

Supplemental Survey Report

Firms Assess Effects of Affordable Care Act

Supplementary questions in the August 2016 *Empire State Manufacturing Survey* and *Business Leaders Survey* focused on health coverage, and specifically on how the Affordable Care Act (ACA) has affected businesses and how businesses have responded. This month's questions broadly parallel questions asked in the August 2015 survey; ACA-related questions were also asked in August 2014 and earlier surveys.

When businesses were asked to estimate the percentage change in their health coverage costs in 2016—not necessarily attributable to the ACA—the median response among both manufacturers and service firms was for an increase of 8.5 percent. These increases are somewhat lower than what respondents had anticipated in last August's survey, though it should be emphasized that the pool of respondents is not exactly the same. When firms were asked about the expected change for 2017, the median response in both surveys was for a 10 percent increase.

Firms were asked to identify the factors that have contributed most toward increasing or reducing health care costs. (This question was not asked in an open-ended way in the 2015 survey and so we cannot make comparisons here.) Some of the more widely mentioned factors driving up costs included increased premiums from insurance providers, higher costs for prescription drugs, the

ACA, and an aging workforce. Fewer respondents listed factors contributing to lower costs, but those factors most frequently cited involved cost-sharing (for example, higher contributions, deductibles, and co-payments from employees).

Asked whether they were changing their health plans in response to the ACA, roughly two in five respondents—in both the manufacturing and service sector surveys—said they were not. Of those that were, however, the most widely reported adjustments involved higher deductibles, increased co-pays, and higher out-of-pocket maximums. The vast majority of firms in both surveys indicated that they would be paying a higher total premium, and somewhat more than half of respondents in both the manufacturing and service sector surveys said they were raising their employees' share of contribution to the premium. A majority of those in both surveys, however, said they were leaving unchanged the range of services covered and the size and breadth of the health care network. The vast majority of respondents in both surveys reported that the ACA has not altered the proportion of employees with coverage: 14 percent of manufacturers and 18 percent of service firms indicated that more employees are now being covered, while just 2 percent of manufacturers and 8 percent of service firms said that fewer employees are being covered. These results broadly parallel

the results of last year's survey, except that in the earlier survey, considerably fewer respondents among both manufacturers and service firms indicated that they were raising their employees' contribution toward premiums.

All respondents were asked if they were making specific changes to certain fundamental business measures, owing to effects of the ACA. Roughly 17 percent of service sector firms and 21 percent of manufacturers said they were reducing the number of workers in response to the ACA. The vast majority of respondents in both surveys said they were not changing the proportion of part-time workers or the amount of work outsourced to other firms. Most respondents also said wage and salary compensation and other benefits were not being affected by the ACA, though more respondents said they were being cut than raised. And slightly less than a third of manufacturers and 21 percent of service sector panelists said they were raising the prices they charge to customers. Responses to these questions were also broadly similar to those in the August 2015 and 2014 surveys.

Finally, 17 percent of manufacturers and 22 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 service sector firms and 37 percent of manufacturers said they were not sure. ■

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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
2015	67.0	1.0	63.0	3.0
2016	65.0	1.5	65.0	3.0
2017 (expected)	61.5	1.0	67.5	3.5

QUESTION 2

Which of the following descriptions best characterizes your business?

	Empire State Manufacturing Survey	Business Leaders Survey
	Percentage of Respondents	Percentage of Respondents
Large corporation with multiple establishments in the United States	4.4	8.5
Primarily or completely self-contained at one location	54.9	38.8
Subsidiary or branch of a larger corporation	7.7	2.3
Small to medium-sized company with a few locations	29.7	41.1
Franchise	0.0	1.6
Other	3.3	7.8

QUESTION 3

What are your best estimates—for this year and for next year—of the annual percentage change in your business' overall health coverage costs per worker? And what are your best estimates of the annual percentage change in the health coverage costs that your average worker pays?

	Empire State Manufacturing Survey	Business Leaders Survey
	Median Percentage Change	Median Percentage Change
Business: 2015 to 2016	8.5	8.5
Business: 2016 to 2017	10.0	10.0
Workers: 2015 to 2016	5.0	6.0
Workers: 2016 to 2017	5.0	8.0

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QUESTION 4

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
Keeping plan unchanged	39.1	41.7
Making modifications	41.4	39.4
Switching to a new provider	16.1	15.0
Dropping plan	0.0	0.8
Offering for the first time	0.0	0.8
Don't offer and don't plan to	3.4	2.4

QUESTION 5

If you responded that you are “making modifications” or “switching to a new provider,” what changes are you making?

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents		Percentage of Respondents	
	Reducing	Increasing	Reducing	Increasing
Percentage of employees covered	2.0	14.3	7.5	17.9
Employee contribution to premium	4.3	57.4	2.9	53.6
Total premium	4.3	87.0	3.1	83.1
Deductibles	4.2	85.4	4.3	72.5
Out-of-pocket maximum	6.4	78.7	0.0	65.7
Number of plan options for employees	20.8	18.8	25.0	25.0
Co-pays	2.1	74.5	0.0	67.6
Range of services covered	29.2	8.3	14.7	8.8
Size/breadth of network	14.9	4.3	15.2	6.1

Supplemental Survey Report, *continued*

QUESTION 6

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

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents		Percentage of Respondents	
	Reducing	Increasing	Reducing	Increasing
The number of workers you employ	20.9	4.7	16.8	0.8
The proportion of your workers that are part-time	0.0	12.9	3.9	15.0
The amount of work outsourced to other firms	0.0	17.6	0.0	14.6
Wage and salary compensation per worker	24.4	14.0	18.1	6.3
Other benefits, including retirement	20.2	4.8	10.4	2.4
Prices you charge to customers	0.0	32.1	0.0	21.4

QUESTION 7

As you may know, an excise tax on high-value health insurance plans (the "Cadillac Tax") will take effect in 2020; would this tax apply to your firm's health plan as it stands now?

	Empire State Manufacturing Survey	Business Leaders Survey
	Percentage of Respondents	Percentage of Respondents
Yes	17.2	21.7
No	46.0	46.5
Not sure	36.8	31.8