,
incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on issues are developed by Chamber members serving on committees, subcommittees, councils, and task forces. Nearly 1,900 businesspeople participate in this process.

Testimony before
United States House of Representatives Committee on Ways and Means
Subcommittee on Health
Tuesday, April 14, 2015

Hearing on
Individual and Employer Mandates in the President's Health Care Law

Testimony of
Scott Womack
President
Womack Restaurants, Inc.

Chairman Brady, Ranking Member McDermott, Members of the Ways and Means Committee, thank you for the invitation to testify at this hearing. My name is Scott Womack, Owner and President of Womack Restaurants, an 11 unit Popeyes franchisee in Kansas City. I am pleased to be here today to testify on behalf of the U.S. Chamber of Commerce, the world's largest business federation, representing the interests of more than three million businesses and organizations of every size, sector, and region.

I also come before you today as a restaurant industry veteran with over 25 years of experience to represent my company, my industry and small business entrepreneurs. My first jobs were as a busboy and cook. After college, I joined the grocery industry, but after 5 years, was fired, and found myself starting over. I was lucky to land a job with IHOP as a manager, and with a \$15,000 loan from my parents, bought my first IHOP Franchise. Over the following 20 years, I built an additional 15 IHOP restaurants. In 2013, we purchased a group of Popeyes restaurants in Kansas City, and last fall, we sold our IHOP restaurants.

I frequently say that the restaurant industry is a story of first opportunities and second chances: first jobs, first careers, and a first shot at small business ownership. And second chances for people starting over: a forced career change, re-entering society after incarceration, or a second job for those digging out of a financial hole. That story is my story. I am very thankful for the opportunities I have been given, and the opportunities that our company has been able to provide. No other industry can tell this story of turning lives around.

It has been five years since the Affordable Care Act was passed, and I will provide you a real world update from the front lines of the restaurant industry. I first have to note an important point of context: small business restaurant owners and franchisees sign leases, mortgages and franchise agreements with terms of 15 to 20 years. We personally guarantee these agreements. A lease for a single restaurant is usually an obligation for at least \$1,000,000 over its lifetime. There is no escape clause in these agreements for federal legislation. When costs go up, if you can't adjust, you default and likely go bankrupt. There is no agency to bail us out. Please keep those numbers in mind as you consider future legislation, because we have put it all on the line.

Like most of you, I didn't get to read the ACA before it was passed. But I heard a promise of lower insurance premiums and lower actual costs, improved insurance coverage and affordable access for everyone. At the time, my company offered generous health coverage to our salaried management and office staff. Our fears were that the cost of offering coverage to our entire workforce would bankrupt us. After careful consideration, we chose to offer coverage to everyone.

Our reality today under the ACA is very different than what was promised. Over the last four years, our insurance premiums have risen 60%. Our single coverage now costs \$6,400 annually and family coverage costs \$19,200 annually. However, we have also had to double our deductibles to \$2500 and raise the out-of-pocket limit by two thirds.

While our insurance offering complies with the ACA as affordable, only 4% of our hourly staff have enrolled. As I sampled my fellow franchisees, I discovered that 3% to 4% enrollment is the norm across the industry. Andy Puzder, CEO of CKE Restaurants (Carl's Jr. and Hardees), wrote in a January 13, 2015 Wall Street Journal op-ed that only 2% of his company's 6900 employees had enrolled.

We are required to offer the same benefit to all our staff. We have been paying a portion of our managers' dependent coverage, but now we are unable to do so, due to the potential cost across the company. This is a big loss for our management and office staff.

As you may be aware, my offering of coverage to employees in many cases makes them ineligible for ACA subsidies for their dependents.

The reporting required is costly, complex and confusing. All employers have had to either create or buy new software as we have, or contract with a service to do so. As I write this, it is unclear whether the federal government can actually use the data in its systems.

It is clear that the assumptions inherent to the ACA were wrong. Five years later, our costs have gone up significantly. The controls and mandates did not help. Hourly employees do not want to buy policies that they were not buying before, even at a generous price. When a single surgery can still leave them with several thousands of dollars in bills, they do not want to get in the game. And the result of expanding coverage to all of our staff is a reduced benefit to our managers and office staff.

While our industry was initially alarmed at the potential cost of offering coverage to all, we at least hoped that costs would indeed come down. It was clear to me then that the promises of the ACA were in conflict with each other; expanding coverage, improving healthcare while lowering costs. Sadly, it is clear to me that the law hasn't delivered.