

Virginia Health Care Business & Economic Realities

**House Appropriations
Committee
January 20, 2014**

Health Care Economic Realities

- **ACA fund flows to and from the Commonwealth**
- **Health system economic realities**
 - ACA implementation poses major risks, rewards less certain
 - ACA was funded with increased taxes and hospital payment cuts, dollars that come out of the Commonwealth with or without a Virginia coverage solution
 - In the last few months we have seen a hospital close, several announcements of job reductions and more systems seeking strategic partners
 - Every hospital board and management team is looking at the current realities and making tough decisions to adjust programs and services
- **Consequences for Virginia business and economy**
- **We ask you to find a path forward - one that rejects the ACA/Obamacare, keeps money and control in Virginia and implements a uniquely Virginia solution**

Net Impact of the ACA to Virginia

With a Virginia Plan for Closing the Coverage Gap

ACA Fund Flows to the Commonwealth with a Virginia Coverage Plan							
	2014	2015	2016	2017	2018	Total	
ACA Tax Increases Affecting Virginians							
Tax Increases Affecting Virginians	(1,003,900,000)	(1,575,800,000)	(1,969,200,000)	(2,348,500,000)	(2,968,200,000)	(9,865,600,000)	
ACA Health Care Provider Cuts Affecting Virginia							
Total Tax Increases/Provider Cuts	\$ (1,126,135,400)	\$ (1,826,946,800)	\$ (2,274,946,300)	\$ (2,737,679,800)	\$ (3,418,815,300)	\$ (11,384,523,600)	
ACA Related Fund Flows To Virginia							
Health Insurance Exchange Funding	280,132,960	536,921,507	875,415,500	1,062,170,807	1,178,892,874	3,933,533,647	
Low-income Coverage Funding	738,353,025	2,087,764,690	2,267,170,655	2,354,603,688	2,430,967,834	9,878,859,892	
ACA Funds flowing to Virginia	1,018,485,985	2,624,686,197	3,142,586,155	3,416,774,495	3,609,860,708	13,812,393,539	
Net Impact to Virginia	\$ (107,649,415)	\$ 797,739,397	\$ 867,639,855	\$ 679,094,695	\$ 191,045,408	\$ 2,427,869,939	

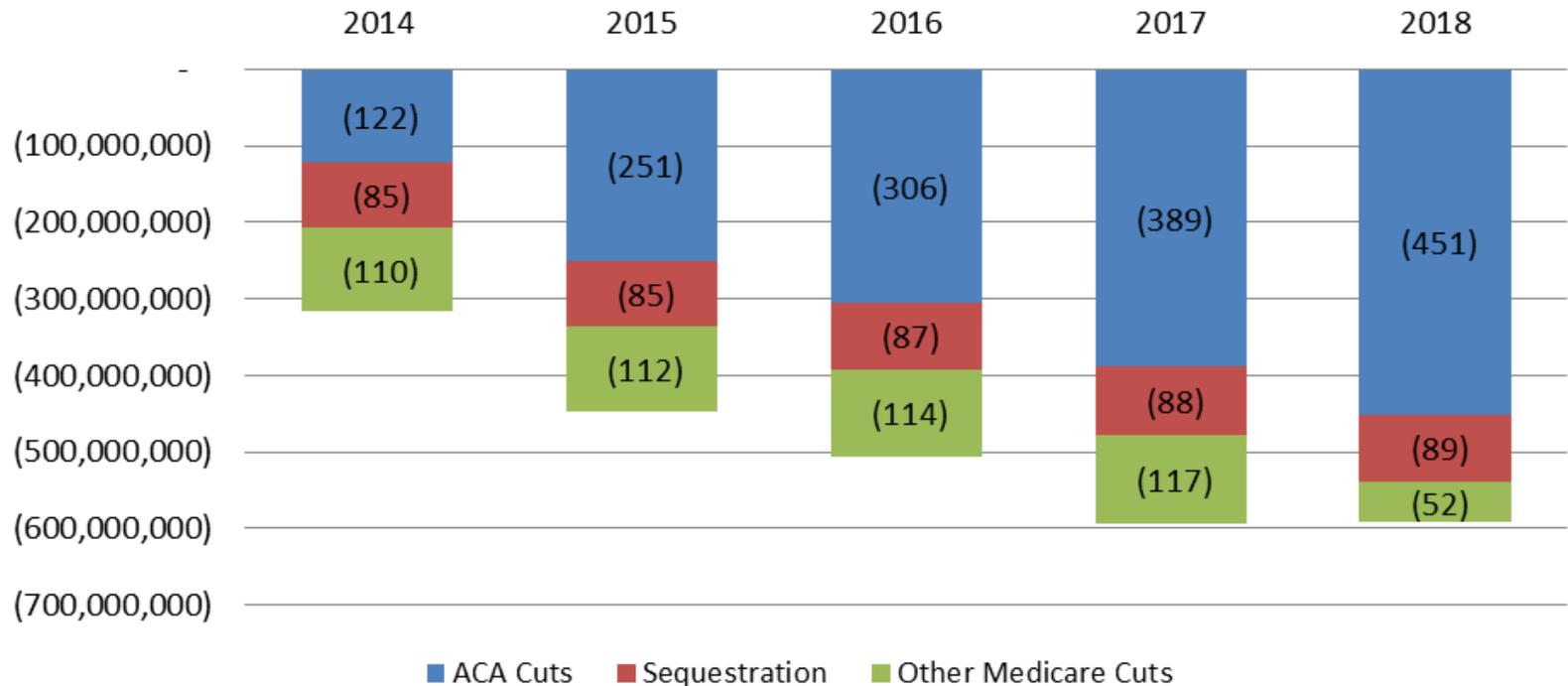
Net Impact of the ACA to Virginia

Without a Virginia Plan for Closing the Coverage Gap

ACA Fund Flows to Virginia <u>without</u> Closing the Coverage Gap							
	2014	2015	2016	2017	2018	Total	
ACA Tax Increases Affecting Virginians							
Tax Increases Affecting Virginians	(1,003,900,000)	(1,575,800,000)	(1,969,200,000)	(2,348,500,000)	(2,968,200,000)	(9,865,600,000)	
ACA Health Care Provider Cuts Affecting Virginia	(122,235,400)	(251,146,800)	(305,746,300)	(389,179,800)	(450,615,300)	(1,518,923,600)	
Total Tax Increases/Provider Cuts	\$ (1,126,135,400)	\$ (1,826,946,800)	\$ (2,274,946,300)	\$ (2,737,679,800)	\$ (3,418,815,300)	\$ (11,384,523,600)	
ACA Related Fund Flows To Virginia							
Health Insurance Exchange Funding	280,132,960	536,921,507	875,415,500	1,062,170,807	1,178,892,874	3,933,533,647	
Low-income Coverage Funding	-	-	-	-	-	-	
ACA Funds flowing to Virginia	280,132,960	536,921,507	875,415,500	1,062,170,807	1,178,892,874	3,933,533,647	
Net Impact to Virginia	\$ (846,002,440)	\$ (1,290,025,293)	\$ (1,399,530,800)	\$ (1,675,508,993)	\$ (2,239,922,426)	\$ (7,450,989,953)	

Federal Cuts are Real & Growing

Impact of Medicare, ACA , Sequestration and Other Medicare Cuts to Virginia Hospitals - In Millions



Health System Impacts of Federal Cuts

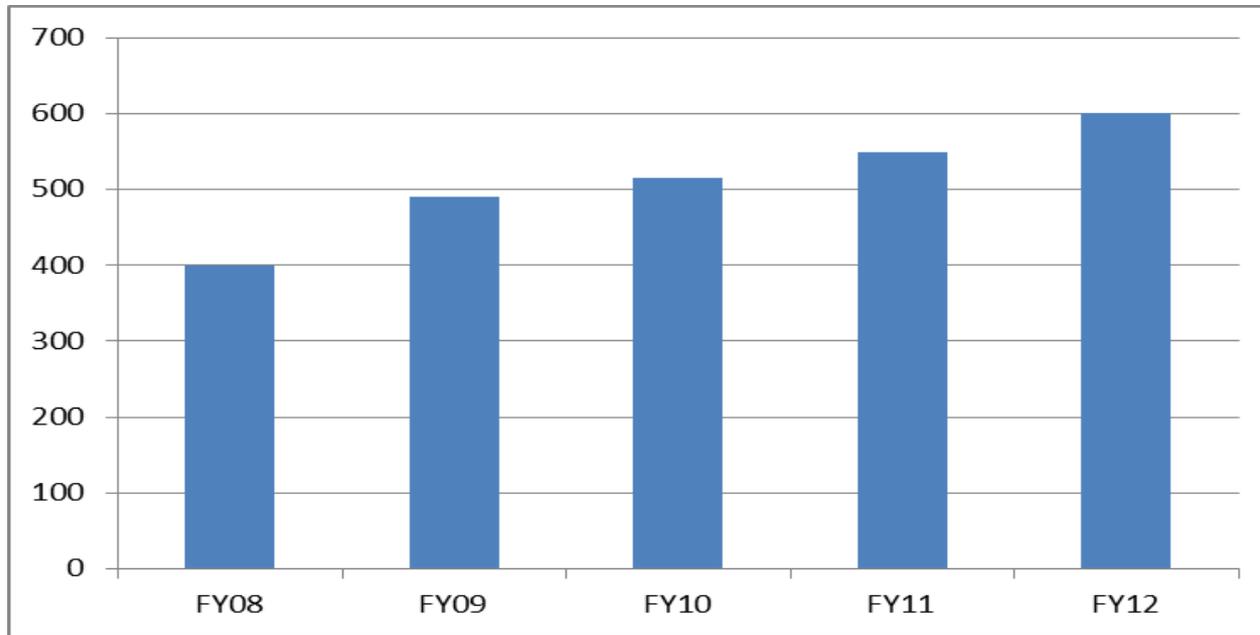
- **Federal cuts, principally to Medicare payments, hit every Virginia hospital**
 - 10% reduction in payments from largest payer in FY15 and FY16
 - These cuts are in law and regulation
 - Hard-wired to go into effect whether or not a path forward on coverage is found
- **Even with a Virginia plan on closing the coverage gap, half of Virginia's hospitals will be net negative in FY16**
 - ACA and other federal cuts vs. additional coverage benefits
- **Other federal cuts are being considered**

Consequences of Current Reality

- **Like any prudent business, health system boards and managers are implementing operational cost reductions**
- **Half of health system expenses are in labor**
- **Job reductions are already being implemented in every corner of the Commonwealth**
- **Without a Virginia plan to close the coverage gap, these actions will accelerate**

Closing the Coverage Gap Will Lower Costs Hospitals Incur Today

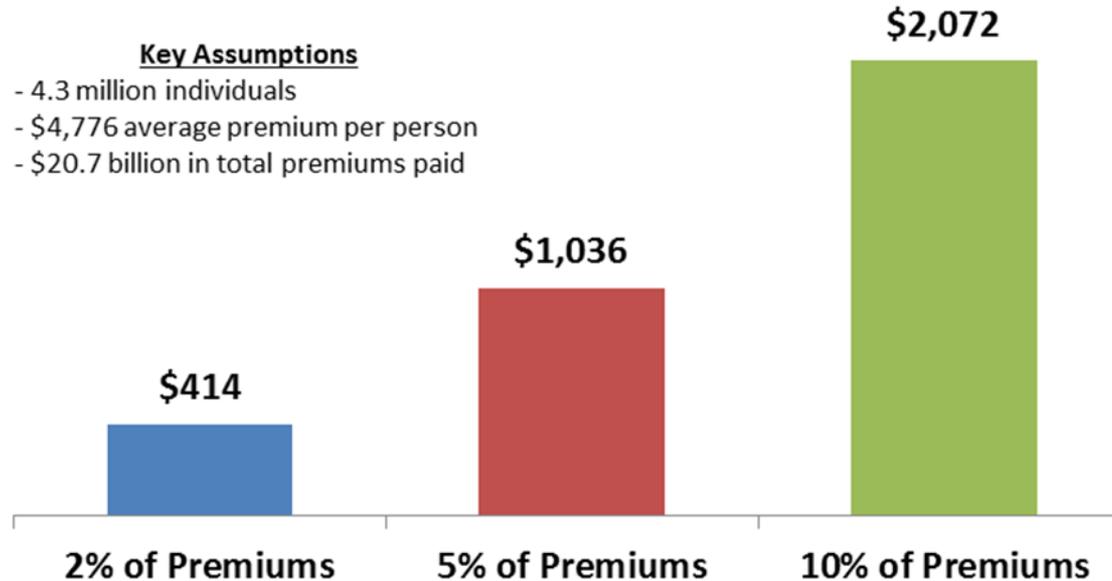
- Hospitals provided \$600 million in charity care (at cost) in 2012, an amount that has grown by 50% since '08



Costs That Are Reflected In the Premiums Businesses and Individuals Pay

- The cost of caring for the uninsured ends up being reflected in the premiums paid by businesses and all those with private insurance
- Costs that studies indicate raise premiums anywhere from 2 to 10 %

Cost of the Uninsured to Commercial Insurers in Virginia
(Dollars in millions)



Avoiding a Double Hit to Virginia's Businesses and Economy

The consequences of the status quo and protracted delay on finding a Virginia solution for closing the coverage gap results in a double hit to Virginia businesses and the economy:

- **Virginia citizens and healthcare businesses still pay ACA-related taxes and fees**
 - Totaling \$10 billion between 2014-2018
- **Virginia businesses continue to pay indirectly for the cost of caring for the uninsured**
 - Delay already has forfeited at least \$800 million in Virginia ACA-related funds
 - Resources that Virginia could reclaim to offset business costs

Find a Virginia Solution

- **No one anticipated or asked for Virginia to be placed in this fiscal situation, but that is the reality the Commonwealth's economy faces**
- **It is critical that a Virginia solution for closing the coverage gap be found, one that:**
 - Rejects a federally-designed expansion of Medicaid, keeping money and control in Virginia
 - In favor of a uniquely Virginia plan that promotes value, improves access to preventive services, elevates quality and reduces the health care cost trend

Bottom line: the Virginia General Assembly can protect Virginia hospitals and save and support thousands of good jobs by finding a Virginia solution on closing the coverage gap