

*Impact of Health Reform on the  
VCU Health System  
Presentation to the  
House Appropriations Committee*

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May 17, 2010  
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# *Presentation Outline*

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## → Background

- Impact to the VCU Health System Operations
- Impact on the Commonwealth's AMC's
- Conclusions

## *The Health Care Reform law is complex and touches many facets of health care*

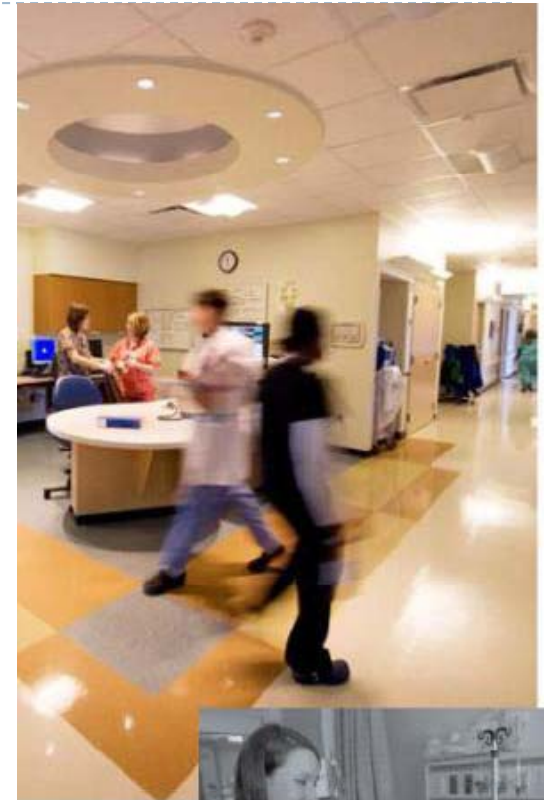
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- ▶ The Patient Protection and Affordable Care Act (PPACA) will expand coverage to over 32 million Americans by 2019
- ▶ Coverage expansions will include approximately 16 million new Medicaid/CHIP enrollees
- ▶ Impacts to the VCU Health System (VCUHS) will be significant due to our mission

Source: Mutinsky, S. and Swartz, C., *Health Care Reform Implementation: Coverage Expansion Issues*, Webinar, May 6, 2010.

*All components of the VCU Medical Center will be affected by the new law*

- ▶ **VCU Health System - the clinical delivery component of the VCU Medical Center**
  - ▶ MCV Hospitals
  - ▶ MCV Physicians
  - ▶ Virginia Premier Health Plan (Medicaid HMO)
  
- ▶ **VCU Health Sciences Schools**
  - ▶ School of Medicine
  - ▶ School of Dentistry
  - ▶ School of Nursing
  - ▶ School of Pharmacy
  - ▶ School of Allied Health Professions



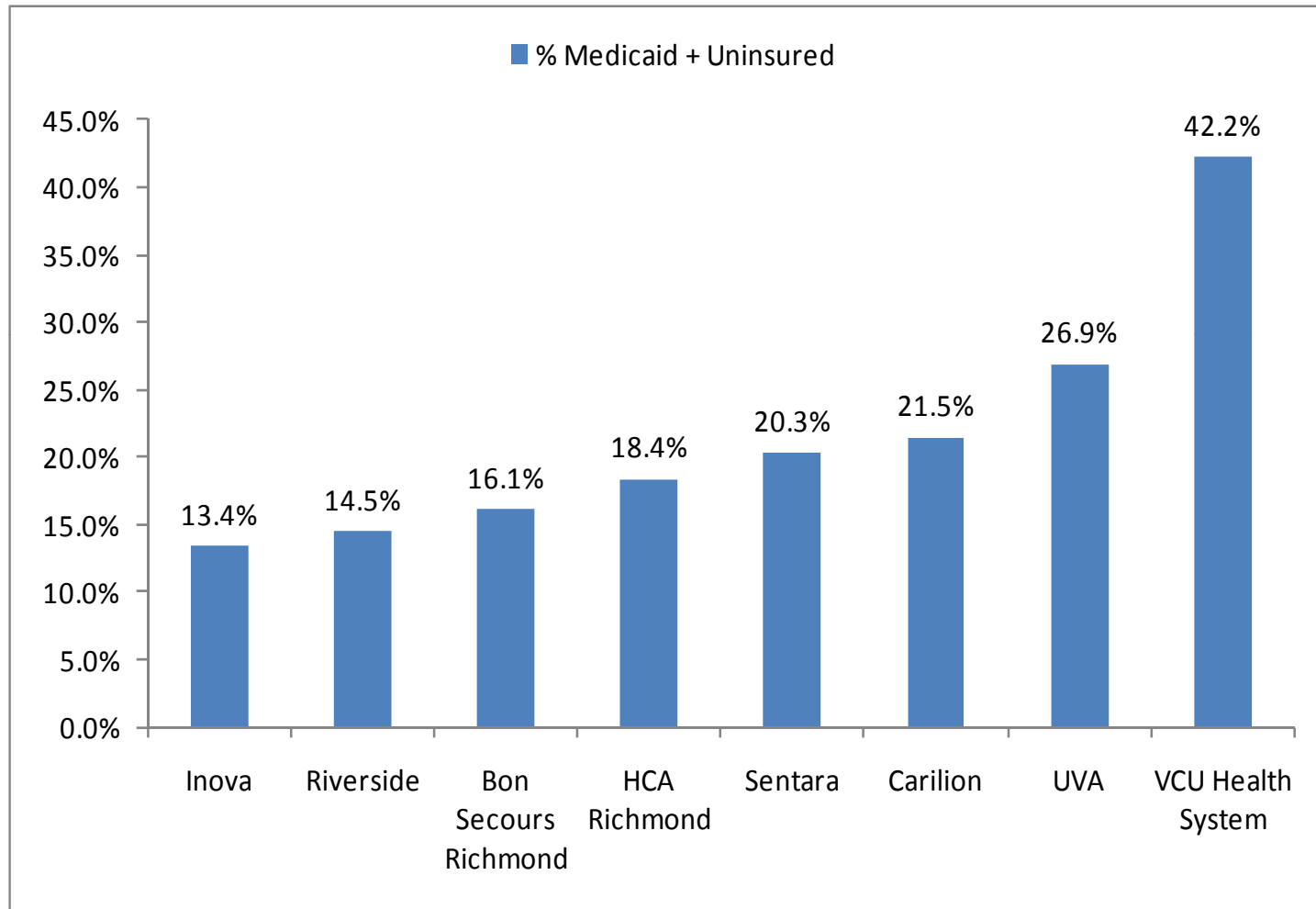
*Private beds have left the city, leaving majority of disadvantaged to seek services at VCUHS*

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- ▶ Over 700 beds have left Richmond City and gone to new modern suburban facilities since 1980



*VCU Health System serves over 83,000 uninsured and underinsured patients each year*



Source: FY 2009 VHHA state discharge database

# *The impact of the Health Care Reform law requires planning to address operational issues*

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- ▶ Reductions in Medicaid and Medicare DSH
- ▶ Medicaid Expansion
- ▶ Capacity to provide health care for the newly insured
- ▶ Workforce issues
- ▶ Impact on Educational Programs

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*Funding for the Commonwealth's Academic Medical Centers will be impacted by the reductions in Medicare and Medicaid DSH*

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- ▶ A portion of the funding to cover the newly insured is provided by reductions in Medicare and Medicaid Disproportionate Share Hospital (DSH) payments to States (2014)
  - ▶ Medicaid DSH – reduced \$14 billion over 10 years
  - ▶ Medicare DSH – reduced \$22 billion over 10 years

## *Medicaid Expansion may impact more than 400,000 Virginians*

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- ▶ Adequacy of Medicaid rates is a critical factor to ensure that providers across the Commonwealth provide access
- ▶ Concerns for VCUHS
  - ▶ Significant increases in the newly insured Medicaid population with reduced reimbursement rates
  - ▶ Shifts of the existing Medicaid population resulting in negative impacts to clinical and educational programs
    - ▶ VCUHS Obstetrics & Gynecology program lost approximately 50% of its delivery volume in the mid-1990's due to an increase in Medicaid rates for obstetrical services

Source: Urban Institute report, January 25, 2010 ; Senate Finance Committee

# *Capacity to provide access to health care for the newly insured*

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- ▶ Studies have indicated that increasing access to health insurance results in an increase in utilization of health care services, including primary care\*
- ▶ VCUHS experience with the uninsured has demonstrated that providing access to primary care does increase utilization of health services
  - ▶ Results in increased demand for specialty care services and procedures
  - ▶ Additional patient education efforts and management of chronic illnesses can reduce avoidable emergency room visits and unnecessary hospitalizations

\*Freeman, JD, Kadiyala, S, Bells, F, Martin, DP, "The causal effect of health insurance on utilization and outcomes in adults: A systematic review of U.S. studies," *Medical Care* 46(10) pp.1023-1032, October 2008.

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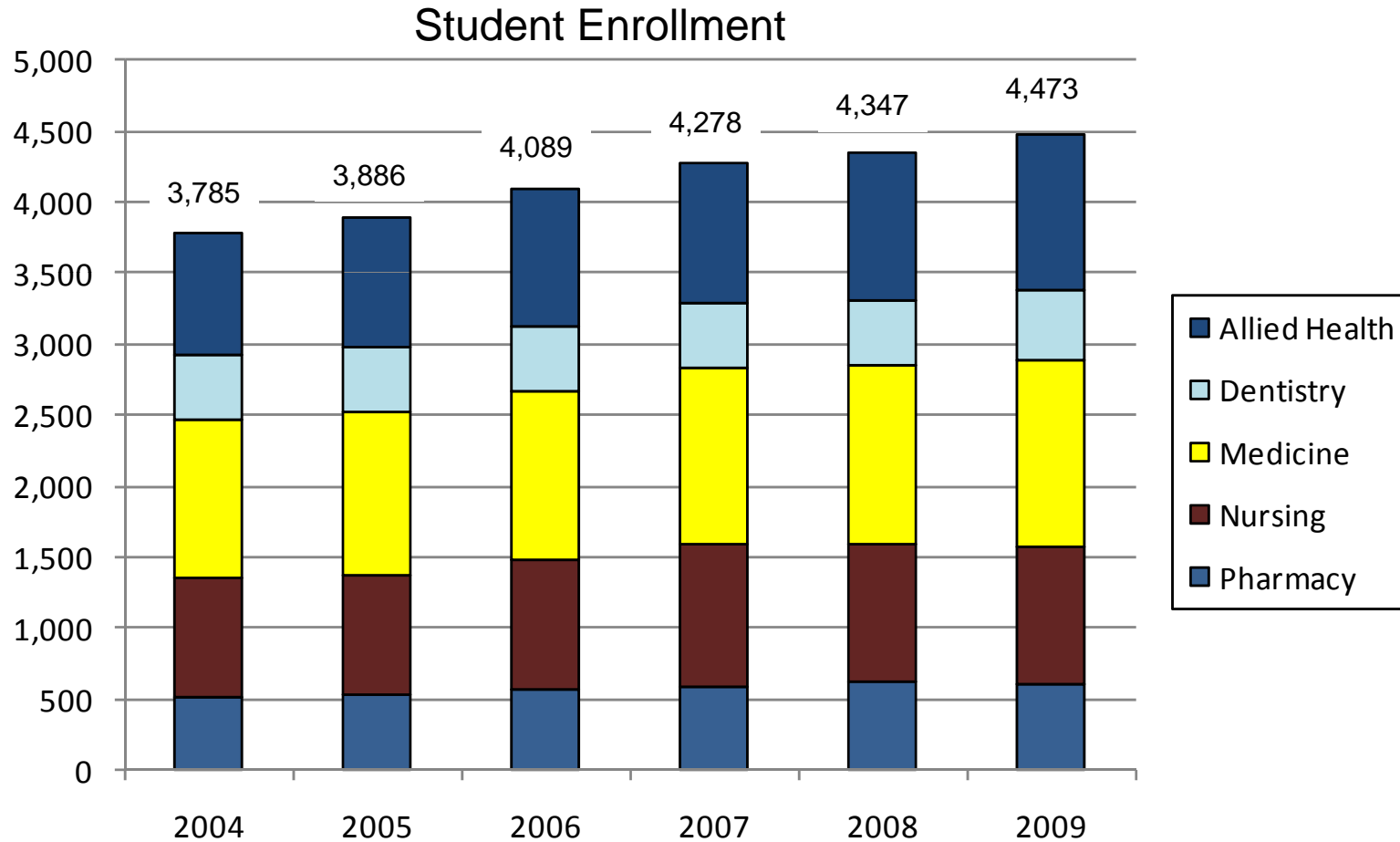
- ❑ Background
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- ➔ Impact on the Commonwealth's AMC's
- ❑ Conclusions

*The Academic Medical Centers will need to address workforce and educational issues to accommodate the newly insured*

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- ▶ **Critical question: Is there adequate primary care capacity?**
  - ▶ Only 32% of physicians are primary care in the U.S. (compared to > 50% in other developed countries)
  - ▶ Medical student interest has fallen: Today, only 16-18% of medical students are likely to practice primary care.
  
- ▶ **PPACA will create programs to increase education and training opportunities for health care professionals**

*VCU Health Sciences Schools continue to address the Commonwealth's health professional needs*



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# *Conclusions*

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- ▶ Health Reform is a complex issue that requires focused attention
  - ▶ VCUHS has established a task force to evaluate issues and develop implementation strategies
- ▶ Multiple concerns for AMC's
  - ▶ Reductions in DSH funding
  - ▶ Increased volumes of newly insured and lower reimbursement
  - ▶ Availability of funding to support the academic mission
- ▶ Opportunities for the Commonwealth
  - ▶ Establish a forum for discussion
  - ▶ Monitor changes that will occur as a result of implementation of the Health Care Reform law