

Executive Summary: The Affordable Care Act Stakeholder Questionnaire

Purpose & Method

The Affordable Care Act (ACA) Stakeholder Questionnaire was released by the State of Indiana September 15th, 2010 and remained open through September 30th. The questionnaire focused on collecting responses from businesses, insurers and providers on provisions and requirements in the Affordable Care Act (ACA) that will affect their business structures and their offered products and services. The goal of the survey was to gather input on stakeholder concerns for the State's use in ACA implementation decisions. 478 responses were received and 409 were considered valid responses and were included in the analysis.

Respondent Profile

Of the responses tallied 122 or about 30% were from businesses, 276 or about 67% were providers, and 11 or about 3% were submitted by insurers. In terms of size and specialties, respondents represented a diverse cross-section of these stakeholder groups. Insurers offered a mix of individual, small group and large group plans. The majority of provider responses were individual practitioners, over half of which participate in a practice with 10 or fewer practitioners. Eight hospital responses were also received. Approximately half of business respondents are considered small businesses by ACA standards (less than 100 employees).

Results

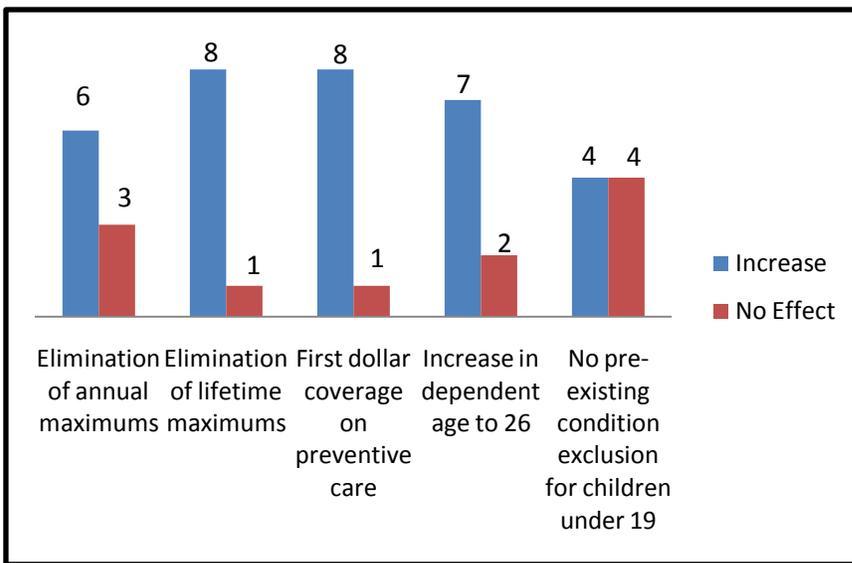
Cost

Each respondent group answered a round of questions regarding their anticipated incurred costs as a result of the regulations they or a government partner would be required to implement. All stakeholders indicated that they are concerned about the cost of this legislation to their respective industries and businesses. Insurers estimate that the majority of the insurance related provisions will increase premium costs, as is demonstrated by the chart on the following page¹. Some insurers selected that they would see no effect on premiums as a result of these provisions, however, no insurer respondents selected the option that premiums would decrease as a result any of the provisions shown.

“The MLR requirement ignores the real need to have profitable years to build up reserves that can be used to cover years of higher than expected medical costs.”

“For small group products it would be tremendously difficult to maintain two sets of benefit plans, some grandfathered and some not.”

¹ As there were only 11 total insurer respondents to the ACA Questionnaire absolute response counts are shown.



Businesses were also asked about the costs they expected to incur. Approximately one-third of businesses indicated that they would be subject to new taxes and fees. These include the medical device tax, the new 1099 reporting requirement, new fees for not providing health insurance and the new tax on high cost insurance plans. Forty percent (40%) of businesses responded that they have already experienced premium increases and 89% of businesses expect their premiums to rise in the future. Small businesses were asked about if they qualify for tax credits to aid in the purchase of health insurance for their employees. Twenty-five percent (25.5%) indicated that they were qualified for a tax credit and 20% were unsure if they qualified or not. Of the 55 small businesses that responded, 67.3% were unaware that the small business tax credits expired in 2016. When provided with a chart detailing the firm size and wage ranges that qualified one for tax credits, 48 small businesses responded to a question about whether the tax credit would be sufficient to provide health care to their employees and 75% of respondents indicated the credit was insufficient. Businesses that offer coverage were asked about maintaining that coverage, 66% of business respondents are planning on maintaining their current coverage levels, 3% are planning on discontinuing health care coverage, and 31% are uncertain if they will continue to offer employer sponsored health insurance coverage.

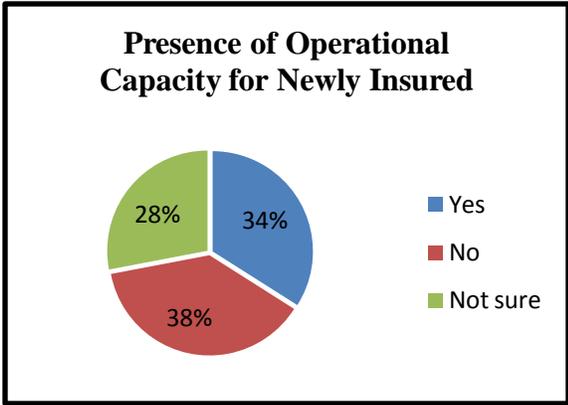
Ten percent (10%) of business respondents indicated that the ACA would make them more competitive, 51% indicated that the ACA would not help with their competitiveness in the market place, and 39 percent were not sure what the effect of the ACA would be on their market competitiveness. Thirteen percent (13%) of business respondents indicated that it would help them attract employees, 53% indicated that it would not help and 34% were not sure.

Providers also expressed significant concern about potential costs. One-hundred percent (100%) of providers are concerned that the 10% bonus payment on the Medicare rate for primary care service is set to expire in 2016. When asked if their practice had the operational capacity to respond to the pent-up demand from the newly-insured, the results varied, as is shown in the chart on the following page.

“We will lose some competitive ability as some of our competitors do not offer health care insurance. This added cost will hurt our net income because we cannot pass it on to customers.”

“We’ve become more restrictive in employee expansion as we expect costs to increase and the access to the US healthcare market to decrease.”

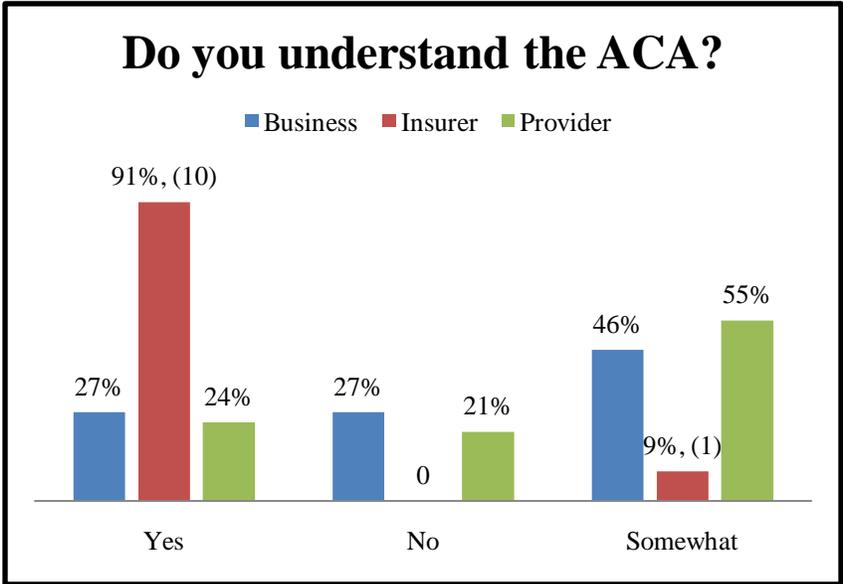
“We will continue to offer coverage. If there is a huge change by other companies away from offering coverage who elect to pay the fine instead, we may consider other strategic alternatives toward competing for talent. Offering coverage is only done to attract and retain the skills needed to successfully run the business. If insurance is replace(d) with something else that would make us more competitive for talent we would consider those alternatives.”



Meanwhile, 80% of respondents said they were concerned about the ability of the entire health care system to cope with pent-up demand. Seventy percent (70%) of providers indicated they were concerned about the potential impact of increased coverage and associated revenues on their profit margins and bad debt. All providers were concerned about Medicaid

reimbursement rates, and the majority of provider comments on Medicaid addressed the issue of insufficient Medicaid reimbursement rates. No comments on this particular topic were positive and all commentators expressed some level of frustration or concern in regards to the long-term viability of their practices at current reimbursement rates paired with the influx of enrollees in 2014. Additionally, when asked if the ACA could increase inappropriate ER usage, 79% indicated that it could. Lastly, the eight hospitals that responded were concerned about the reductions to the DSH program.

Understanding of the ACA



The questionnaire asked all respondents several questions regarding their understanding of the ACA and their understanding of the impact the ACA will have

“Current Medicaid rates only pay 25% of our charge. We do not breakeven on Medicaid patients and could not incur an increase in Medicaid volume at these rates.”

“Medicaid pays at what should be criminally low rates. More of the same will not be a positive. Further, unlike the Healthy Indiana Plan, Medicaid recipients have no incentive to participate in their care proactively nor requirement to share in reasonable copays...”

“Although the key provisions are understood, the rulemaking process may bring additional areas to study in order to gain understanding.”

“Too many details have yet to be provided, [and there is] too much to be determined by the executive branch.”

upon their business. The responses highlight the difficulty stakeholders are facing as ACA implementation goes forward.

The eleven insurer respondents generally expressed understanding of the legislation and its impact on their operations, but in comments included the caveat that they await additional information from the federal government. Businesses and providers indicated they lacked complete understanding of the legislation and its effects. Approximately half of these respondents said they had some understanding, while approximately a quarter more said they did not understand the bill at all, as shown by the bar graph. When asked if they understood the impact the bill would have on their business, half indicated they did not understand the potential impact of the ACA. Many had unanswered questions, some to the point of extreme frustration. Some respondents left comments noting that they are trying to implement the legislation where they can, however, they indicated they are in need of more information or clarification to be able to understand the full impact of this bill on their professional situations. Nearly all stakeholders signaled the need the federal government to better define the ACA regulations.

Exchange

There is very little stakeholder support for a federally administered Exchange based upon the responses from the various groups. Insurers prefer a State administered Exchange and businesses prefer a not-for-profit administered Exchange. Business responses indicated they could use more education on how a small business (SHOP) Exchange may work, and what provisions may help or hinder them (for example defined contributions).

Healthy Indiana Plan (HIP)

Overall insurers and providers with opinions were supportive of the HIP program and supportive of continuing this program. Many providers offered comments that they did not trust the Medicaid Expansion as it offered few incentives for enrollees to take responsibility for their health.

“Turning over authority to the federal government to manage exchanges would not be a wise decision. We would greatly prefer maintaining local control over health insurance as the vast majority of health care is delivered locally and it only makes sense that the financing should too.”

“The consumer-driven nature of this program is the best chance to hold the line on public cost while providing care for eligible individuals.”