Research

Health Care Exchanges Impose $5.3 Billion in Costs, 16 Million Hours

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On October 1, the health care exchanges established in the Affordable Care Act (ACA) will go online. Despite the many delays, administrative lapses, and staggering costs, few have examined the regulatory burdens of the new health care exchanges.

According to administration data, the listed paperwork burden of the exchanges exceeds 16.6 million hours, $558 million in direct costs, and 40 new forms. Examining the regulatory impact analyses from exchange regulations, the total cost to states and private entities approaches $5.3 billion. Including all current requirements under Health and Human Services (HHS), the agency imposes 645 million hours of paperwork, $35.3 billion in costs, and 4,116 federal forms.

NOTABLE EXCHANGE REGULATIONS

Collection	Hours	Cost	Forms
Exchanges: Eligibility and Enrollment	12.8 million	$337 million	0
Data Collection to Support Exchanges	1.4 million	$83.6 million	4
Establishment of Health Exchanges	1.2 million	$72.1 million	0
Consumer Assistance for Exchanges	667,740	$39.1 million	5
Financial Management and Exchanges	203,469	$11.9 million	17
Federally-Facilitated Exchanges	175,000	$10.2 million	1

METHODOLOGY

The American Action Forum (AAF) examined every collection of information from HHS: roughly 1,200

requirements. From this data, AAF was able to extract information on costs, paperwork burden hours, and the associated number of forms. We were also able to determine whether the collection was new and if it was associated with the ACA. Of the roughly 1,200 different control numbers (paperwork requirements) from HHS, nine were directly related to ACA exchanges.

For calculating compliance costs, HHS monetized the cost of paperwork burden hours for a handful of its total paperwork burden. The average cost per hour of these 70 requirements was $58.56. For non-monetized paperwork hours, AAF applied the $58.56 average to calculate a plausible compliance cost. For example, one exchange regulation will impose 1.4 million hours of paperwork; we applied the $58.56 HHS average to this requirement, which yielded $83.6 million in costs.

The HHS average cost per hour is significantly higher than the mean wage rate for a regulatory compliance officer ($31.23 per hour). If this figure were applied to exchange regulations, the total cost would fall to $455 million and the HHS total would fall to $20.1 billion.

EXCHANGE REGULATIONS

There are nine paperwork requirements associated with health care exchanges. Combined, they will impose 16.6 million paperwork burden hours and $558 million in costs. Exchanges will generate 40 new federal health care forms, with one requirement (data collection to support exchanges) imposing 17 forms. To put the paperwork in perspective, it would take 8,300 employees working 2,000 hours annually to complete the new exchange paperwork.

The largest exchange rule regulates eligibility, enrollment, and essential health benefits. It does not contain any forms but it will impose 12.8 million paperwork burden hours and $337 million in annual costs. To compare it to all HHS requirements, this new exchange collection is now the 11th largest.

Beyond the paperwork collections, the administration has finalized eight regulations related to exchange implementation. The largest by far ("Establishment of Exchanges) will impose $3.4 billion in costs. This regulation did not monetize benefits, but it did provide a fairly comprehensive regulatory analysis.

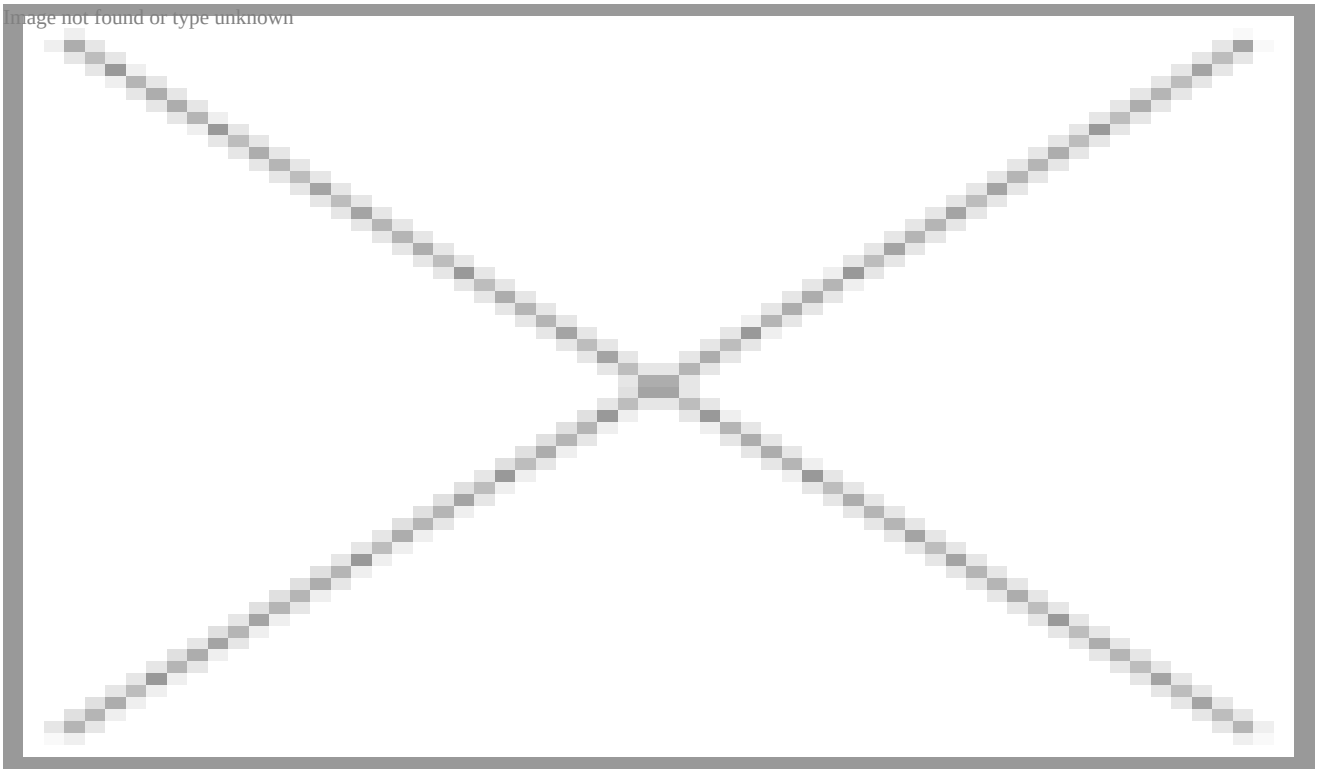
The administration's analysis of the exchange regulation noted that issuers, insurance agents, and employers would be the most affected. The analysis noted that major cost components would include: "IT infrastructure, navigators, notifications, enrollment standards, application process, Small Business Health Options Program, certification of Qualified Health Plans, and quality reporting."

The second most burdensome exchange regulation was finalized this year and primarily affects the states. It estimated $1.3 billion in annual costs to states and no quantified benefits. Like the previous regulation, it anticipates that states will primarily incur IT infrastructure costs. However, the federal government could allocate grants to states to establish exchanges. One estimate projects the federal government could spend $6.2 billion from 2013 to 2017 to facilitate state exchanges.

HHS PAPERWORK GROWTH

Few federal agencies have experienced the growth in paperwork requirements and forms than HHS. The agency's "paperwork budget" has increased fourfold since 1995 and doubled since FY 2004. In FY 2008, the

agency imposed 412 million burden hours. Today, the figure is more than 645 million hours, an increase of 233 million hours. To monetize this annual increase at $58 an hour, these hours have resulted in $13.6 billion in new costs to states, patients, and private entities.



Perhaps the most astounding result from this paperwork growth is the associated number of federal health care forms. Many Americans are familiar with tax forms, but the Department of Treasury imposes "only" 1,404 forms. By comparison, there are more than 4,100 health care forms. Here are the topline figures from HHS:

- 645 Million Paperwork Burden Hours
- 5.6 Billion Responses from Individuals and Local Governments
- $35.3 Billion in Costs
- 4,115 Federal Health Care Forms

In AAF's review, we were also able to determine how much of HHS's current regulations are new. Our research found that of the 1,200 paperwork requirements, 602 were new, or roughly half have been added in the past five year.

A substantial portion of growth in health care paperwork is the product of the Affordable Care Act. The ACA is responsible for 133 new paperwork requirements within HHS. These account for 87 million hours, $3.8 billion in annual costs, and 554 new forms. An average ACA requirement takes one hour to complete, according to administration data. Across all Cabinet agencies, the ACA has imposed 126.8 million paperwork burden hours.

The most burdensome ACA collection relates to Medicaid eligibility changes. This primarily imposes burdens on states, and HHS estimates roughly 21 million paperwork hours and $1.2 billion in associated costs. One requirement, Procedures for Hospital Reporting, will impose 6.7 million hours of paperwork, and according to

the administration, each response takes 383 hours.

MOST BURDENSOME HHS AFFORDABLE CARE ACT REQUIREMENTS (BY HOURS)

Collection	Hours	Cost	Time/Response
Medicaid Eligibility Changes	21.2 million	$1.2 billion	17 minutes
Menu Labeling and Recordkeeping	14.5 million	$121 million	3 minutes
Essential Health Benefits	12.8 million	$337 million	2.4 hours
Procedures for Hospital Reporting	6.7 million	$395 million	383 hours
Reporting of Physician Ownership	5.2 million	$306 million	3,333 hours
Requirements for the Group Market	3.7 million	$220 million	5 minutes

Not all of HHS's paperwork growth is a result of the Affordable Care Act. Of the six largest paperwork requirements, three have been implemented in the last four years. The largest collection, new security standards, will impose 64.5 million paperwork burden hours. HHS never monetized these hours, but using the agency average, costs could approach $3.7 billion. More than 1.2 billion respondents will complete the requirements.

Another new collection, Health Insurance Common Claims, will impose 21.4 million hours and $1.2 billion in costs but perhaps more remarkably, more than 988 million respondents will complete the paperwork. Thus, each submission of paperwork only takes 1.2 minutes, compared to 53 hours for the "Investigational New Drugs" requirement.

MOST BURDENSOME HHS PAPERWORK REQUIREMENTS (BY HOURS)

Collection	Hours	Cost	Time/Response
Investigational New Drugs	141.8 million	$8.3 billion	53 hours
Security Standards*	64.5 million	$3.7 billion	16 hours

Standards for Privacy*	62.5 million	$3.6 billion	3 minutes
Medicare Prescription Drug Benefits	35.5 million	$2 billion	52 minutes
Health Insurance Common Claims	21.4 million	$1.2 billion	1.2 minutes
Health Insurance Common Claims*	21.4 million	$1.2 billion	1.2 minutes

*Denotes recently implemented

EMPLOYMENT AFFECTS

Neither the exchange regulations nor other ACA regulations determine that the rules will increase or decrease employment. However, there are doubtless employment implications by imposing millions of hours of new paperwork.

Looking only at the exchange regulations, 16.6 million hours equates to more than 8,300 employees who will have to comply with the law (assuming 2,000 hours annually). Some of these hours will be absorbed by current compliance staff in insurance companies and hospitals. For other hours, patients, doctors, and state officials will have to spend additional time completing the paperwork. This will likely lead to opportunity costs and lost productivity.

Some regulations do monetize the value of opportunity costs, but the vast majority of health care and ACA regulations omit this data. The figure of $35.3 billion for HHS only involves paperwork costs, not the burden of potential job losses and other capital costs. These new paperwork requirements will likely lead to increased compliance personnel, but there is some evidence that new burdens will harm small businesses disproportionately, a sector least able to deal with countless forms.

In eleven ACA regulations, the administration has admitted new costs would impose “a significant economic impact on a substantial number of small entities” (SISNOSE). This term of bureaucratic art is not defined in statute, but HHS describes a SISNOSE as any a rule that will cause prices to rise or revenues to fall by one to three percent or more within five years. In other words, there are eleven ACA regulations that have acted as a regulatory tax of one to three percent, or more. This has obvious economic implications and the possible employment impact cannot be discounted either.

CONCLUSION

With more than 233 million hours of new paperwork, HHS red tape has exploded in recent years. Exchange regulations associated with the ACA have contributed 16.6 million hours to this increase, and the ACA overall has added 87 million hours and more than 550 new forms.

These results should not be surprising. The ACA is a massive piece of legislation that involves eight separate government agencies, dozens of new taxes, and trillions of dollars in federal and state outlays. It is clear that this "fundamental reform" has produced more red tape, additional complexity, and higher costs.