Restaurant Giant Cuts Hours to Avoid Employer Mandate

ObamaCare's employer mandate was supposed to guarantee that most Americans would obtain health insurance through their employers. But for those workers least able to afford insurance on their own — service employees paid on an hourly basis — the law may well be having precisely the opposite effect, as companies simply reduce the number of employees who must be covered by cutting hours.

According to the *Orlando Sentinel*, Darden Restaurants, Inc., operator of casual dining chains such as Olive Garden, Red Lobster, and LongHorn Steakhouse, is doing just that. ObamaCare requires companies to provide "affordable" health insurance to employees working at least 30 hours per week or pay fines of up to $3,000 per employee who instead obtains taxpayer-subsidized insurance on a state exchange. Darden, therefore, is experimenting with limiting most of its employees to 28 hours per week, thus freeing it from the mandate and its accompanying fine.

"Darden said the test is taking place in 'a select number' of restaurants in four markets, including Central Florida, but would not give details," reports the *Sentinel*. "The company said there has been no decision made about expanding it."

With approximately 185,000 employees, Darden is one of the nation's top 30 employers. The company said it offers health insurance to all of its employees, but many are offered limited-benefit plans that will be illegal under ObamaCare. Instead, if Darden's experiment is any indication of what to expect, they will end up with no employer-sponsored health insurance at all — putting the lie to President Obama's repeated assurances that "if you're one of the more than 250 million Americans who already have health insurance, you will keep your health insurance" under ObamaCare.

Even those full-time Darden employees already obtaining traditional health insurance through their employer could see their hours reduced so they can be dropped from that plan. "Because [ObamaCare] requires everyone to have health insurance, more workers will likely choose its coverage," Janney Capital Markets analyst Mark Kalinoswki told the *Sentinel*.

"Even a modest jump up in the amount of employees that decide they want the insurance you're offering could have a meaningful impact on your bottom line," he said.

The newspaper found evidence that the policy is already in effect at some Darden restaurants:

> Under the system Darden is testing, employees are to be scheduled for no more than 28 hours each week. They can run over that if things get busy, but Darden acknowledged they are not supposed to exceed 30 hours.

At a new Olive Garden in Stillwater, Okla., former busboy Keaton Hasty said employees were routinely limited to 29 1/2 hours.

"It was 29 1/2, and they'd kick you out," said Hasty, a college student who now works at a pharmacy. "They'd always print off a little slip every day and say who was getting close."

And Michael Walker said when he applied for a job at a new Olive Garden in Hammond, La., he was told that except for a few “key training positions,” only part-time jobs were available for hourly workers.

“Without having full health care … I don’t see that as an option,” Walker said. He decided to stick with his current job at another restaurant.

So much for ObamaCare’s supposed guarantee of insurance portability between jobs.

The reduction in hours is only part of Darden’s overall approach to keeping labor costs down; but if it is successful, other companies are likely to follow suit, particularly after the employer mandate takes effect in 2014. “Analysts say many other companies, including the White Castle hamburger chain, are considering employing fewer full-timers because of” ObamaCare, the *Sentinel* writes.

None of this should come as a surprise to anyone except those who believed that the federal government could repeal the laws of economics. Such moves on the part of employers have long been expected. Back in May, for instance, insurance executive Edward Fensholt told the House Subcommittee on Health, Employment, Labor, and Pensions:

> The flight from the group insurance marketplace will [be] most acute in industries where the employees tend to be modestly paid, hourly workers. Employers will opt to pay the relatively modest $2,000 per full-time employee penalty for offering no insurance, rather than pay larger subsidies for health insurance for the employees and their dependents. Congress can also expect to see many employer sectors transition full-time employees to part-time status, to take the employees out of the penalty equation.

These employees will then have to seek insurance on state exchanges, where premiums will often be subsidized by the government — and that will have severe consequences for state and federal budgets, most of which are already on life support.

What will be the politicians’ response to the budgetary nightmare the law they passed has created? Will they realize their mistake and repeal the law that caused the problem? If history is any guide, they will instead take the advice of Paul Keckley, executive director of the Deloitte Center for Health Solutions, who told the Huffington Post that “follow-up legislation might be needed to ensure that companies do not shift more workers to part-time status to avoid providing coverage.” Big government, as always, begets bigger government.

Darden Restaurants logo: AP Images