



November 19, 2013

Mr. Chairman, distinguished members of the committee, I have been asked to come here today to talk about the effects The Patient Protection and Affordable Care Act(aka ObamaCare) has had on businesses and individuals in areas of my state.

As you can see below I belong to three national organizations that span North America so I have asked some of my colleagues of 32 years to give me their input as well. I asked only for instances, good, or bad, that they have firsthand knowledge of. No conjecture or speculation nor pontification. I received multiple responses from Florida, California, Connecticut, Louisiana, North Carolina, South Carolina, Kentucky, and Virginia. I expect to hear from other states after the deadline for submission of my testimony passes on November 20, 2013.

I not only spoke to business owners who spoke with their clients but with many of our employees as well. Two words have been pervasive in all of their concerns:

Uncertainty and Trust, or lack thereof. Our employees and their friends have also used the word Fear.

When a person or a business has money to spend they usually do not spend it without some degree of certainty as to what they will get in return. If they do not know they will not spend it.

Across the country, especially in my area, businesses are hesitant to invest in any people, plant, or equipment because they cannot be certain of the ultimate costs and returns on those investments. They are not hiring people because of the unknown costs of Obama Care and other issues coming from the federal and state governments. North Carolina employers and employers in 12 other states also have the added burden of employment tax increases imposed on them to pay back money the states borrowed from the federal government as their state unemployment funds went dry during the last recession and it's extended benefits periods.

There is one known fact. All of our costs for health care have got to go up because the plan is adding heretofore noninsured people, many of whom will not be making a significant contribution, if any at all, to the premiums paid to health insurers. As written now the majority of that burden will be on the business community.

We have heard businesses say, among other things:

- 1) "We are going to reduce headcount below 50 employees".
- 2) "Because I pay 100% of my employees' health insurance premiums I will take what raises I was going to give to them and use them for their health insurance premiums." Note the health insurance is a deductible expense for a group plan. The bonuses would have been taxed as income.
- 3) " I am creating more part time positions that will be for 28 or 29 hours per week and making sure my seasonal or part time help stays under 29 hours per week"
- 4) "I plan to make some full time fully benefitted positions part time and non-benefitted."
- 5) "The rules for a variable hour employee are too confusing" They are too subjective.
- 6) People, myself included, have been asked by their clients to payroll people for their company but for less than 30 hours per week.
- 7) A company in southwest Florida has stopped paying for any of the employee's share of health insurance until the numbers become more quantifiable.
- 8) A staffing company in south Florida decided to do the "right thing" for their employees in October of 2013. They created a large group plan that was to be underwritten in 2013 under pre ObamaCare underwriting criteria. This included participation ratios.

They had the plan written to provide minimal essential coverage and premium contributions that matched those maximums in those plans that would be in effect after January 1 2014.

They had 160 eligible employees based on the look back provisions in the current law. Remember they still had a 75% participation of eligible employees because the plan was to start October 2013. All of these employees make \$15.00 or more per hour.

17 of the 160 eligible employees signed up. Since the company did not meet the participation requirements they reverted back to small company status and the premiums they had quoted to all of their eligible employees under the proposed plan sky rocketed. Their employees are not happy.

Pervasive among almost every individual we talked to was “I have no need for pediatric dentistry (no kids), pediatric vision care, maternity coverage (tubes tied or vasectomy)” I am a man” birth control for a multitude of reasons, “I don’t have breasts or ovaries” and whatever was added to the new plans that were not in their cancelled plans.

Did I mention “uncertainty” above and fear of what their new premiums were going to be?”

Almost as pervasive was the doubling of individual monthly premiums that were quoted prior to November 14 2013 when the President made his announcement. Now that that has passed even if they get their old plan back they have fear that their premiums will be significantly higher than they were before they were cancelled.

After I sent the required notices to all of my employees on October 1 2013 I got several comments like “Where is my insurance? It is not on this form” “why do I have to pay anything” “I have to pay WHAT?” “where is my free care?” I’ve worked 90 days where is my ObamaCare?”

I would be remiss if I did not mention trust. Business people in general do not trust the IRS nor the current administration to administer ObamaCare correctly, to say the least. That is a fact.

I could go on and on but I told you that I would testify to what I know to be fact and not based on conjecture, speculation, or economic and financial modeling.

Thank you for this opportunity to put “a face” on the problems many of us have with the Affordable Care Act.

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Curriculum Vita

Gustav (Tav) Edward Gauss III

Tav Gauss earned his undergraduate degree from The University of North Carolina and his Master's in Business Administration from Wake Forest University, and then began his career as a commercial banker. Currently, he is the majority owner, Chairman and CEO of The Action Group -Human Resources Solutions with offices in Wilson, Rocky Mount, and Greenville, North Carolina. Mr. Gauss has enjoyed 32 years in staffing and human resources and recruitment processes outsourcing and is certified by the American Staffing Association as a Certified Staffing Professional. Since 1989, Mr. Gauss has been an active member of the American Staffing Association and Tempnet, an international association of independent staffing companies. He served on the Tempnet board for 7 years.

Since 1994, he has also been a director and co-founder of Temporary Services Insurance Ltd., a workers compensation captive insurance company, where he currently sits on the Underwriting committee. In 2006, Mr. Gauss joined the board of directors of Alliance Mutual Insurance Company, Inc., a small property and casualty insurance company based in North Carolina, where he serves on the Audit committee and the Compensation committee.

Mr. Gauss offers his services nationwide as a consultant in compensation surveys, organizational diversification, risk management, and equal employment opportunity issues. Furthermore, he is a seasoned speaker in the areas of small business finance, safety and risk control, employment law, and "Budgeting in a Tight Economy". He also teaches a course entitled "Economic Reality 101" for high school students on a vocational career path.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name:

GUSTAV EDWARD GAUSS III

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2011. Include the source and amount of each grant or contract.

N/A

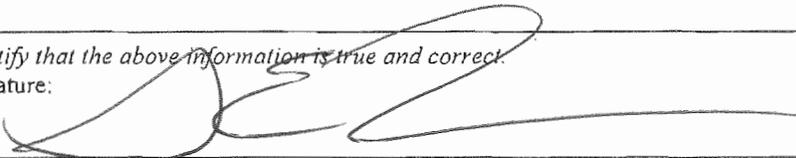
2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

N/A

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

N/A

I certify that the above information is true and correct.
Signature:



Date:

11-20-2013



November 19, 2013

What follows is my testimony from October 2011 with the updates as of November 20, 2013.

Tav Gauss



October 6, 2011 **November 22, 2013**

Mr. Chairman, distinguished members of the committee, thank you for giving us the opportunity to come before you today to discuss the effects that the new health care law will have on my company and our industry.

My name is Tav Gauss. I am from Wilson North Carolina. After graduating from the University of North Carolina in 1977 and The Babcock Graduate School of Management at Wake Forest University in 1979, I became a commercial banker with a national bank. After three years in that line of work I decided to start my own business. I started, what is now The Action Group, Human Resources Solutions on January 2, 1982.

I have been studying the potential effects the new health care law will have on my business and my employees, both permanent and the field staff. If the law takes effect on January 1, 2014? as it appears to be written, I will **might** have to close my doors. My permanent staff of 16 **13 (because I have had to lay off 3 more people since October 2011 because of sluggish growth of the economy in my area)** people makes about \$1,000,000.00 **\$800,000** collectively and I am not included in that figure. They are fully benefitted with a 401 k plan; a generous paid time off policy (they tell me it is so generous they cannot use all of the days) and we have a health insurance plan. (HSA). My share of their premium is about \$80,000.00 **\$32,000 because some of my staff dropped our plan for a cheaper plan or dropped health insurance all together** per year. My premium under the new health care plan would be \$711,000 **I don't know at this point and will not know until November 2014 nor do I know if there will be a plan underwritten for my temporary employees because one was not available to me as of August 2013** based on my year to date 2011 **2013 numbers**. My permanent staff would **might** become unemployed.

Our field staff also has the benefits of our 401k plan plus longevity bonuses. We make matching contributions to what they pay in, just like our permanent staff. In almost 30 years less than 50 of the field staff have chosen to participate. They do not want to make a contribution for a myriad of reasons.

Our field staff, which should number about 1700 **1100** people by year end, has had the benefit of mini med health care plans since about 1992. To my knowledge, no one has participated in these plans. They would rather have the money. They need the money. My average pay rate exceeds \$9.25 **\$9.57** per hour. That is a great wage for high school graduates in Eastern North Carolina who are unskilled or semi-skilled. We assemble windshield wiper motors for a Japanese company; commercial grade transformers for a Swedish company; oven doors for a German company; ball bearings for American automobile companies plus hundreds of different other jobs in Eastern North Carolina. My turnover ratio is pretty good compared to industry standards. Our field staff turns over every 9 weeks or after about 360 hours.

Maybe I could pass on 20% to these folks for \$33.00 per month. That means my share of the premium would be \$569,000 instead of \$711,000. 5 times what I pay now. I still close my doors. My field staff becomes unemployed. In **2013 The field staff I have talked to are shocked and annoyed that they would have to pay anything at all. They have never had to pay anything before and have always received any health care they may need gratis or at free or reduced fee clinics.**

Companies in the United States use temporary staffing to supplement their current work force; for seasonal peaks, short term projects, or uncertainty in the economy. Their ability to use staff only during peak times protects the jobs of their permanent employees. The system has two major benefits to temporary staff. First, it gives the temporary employee a foot in the door for a permanent job. It is like a working interview. Second, Our clients can use the temporary employees when they need them then we can place them somewhere else that is in need of people for their projects or long term employment. The temporary employees are statutorily our employees. We have to keep them working or find permanent jobs for them or we have to pay for their unemployment benefits, like we have had to do since October 2008.

If our client companies have to pay more for the health insurance for the temporary employees it really threatens their global competitiveness and flexibility to adapt to changing market conditions. No matter what I could pass on to them, if anything, it will simply raise the price of doing business with manufacturers in the United States. The last thing we need is another impediment to the recovery of our economy.

The health care bill also is, to use the old football term, piling on. Every business in the United States and the world has been effected by the great recession. Now businesses in the United States face increases in their employment taxes. FUTA or federal unemployment tax has been calculated at .008 percent of the first \$7,000.00 in wages for everyone they employee. That has been the rate for as long as I can remember. Now many states have the rate calculated at .011 percent of the first \$7,000.00 and there are approximately 8 states that will have rates of .014 in 2012. SUTA or state unemployment taxes have severely increased in almost every state. All states and all companies are different but my SUTA rates increased from 2% of the first \$19,700.00 in wages to 3.24% in 2011 and will be somewhere north of that for 2012.

There have been so many new regulations and new regulators since January 2009. Fines, penalties, and fees have all increased. Businesses do not know what is going to come next with those types of issues, much less mandatory health care. We are in the longest growth cycle we have ever had after a recession. Businesses are fearful of making permanent decisions about increasing staff.

There is no doubt that our health care system needs some major work. (see my premiums above). I am sure the new plan was thought up with good intentions. However, it cannot work mathematically and practically as it has been presented to those who bear the burden of paying for it.

Thank you for having us here today.



Gustav Edward Gauss III