



an informational series for hospital leaders

Coverage Expansion Benefit Calculator

Line-by-Line Instructions

The statistical model for this calculator was originally developed by the American Hospital Association and has been modified by the Illinois Hospital Association.

This calculator will provide a very rough estimate of the financial impact – total new Medicaid and private plan revenues -- of the coverage expansion on your hospital as a result of health care reform. Actual results could vary substantially due to many implementation uncertainties. Please also note:

- This analysis does not account for any shifting of already insured individuals among various types of insurance. *Because payment rates vary dramatically by payer group, the degree of shifting is a critical unknown that could have a dramatic impact on results at the hospital level.*
- This analysis does not account for increased utilization that will likely occur as formerly uninsured individuals obtain health care coverage.

Calculation of Reduction in Uncompensated Care

Note: Those with asterisks need to have data inputted, whereas the rest of the lines will be calculated automatically.

(1) Estimated Percent Reduction in Uninsured Legal Residents. This value represents the percent reduction from current levels of uninsured legal residents as projected by CBO nationally. Little change is expected before 2014. This is a national estimate. Results for your community may differ.

***(2) ENTER Your Cost-based Uncompensated Care for 2009.** Uncompensated care includes charity care and bad debt and should be entered at its *cost* value. Cost can be estimated by multiplying charge-based figures by your institutional cost-to-charge ratio.

***(3) ENTER the Projected Annual Growth Rate in Cost-based Uncompensated Care.** This number will be used to project your uncompensated care over the next 10 years. Make sure you calculate growth on a *cost* basis, otherwise your projections may be inflated. An estimate could be derived from an average annual increase over the last five years.

(4) Projected Uncompensated Care. The spreadsheet uses the number you entered for uncompensated care in 2009 and projects it forward through 2019 by the annual growth rate you entered on line (3).

***(5) ENTER the Percent of Uncompensated Care Related to Insured Patients.** Nationally, about 25% of all uncompensated care is related to unpaid copayments, deductibles and other cost-sharing for insured patients. Enter here the percent of your uncompensated care that you estimate is due to *insured* patients. This portion of your uncompensated care is unlikely to be affected by coverage expansions. Insurance market reforms could reduce the uncompensated care related to *underinsured* patients, but this potential impact is not accounted for in this model.

***(6) ENTER the Percent of Uncompensated Care Related to Undocumented Persons.** Enter your best estimate of what percentage of your uncompensated care is related to undocumented persons. Because undocumented persons are specifically excluded from coverage expansions, this portion of your hospital's uncompensated care is unlikely to be reduced. Records kept for purposes of applying for Section 1011 funds may be helpful in determining this percentage. Also, the percentage of uninsured persons who are undocumented may be used as a proxy for this figure. The Illinois percentage of uninsured that is estimated to be undocumented is 17%.

(7) Uncompensated Care Related to Uninsured Legal Residents. Subtracts from total uncompensated care the estimated amount of uncompensated care related to insured patients and undocumented persons.

(8) Estimated Uncompensated Care Related to Patients Who Will Now Be Covered. Multiplies line (7) by the percent reduction in uninsured legal residents from line (1).

Coverage for Newly Insured

***(9) ENTER Your Payment-to-Cost Ratio for the Exchange.** Enter what you would expect to negotiate with private plans in the exchange. Please include an allowance for bad debt in your calculated rate. Also, we encourage hospitals to vary the payment-to-cost ratio to see how it would affect the financial results.

(10) Percent Newly Insured in Private Insurance or Exchange. This line is calculated by subtracting line (12 – those to be enrolled in Medicaid) from the number one. Newly covered individuals not eligible for Medicaid are assumed to enroll in coverage through the exchange.

(11) New Private Plan Net Revenues. This line is calculated by multiplying line (8), Estimated Uncompensated Care Related to Patients who will Now Be Covered by line (9), Percentage of Cost Paid through Exchange by line (10), Percent of Newly Insured in Private Insurance. It assumes that your hospital will experience a proportional

reduction in uncompensated care cost as formerly uninsured individuals obtain coverage from the exchange and those costs are reimbursed at a negotiated rate.

Coverage for New Medicaid

***(12) ENTER the Percent of Uninsured with Incomes Under 133 percent of the Federal Poverty Level (FPL) - Assumed Portion of Newly Insured Who Will Be in Medicaid.** New

Medicaid eligibility rules will allow all legal residents who have incomes under 133 percent of FPL (\$26,667 for a family of four) to enroll in Medicaid.

Examining the data you collect for purposes of determining eligibility for charity care and financial assistance may help you estimate this percentage for your hospital. IHA estimates that 33% of the newly insured will be eligible for Medicaid.

*** (13) ENTER Your Medicaid Payment-to-Cost Ratio.** Enter your payment-to-cost ratio for

Medicaid services provided, excluding any quarterlies and provider assessment.

(14) New Medicaid Net Revenues. This line is calculated by multiplying line (8), Estimated

Uncompensated Care Related to Patients Who Will Now Be Covered, by line (12), Portion of

Formerly Uninsured that will Become Covered by Medicaid, times line (13), Medicaid Payment- to-Cost Ratio. It assumes that your hospital will experience a proportional reduction in uncompensated care cost as formerly uninsured individuals obtain coverage under expanded Medicaid eligibility. Each dollar of cost that formerly was unreimbursed will now be reimbursed at the Medicaid payment-to-cost ratio for this portion of the newly insured population.

(15) Total Net New Revenues. This line provides a sum of new Medicaid and private plan revenues.