

Final Summary Report  
ACA Employer Survey

Leslie A. Muller, Paul Isely, & Adelin Levin  
1/15/2014

## **SUMMARY OF RESULTS FOR KOMA**

### **OVERALL**

1. 93% of firms in West Michigan with greater than 50 employees have health insurance for their workers.
2. 30% of firms in West Michigan are uncertain about offering health insurance in 2015.

### **CHANGES TO HEALTH PLANS**

1. 49% of firms have already increased the share of costs with employees
2. 37% have shifted costs using a High Deductible Plan.
3. 30% have shifted costs using changes to Prescription Drug coverage
4. 51% of firms are getting their primary information on ACA from something other than their insurance carrier or insurance broker.
5. 31% of firms already have implemented a wellness plan in response to the ACA
6. 44% of firms are considering a wellness plan

### **CHANGES TO HIRING**

1. 15% of firms have increased the use of temporary workers. This is more prominent in smaller firms
2. 22% plan on reducing or limiting hiring
3. 29% have limited employee hours
4. The authors estimate the effect is conservatively 1,000 fewer workers in KOMA as a result of firms' reactions to the ACA over the last year.
5. The authors estimate that growth will be 0.1 to 0.2 percentage points lower in KOMA over the next 12 months as a result of the ACA.

## **Motivation:**

The Affordable Care Act (ACA) will affect how firms interact with their employees and the healthcare plans that they provide over the next few years. Generally, these changes increase costs compared to the healthcare choices firms were making in the past. These changes include:

- New taxes that must be paid, increasing costs of the plans
- Required changes to covered services
- Out of pocket maximums
- Other coverage changes

As a result firms are making choices on how they will provide healthcare for their employees going forward. Firms are choosing many different paths and this study was designed to show how firms in Kent, Ottawa, Muskegon, and Allegan counties (KOMA) in West Michigan are planning on responding.

## **Survey**

The main point of the survey was to find out what firms were doing with their health plans and business practices as a result of the ACA Employer Mandate. The survey instructed respondents to only indicate what changes they had made/were considering making *because of the ACA*. The inclusion of these instructions is important because employers have been making cost containment decisions for years as health care costs increased, and it was important to distinguish these changes from those made because of the mandate.

A summary of results can be found in Appendix 1 of this report. The construction was a joint effort between GVSU and Priority Health. The survey was sent out to 918 businesses in KOMA in early October 2013. In all we received 174 responses, for a response rate of 19%.

## **Sample**

The initial sample was chosen randomly from a database of KOMA employers who had 50 or more employees in 2011. The Michigan Small Business and Technology Development Center at GVSU supplied the names and addresses of the CEOs for each company. Although all of these firms reported more than 50 employees, 32 percent of the sample reports less than 50 *full time* employees. The differences arise because a firm could have more than 50 total employees, but less than 50 of these are full time. In addition, firms that had around 50 workers in 2011 could have decreased their workforce. Regardless of the reasons, the group of firms with less than 50 workers is not a representative sample, and this fact should be considered as the results are analyzed.

We chose three firm characteristics to include in the survey questions: firm size, average employee skill level, and industry. Health insurance and business practices are widely known to vary with firm size, given the economies of scale and bargaining power inherent in large firms. Skill level also matters, as firms tend to compete for higher-skilled workers with health benefits. High-skilled workers also have larger replacement costs in terms of training and this may affect whether a firm changes business practices as a result of the mandate. Finally, the type of industry a firm is in may affect their health insurance choices and business practices. KOMA, and particularly the larger firms sampled, has a large percentage of manufacturing firms, which tend to offer better health insurance than, e.g., the service industry.

Not surprisingly, the majority of firms are small firms, with 59 percent having less than 100 employees. The sample firms with above 250 employees is quite small, with only 6 percent in the 250-499 range and 9 percent having more than 500 full time workers. We find that while the 500 or more sample tends to follow the national trends in health insurance and wellness plan characteristics, the 250-499 size does

not. We used regression analysis and cross tabulations to examine whether the results are being driven by skill level or industry and found no correlations. Hence we conclude that this sample is likely not representative of this firm size.

On a scale from 1 to 10, with 10 being highly skilled, the majority of KOMA rate their workers as a 7 or higher. This tells us that these firms may be more likely to attract productive workers with health benefits, and be less likely to reduce their labor force.

Twenty seven percent of the firms are in Manufacturing, followed by Other (9 percent), Health Care (7 percent), and Retail and Food Service (each 6.5 percent). Although Manufacturing is over-sampled and Retail is under-sampled as compared to the population in KOMA, each sample by industry is too small to make meaningful inferences as to a particular industry's affect on cost containment and business practice changes.

## **Survey Results**

### ***Health Insurance Offerings***

Ninety-three percent of firms with more than 50 employees in KOMA currently offer health insurance. However, firms clearly have a lot of uncertainty about what they will do going forward. While most firms (89 percent) plan on offering insurance and only 8 percent have not decided for the 2014 plan year, by 2015, only 66 percent will offer insurance and the percentage of undecided jumps to 30 percent. This level of uncertainty in health coverage affects willingness of firms to hire or invest.

### ***Health Care Cost Containment Measures***

Firms have been enacting cost-containment measures for years as health care costs have risen. Are they acting further on these measures because of the ACA? For the most part, yes. The areas of containment where we expect to see the most change is in the employee share of costs, the use of high deductible plans, and changing prescription coverage.

Overall, the survey results show that firms are containing costs by passing them along to their employees. This trend has been evident before the ACA was passed, but has since accelerated in anticipation of higher costs. The results show that 49 percent of employers have already increased the share of costs for the employee because of the ACA, while 40 percent are considering this option. KOMA employers are reacting similarly to firms nationally, with 43 percent having or planning to increase the employee share of premiums, and 33 percent planning to increase deductibles (IFEBC 2013).

High-deductible plans have become commonplace in the last few years. The ACA has only accelerated firm use of these plans. Thirty-seven percent of firms have implemented or expanded their high deductible plans, while 41 percent are considering this option.

The price of pharmaceuticals has increased substantially. Thirty percent of firms have already changed their drug coverage, while 45 percent are considering a change.

### ***Wellness Plans***

KOMA firms are not just increasing costs for employees, but taking responsibility for assisting employees in getting healthier. The ACA has increased the percentage discount in premiums a worker may receive if he achieves employer-set health standards, and firms are taking advantage of this. Workers may receive anywhere from 30 to 50 percent off their premium, which is quite an incentive to participate in wellness plans. The survey shows that 31 percent of firms have already implemented a wellness plan because of the ACA, and 44 percent are considering it. Firms in KOMA are adopting/expanding wellness plans at a

higher rate than the rest of the country. A 2013 study by the International Foundation of Employee Benefit Plans (IFEBP) found that 46 percent of firms with over 50 workers have or are planning on adding wellness plans.

Firms are also increasing the use of wellness incentives. Seventy one percent of firms have implemented wellness incentives or are considering it. This percentage is again higher than the national average, with only 41 percent of firms with over 50 employees choosing to do so (IFEBP).

### ***Changes in Business Practices***

Many firms have decided however to minimize their exposure to ACA costs by limiting the employees that must be covered. Questions 14a - 14c show that 36 percent of firms are considering (or using) temporary workers, 44 percent are considering or have reduced/limited hiring over the next 12 months, and 51 percent are considering or have already reduced/limited hours so that the employee is considered part-time.

Using the facts that 22% of firms have reduced hiring plans, firms expected hiring plans, and the size of the workforce in KOMA, there are an estimated 1,000 fewer jobs (650 – 1,200) currently in West Michigan as a result of the ACA. This does not include underemployed because of hours being limited, nor does it include the jobs that do not exist because of limited expansions. It is unclear how this will evolve as the ACA is implemented over the next few years.

Do the firms considering making these changes share any common characteristics? We ran regressions to see if firm size, skill level, or industry may influence their decisions. Overall, industry had no statistical effect on any of the responses in Question 14. However, small firms were more likely to limit hiring and reduce hours. In addition, the higher the skill level, the lower the probability of using temporary workers, limiting hiring, or reducing hours. This makes sense, as high-skilled workers are less easily replaced than are low-skilled workers. In addition, those firms who reported being 'undecided' about offering insurance coverage in 2015 (Question 6) were also more likely to limit hiring and reduce hours. These actions show unambiguously that firms are taking a more conservative look at future hiring needs and thereby possibly growing more slowly than they would have without the ACA requirements.

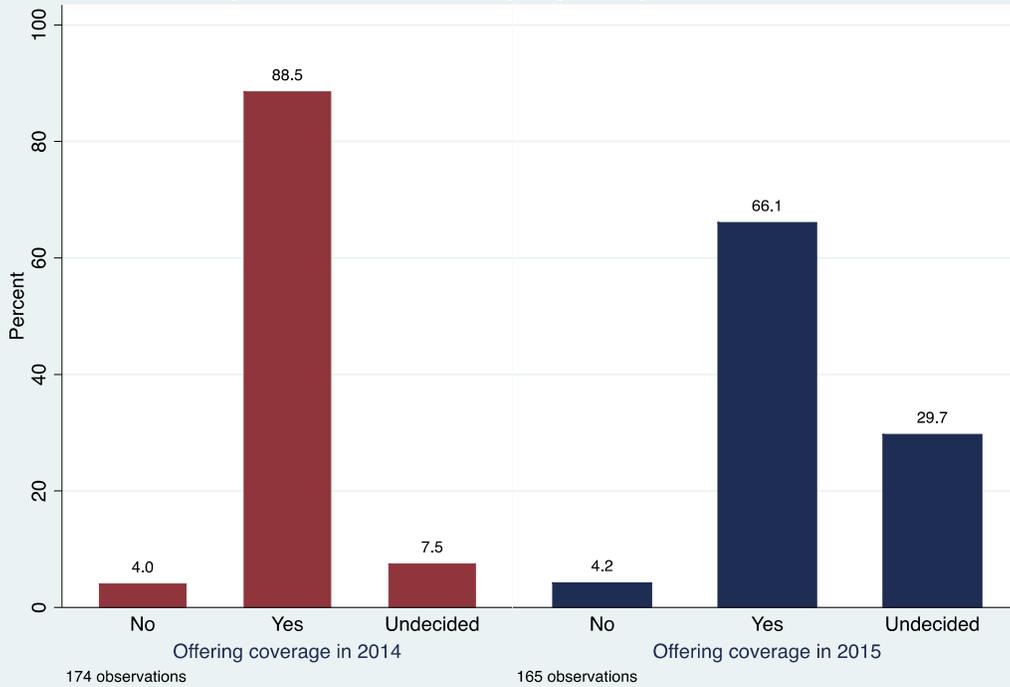
Breakdowns of various business plan decisions by firm size can be seen in the Appendix.

### ***Sources of information on the ACA***

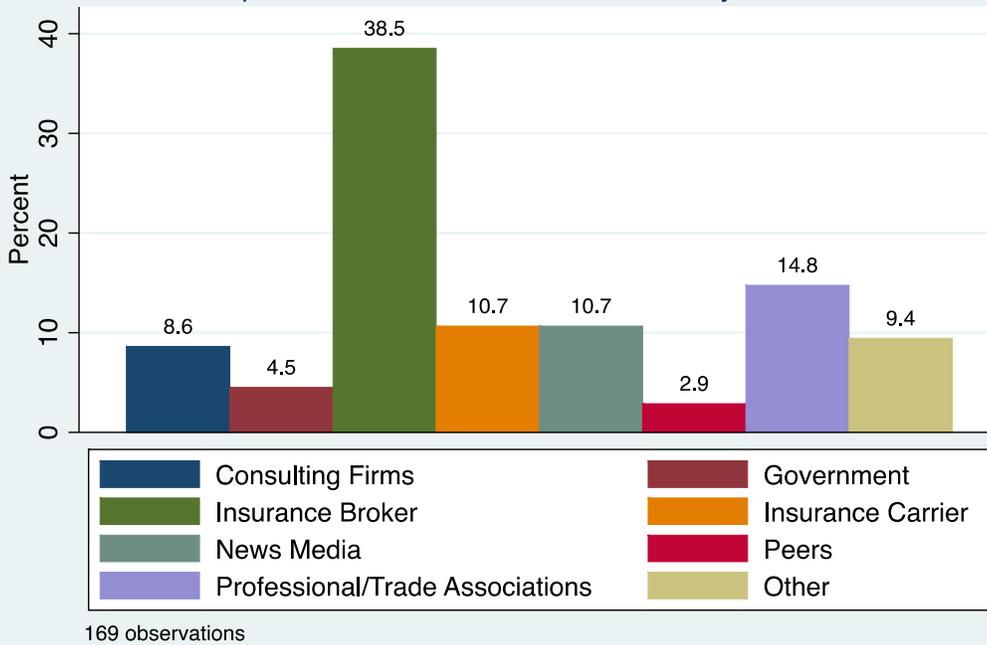
Perhaps some of this firm uncertainty stems from where the firm receives its information about the ACA (Question 9 in Appendix). Fifty-one percent of firms are getting their primary information from a source other than their insurance broker or insurance carrier. Trade organizations are supplying information to 15 percent of firms, with the news media being the primary source for 11 percent of firms.

## Appendix

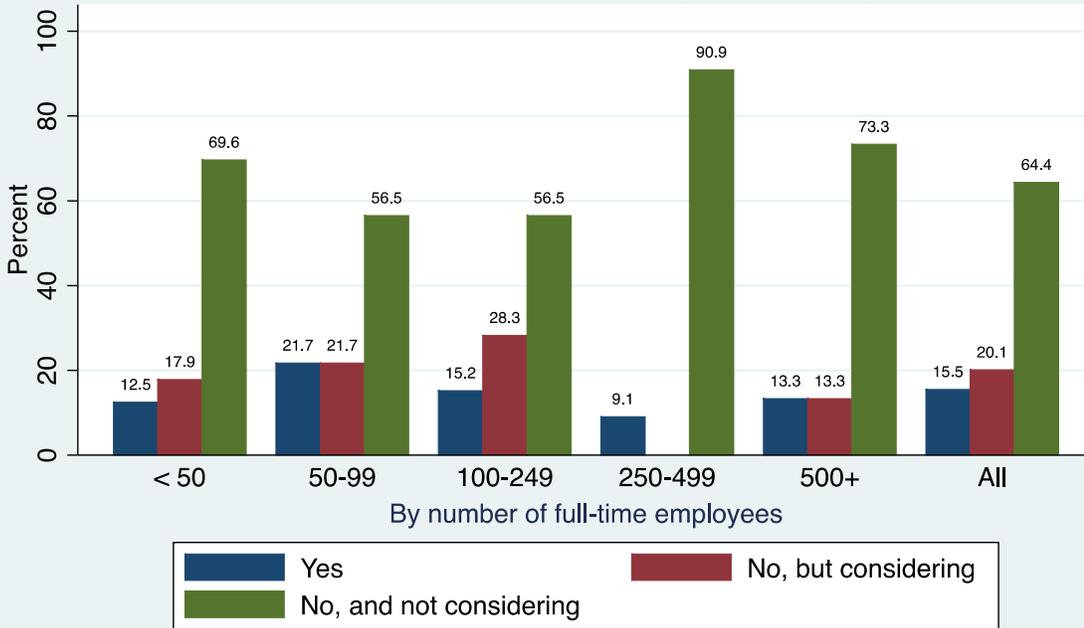
### #6 Future plans to offer employer-sponsored insurance



### #9: What has been your primary resource for understanding the impact of health reform and the ACA to your business?

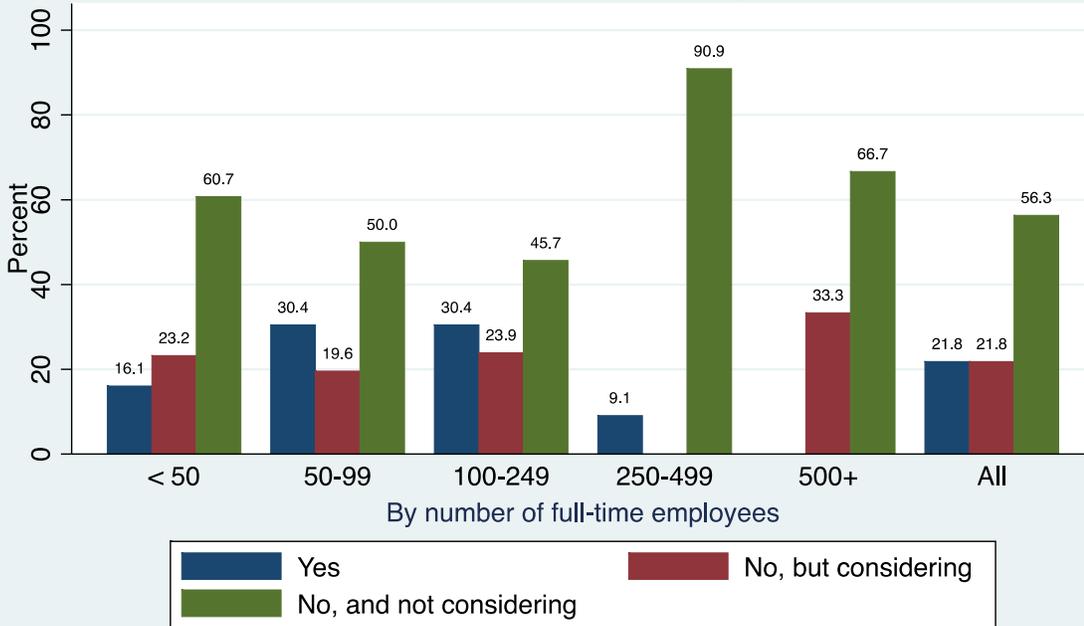


### #14a: Increase the use of temporary or contingent workers



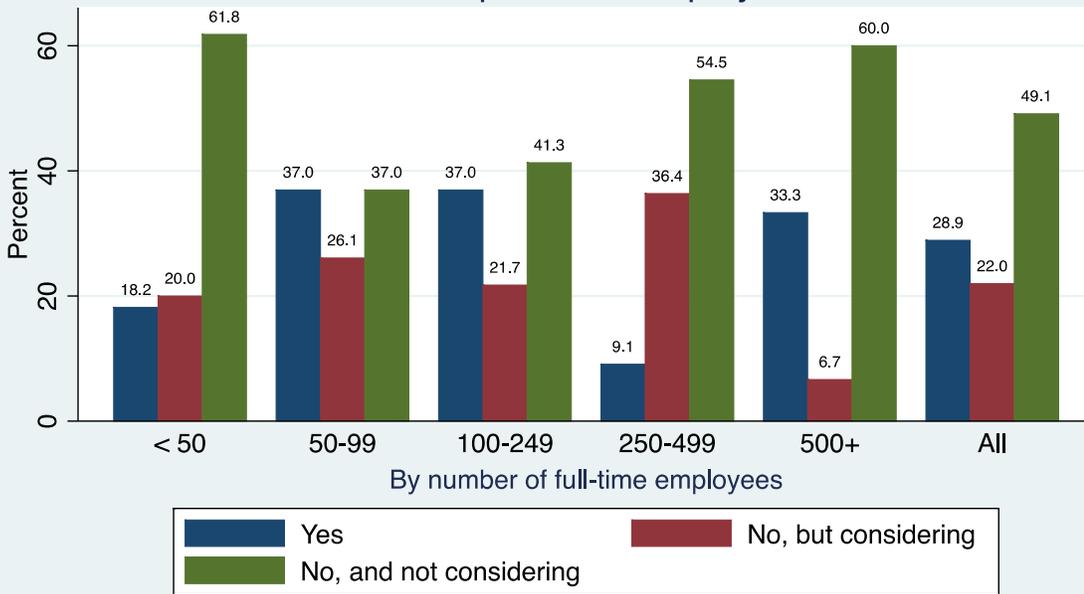
174 observations

### #14b: Reduce or limit the amount of hiring in the next 12 months



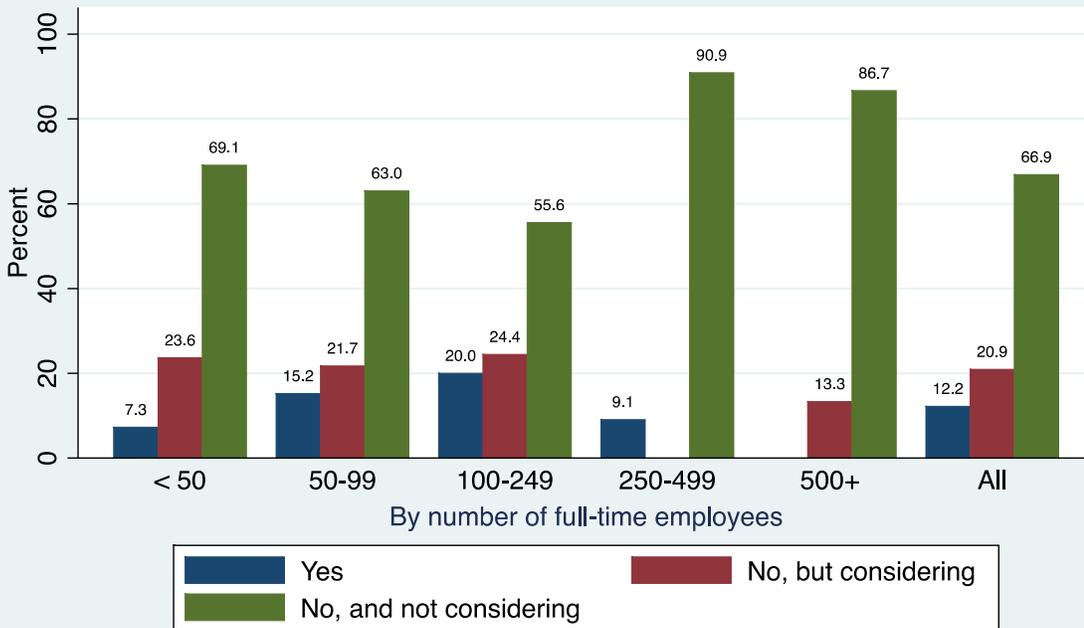
174 observations

### #14c: Reduce or limit the amount of hours worked of certain part-time employees



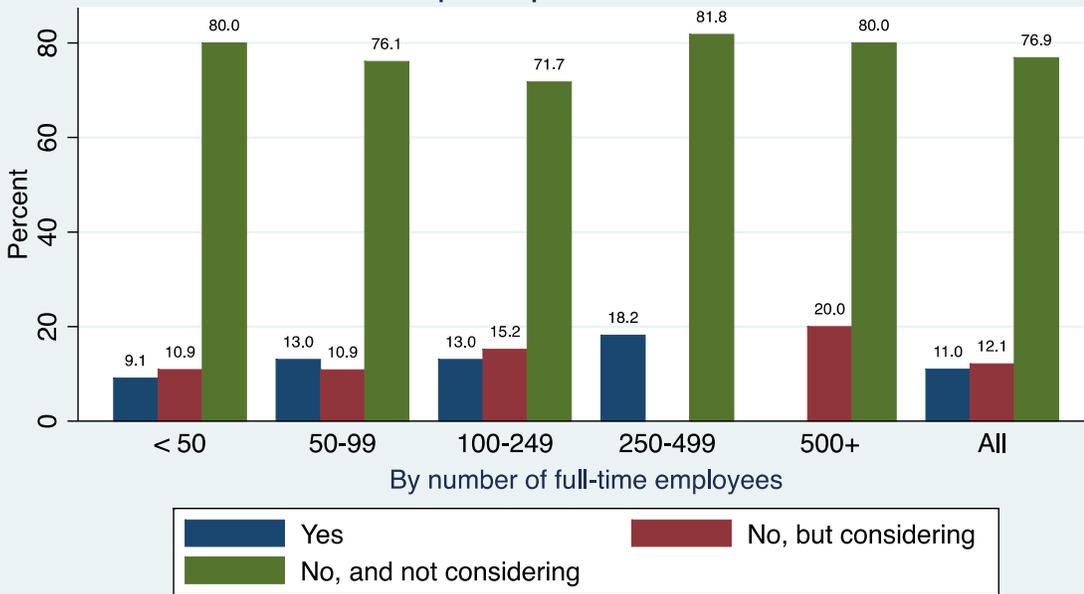
173 observations

### #14d: Reduce the size of overall workforce



172 observations

### #14e: Cancel plans to expand a current location or open up a new location



173 observations

### References

International Foundation of Employee Benefit Plans. *2013 Employer-Sponsored Health Care Act: ACA's Impact*. Retrieved November 27, 2013 from <http://www.ifebp.org/pdf/research/2103ACAImpactSurvey.pdf>