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Affordable Care Act: Business impact

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azfamily.com

Posted on September 26, 2013 at 7:26 PM

Updated yesterday at 7:35 PM

PHOENIX -- One goal of the Affordable Care Act was to get more employers to offer more employees health care coverage. And while on the surface that sounds good, employees at some companies are finding not only will they not have insurance, they will be working less.

Papa John's, Wendy's, Taco Bell, Applebees are all part of a growing list of businesses that say the new health care law is forcing them to cut employee hours. "Employers have probably felt the greatest crush by increasing health care costs," says Jon Ford of

the St. Luke's Health Initiative.

If anyone can relate, it's Bobby Fitzgerald, owner of White Chocolate Grill. His approach to the new health care legislation: "There are only two ways for a restaurant to navigate the new law," he says. "And that's either to grow their way over it or to cut their way under it. We've chosen the former, where we're working to grow our revenue, grow wages, grow hours worked in our business so we can overcome the added costs to come."

Those added costs take effect in January. Under the new law, any company with more than 50 full-time employees faces an ultimatum: offer health coverage to employees who work at least 30 hours a week or pay a \$2,000 penalty per worker.

Mark Dreher is a CPA with Wallace, Plese and Dreher. He has words of caution for business owners planning to pay the penalty. "It may be less than the insurance coverage," he says. "But it's a penalty, not an expense of the business that's deductible. So that's one of the things that's very important for businesses to consider. If they pay the penalty, there is no tax deduction, so they'll be paying a lot more income taxes eventually as well."

To avoid dealing with insurance or penalties, many retail businesses, like popular clothing company Forever 21, are simply cutting employee hours. Effective August 31 this year, many non-management employees will be limited to working 29.5 hours per week, essentially making them part-time employees.

Tom Jenney with Americans for prosperity, says no one should be surprised. "We're already hearing about the 29ers, the so-called 29ers, people who have been cut back to 29 hours or will be cut back to 29 hours so that they won't qualify as full-time employees under Obamacare."

Many fast food chains are doing the same. Taco Bell, Wendy's, Applebees, even Papa John's are all following the trend of limiting employee hours. Papa John's CEO John Schnatter justified the decision, reportedly saying the new health care law will "cost 11 to 14 cents per pizza."

But CPA Dreher warns that it could be a really risky strategy. "I think businesses that in the past have said we're just not going to provide health insurance for employees have to seriously look at the penalties because they are significant," he says.

Shipping giant UPS is taking a different approach. That company is targeting spouses. Next year, 15,000 non-union employees who have spouses eligible for coverage through their own employers will be excluded from the UPS plan. The decision is expected to save the Fortune 100 company \$60 million a year. It's a strategy other

business owners are considering.

Meanwhile, back at White Chocolate Grill, Bobby Fitzgerald says the new law has put many business owners in a no-win situation. "Many people are doing it so they don't go out of business," he says. "They will literally lose their business, and unemploy more people if they don't do this."

And his bigger concern? "Many business owners that I'm in contact with find it interesting that It's the business owner community who has to foot this bill, versus universal health care as it's seen in other governments, where we all pay universally through our taxes," he says.