

AMERICAN ACTION FORUM

The State by State Impact of ACA Regulations

Sam Batkins / October 2012

Since passage of the Affordable Care Act (ACA), the American Action Forum (AAF) has tracked the state of its regulatory implementation. To date, the ACA has imposed a total of \$27.6 billion in new regulations – at least \$20.4 billion in lifetime costs on private entities and \$7.2 billion in increased burdens on state budgets. In this paper AAF examines how this \$27.6 billion in new costs break down on a state-by-state level. The data show that five states will endure at least \$1 billion in ACA regulatory costs.

Methodology

AAF examined the ten most expensive ACA regulations (see Figure 1). To date, there are 85 new rulemakings as a result of this law. The top ten most expensive regulations account for 88 percent of the total regulatory costs – a total of \$24.4 billion. In each non-Medicaid regulation, federal agencies listed the regulated industries. Agencies will typically provide a North American Industry Classification System (NAICS) code for each affected industry. AAF referenced these NAICS Census codes and examined the geographic distribution. Thus, AAF is able to broadly determine the state-by-state impact of each regulation. Finally, for Medicaid regulations, AAF simply apportioned costs by the percentage of Medicaid recipients in each state, which correlates somewhat to population, but not precisely.

Figure 1: Ten Most Expensive ACA Regulations

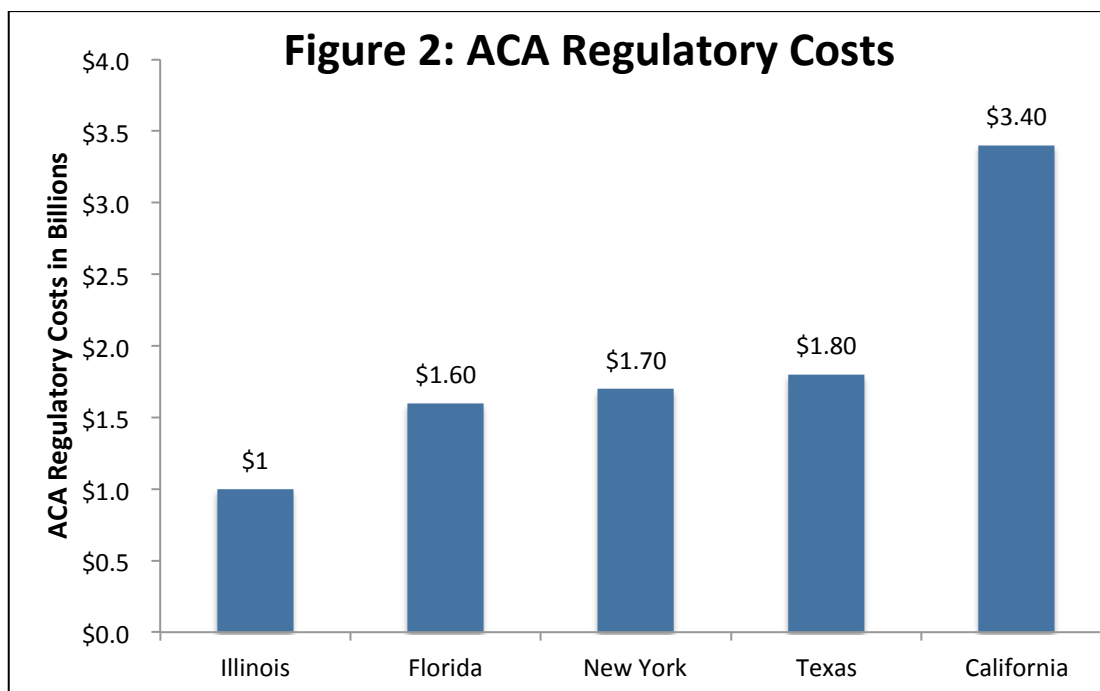
Regulation	Total Cost	Paperwork Burden Hours	Entities Affected
Operating Rules	\$5.9 Billion	0	Private
Community First Choice Option	\$5.7 Billion	0	State
Establishment of Exchanges	\$3.4 Billion	1.1 Million	Private
Rules for Health Care Electronic Funds Transfers	\$3.3 Billion	140,772	Private
Adoption of a Standard Health Plan	\$2 Billion	60,300	Private
Medicare, Medicaid, CHIP; Transparency	\$1.7 Billion	8 Million	Private
Menu Labeling	\$757 Million	2.6 Million	Private
Medicaid Program Eligibility Changes	\$580 Million	21.2 Million	State
Medicaid Program and Community Based Services	\$580 Million	489	State
Group Health Plans and Insurance Issuers	\$275 Million	2.7 Million	State

In addition to apportioning regulatory costs by state, AAF used paperwork burden hours, as reported in the *Federal Register*, to generate a state-by-state red tape impact. These figures were then divided by 2,000 to produce “lost employment.” That is, with more than 60 million hours of new paperwork, the ACA necessitates that states and private entities divert from normal operation to begin complying with new red tape requirements. A robust work year, 2,000 hours, is one way to approximate how many employees will be devoted simply to complying with federal paperwork. Thus, if a state has 10,000 hours of new paperwork requirements, AAF presumes that five workers, or full-time equivalents, are now dedicated to red tape compliance.

Findings

The ACA’s \$27.6 billion in new regulations represent a cost floor, and not a ceiling to implement the ACA. Most private entities will feel these costs and \$7.2 billion of the added regulatory burdens fall directly on state budgets. Of AAF’s findings, five states will bear at least \$1 billion in new regulatory costs as a result of the Affordable Care Act.

The five states bearing the largest regulatory burden in cost and lost employment are not surprising. California has the single highest burden, with \$3.4 billion in total compliance costs and 2,917 lost employees’ work. Texas also bears a substantial burden: \$1.8 billion and 1,292 lost employees’ work. New York (\$1.7 billion and 1,383 lost employees), Illinois (\$1 billion and 816 lost employees), and Florida (\$1.6 billion and 978 lost employees) also carry a heavy burden.



Twenty states will lose the equivalent of 300 full-time employees’ worth of work to filling out ACA regulatory red tape. (See Figure 3) Additionally, 27 states have a burden of over \$300 million in new regulatory costs.

For perspective on the size of these numbers, \$27.6 billion in new regulatory costs exceeds the GDP of Jamaica. The \$24.4 billion of costs for the top ten most expensive ACA regulations is the equivalent of roughly one week of new deficit spending.

These state-by-state figures, although substantial, should be viewed as a floor, and not a ceiling for regulatory costs. Federal agencies provided all cost and paperwork figures, conservative estimates, and AAF’s analysis did not consider any fiscal impacts of the law. AAF did not calculate any of the ACA’s tax provisions, just published

regulatory costs. Previous AAF research has shown that many of the ACA's costs will [remain after 2012](#), and its implementation has hardly been [transparent](#).

Figure 3: State-by-State Regulatory Impacts of the ACA		
State	ACA Regulatory Costs	Lost Employment
Alabama	\$346 Million	270
Alaska	\$52 Million	37
Arizona	\$567 Million	461
Arkansas	\$249 Million	201
California	\$3.4 Billion	2,917
Colorado	\$372 Million	223
Connecticut	\$285 Million	202
Delaware	\$77 Million	59
District of Columbia	\$56 Million	45
Florida	\$1.6 Billion	978
Georgia	\$722 Million	556
Hawaii	\$105 Million	73
Idaho	\$119 Million	76
Illinois	\$1 Billion	816
Indiana	\$464 Million	347
Iowa	\$230 Million	163
Kansas	\$204 Million	113
Kentucky	\$338 Million	251
Louisiana	\$413 Million	333
Maine	\$119 Million	97
Maryland	\$434 Million	269
Massachusetts	\$521 Million	431
Michigan	\$794 Million	580
Minnesota	\$354 Million	268
Mississippi	\$224 Million	197
Missouri	\$461 Million	321
Montana	\$79 Million	49
Nebraska	\$144 Million	87
Nevada	\$175 Million	92
New Hampshire	\$82 Million	54
New Jersey	\$681 Million	376
New Mexico	\$168 Million	153
New York	\$1.7 Billion	1,383
North Carolina	\$666 Million	537
North Dakota	\$46 Million	24
Ohio	\$896 Million	661
Oklahoma	\$324 Million	227
Oregon	\$294 Million	200
Pennsylvania	\$957 Million	648
Rhode Island	\$91 Million	64
South Carolina	\$319 Million	256
South Dakota	\$64 Million	39
Tennessee	\$505 Million	406
Texas	\$1.8 Billion	1,292
Utah	\$178 Million	104

Vermont	\$61 Million	53
Virginia	\$499 Million	313
Washington	\$462 Million	347
West Virginia	\$151 Million	107
Wisconsin	\$397 Million	308
Wyoming	\$42 Million	33
<u>Totals</u>	<u>\$24.4 Billion</u>	<u>18,098</u>