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The Impact of the Patient Protection and Affordable Care Act on Employment Strategies

According to a new survey conducted by the University of South Carolina's Darla Moore School of Business, chief human resources officers (CHROs) reported that they had experienced no change on most outcomes regarding the delivery of healthcare. However, they expressed that the Patient Protection and Affordable Care Act (PPACA) had an immediate impact on their health insurance costs, increasing them on average by 8%. Additionally, 37% of employers experienced increased labor costs, averaging a 5.6% increase.

Firms that experienced increases in labor costs outnumbered those that experienced decreases in labor costs by a 75:1 ratio. Similarly, 30 times more firms saw increased health insurance costs compared to those experiencing decreased costs. Quality of healthcare and quality of health system delivery saw many more firms experiencing decreases in quality, with 11:1 and 10:1 ratios. These results indicate that the PPACA has had a significant impact in terms of increasing health insurance costs with 78% of companies reporting increases, while 37% saw increases in their total labor costs.

These results suggest that employers have shifted some of the costs and the risks of health insurance to employees. Consumer directed health plans (CDHPs), originating in the late 1990s, require employees to be smarter consumers of their healthcare dollars and were gaining in popularity prior to the PPACA. The survey data suggest that the PPACA has accelerated that trend with 73% of companies now offering CDHPs. In addition, employees are required to make larger contributions toward their health insurance and many companies are limiting the number of dependents they will cover (See Table).

Employment actions as a direct result of PPACA

	Have done so	Have plans to do so	Don't have plans to do so	Don't know
Move employees to consumer directed health plans	56%	17%	19%	8%
Raise employee contributions toward health insurance	52%	19%	24%	5%
Move pre-65 retirees to PPACA exchanges	12%	18%	49%	21%
Cut back coverage eligibility (dependents, etc.)	11%	16%	64%	9%
More rigorously ensure part-time workers work fewer than 30 hours per week	13%	10%	73%	3%
Increase the proportion of part-time workers	9%	3%	87%	1%
Limit the number of full-time hires (relative to if PPACA were not in effect)	7%	3%	89%	2%
Move current employees to private exchanges	1%	10%	69%	21%
Cut back the hours of part-time workers	6%	3%	89%	2%
Move current employees to public exchanges	5%	1%	90%	9%

Note: Due to rounding, not all percentages equal 100.

Source: University of South Carolina, Darla Moore School of Business, October 2014

This report is based on responses from 213 CHROs at medium- and large-sized U.S. firms who participated in the school's annual survey. Please contact your Conner Strong & Buckelew account representative toll free at 1-877-861-3220 with any questions.



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