



an informational series for hospital leaders

May 2010

Estimating the Coverage Impact of Federal Health Reform

The Patient Protection and Affordable Care Act (PPACA) includes provisions to expand Medicaid and create a mandate for individuals to obtain health coverage that will result in a significantly reduced level of uninsured persons. A segment of the population will remain uninsured, most notably the unauthorized immigrant population, as well as those who obtain exemptions based on religious beliefs, financial hardship, etc. and those who choose to remain uninsured, in violation of the law.

It is difficult to estimate the impact of this new coverage due to the significant number of moving parts, the lack of data, and unpredictability of people shifting within various types of health coverage, changes in utilization and provider responses to health reform. However, the attached worksheet and instructions, developed by AHA and modified by IHA, attempts to assist you with a very broad estimate of the payment impact of the health coverage expansion.

Please note that this model provides only a best estimate and actual results will vary substantially due to the many variations in implementation. The intent of the tool is to assist members in gauging the potential impact of those newly covered by the reform provisions and seeing where opportunities are available for providers to respond. The estimator tool allows users to input various factors based on their hospital's experience with the uninsured and uncompensated care.

There are 1.6 million uninsured Illinoisans based on the 2008 U.S. Census Bureau Current Population Survey (the latest information available). Nearly half (49%) have incomes at or below 200% of the Federal Poverty Level (FPL) yet 61% are working. Twenty-five percent are categorized as non-workers and 17% are estimated to be unauthorized immigrants.

Medicaid will be expanded to cover individuals with incomes up to 133% of FPL, and it is estimated that 33% of uninsured Illinoisans will now be eligible for Medicaid. Possibly another 20% would be eligible for commercial coverage through the State Insurance Exchange.

These estimates are based on the Congressional Budget Office (CBO) analysis related to the reduction of the uninsured population under health reform and

applied to the Illinois uninsured population. The CBO estimates that nationally 23 million people will remain uninsured, of these, approximately a third would be unauthorized immigrants. It is estimated that nearly 35% of the uninsured legal residents would remain uninsured due to exemptions, the premiums still being too expensive or simply failing to enroll. Given that 17% of the uninsured are undocumented and that the CBO estimates only 65% of uninsured legal residents will obtain coverage, approximately 47% of uninsured Illinoisans might remain uninsured. In other words, with a total state population of nearly 13 million, about 94% of Illinoisans would have health insurance coverage.

The potential financial impact on Illinois hospitals, using this model, could range from \$6.7 billion to \$8.1 billion in new revenue over 10 years. However, this estimate will change due to changes in utilization as previously uninsured individuals begin to access the health system, as providers experience changes in practice to embrace the incentives of reform, as some of the population will shift among different types of health coverage, as employers respond to the incentives and penalties, and as other currently unknown changes occur in health coverage. IHA will continue to refine estimates and impacts as further information becomes available.

On Tuesday, May 11, 12:00 – 1:00, IHA will conduct a conference call to assist members in utilizing this estimator tool. The call-in number is 888-390-3967. Please have the estimator tool electronically open in front of you when you log on to the call, so you can follow along as the various components are described.

If you have any questions, please contact Sandy Kraiss at 630-276-5522.