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Health law holds costly edicts for some companies

Full time will be defined as 30 hours, and businesses with 50 such workers face new requirements or penalties.

By Nathan Burgess | April 7, 2013

If Doug Newman of Richmond-based Newman Concrete wants a full staff next year, he may have to shoulder some additional costs, or pay a penalty.

Newman's family-run company pours concrete at job sites around Maine, and has between 50 and 100 workers on staff during summers.

Most of those workers don't currently qualify for employer-paid health insurance from Newman's company, but because of the way the Affordable Care Act, the 2010 federal health reform law, is written, those workers could mean thousands of dollars in penalties if Newman doesn't provide health insurance.

"That 50th employee is going to be the most expensive employee you ever put on payroll," Newman said.

The penalties go into effect in January. For a 70-employee company, the penalty will be \$2,000 per full-time employee, minus the first 30 employees, or \$80,000.

According to the Maine Department of Labor, 3,755 of Maine's 46,295 employers have between 20 and 99 employees. That's a small chunk, but one among many sectors of Maine employers who are facing challenges under the new law.

"I've actually heard of employers stopping projects and not hiring employees," said Joel Allumbaugh, CEO of the National Worksite Benefit Group, an employee benefits consultant. "Say if they've got 48 employees, maybe they don't do an expansion, and just try to stay where they are rather than take on the next project," he said.

Allumbaugh is also the director of health care policy at the conservative Maine Heritage Policy Center, a critic of the law.

The reforms also will affect employers that have many part-time or seasonal employees, such as the Migis Hotel Group, a Maine-based operator of inns and lodges. The new rules could mean tweaking staff hours to stay in compliance. Under the health care law, an employee working an average of 30 hours a week is considered full time. If an employer has more than 50 employees, as Migis does, that could trigger the penalty if those employees don't get insurance.

"By changing the nature of full time to 30 hours, we could end up looking at insuring an awful lot of people," said Peter Twachtman, chief operating officer for Migis.

Seasonal employers have options under the law -- for example, workers who only put in full-time hours during a 120-day period are exempt from being counted toward the 50-employee threshold -- but Twachtman said he's still unclear on how Migis will approach compliance.

Several Maine businesses would not say how they planned to handle the new health care changes, including one who cited the "touchy" political nature of the reform law, which President Obama made a priority of his presidency.

Several large national employers, including the owner of the Papa John's pizza chain, were targeted for consumer boycotts after complaining about the law's cost. Darden Restaurants, parent company of the Olive Garden and Red Lobster chains, was criticized after company officials spoke publicly about cutting workers' hours in response to the employer mandates in the law.

"There was a lot of public backlash, and efficiencies did go down, so they put employees back to their typical hours," said Steven Gerlach, an attorney with the Bernstein Shur law firm in Portland.

Large companies are perhaps the best-prepared to comply with the changes. Idexx Laboratories, the Westbrook-based manufacturer of diagnostic and other technical equipment for veterinary doctors, has already complied with the new standards for covering pre-existing conditions, for example, said Cheryl Morse, senior benefits and wellness manager for the 5,400-employee company.

"We're not going to be hugely impacted," she said, because most of Idexx's employees are already eligible for company insurance. However, because the law mandates that everyone buy insurance or join a work plan, several employees who haven't signed up before will now have to apply.

"That will affect our bottom line," she said.

L.L. Bean, which already offers health benefits to 5,000 full- and part-time employees, will also avoid penalties under the law, said spokeswoman Carolyn Beem.

"We already provide coverage to employees working an average of at least 20 hours a week, so there is no impact here," she said.

But for most Maine businesses, the law could come as a shock, said Allumbaugh. The majority of companies are just barely starting to understand what the law will mean to them, he said.

"I think a lot of employers are just flat-out going to get blindsided," he said.

Steve Gerlach is a member of Bernstein Shur's Affordable Care Act Team. He can be reached at 207 228-7128 or sgerlach@bernsteinshur.com.