Hospitals and Health Care Reform

Presentation to the American Cancer Society

Assistant Professor Tim Classen
Loyola University Chicago
Department of Economics

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Topics for Discussion

• Expansions of health insurance coverage
• Expanded coverage for preventive care
• Changes to hospital reimbursement
Expansion of Health Insurance Coverage

• The Patient Protection and Affordable Care Act (ACA) of 2010 provides large expansions in Medicaid and subsidies for private insurance

• One effect on hospitals will likely be a reduction in uncompensated care currently provided without reimbursement to impoverished uninsured patients (bad debt + charity care)
  – Roughly $40 billion annually now
Uncompensated Care for Community Hospitals and Share of Total Expenses

- Uncompensated Care Cost
- % of Total Expenses


Expansion of Preventive Care Coverage

- ACA establishes a National Prevention, Health Promotion and Public Health Council as well as Prevention and Public Health Fund ($7 billion/year)
- As part of the ACA, insurance plans will now cover, at no cost to the patient in most plans, preventive services rated A or B by the U.S. Preventive Services Task Force. These include numerous screening tests for cancer:
  - Colorectal exams (50 - 75 year olds)
  - Mammography (biennial for women 50-74)
  - Genetic counseling for BRCA screening in those w/ family history
  - Cervical cancer screening
  - Insufficient evidence for prostate screening (PSA) and others
- New panels being formed to evaluate evidence on necessity of testing for various conditions
- Difficult task to discern what is cost-effective screening
Figure 1. Number of Diagnoses of All Prostate Cancers (Panel A) and Number of Prostate-Cancer Deaths (Panel B).
Screening and Prostate-Cancer Mortality in a Randomized European Study

**Figure 2. Cumulative Risk of Death from Prostate Cancer.**

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<th>No. at Risk</th>
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<tbody>
<tr>
<td>Screening group</td>
<td>65,078</td>
<td>58,902</td>
<td>20,288</td>
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<tr>
<td>Control group</td>
<td>80,101</td>
<td>73,534</td>
<td>23,758</td>
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Trends in Hospital Reimbursement

• ACA is likely to make Medicaid a larger share of hospital revenues
  – And demographics making Medicare larger %
• Concern is that Medicare and Medicaid currently only pay 90% of costs for hospitals
  – Underpayment is almost as large as uncompensated care ($36 billion)
  – And Medicaid often delays payment (IL)
• Medicare developing *bundled payment* pilot program in 2013 for episodes of care
  – 3 days prior to admission to 30 days after
Share of Hospital Care by Payer

- Private Insurance: 45%
- Medicare: 25%
- Medicaid: 15%
- Out of Pocket: 0%


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Hospital Payment-to-Cost Ratios

Percentage of Hospitals with Negative Total and Operating Margins, 1995 – 2008

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2008, for community hospitals.
Discussion of Future

• ACA brings many changes to health care system and hospital utilization
• Should reduce uncompensated care, but will Medicaid and Medicare payments increase?
• How will emphasis on prevention show up in long-term use of expensive treatments?
• Who will benefit if bundled payment pilots deemed a success?
  – More integrated systems?