

BUSINESS FORECAST

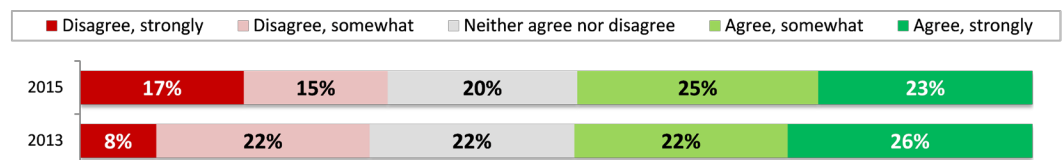
October 2015

Affordable Care Act Still a Mystery to Majority of San Diego Businesses

With new elements of the Affordable Care Act (ACA) set to take effect in January 2016 - including a change to the definition of “small employer,” as well as more reporting requirements - about half of San Diego County businesses admit they do not know enough about the law to gauge how it will affect their business. In addition, businesses that think the ACA will worsen the healthcare situation at their companies far out-number the ones who think it will improve things. Concerns about the ACA are also somewhat to blame for the below average Business Outlook Index™ (BOI) reported this month, which is also affected by the looming minimum wage increase.

What is striking in this month’s Business Forecast, sponsored by Silvergate Bank, is that 52 percent of respondents feel unsure about how the ACA will affect their business. That’s the exact same percentage that were uncertain about the impact of the law back in October 2013, when the ACA was first being rolled out.

“I have enough information about the new healthcare reform law, known as the Affordable Care Act or Obamacare, to understand how it will impact my business”



The size of a business contributes to the level of understanding of the ACA. Large firms, or those with more than 50 workers, are typically aware of the affect it will have on their businesses. However, firms with two to 10 employees tend to be uninformed about the impact of the ACA. Looking at industries, real estate firms and companies involved in education are struggling to understand the ACA’s impact regardless of their number of employees.

Highlights

Opinions of Affordable Care Act (ACA) are as bad as they were in 2013

About half of all county businesses are unsure they have enough information on the ACA

Concerns about ACA also contribute to below average BOI

More than twice as many businesses think ACA will make things worse than make things better

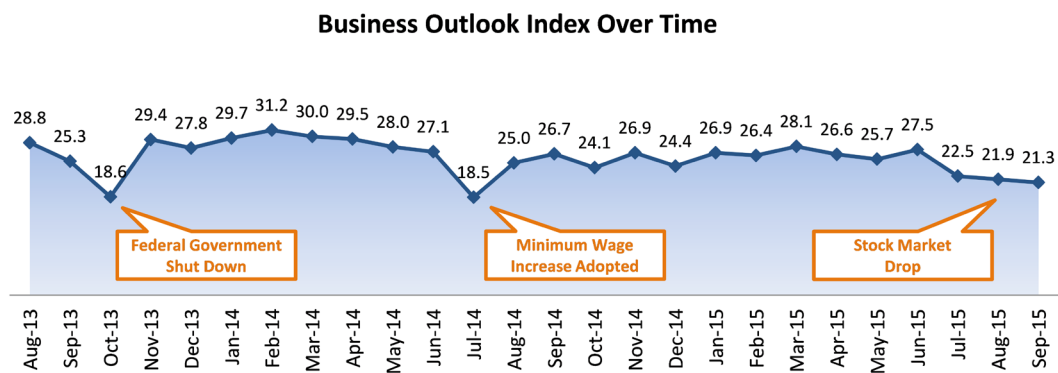
BOI of 21.3 continues to reflect cautious optimism

Looming minimum wage increase partly responsible

Note: Data for this report was collected September 16-29 2015.

Similarities between 2013 and today also exist in regards to the perception of how the ACA will affect the healthcare situation at the respondent's place of business. Two years ago, 14 percent thought it would make the healthcare situation at their business better and 38 percent thought it would make things worse. Today, no change has registered among those who think the ACA will make healthcare at their business worse, and there has only been a nominal 5 percent increase in firms who see a positive impact.

Impressions of the ACA's impact are also a contributing factor to this month's below average BOI, which comes in at 21.3, the third straight month it has been below the average of 26.2. Those who see the ACA as making an improvement in the healthcare situation at their company are quite bullish about their prospects, but optimism drops way off among others. Unless firms begin to benefit from the ACA, the business community will continue to see less than robust optimism.



The minimum wage increase is starting to pop up again as a problem for County businesses and that's straining the region's BOI. California's minimum wage will increase to \$10 an hour in January and the forward-looking nature of the survey picks up the angst. Now 4 percent of survey respondents say it's a new challenging issue, up from 2 percent in the prior quarter. That is important because firms affected by minimum wage increases have the worst outlook. Companies that see an increase in the minimum wage as a new challenge report a BOI of -9, meaning those businesses are more negative than positive about their near-term prospects.

Among the Forecast's metrics, the outlook for business conditions is off significantly this month compared to the prior quarter. Fifty-three percent of businesses had been predicting better things for their industry in the previous quarter, but that has dropped to only 42 percent now. The percentage of businesses holding negative perceptions of future business conditions also increased from 9 to 12 percent.

Industry-wise, manufacturing – a high flyer last month and during most of 2015 –came back to earth, posting a BOI of only 13.

Silvergate Bank's San Diego County Business Forecast is a scientific look at where our region's economy is headed. The survey for this month's installment was fielded September 16-29, 2015

by Competitive Edge Research & Communication using responses from 211 randomly-selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, and National City Chambers of Commerce. All Chamber members are invited to complete the survey either online or over the phone.

The Business Outlook Index™ (BOI) is comprised of four self-reported assessments regarding the next three months: Will a respondent's business increase or decrease its number of employees, experience an increase or a decrease in revenue, increase or decrease the number of hours its employees work, and experience an improvement or a worsening of business conditions. For each assessment, definite and positive responses are scored 100, probable and positive responses are scored 50, neutral responses are scored 0, probable and negative responses are scored -50 and definite and negative responses are scored -100. The scores are summed and divided by 4 to get a range for the BOI of -100 to +100, with zero being a neutral outlook. Visit www.sdchamber.org/forecast to see past Business Forecasts.

