



Bureau of Legislative Research

Arkansas Health Care Reform Task Force

TSG Update Report
April 5, 2016

Impact of the Private Option

on State Funds

Projected Aggregate Private Option Impact (SFY 2017-2021)							
<i>(all figures millions \$ unless otherwise indicated)</i>							
		2017	2018	2019	2020	2021	2017-2021
Private option expenditures		1,630	1,712	1,797	1,887	1,982	9,009
Impact on State Funds							
Impact on state expenditures	State match on Private Option	41	92	114	157	193	598
	State fund savings from optional Medicaid waiver programs discontinued after the establishment of the PO	(21)	(22)	(23)	(25)	(26)	(117)
	State fund savings from cost-shifting from traditional Medicaid to PO	(91)	(96)	(101)	(106)	(111)	(504)
	Administrative costs	3	3	3	3	3	14
	Reductions in state fund outlays for uncompensated care	(37)	(39)	(41)	(43)	(45)	(203)
	Total impact on expenditures	(106)	(62)	(47)	(13)	15	(213)
Impact on state revenues	Increase in premium tax revenue	37	39	41	44	46	208
	Increase in collections from economically-sensitive taxes (4%)	64	65	67	69	72	336
	Total impact on revenues	101	104	109	113	118	544
Net impact on state funds		206	166	156	126	103	757

Impact of the Private Option

on Hospital Uncompensated Care

Impact on Hospital Uncompensated Care (\$millions)						
	2017	2018	2019	2020	2021	2017-2021
With PO	135	141	148	156	164	744
Without PO	329	345	362	380	400	1,816
Difference	194	204	214	225	236	1,072

Impact of Other ACA Changes

on Arkansas Health Care Providers

Impacts of other ACA Changes on Arkansas Health Care Providers

(\$millions)

	2017	2018	2019	2020	2021	2017- 2021
Increase in other federal funds flowing into AR due to ACA (exchange subsidies)	846	939	995	1,032	1,097	4,911
Decrease in federal funds flowing into AR due to ACA (taxes and rate effects)	(1,386)	(1,730)	(2,055)	(2,279)	(2,539)	(9,989)
Net impact of other ACA changes	(539)	(791)	(1,060)	(1,246)	(1,442)	(5,078)

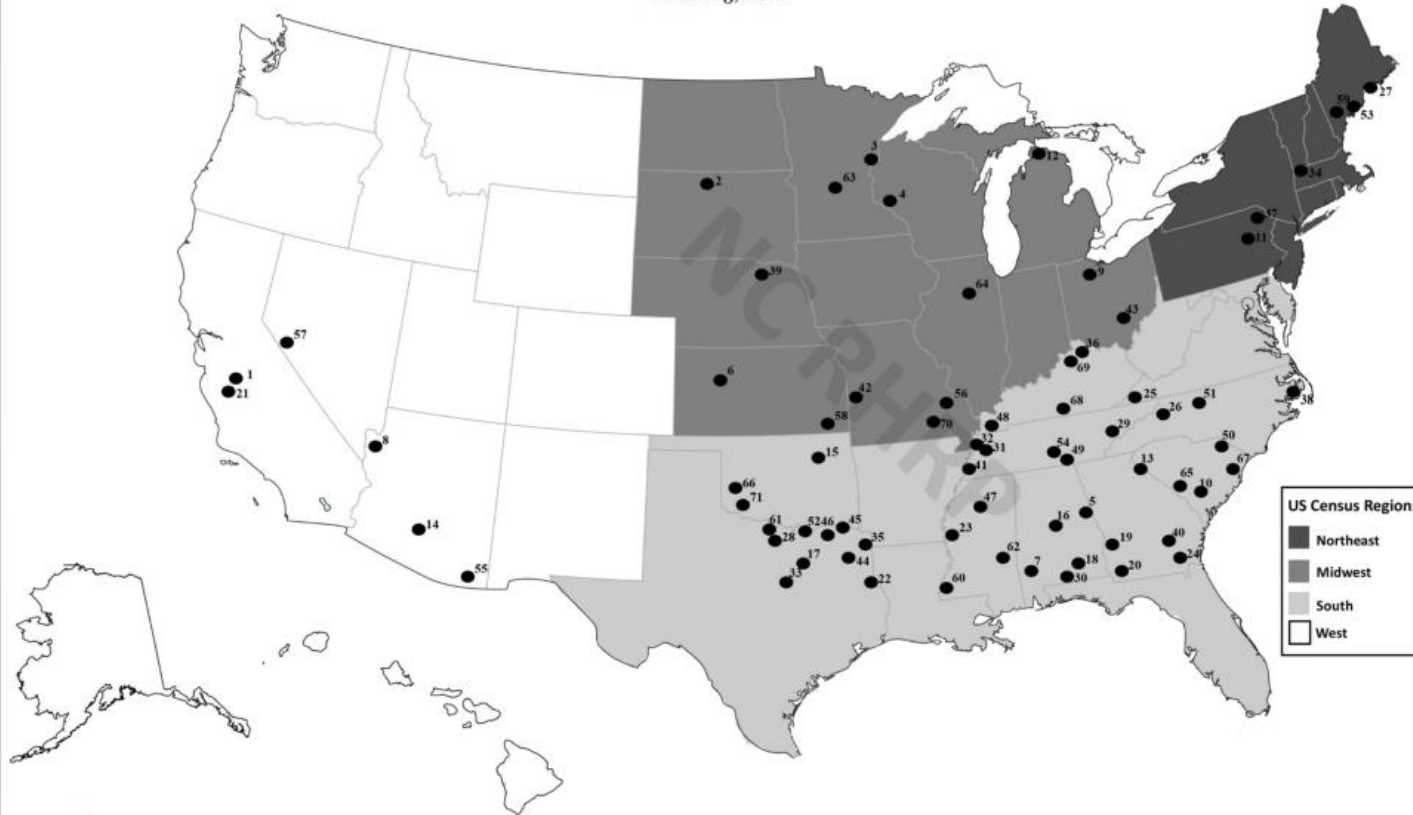
Hospital Financial Stability

- Moody's Investor Service recently upgraded the outlook for the U.S. non-profit and public healthcare sector from negative to stable.
- Outlook had been negative since 2008.
- Moody's cited reductions in bad debt as one of the primary drivers.
- Moody's noted that the improved financial outlook for this sector is better in states that expanded Medicaid.

Hospital Closures and Medicaid Expansion

Rural Hospital Closures : 71 Closures from January 2010-Present

March 15, 2016



**North Carolina
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Hospital Closures and Medicaid Expansion

- 71 rural hospitals in the U.S. have closed since January 2010
 - 52 of those closures have been in states that did not expand Medicaid
 - States that did not expand Medicaid represent about 40% of the U.S. population, but about 73% of rural hospital closures
- iVantage Health Analytics has developed a hospital financial vulnerability index
 - According to the index, there are 673 financially vulnerable hospitals in the U.S.
 - 19 of the financially vulnerable hospitals are in Arkansas