



NEWS

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Information Contact:

Bo Ryall

501-224-7878

boryall@arkhospitals.org

PRIVATE OPTION EASES HOSPITALS' FINANCIAL STRUGGLES

Uncompensated Care Losses Fell by \$149 Million In 2014

[Little Rock, Ark.] – During 2014, the first year for Arkansas' private option, the number of people without insurance who were admitted to hospitals across the state for inpatient care fell by 48.7 percent compared to 2013, according to new information from the Arkansas Hospital Association (AHA).

The reduction in the numbers of uninsured patients across all hospital patient care settings translates into the private option's key benefit: uncompensated care losses among the responding hospitals related to uninsured patients dropped by \$149 million, or 55.1 percent, in 2014. The reduction is helping hospitals as they struggle to offset the continued effects of harsh Medicare payment cuts established in recent years.

The report is based on a survey conducted jointly by the Arkansas Chapter of the Healthcare Financial Management Association and the AHA in April. Hospitals responding to the survey represent more than 80 percent of all hospital patient services by revenue and admissions.

Hospital participants in the survey reported 11,698 uninsured patients were admitted for inpatient care in 2014 compared to 22,786 inpatient admissions in 2013. The volume of uninsured patients seen in the hospitals' outpatient clinics showed similar declines in 2014, falling by 45.7 percent. In hospital emergency rooms, where there was a five percent increase in overall visits in 2014, the number of uninsured patients seeking care declined 38.8 percent.

The reductions are linked to the Arkansas private option, the state's plan for expanding health insurance to low-income individuals, which was implemented January 1, 2014.

The full-year 2014 numbers are consistent with results of a previous HFMA/AHA survey conducted last year to measure the Private Option's impact after six months of operation. At that time, hospitals cared for fewer uninsured patients in all care settings, including patients admitted for inpatient care (-46.5 percent), outpatient clinics (-36 percent) and emergency rooms (-35.5 percent).

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"Arkansas continues to lead the nation in reducing the numbers of uninsured people. That has had a direct impact on hospitals," AHA President and CEO Bo Ryall said. "The responses to this survey show once more that the new

insurance coverage provided through the private option has reduced uncompensated care losses for hospitals in the state, giving every Arkansas hospital a way to better manage the effects of Medicare payment reductions that have grown over the past few years. More importantly, the private option has given many of our rural hospitals a better chance to remain open for their communities. Arkansas has not seen rural hospital closures like other states and this can be directly attributed to insurance coverage for a previously uninsured population.”

“The Arkansas Private Option is making a difference in the amount of uncompensated care we see in our hospital and in hospitals across the state,” Ray Montgomery, President/CEO of Unity Health and a member of the Governor’s Advisory Council on Medicaid Reform said. Whether we have the APO or not, Unity Health in Searcy, alone, will suffer from \$66 million in payment reductions from federal cuts over the next 6 years. The Arkansas Private Option allows us to at least receive payments for patients who previously had no ability to pay for services, otherwise,”

The AHA is a membership organization comprised of 96 hospitals and other healthcare organizations employing more than 48,000 people throughout Arkansas which work together to achieve and sustain safe, high quality, patient-centered care through advocacy, education, quality improvement and policy analysis aimed at advancing the health and well-being of communities. The Healthcare Financial Management Association is a national nonprofit membership organization for health care financial management executives and professionals.



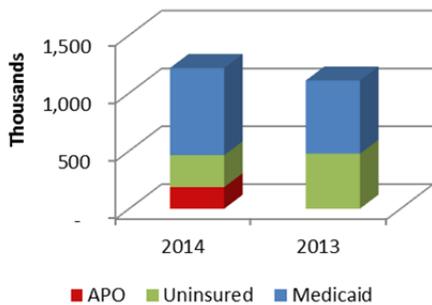
ARKANSAS PRIVATE OPTION

Benefit to Arkansas Hospitals January 1 – December 31, 2014

With the assistance of the Arkansas Chapter of the Healthcare Financial Management Association (HFMA), the Arkansas Hospital Association conducted a survey of Arkansas hospitals to determine the financial impact of the private option for the first full year of its implementation. **Responding hospitals include 56 acute care hospitals and 6 specialty hospitals, representing over 80% of all Arkansas hospital patient service by revenue and admissions.**

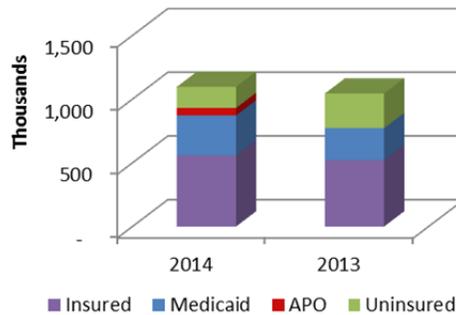
Total Utilization

APO replaces uninsured volume



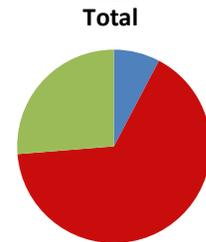
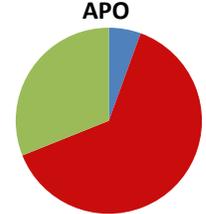
ER Visits

Only 5% Increase



APO Utilization

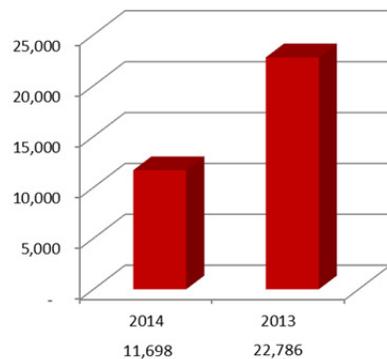
Consistent with overall usage



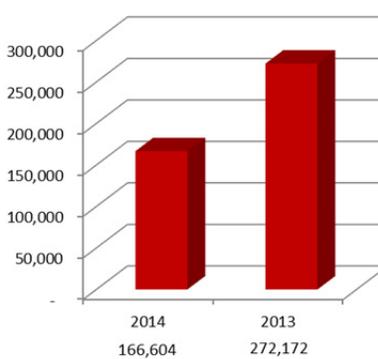
■ Inpatient ■ Outpatient ■ Emergency Room

Significant Reductions in Uninsured Volumes:

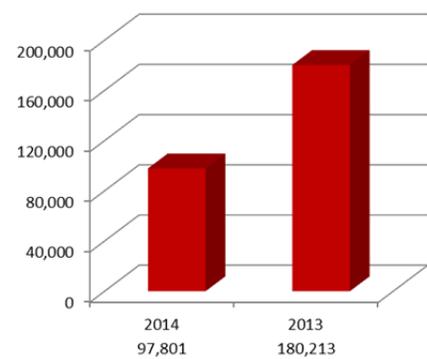
Admissions – Down 48.7%



ER Visits – Down 38.8%



Outpatient Visits – Down 45.7%



The Arkansas Private Option (APO) has provided significant benefits to hospitals in the state at a crucial time. The losses responding hospitals incurred caring for low income Arkansans have decreased by **\$149 million**, offsetting continued Medicare reimbursement cuts.



The following is a summary of the financial impact for services to low income patients:

<i>(in millions)</i>	Year Ended			
	December 31,			
	2014	2013	Change	Change, %
Payments¹				
APO ²	185.8	-	185.8	-
Uninsured	53.7	63.6	(9.8)	-15.5%
Total payments	239.6	63.6	176.0	276.8%
Cost³				
APO	191.1	-	191.1	-
Uninsured	170.0	334.0	(164.0)	-49.1%
Total cost	361.1	334.0	27.0	8.1%
Net loss	\$ (121.5)	\$ (270.5)	\$ 149.0	-55.1%

(1) Payments include an estimate of expected payments not yet received as of the survey date for services rendered prior to December 31, 2014.

(2) 80% of Arkansas Insurance Exchange patients were estimated to be attributable to APO based on enrollment data provided by the Arkansas Department of Human Services.

(3) Based on individual hospital cost-to-charge ratios.