



Written by [Raven Clabough](#) on August 9, 2012

Small Businesses Bemoan ObamaCare Costs

Papa John's pizza recently told its shareholders that President Obama's healthcare law will [force](#) the prices of its pizza to increase. During a conference call last week, Papa John's CEO and founder John Schnatter said that the healthcare law would result in an increase in costs for the company, which would unfortunately trickle down to the consumer.



ObamaCare will compel Papa John's to provide healthcare coverage to more of its 16,500 total employees or pay a penalty as a result.

"Our best estimate is that the ObamaCare will cost 11 to 14 cents per pizza, or 15 to 20 cents per order from a corporate basis," Schnatter said.

"We're not supportive of ObamaCare, like most businesses in our industry. But our business model and unit economics are about as ideal as you can get for a food company to absorb ObamaCare," he said.

"If ObamaCare is in fact not repealed, we will find tactics to shallow out any ObamaCare costs and core strategies to pass that cost onto consumers in order to protect our shareholders best interests," Schnatter vowed.

Schnatter has thrown his support behind GOP presidential contender Mitt Romney, hosting a campaign fundraiser at his mansion in Louisville.

"Don't you love this country?" Romney, who attended, asked during the event. "What a home this is, what grounds these are, the pool, the golf course."

And according to a Papa John's franchise owner in Texas, Judy Nichols, the healthcare law will likely impact her ability to open more restaurants.

"I have two options: I can stop offering coverage and pay the \$2,000 fine, or I could keep my number of staff under 50 so the mandate doesn't apply," she told Legal Newsline. Nichols added that the [law may cost her from \\$20,000 to \\$30,000](#) extra in taxes. "ObamaCare is making me think about cutting jobs instead," she said.

Papa John's is not the first company to make such an announcement.

In early July, the vice president of the burger chain White Castle, Jamie Richardson, told a congressional committee that ObamaCare will devastate the White Castle company.

Mother Jones reports, "In recent years, White Castle has warned that President Barack Obama's Affordable Care Act will increase its health care costs by 20 percent or more in 2014, halving its profits and preventing it from expanding access to its delicious fare."

Likewise, McDonald's Corp. chief financial officer Peter Bensen told analysts that the law will add between \$10,000 and \$30,000 in additional costs to each of the 14,000 McDonald's restaurants in the United States.



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And Burger King Worldwide Inc. president Steven Wiborg said, “Many of our franchises will struggle with how to reconcile the financial implications ... and will likely take other measures to reduce costs.”

The *Wall Street Journal* [reports](#) that a number of franchises have voiced concerns regarding the increased costs brought on by ObamaCare:

Operators of outlets including Subway, Burger King and [Dunkin' Brands Group](#) Inc.'s Dunkin' Donuts last week met with more than a dozen lawmakers in Washington to complain about the law. Industry trade groups are also pushing the White House to soften the requirements through regulations that will spell out exactly how employers must comply with the law, known as the Affordable Care Act.

Randall Tabor, owner of two Quiznos sandwich restaurants in Virginia Beach, Virginia, explains that he does not offer health benefits to his Quiznos workers.

“I don't have the profit margin to pay for it,” said Tabor, who aspired to triple the number of outlets he owns. Tabor indicated that he had to postpone his plans to open more outlets after the healthcare law was passed.

The healthcare law mandates that employers with over 50 full-time employees must provide health insurance to their employees by 2014 or pay a penalty. For that reason, Tabor, who employs 36 people at his shops, wants to stay small so that he does not have to adhere to the directive.

Other restaurant owners have made similar moves, declaring that they would rather drop the limited health-benefit plans that they currently offer and pay penalties rather than provide the more expensive insurance that is required by the law.

John Motta, owner of 10 Dunkin' Donuts restaurants in New Hampshire and 10 in Virginia, said he currently offers workers a choice of two insurance plans, and he pays the premiums, but is now considering dropping the coverage and paying the penalty. Unfortunately, Motta admits that even the cost of the penalty could put him out of business in Virginia, where his stores have been having financial troubles.

And employees who are currently working full-time schedules may see their hours cut so that they can avoid the requirement, as only full-time workers are taken into consideration for the insurance requirement.

Other employers are uncertain about exactly how their businesses will be impacted by the law.

Kathie Veasey, owner of a Wilmington, Delaware, True Value hardware store, states, “We don't know how to plan for it.” Veasey currently pays the full cost of insurance coverage for 10 out of her 11 full-time employees. Since her business does not have enough full-time employees, she does not meet the insurance coverage requirement, but she does not believe the law's changes will lower her premiums.

Even CNBC's Jim Cramer, who cannot be accused of being a conservative, [admits](#) that ObamaCare will hurt businesses.

“What I'm telling you, business leaders fear [ObamaCare] more than anything. They don't want to hire, this is part of the underground economy that is going to develop, because no one wants people on the books, because of ObamaCare. People have to recognize that this is a front and center issue for every CEO I deal with and another reason why they don't want to hire here and they want to hire there. They want to put the jobs in Asia, they want to put the jobs in Mexico, because they don't want to think about how much more it's going to cost to hire a new person,” Cramer said on *Mad Money*.



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Photo: Papa John's Founder, Chairman, and CEO John Schnatter at the chain's 3000th North American Store Celebration in Burbank, IL on October 24, 2011: AP Images



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