

Supplemental Survey Report

Firms Assess Effects of Affordable Care Act

Supplementary questions in the August 2014 *Empire State Manufacturing Survey* and *Business Leaders Survey* explored how the Affordable Care Act (ACA) is affecting businesses and how businesses are responding to the new legislation. This month's questions had not been asked previously, though questions relating to the ACA were asked in July 2013.

When queried about the percentage change in health coverage costs in 2014—a change not necessarily attributable to the ACA—the median manufacturing firm reported a 10 percent increase and the median service firm, a 9 percent increase. Asked about the expected change in 2015, the median respondent in both surveys predicted a 10 percent increase. Respondents were then asked for a qualitative assessment of the ACA's net effect on health benefit costs per worker, both this year and next year. In general, manufacturers were more likely than service firms to say that the act increased costs; both types of firms expected the upward effect to be more pronounced in 2015 than in 2014. Only 20 percent of service firms and 35 percent of manufacturers reported that it had increased costs “a lot” this

year. However, half of the manufacturing respondents and a third of those in the service sector said that they expected it to increase costs considerably in 2015. Responses to these questions did not generally vary much by firm size.

When asked whether they were changing their health plans in response to the ACA, 36 percent of manufacturers and 41 percent of service firms said they were not. For those that were planning a change, however, the most widely reported adjustments involved higher deductibles, increased co-pays, higher out-of-pocket maximums, and an increased employee contribution to the premium. The vast majority of firms in both surveys indicated that they would be paying a higher total premium, though a sizable proportion of those were passing a portion of the increase along in the form of a higher employee contribution to the premium. A majority of those surveyed, however, said they were expanding or leaving unchanged the range of services covered and the size and breadth of the health care network. Significantly, respondents in both surveys reported that a somewhat larger proportion of employees, on net, would be covered than in the past.

In addition, all respondents were asked if they were making specific changes to a number of fundamental business measures as a result of the ACA. About 20 percent of respondents in both surveys said that they were reducing the number of workers and/or raising the share of part-time workers. A similar proportion said they were paying less compensation per worker because of the ACA, and a similar proportion of manufacturers said they were outsourcing more work. The most widely cited change among those listed in the questionnaire was raising the prices charged to customers: 36 percent of manufacturers and 25 percent of service firms said they were hiking prices in response to effects of the ACA. It should be noted, however, that more than half of the service firms and nearly half of manufacturing respondents did not report making any of the changes listed.

Finally, 12 percent of manufacturers and 19 percent of service firms said the excise tax on high-value health plans (the “Cadillac Tax”) would apply to their plans, as they stand now. However, nearly a third of respondents in both surveys said they were not sure. ■

Supplemental Survey Report, *continued*

The Affordable Care Act (ACA)

QUESTION 1

How many full-time and part-time workers does your firm employ?

	Empire State Manufacturing Survey		Business Leaders Survey	
	Median Number		Median Number	
	Full-Time	Part-Time	Full-Time	Part-Time
2013	89.0	2.0	100.0	7.5
2014	88.5	2.0	99.5	7.0
2015	96.5	2.0	100.0	8.0

QUESTION 2

Characterization of business

	Empire State Manufacturing Survey	Business Leaders Survey
	Percentage of Respondents	Percentage of Respondents
	Primarily or completely self-contained at one location	74.4
Large corporation with multiple establishments in the United States	12.2	24.6
Subsidiary or branch of a larger corporation	8.5	7.6
Other	4.9	17.8

QUESTION 3

What is your best estimate of the annual percentage change in your business' overall health coverage costs per worker this year and next year?

	Empire State Manufacturing Survey	Business Leaders Survey
	Median Increase	Median Increase
	2013 to 2014	10.0
2014 to 2015	10.0	10.0

QUESTION 4

How would you say the ACA has affected the amount your firm is paying in health benefit costs per worker this year? And how do you expect it to affect such costs next year?

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents		Percentage of Respondents	
	This Year	Next Year	This Year	Next Year
Reduce costs a lot	0.0	0.0	0.8	0.8
Reduce costs a little	2.3	2.3	5.6	3.2
No effect	24.4	16.3	35.2	23.0
Increase costs a little	38.4	30.2	38.4	39.7
Increase costs a lot	34.9	51.2	20.0	33.3

Supplemental Survey Report, *continued*

QUESTION 5A
How, if at all, are you changing your health plan in response to the ACA?

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents		Percentage of Respondents	
Unchanged	36.0		40.5	
Making modifications	60.5		54.0	
Dropping	2.3		0.8	
Offering for the first time	0.0		0.8	
Don't offer and don't plan to	1.2		4.0	

QUESTION 5B
How, if at all, are you changing your health plan in response to the ACA? (for those “making modifications”)

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents		Percentage of Respondents	
	Reducing	Increasing	Reducing	Increasing
Percent of employees covered	15.4	25.0	17.6	22.1
Employee contribution	3.8	73.1	5.9	69.1
Total premium	3.8	82.7	11.8	72.1
Deductibles	5.8	84.6	5.9	76.5
Out-of-pocket maximum	1.9	84.6	5.9	70.6
Co-pays	5.8	78.8	1.5	79.4
Range of services covered	40.4	13.5	33.8	20.6
Size/breadth of network	36.5	7.7	33.8	11.8

Supplemental Survey Report, *continued*

QUESTION 6

How, if at all, are you changing (or have you changed) any of the following because of the effects that the ACA is having on your business?

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents		Percentage of Respondents	
	Reducing	Increasing	Reducing	Increasing
Number of workers you employ	21.6	2.3	16.9	1.6
Proportion of your workers that are part-time	4.5	19.3	4.8	20.2
Amount of work outsourced to other firms	2.3	19.3	3.2	8.9
Wage and salary compensation per worker	20.5	12.5	21.8	5.6
Other benefits, including retirement	21.6	3.4	15.3	3.2
Prices you charge to customers	1.1	36.4	1.6	25.0

QUESTION 7

As you may know, an excise tax on high-value health insurance plans (the “Cadillac Tax”) will take effect in 2018; would this apply to your firm’s own health plan as it stands now?

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents		Percentage of Respondents	
Yes	12.0		19.0	
No	55.4		50.0	
Not sure	32.5		31.0	