

Uninsureds' costs plunge, hospitals say Private option is credited; patient tally up, survey finds

Arkansas hospitals treated more patients in the first half of 2014 compared with a year earlier, while the number of patients who lacked insurance dropped sharply, according to a summary of results from an industry survey released Friday.

As a result of the change, the 46 hospitals that responded to the survey by the Arkansas Hospital Association and the Arkansas chapter of the Healthcare Financial Management Association reported that their unreimbursed cost of providing care to the uninsured fell about 56 percent, or \$68.7 million -- from \$122.6 million in the first half of 2013 to \$53.9 million in the first half of 2014.

Paul Cunningham, the hospital association's executive vice president, credited the expansion of the state's Medicaid program under the so-called private option with reducing the cost to hospitals of providing care to the uninsured.

The change has helped offset cuts in Medicare reimbursement expected to total \$2.5 billion from 2012 through 2022, he said.

"Without the private option, if you don't have another source of revenue coming in, it paints a very dire picture for a lot of hospitals throughout the state," Cunningham said.

The hospitals responding to the survey represent about 65 percent of the state's 71 general, acute care hospitals and account for about 80 percent of hospital patient services and hospital revenue in the state, according to the association.

The hospitals reported that emergency room visits increased 1.8 percent in the first six months of 2014 compared with the first half of 2013.

During the same period, the number of emergency room patients who lacked insurance dropped 35.5 percent, from 102,469 to 66,075.

Similarly, the hospitals reported that hospitalizations increased less than 1 percent in the first half of 2014 compared with a year earlier, but that the number of hospitalized patients who lacked insurance fell 46.5 percent, from 9,180 to 4,913.

During the same period, the number of outpatient visits increased 5.8 percent, but outpatient visits by the uninsured dropped 36 percent, from 68,627 to 43,901.

Caring for Arkansans covered under the private option cost an estimated \$57.5 million, from which the hospitals stand to receive an estimated \$58 million in reimbursement, according to a summary of the survey.

The estimated reimbursement includes expected payments for services through July 1 that had not been received at the time the survey was conducted.

Taking into account the private option reimbursement and reduction in the uninsured, the Hospital Association credited the private option with reducing the hospitals' financial losses for the first six months of 2014 by \$69.2 million.

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An earlier survey by the Hospital Association, based on information from 42 hospitals on treatment provided during the first three months of 2014 compared with the first quarter of 2013 found that emergency room visits had dropped by 2 percent, including a 24 percent drop in the number of emergency room patients who lacked insurance.

That survey also found that the number of hospitalized patients who lacked insurance fell 30 percent in the first three months of 2014 compared with the first three months of 2013.

Authorized under the federal health care overhaul law and approved by the Legislature in 2013, the expansion of the state's Medicaid program extended eligibility to adults with incomes of up to 138 percent of the poverty level: \$16,105 for an individual, for instance, or \$32,913 for a family of four.

Under the private option, the Medicaid program purchases coverage on the state's insurance exchange for most of the newly eligible adults. Those with exceptional health needs are assigned to the traditional Medicaid program.

The federal health care law also makes subsidies available to help with the purchase of insurance for many people who don't qualify for Medicaid but have incomes of below 400 percent of the poverty level: \$45,960 for an individual, for example, or \$94,200 for a family of four.

As of Oct. 1, more than 211,000 Arkansans had been approved for coverage under the expanded Medicaid program, while more than 38,000 others were enrolled in plans on the insurance exchange.

Sen. David Sanders, R-Little Rock, and a sponsor of the law creating the private option, said the information from the Hospital Association survey is encouraging.

"Our hospitals have realized that the private option has given them the space to innovate," Sanders said.

For instance, he said, several hospitals have taken steps to divert patients from the emergency room whose needs could be better addressed in less costly settings, such as an urgent care facility or outpatient clinic.

The state Medicaid program and the private option insurance plans don't cover the cost of emergency room visits for nonemergency health care needs, he said.

Sen. Cecile Bledsoe, R-Rogers, who opposed the state's Medicaid expansion, said, "Hospitals will probably get a blip with increased revenue from the private option, but it's not sustainable."

Although the federal government is paying the full cost of the private option, Bledsoe, chairman of the Senate Public Health, Welfare and Labor Committee, said Arkansas won't be able to afford its share of the program after the state begins paying part of the cost in 2017.

If the Legislature decides to scrap the private option during next year's legislative session, she added, lawmakers would likely provide help to some of those whose coverage would end.

"We're going to work hard at doing something to help some of these people either find better jobs, find a job or help them some way so that they are not just cut off from insurance," Bledsoe said.