



# Texas Manufacturing Outlook Survey

DALLAS **FED**

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## SPECIAL QUESTIONS

Data were collected Aug. 4–7, and 95 Texas manufacturers responded to the survey.

### 1. What are your best estimates of the annual percentage change in your firm's overall health care costs per worker, for both this year and next year?

	2013–14 (percent change)	2014–15 (percent change)
Average	12.7	14.2
Median	10.0	11.0

NOTE: 81 respondents answered for the change from 2013 to 2014; 56 answered for the change from 2014 to 2015.

### 2. How would you say the Affordable Care Act (ACA) has affected your firm's health care costs in question 1 above?

	Effect of ACA in 2014 (percent)	Expected effect of ACA in 2015 (percent)
Reduce costs a lot	0.0	0.0
Reduce costs a little	2.7	3.1
No effect	13.5	12.5
Raise costs a little	35.1	29.7
Raise costs a lot	48.6	54.7

NOTE: 74 respondents answered for the effect in 2014; 64 answered for the effect in 2015.

### 3. Are you changing (or have you changed) your health care plan in response to the ACA?

	Percent
We are keeping our plan unchanged	25.6
We are making modifications to our plan	62.2
We are dropping health insurance	0.0
We are offering health insurance for the first time	0.0
We do not offer health insurance and don't plan to offer it	3.7
Other	8.5

NOTE: 82 respondents answered this question.

### 4. 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 firm?

	Lower due to ACA (percent)	Higher due to ACA (percent)	No change due to ACA (percent)
The number of workers you employ (including full-time, part-time, etc.)	25.9	2.4	71.8
The proportion of your workers that are part-time, contract or temporary	5.9	16.5	77.6
Amount of work outsourced to other firms	2.4	17.6	80.0
Wage and salary compensation per worker	20.0	11.8	68.2
Other benefits, including retirement	18.8	3.5	77.6
Prices you charge to customers	0.0	35.3	64.7

NOTE: 85 respondents answered this question.

## Special Questions Comments

These comments have been edited for publication.

### Primary Metal Manufacturing

- > The Affordable Care Act is such a huge cost increase we must pass it on to our customers or go broke. The projected cost increase is more money than we made last year. This increase will put us at an even bigger cost disadvantage versus imports. We will lose business to imports and plan to reduce our workforce accordingly.

### Fabricated Metal Manufacturing

- > We are keeping employment levels below the 50 threshold, which we lowered from 70 during the economic downturn. We will continue to study the impact for 2015 if we should consider to continue to rebuild our work force.
- > We offer health coverage to all of our employees and their families with no monthly deductible. We are being forced to review and modify our benefits package in order to curtail costs.
- > We moved all of our employees to a professional employer organization due to the Affordable Care Act. They guaranteed us an increase on health insurance premiums of "only" 10 percent. Our company pays a maximum amount of the premium, and anything over that is paid for by the employees.
- > It is very challenging for a midsize, low-margin, U.S. manufacturer to compete in a global economy when forced to absorb double-digit operating expenses related to increased medical insurance.

### Machinery Manufacturing

- > Our employees are being asked to contribute more to the monthly premium for single and family rates. Copay amounts have increased slightly as well.
- > The biggest impact of the Affordable Care Act (ACA) will be how we handle "project workers" who supplement our full-time employees. Currently, they are not eligible for insurance benefits (receiving higher wages instead), but we will be required to offer health insurance to a subset of this group next year under the ACA. Several other ACA features also increased or will increase our costs, which will be proportionally shared with our employees via higher copays/deductibles.
- > My company has paid 100 percent of employee health insurance for over 20 years and will continue as long as we can afford to do it and remain competitive. But we will pass on the Patient-Centered Outcomes Research Institute fees and reinsurance fees to the employees.
- > Our broker offered us a 10 percent discount to sign up with a new plan for 2014 that begins in December 2014. We will renew with the new price structure at that time. We hire people when we need them. We have always offered medical care to employees as we think it is simply good business to have our most important assets healthy and productive.

### Chemical Manufacturing

- > Our provider has raised prices the past three years (each time more than 12 percent), justifying the increase due to changes in the health care statutes. We sourced other vendors and found the same costs so we don't think it is isolated within a few carriers. In anticipation of the still-to-come rate increases, we offset some of the cost with higher customer prices and also hiring more contract/part-time employees where we can. There is still a lot of confusion among the major insurance carriers as to the final impact of the law, and this makes it difficult to plan out our human resources needs.
- > The real impact will be felt in a few years as the more onerous mandates evolve. What today is considered a good plan by our employees, with inflationary trends, will likely be classified as a "Cadillac" plan in a few years. This will greatly increase our costs of maintaining the status quo and lead to difficult decisions with a likely negative impact.
- > We believe the Affordable Care Act was the worst thing the government could have done. It simply does not help small business. It only adds to health care costs if you want to pay for it for your employees.
- > We believe the confusion surrounding the Affordable Care Act and the constant changes, delays, etc. are beyond ridiculous.
- > The largest ever increases in costs were in the 2012–13 renewal. In 2013 to 2014 the renewal costs were the same with less benefits.

### Plastics and Rubber Products Manufacturing

- > We have a second very small business with six employees, and now those six will be added to the 55 employees at our primary business and treated as though the secondary business has over 50 employees for compliance purposes according to the Affordable Care Act (ACA). We believe the ACA is certainly a disincentive to start additional small businesses in the future.

### Nonmetallic Mineral Product Manufacturing

- > We have dropped our number of employees by over 50 percent (partially due to the Affordable Care Act), and have adjusted by adding automation to improve productivity and by purchasing more from overseas vendors. In addition, we have significantly increased the copay and the deductibles for our health care plan. This is why our costs only increased by 2 percent this year. But we have been informed to expect a much larger increase next year by our insurance carrier.

### Computer and Electronic Product Manufacturing

- > Our workforce is generally older. This inhibited us from going to an Affordable Care Act (ACA) plan for 2013–14. We used a combination of keeping a grandfathered plan and utilizing an early renewal option to keep costs within a reasonable range. The tiered premium system under the ACA will dramatically impact our workforce and key individuals within the company in a negative way. We expect next year's health care premiums to be a substantial increase if we cannot stay on our grandfathered plan. We have started to utilize more part-time workers to fill specific positions rather than more flexible full-time workers.

- > We have had to add additional internal staff members to ensure compliance and have changed health care carriers to reduce the overall mounting cost trend.

### Transportation Equipment Manufacturing

- > The individual mandate caused many employees who did not participate in our health insurance plan to enroll since it is cheaper to be on our plan (we pay 75 percent of the premium) than to buy on the open market. We had to raise prices to cover the added cost.
- > The quality of our insurance went down because the insurance we had in place didn't qualify, but the benefits were better.

### Food Manufacturing

- > We had to change insurance companies, as the company we had been doing business with for over 15 years dropped out of the small group market because of Affordable Care Act. The new company's premiums are higher, benefits lower and deductibles much higher. There is complete uncertainty for the employee and employer as to where this is going. It's a mess!
- > The Affordable Care Act (ACA) has raised our compliance costs even with our "grandfathered" plan. Our paid claims are the primary driver of increased health care costs and are indicative of the true problem with health care (rapidly increasing provider/drug costs), which the ACA did nothing to address. While we haven't changed the wage and salary compensation per worker, our rising health care costs have. Premium growth/cost sharing and higher employment costs translate into two things: 1) Less net money in employee paychecks (because cost sharing on health care outpaces raises). 2) We charge higher prices to continue to maintain margins in the face of higher costs.

### Textile Product Mills

- > We have had opportunities to significantly increase our employment in our U.S. plant. We have been declining those opportunities as the increase in employment would subject us to the Affordable Care Act and would make us not competitive.

### Apparel Manufacturing

- > While the costs are moderately increased per employee, we had a 30 percent increase in the cost to the company overall due to the increase in employees who are now covered by health care.

### Wood Product Manufacturing

- > We have not been forced to move to the Affordable Care Act.
- > Like many companies, the "coverage year" was modified last year to Dec. 1, 2013 through Nov. 30, 2014. Therefore, the Affordable Care Act will begin affecting our company this coming Dec. 1.

### Printing and Related Support Activities

- > While there are some positives about the Affordable Care Act, the impact on small group policies seemed to be a huge, unaffordable price increase.
- > In 2014, proposed competitive bids increased health care costs about 19 percent. We modified our plan to eliminate all out-of-network options and some other relatively minor benefits that resulted in a net increase of 5 to 6 percent in overall health care costs. Costs were borne approximately half by employee contributions and half by the company.

