Impacts of Health Reform in Shelby County and in Tennessee

David Mirvis, M.D.

April 19, 2012

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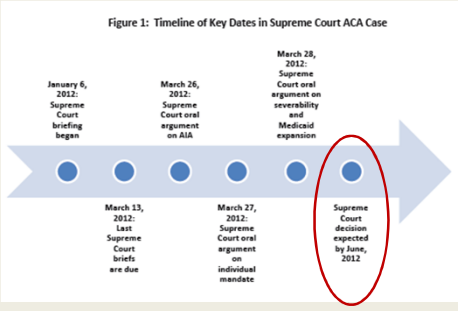
A Timely Discussion…



Source: Kaiser Family Foundation, www.kff.org, March 2012

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AGENDA

- Who are the uninsured and why does it matter?
- What are the major impacts of PPACA on health care in Shelby County and in Tennessee?

3

AGENDA

- Who are the uninsured and why does it matter?
- What are the major impacts of PPACA on health care in Shelby County and in Tennessee?
- … with an emphasis on some things that may not be obvious.

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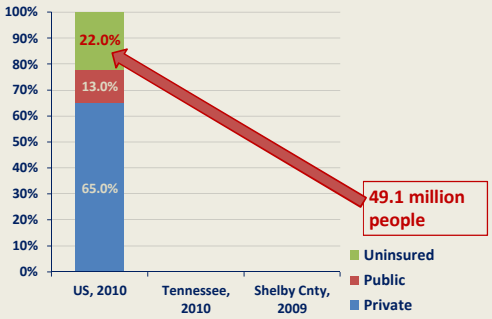
INSURANCE FOR NONELDERLY ADULTS IN THE US, TENNESSEE AND SHELBY COUNTY



Source: Authors' analysis of the 2008-9 American Communities Surveys

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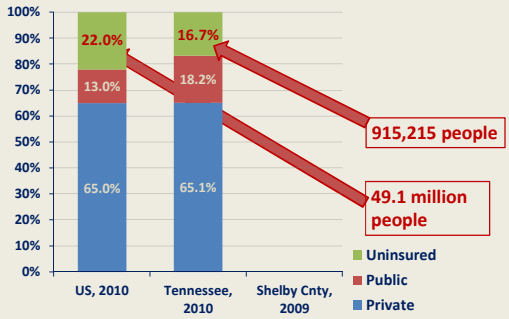

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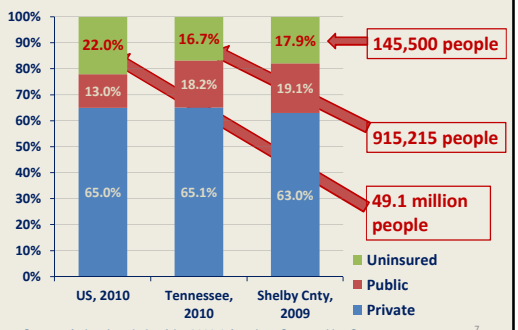

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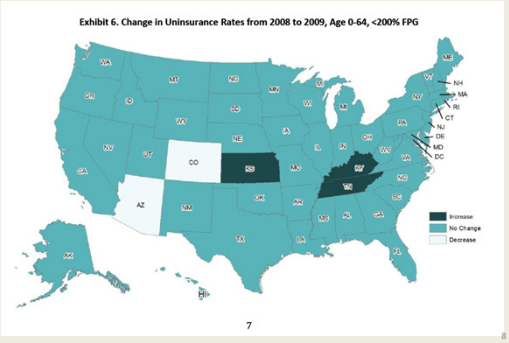
THE PROPORTION OF UNINSURED TENNESSEE RESIDENTS IS RISING



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THE UNINSURED – WHY DOES IT MATTER?

- To the uninsured
  - Limited access to health care
  - Reduced health status and outcomes
  - Personal financial challenges

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THE UNINSURED – WHY DOES IT MATTER?

- To the uninsured
  - Limited access to health care
  - Reduced health status and outcomes
  - Personal financial challenges
- To the insured
  - Uncompensated care costs
  - Impacts on overall health care system functions
  - Macroeconomic loss
  - Benevolent self interest

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UNCOMPENSATED CARE IN TENNESSEE AND SHELBY COUNTY: A LOT OF MONEY!!

	Tennessee	Shelby County
Hospital	$2,505 m	$822 m
Physicians	$559 m	$180 m
Community Providers	$1,045 m	$237 m
Total	$4,109 m	$1,339 m

Source: Analysis of the *2009, 2010 Tennessee Joint Annual Report*

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THE UNINSURED IMPACT HEALTH CARE FOR THE INSURED

- A 10 percentage point increase in the rate of uninsured corresponded to an 18.3% decrease in the probability that **insured women** ages 40-69 years would have a mammogram within 1 year.
- A 5 percentage point increase in the rate of uninsured corresponded to a 10.5% increase in the likelihood that an **insured adult** would have an unmet medical need during a 12 month period.

MV Pauly and JA Fagan, Health Affairs 2007

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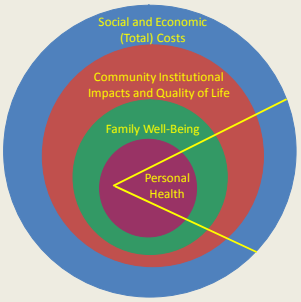
LACK OF HEALTH INSURANCE IMPACTS MANY LEVELS OF SOCIETY



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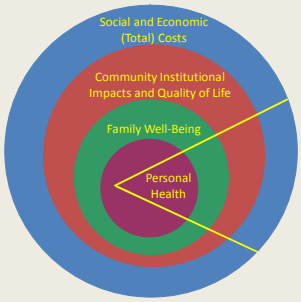
LACK OF HEALTH INSURANCE IMPACTS MANY LEVELS OF SOCIETY

The value of health capital forgone each year due to uninsurance is between $65 and $130 billion.



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ANOTHER IMPACT: BENEVOLENT SELF INTEREST

"Health care reform is not about the uninsured. *It is about those who are afraid they will become uninsured."*

--Howard Dean, 1993

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AGENDA

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- **What are the major impacts of PPACA on health care in Shelby County and in Tennessee?**

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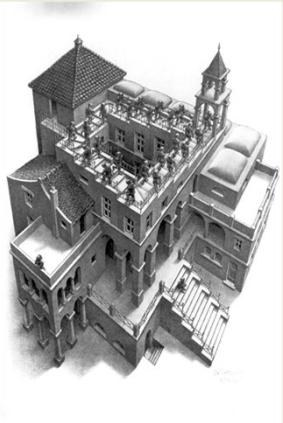
Doing something about the number of uninsured seems like …



PPACA IMPACTS EVERY SECTOR OF THE HEALTH CARE ENTERPRISE

Source: Kaiser Family Foundation, www.kff.org, March 2012

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IMPACTS OF PPACA ON HEALTH CARE IN SHELBY COUNTY AND IN TENNESSEE

1. Changes in the number and distribution of uninsured in Tennessee;
2. Implications of expanded insurance coverage:
   1. For the previously uninsured
   2. For health care providers
   3. For state and local governments
   4. For the insurance industry
   5. Etc.

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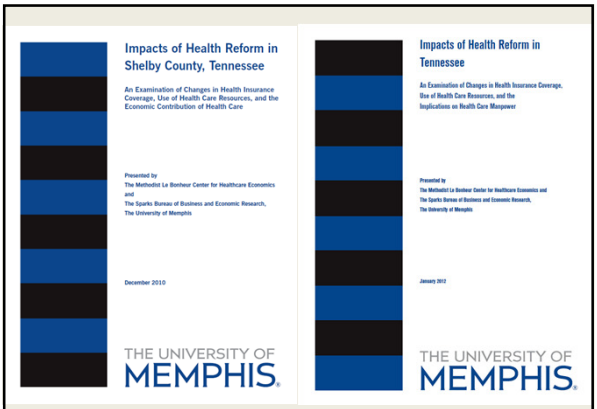

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DISCLAIMERS …

- The estimates are subject to many assumptions and are intended to predict general trends rather than absolute changes

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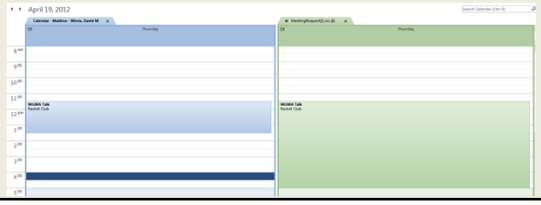
- Time



DISCLAIMERS …

- The estimates are subject to many assumptions and are intended to predict general trends rather than absolute changes
- Time
- Don't shoot the messenger

La Tomatina Festival, Bunol, Spain, 2010

PPACA PROPOSALS TO EXPAND HEALTH INSURANCE

- Individual mandate
- Expansion of mandatory Medicaid eligibility
- Insurance exchanges
- Premium subsidies and cost-sharing credits
- Employer penalties for noncoverage
- Expanded dependent coverage
- Prohibit pre-existing condition exclusions
- Prohibit rate increases based on health status or gender
- Etc.

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TENNESSEE IS A HIGH IMPACT STATE

- **Rising level of uninsured**
- **High proportion of residents with incomes under 138% of Federal Poverty Level ($31,085* for family of four) – expanded Medicaid eligibility**
- **High proportion of residents with incomes of 139-400% of FPL ($31,085-92,200 for family of four) – eligible for subsides and credits through exchanges**

*** 2012 FPLs**

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HEALTH INSURANCE EXPANSION: OUR ANALYSIS

- **Mandatory eligibility of young adults** on parental policies
- **Mandatory Medicaid eligibility** of persons with incomes up to 133% (138%) of Federal Poverty Level (FPL)
- **Insurance exchanges** with premium subsidies for enrollees up to 250% and cost sharing credits up to 400% of FPL

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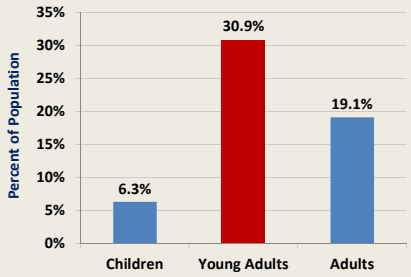
YOUNG ADULTS IN TENNESSEE HAVE THE HIGHEST RATE OF UNINSURED



Source: Authors' analysis of Tennessee data in the 2009 American Communities Survey

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TWO GOALS OF MEDICAID EXPANSION

- **Expand insurance coverage to the poor and near-poor**
- **Reduce interstate variability in Medicaid eligibility and services**

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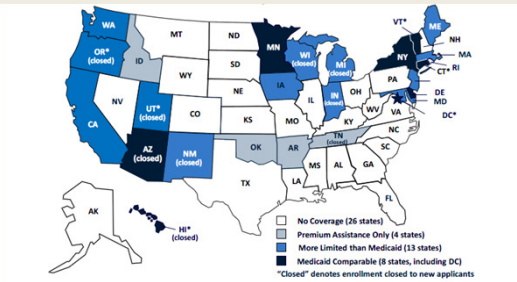
Medicaid Coverage for Low Income Adults Varies Widely Across States



NOTE: Map identifies the broadest scope of coverage in the state. CT, DC, HI, & VT also offer coverage "more limited than Medicaid." OR and UT also offer "premium assistance" with open enrollment.
SOURCE: Based on the results of a national survey conducted by the Kaiser Commission on Medicaid and the Uninsured and the Georgetown University Center for Children and Families. 2012.

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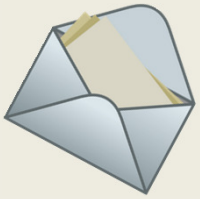
THE ANSWER IS….

- MANDATED YOUNG ADULT COVERAGE
- EXPANDED MEDICAID ELIGIBILITY
- INSURANCE EXCHANGES



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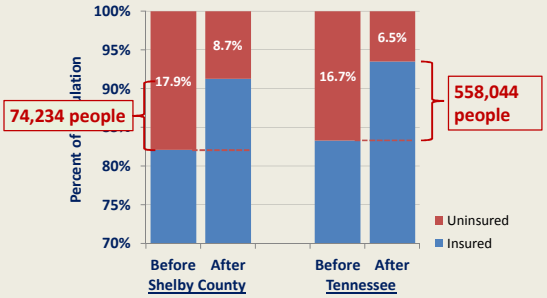
NUMBER OF INSURED EXPANDS AFTER REFORM …



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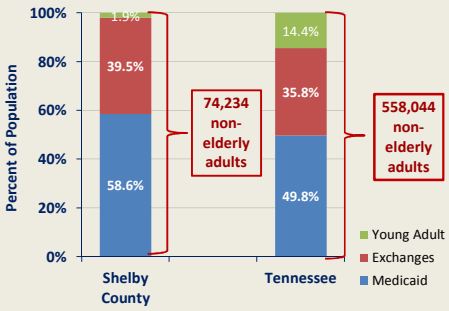
THE NEWLY INSURED…



La Tomatina Festival, Bunol, Spain

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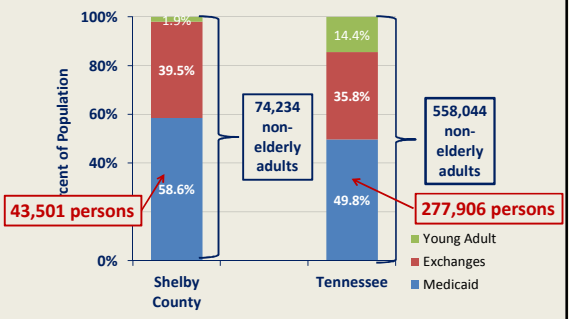

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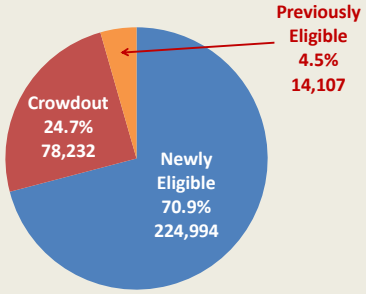
NEW MEDICAID ENROLLEES: THREE WAYS



Source: Authors' analysis of the 2009 American Communities Survey

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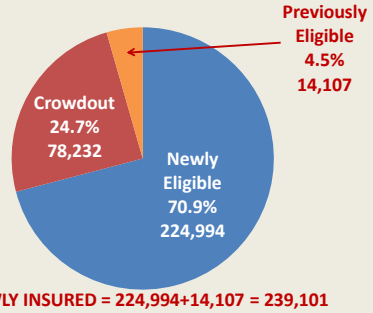
NEW MEDICAID ENROLLEES: THREE WAYS



NEWLY INSURED = 224,994+14,107 = 239,101
EFFICIENCY = 239,101/317,333 = 75.3%

Source: Authors' analysis of the 2009 American Communities Survey

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IMPACTS OF PPACA ON HEALTH CARE IN TENNESSEE

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IMPLICATIONS FOR THE PREVIOUSLY UNINSURED

- Many will remain uninsured
- Most of newly insured will be covered by Medicaid
  - Limitations of Medicaid coverage
  - Physician acceptance
- Primary care physician shortage
- Underinsured vs. adequately insured

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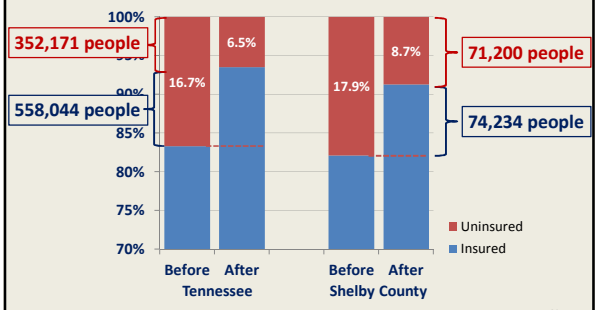
MANY UNINSURED REMAIN AFTER REFORM



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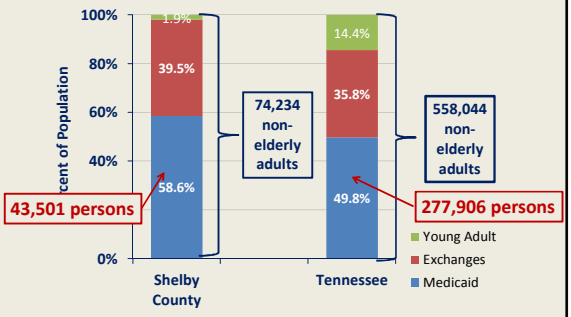
MOST NEWLY INSURED COVERED BY MEDICAID



La Tomatina Festival, Bunol, Spain

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MOST PHYSICIANS ARE NOT ACCEPTING NEW PATIENTS WITH MEDICAID

	All PCPs (including pediatricians)[1]	PCPs (excluding pediatricians)[1]
PCPs accepting all or most new Medicaid patients	41.5%	38.5%
Percentage point increase in Medicaid acceptance if the Medicaid/Medicare fee ratio increased 10 percentage points	2.1	2.4
Percentage point difference in Medicaid acceptance between low-PCP states and high-PCP states attributable to differences in Medicaid reimbursement	5.7	6.3

Notes: Estimates are based on OLS regression that controls for other physician characteristics, physician practice characteristics, patient mix and revenue, health system and market characteristics, and other state characteristics. See Supplementary Tables 1 and 2 for more detailed description of variables used in the regression analysis and presentation of full regression results.

[1] Medicaid/Medicare fee ratio is based on primary care services for PCPs.

Sources: Data on individual physicians (including acceptance of new Medicaid patients) based on HSC's 2008 Health Tracking Physician Survey. State-level Medicaid/Medicare fee ratio based on Zuckerman, Stephen, et al., "Trends In Medicaid Physician Fees, 2003-2008," Health Affairs, *Web exclusive (April 28, 2009).*

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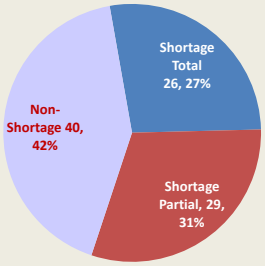
PRIMARY CARE MANPOWER SHORTAGES – TENNESSEE COUNTIES*



*HPSA Criteria

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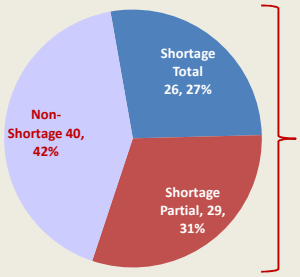

58% of counties

63% of population

*HPSA Criteria

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PRIMARY CARE MANPOWER AND THE NEWLY INSURED, TENNESSEE

HPSA 1° Care Group	No. Counties	Population	% TN Pop.	Currently Uninsured	% TN Uninsured	Newly Insured
Shortage Counties-Total	26	936,872	15.1%	121,542	14.4%	79,755
					65.3%	
Shortage Counties - Partial	29	1,013,882	48.5%	428,267	50.8%	281,027
Non-Shortage Counties	40	2,264,134	36.4%	292,524	34.7%	191,953

Source: Authors' analysis of 2009-10 Release of the Area Resource File. HPSA = Health Professional Shortage Area.

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462,000 new primary care visits/year

Source: Authors' analysis of 2009-10 Release of the Area Resource File. HPSA = Health Professional Shortage Area.

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UNDERINSURANCE: ACTUARIAL VALUE OF EXCHANGE INSURANCE PLANS

Plan Description	Coverage (Actuarial Value)
Bronze	60%
Silver	70%
Gold	80%
Platinum	90%

Source: Kaiser Family Foundation, April 2011

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WHAT DO YOU GET WITH HEALTH INSURANCE?

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WHAT DO YOU GET WITH HEALTH INSURANCE?

FOR MANY, ONLY A HEALTH INSURANCE CARD

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IMPACTS OF PPACA ON HEALTH CARE IN TENNESSEE

1. Changes in the number and distribution of uninsured in Tennessee;
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IMPLICATIONS FOR HEALTH CARE PROVIDERS

- Changes in health care utilization
  - Outpatient
  - Inpatient
  - Emergency Department
- Changes in health care financing
- New models of care delivery
- Health information technology
- Malpractice reform

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IMPLICATIONS FOR PROVIDERS: REFORM WILL CHANGE THE NUMBER OF INSURED AND THE SOURCES OF INSURANCE

- Shelby County
  - 74,234 more people with insurance
  - 37,159 more persons on Medicaid (58.6% of newly insured vs 19.1% of pre-reform population)

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HEALTH CARE UTILIZATION, CHARGES AND PAYMENTS VARY WITH INSURANCE COVERAGE

Insurance	Primary Care	Medical Specialty	Surgical Specialty	Hospital Outpatient	Emergency Room
Private	167.4	62.4	57.9	22.8	24.9
Medicaid	272.1	51.1	36.9	90.6	86.5
Uninsured	53.5	21.7	15.9	23.8	47.4

Rates are number of visits per 100 persons, 2006.
Source: M. Schappert and E. A. Rechsteiner, *Ambulatory Medical Care Utilization Estimates for 2006* (Atlanta, GA: Centers for Disease Control and Prevention, August 2008).

HEALTH CARE UTILIZATION, CHARGES AND PAYMENTS VARY WITH INSURANCE COVERAGE

	Charge/ Discharge	Revenue/ Discharge	Collection %
Total	$55,166	$15,223	27.6%
Private	$67,325	$25,921	38.5%
Medicaid	$34,959	$5,971	17.1%
Uninsured	$68,783	$4,938	7.2%

Source: Authors' analysis of 2009 Tennessee JAR. Includes only acute care, nonfederal general hospitals in Shelby County.

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PPACA IMPACTS ON UTILIZATION AND FINANCES

CHANGES IN NUMBER OF UNINSURED + CHANGES IN MIX OF INSURANCE TYPES

INTERACT TO PRODUCE

CHANGES IN UTILIZATION + CHANGES IN CHARGES + CHANGES IN PAYMENTS

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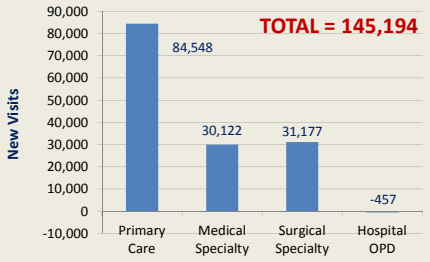
OUTPATIENT UTILIZATION IN SHELBY COUNTY: SUBSTANTIAL INCREASE



Source for rates: M. Schappert and E. A. Rechsteiner, *Ambulatory Medical Care Utilization Estimates for 2006* (Atlanta, GA: Centers for Disease Control and Prevention, August 2008).

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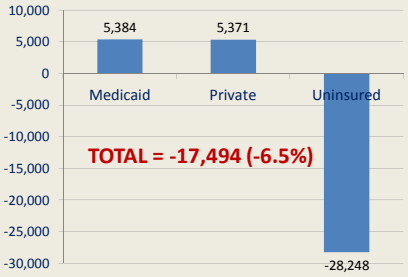
ER CARE IN SHELBY COUNTY: SMALL CHANGES IN TOTAL VOLUME



Source: Authors' analysis of 2009 Tennessee Joint Annual Report of Hospitals

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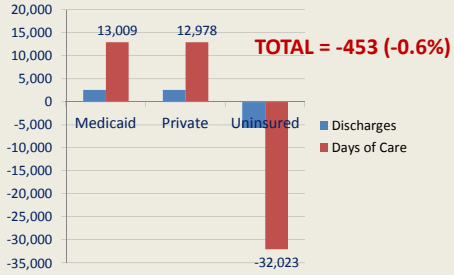
INPATIENT CARE IN SHELBY COUNTY: SMALL CHANGES IN TOTAL VOLUME



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IMPLICATIONS FOR HEALTH CARE PROVIDERS

- Changes in health care utilization
- **Changes in health care financing**
  - **Changes in uncompensated care**
  - **Changes in payer mix**
- New models of care delivery
- Malpractice reform

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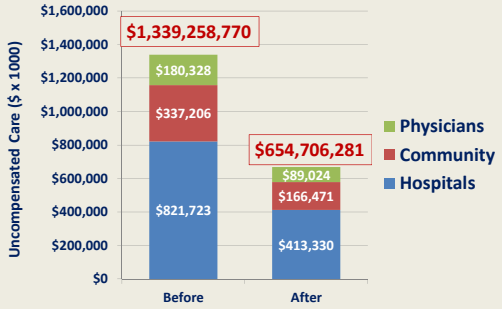
UNCOMPENSATED CARE: SUBSTANTIAL FALL



Source: Authors' analysis of 2009 Tennessee Joint Annual Report of Hospitals, Shelby County

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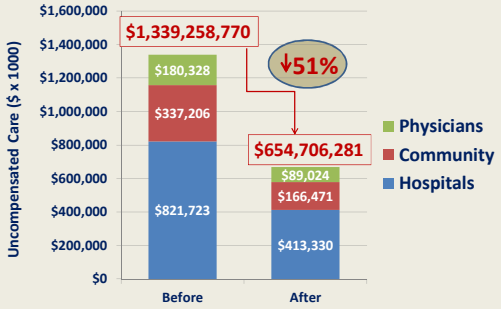
UNCOMPENSATED CARE: SUBSTANTIAL FALL



Source: Authors' analysis of 2009 Tennessee Joint Annual Report of Hospitals, Shelby County

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HOSPITAL FINANCES: FALLING CHARGES, RISING REVENUES

	Changes in			
Insurance	Discharges	Days of Care	Charges*	Revenues*
Total	**-453**	**-6,036**	**-$120,099**	**$55,279**
Medicaid	2,608	13,009	$91,186	$15,574
Private	2,602	12,978	$175,189	$67,449
Uninsured	-5,663	-32,023	-$386,473	-$27,744

* In $1000

Source: Authors' analysis of 2009 Tennessee Joint Annual Report of Hospitals, Shelby County

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BUT…

- Changing reimbursement rates
- Wide variability across hospitals
- Remaining uninsured
- Remaining uncompensated care
- DSH reductions
- New financing models
- Etc.

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PHYSICIAN PRACTICES

- Less aggregate data for projection
- Increased demand for primary care
- Physicians will see fewer uninsured patients.
- More insured patients through expansion of Medicaid and Insurance Exchange may mean greater proportion of patients with lower reimbursement rates.
- New delivery and finance models
- Net impact will vary from practice to practice.

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IMPACTS OF PPACA ON HEALTH CARE IN TENNESSEE

1. Changes in the number and distribution of uninsured in Tennessee;
2. Implications of expanded insurance coverage:
   1. For the previously uninsured
   2. For health care providers
   3. For state and local governments
   4. For the insurance industry
   5. Etc.

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IMPLICATIONS FOR STATE AND LOCAL GOVERNMENTS

- Need for the safety net
- Costs of Medicaid expansion and other reform requirements
- Declining FMAP*
- Establishment and management of exchanges, etc.

*Federal Matching Assistance Percentage

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CONTINUING NEED FOR SAFETY NET

- Remaining uninsured = 352,171 (6.5%)
- Remaining uncompensated care = $1,838m

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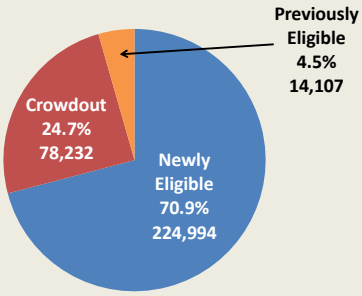
STATE BUDGET: NEW MEDICAID ENROLLEES



TOTAL = 317,333

Source: Authors' analysis of the 2009 American Communities Survey

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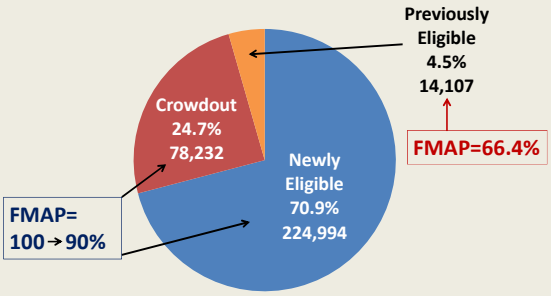
STATE BUDGET: NEW MEDICAID ENROLLEES



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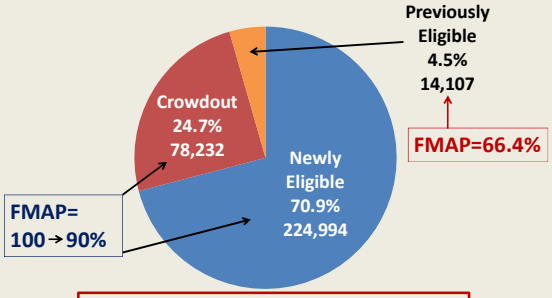
STATE BUDGET: NEW MEDICAID ENROLLEES



$195 Million per Year

Source: Authors' analysis of the 2009 American Communities Survey

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COSTS OF PPACA TO STATE BUDGETS

TABLE 5. NEW COSTS OF THE ACA: INCLUSION IN STATE PROJECTIONS

	FL	IN	KS	MD	TX
Expansion of Medicaid Enrollment	x	x	x	x	x
Administrative Costs for Medicaid		x	x	x	x
assumed percentage of medical costs		3.75-6%	6%	5%	8%
Administrative Costs for State Exchanges		x	x	x	
Higher Physician Fees	x	x			x
Reduction in federal DSH Payments				x	
State Employees Benefit Plans Costs				x	
Medicaid to cover foster children to 26		x			x
Transfer CHIP to Medicaid <133%	x			x	x
Lost Pharmaceutical Rebate: FFS			x	x	x
Change of Eligibility Criteria for 209(b) States		x			

Source: Randall R. Bovbjerg, Barbara A. Ormond, and Vicki Chen
The Urban Institute, Feb 2011

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SAVINGS IN PPACA TO STATE BUDGETS

TABLE 6. SAVINGS AND NEW REVENUES: INCLUSION IN STATE PROJECTIONS

New Savings	FL	IN	KS	MD	TX
Savings on Uncompensated Care					
Medicaid Savings					
Shift of Pregnant Women / Adults > 133 % FPL		x			
Add'l Federal Match for Current Medicaid [a]					
Breast & Cervical Cancer Prog.		x		x	
Benefits redesign for newly eligible					
Reduced State Match for DSH			x		
New Pharmaceutical Rebate: MCOs				x	
Reductions in State Funded Programs					
Pre-existing state coverage					
Direct state support for services				x	
State High Risk Pools				x	
Higher federal CHIP Match after 2016	x	x	x	x	x
Efficiencies in Care Delivery or Payment Methods					
Obtain Federal Grants or Similar Funding					
New Revenues	**FL**	**IN**	**KS**	**MD**	**TX**
Increased Collection of Insur. Prem. Tax				x	
Increased Collection of Provider Taxes				x	

Source: Randall R. Bovbjerg, Barbara A. Ormond, and Vicki Chen. The Urban Institute, Feb 2011

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NET STATE IMPACTS OF PPACA ON STATE BUDGETS

SUMMARY TABLE 1. STATE BUDGETARY IMPACTS: PROJECTED COSTS OR SAVINGS

	----------STATE PROJECTIONS----------					----------ALL STATES TOTAL----------				
	FL	IN	KS	MD	TX	CBO	CMS	D&B	H&H	Lewin
Reported multi-year tot. ($billion)	$5.7	$2.5	-$0.2	-$0.8	$27.0	$20.0	-$33.0	-$40.9	$21.1	-$106.8

Sources: See text of report.

Notes: Savings appear as negative values. CBO = Congressional Budget Office. CMS = Centers for Medicare and Medicaid Services. D&B = Dorn and Buettgens report. H&H = Holahan and Headen report. Lewin = Lewin Group report. Estimates vary based on state circumstances, projection methods, years included in the estimates, and the elements of costs, savings, and revenues included.

Source: Randall R. Bovbjerg, Barbara A. Ormond, and Vicki Chen
The Urban Institute, Feb 2011

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ECONOMIC IMPACT ON SHELBY COUNTY

- **PPACA will increase federal and state funding to Shelby County in 2014 by $198.6 million.**
- **This injection of external funds will generate *an increase of $451.3 million in economic output* including**
  - **$160.8 million in additional earnings by other businesses, and**
  - **3,480 additional jobs for Shelby County.**

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IMPACTS OF PPACA ON HEALTH CARE IN TENNESSEE

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   4. **For the insurance industry**
   5. **Etc.**

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CHANGES IN THE INSURANCE INDUSTRY

- **Private Insurance Expansion**
  - **Individual mandate**
  - **Employer penalties**
  - **Exchanges, subsidies and credits**
- **Public Insurance Expansion**
  - **Crowd-out**
  - **Employer dropout**
- **Insurance Standards and Regulations**

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PROJECTED EMPLOYER DROPOUT UNDER PPACA: THE SKY IS FALLING!!

Many of the law's relevant provisions take effect in 2014. Our research suggests that when employers become more aware of the new economic and social incentives embedded in the law and of the option to restructure benefits beyond dropping or keeping them, many will make dramatic changes. The Congressional Budget Office has estimated that only about 7 percent of employees currently covered by employer-sponsored insurance (ESI) will have to switch to subsidized-exchange policies in 2014. However, our early-2011 survey of more than 1,300 employers across industries, geographies, and employer sizes, as well as other proprietary research, found that reform will provoke a much greater response.

- Overall, 30 percent of employers will definitely or probably stop offering ESI in the years after 2014.
- Among employers with a high awareness of reform, this proportion increases to more than 50 percent, and upward of 60 percent will pursue some alternative to traditional ESI.
- At least 30 percent of employers would gain economically from dropping coverage even if they completely compensated employees for the change through other benefit offerings or higher salaries.

Source: McKinsey and Company, 2011

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PROJECTED EMPLOYER DROPOUT UNDER PPACA: MAYBE NOT!!

"…there is clearly a tremendous amount of uncertainty about how employers and employees will respond to the set of opportunities and incentives under that legislation. Assessing the effects of broad changes in the nation's health insurance system requires assumptions and projections about a wide array of technical, behavioral, and economic factors….

"In the four alternative scenarios discussed below, the ACA changes the number of people who will obtain health insurance coverage through their employer in 2019 by an amount that ranges *from a reduction of 20 million to a gain of 3 million relative to what would have occurred otherwise*."

- Congressional Budget Office, March 2012

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IN SUMMARY: THE GOOD,

- PPACA defines a comprehensive health care reform that *will* impact virtually every part of the health care enterprise in Shelby County and in Tennessee.
- The impacts on health care sectors *will* vary, will be complex and interactive, and are be hard to predict.
- Expansion *will* result in
  - substantial increases in demand for primary care and minimal/modest declines in inpatient and ED use,
  - changes in the payer mix for all providers, with a major fall in the uninsured and major increases in Medicaid coverage, and
  - reductions in uncompensated care.

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IN SUMMARY: THE GOOD, THE BAD, AND THE UGLY

- Many *will* remain uninsured and many more may be underinsured.
- Uncompensated care *will* be reduced but will remain significant.
- The major expansion of Medicaid and other PPACA-related changes *may* significantly impact state finances.
- Expanded access to public coverage *may* substantially impact private coverage, and subsidized private individual private coverage *may* significantly impact employer sponsored insurance.
- The demand for primary care *will* create primary care provider shortages, especially in underserved counties.

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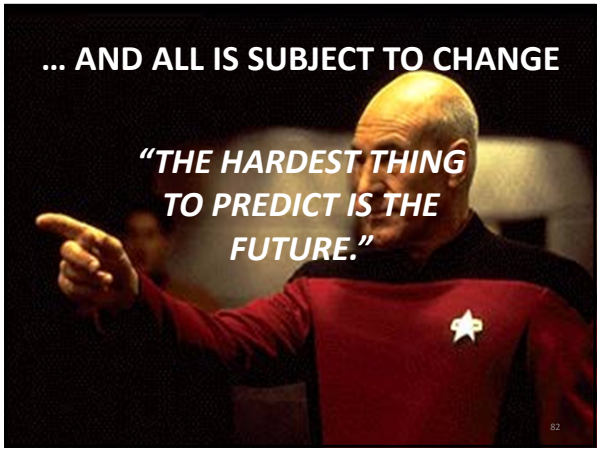
… AND ALL IS SUBJECT TO CHANGE



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