

Hospitals and the Economy

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**CALIFORNIA
HOSPITAL
ASSOCIATION**

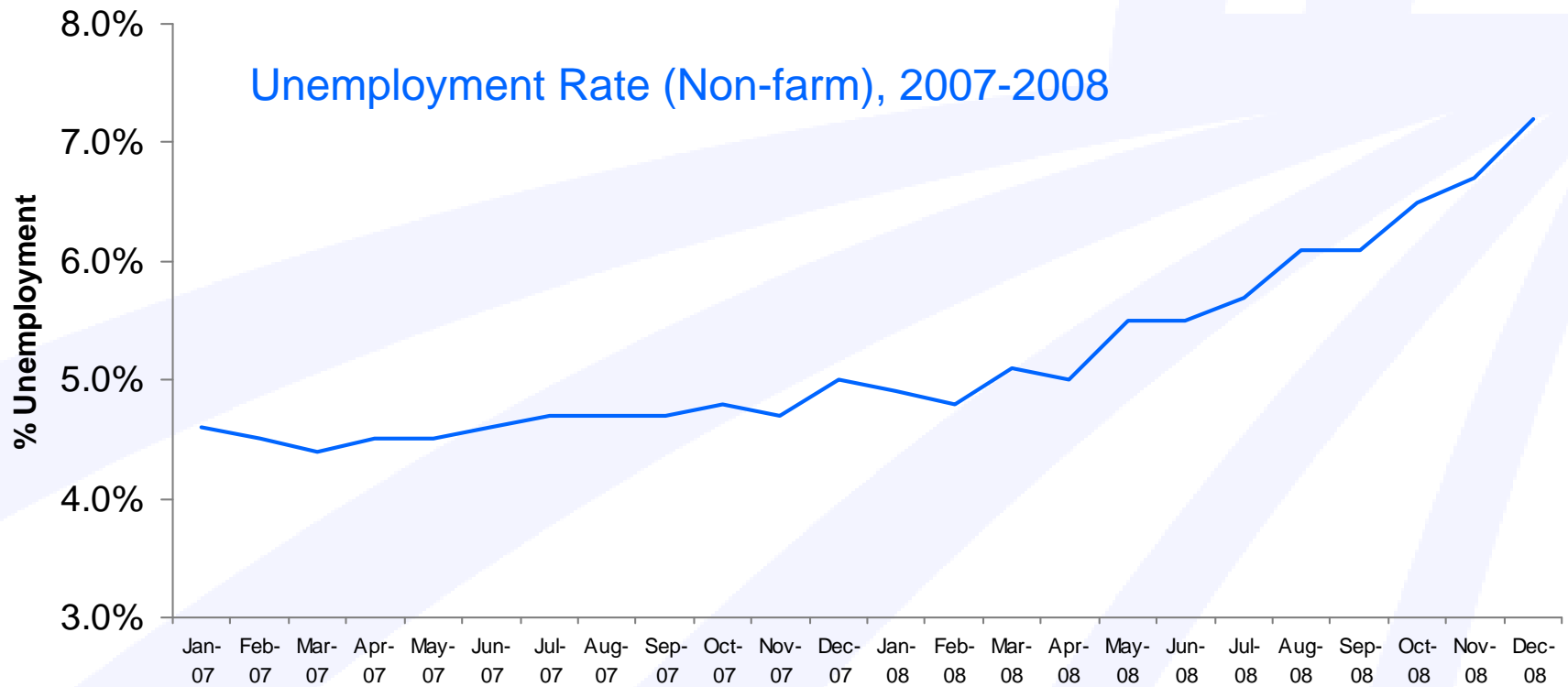


Hospitals and the Economy

“American hospitals are financially challenged and the trends in revenues and expenses will put and even greater burden on the viability of many hospitals and their ability to fund capital projects”



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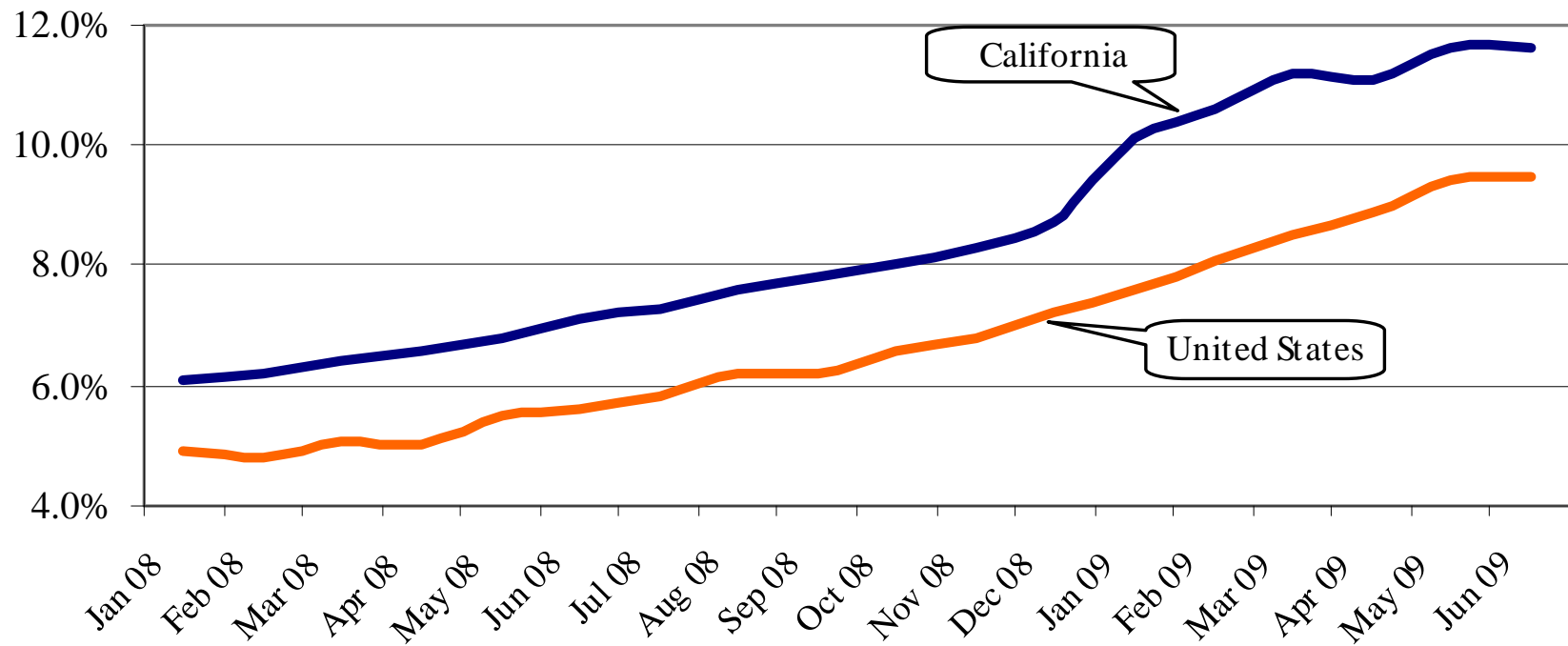


Source: Department of Labor, Bureau of Labor Statistics, Labor Force Statistics. (2008). Access at: <http://www.bls.gov/oco/cg/cgs035.htm>.



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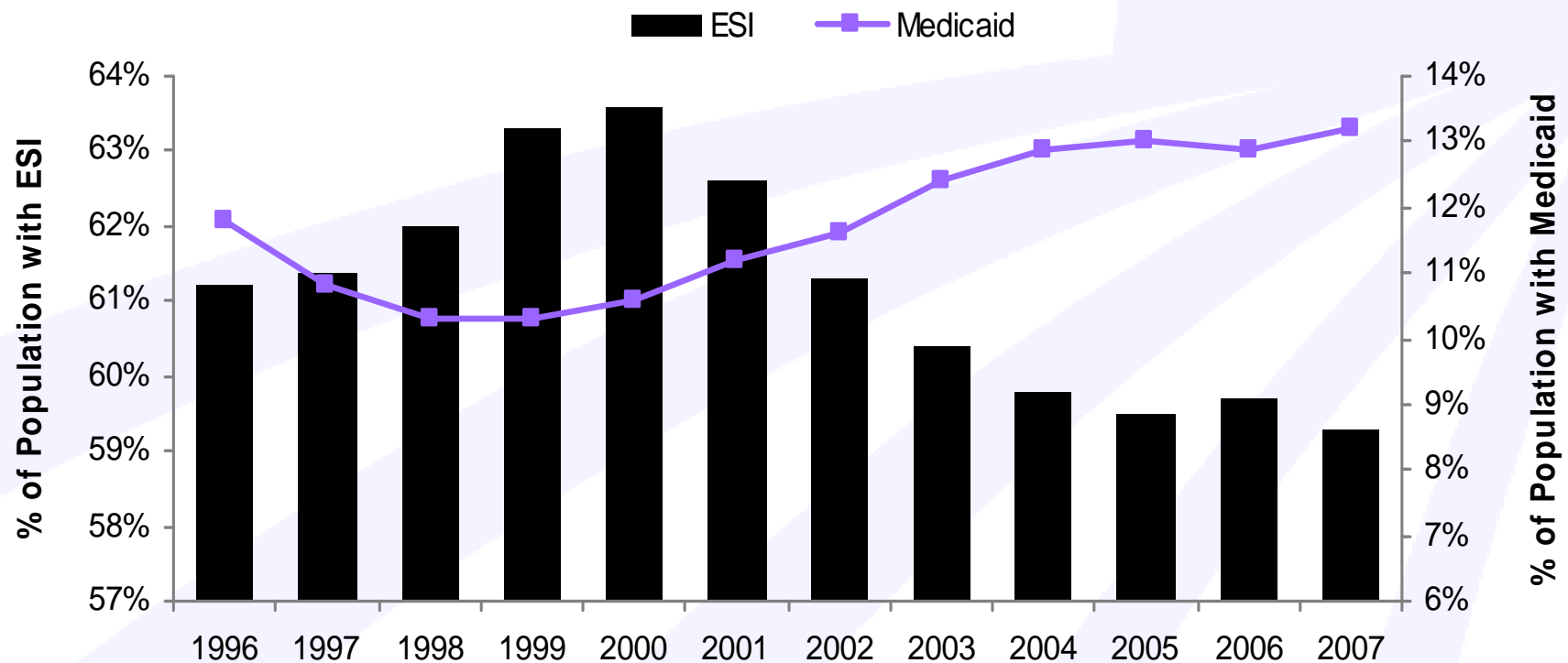
Unemployment Rates - Seasonally Adjusted





Hospitals and the Economy

Percent of Population with Employer-sponsored Insurance (ESI) and Medicaid

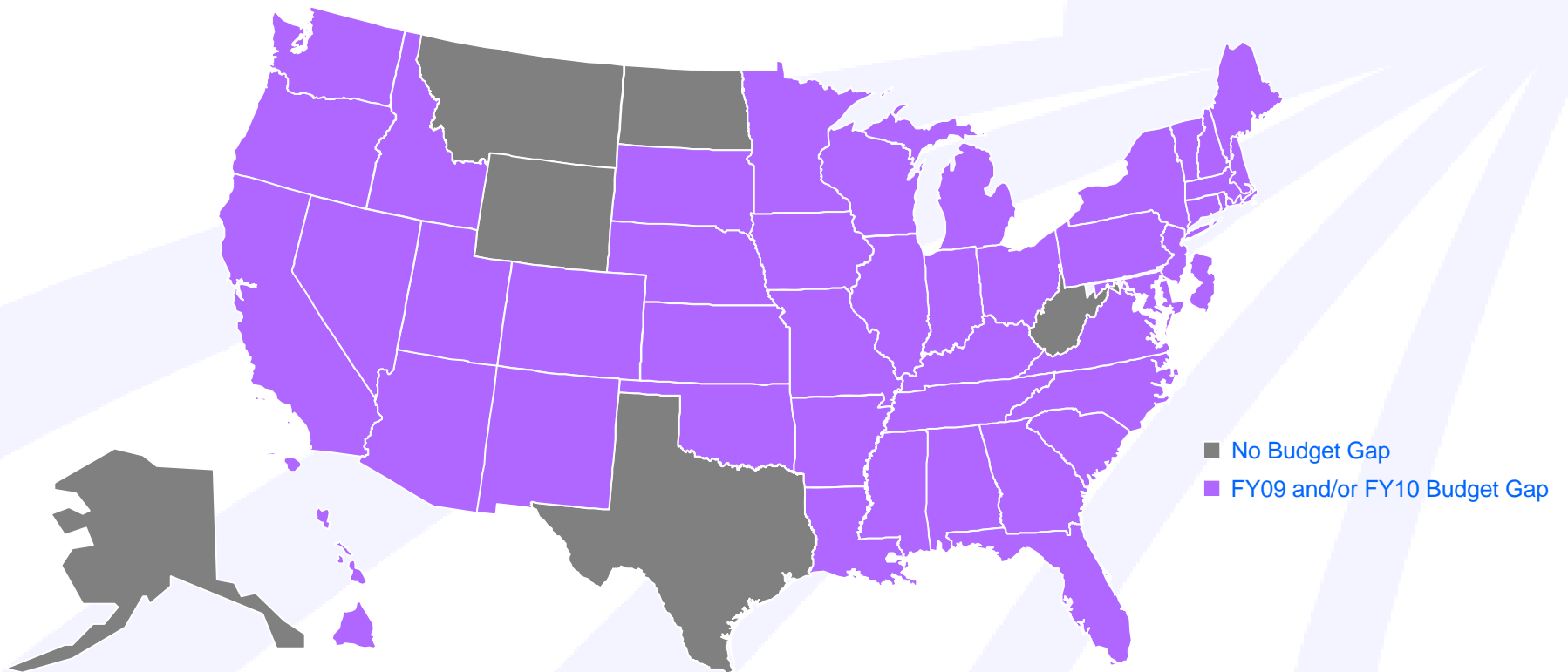


Source: Current Population Survey, U.S. Census Bureau. (2008). Access at: <http://www.bls.gov/oco/cg/cgs035.htm>; and Fronstin, P. (November 2005). Sources of Health Insurance Characteristics of the Uninsured: Analysis of the March 2005 Current Population Survey. *EBRI Issue Brief*, No. 287.



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States with Budget Gaps in FY 2009 or Projected for FY 2010



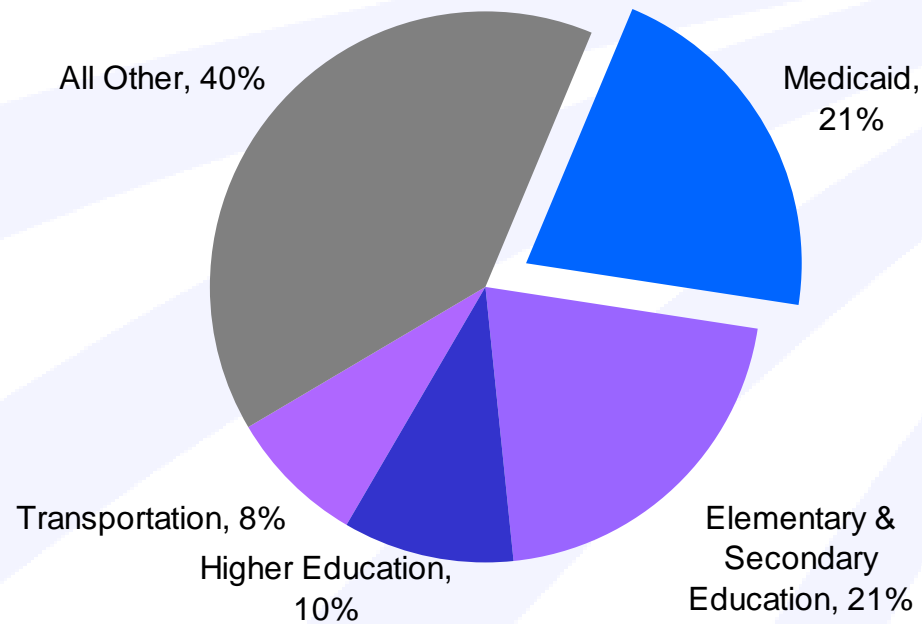
Source: McNichol, E., and Lav, I.J. (23 December 2008). *State Budget Troubles Worsen*. Washington, DC: Center on Budget Policy and Priorities.



Hospitals and the Economy

Percent of State Spending by Function

Total Spending \$1.46 Trillion

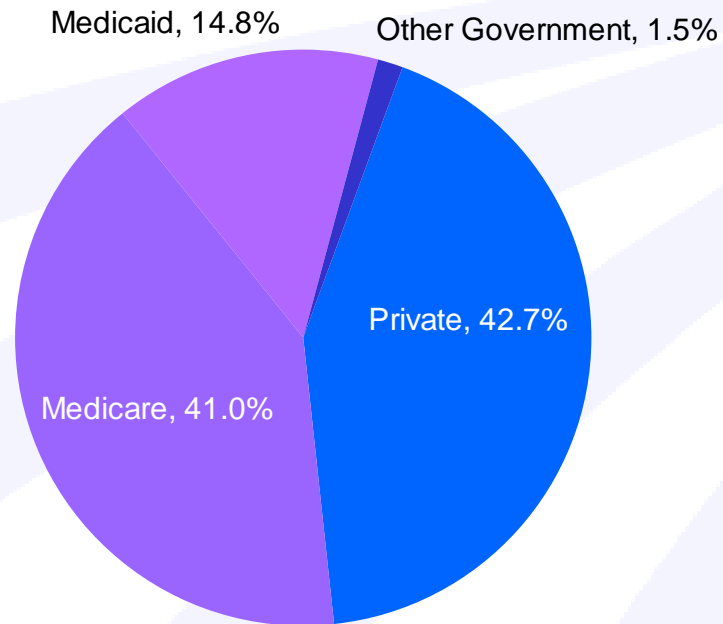


Source: National Governors Association and National Association of State Budget Officers. (June 2008). *The Fiscal Survey of States*. Washington, DC.



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Percent of Gross Revenue by Payer

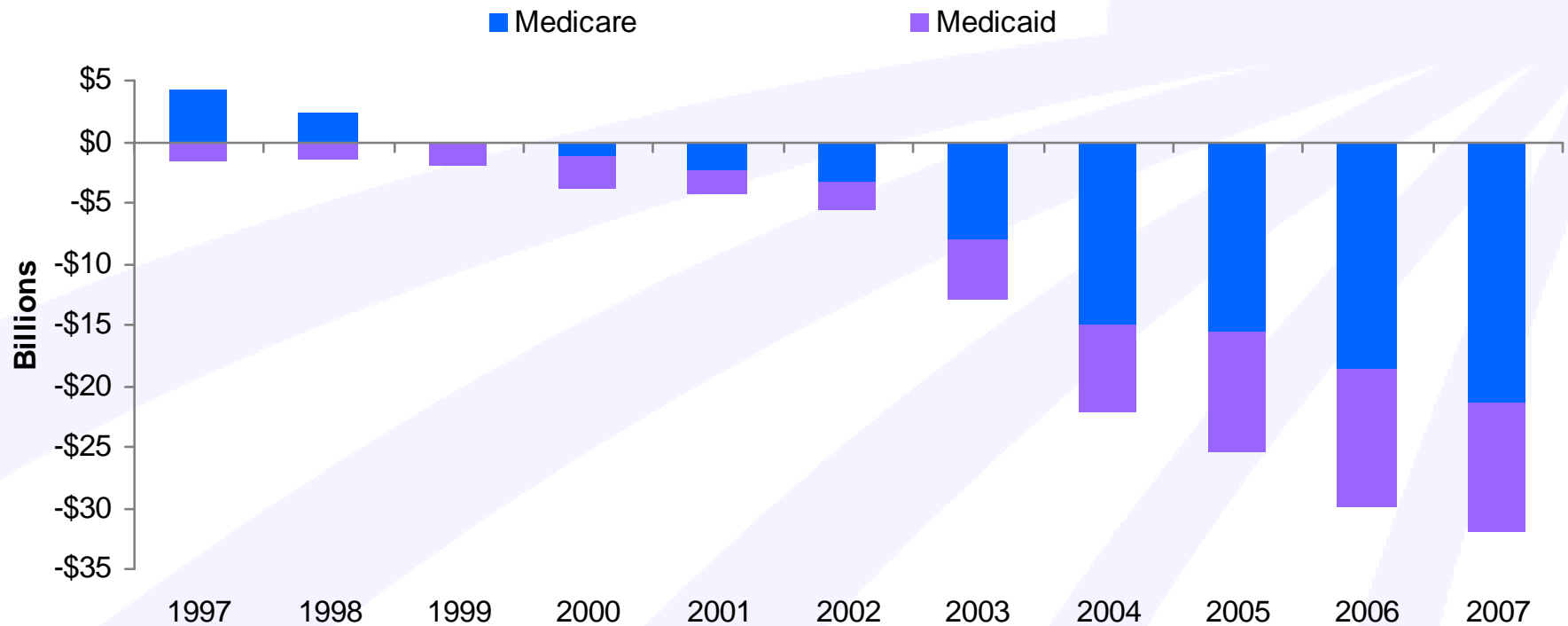


Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.



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Hospital Payment Shortfall (Nationwide)
Relative to Costs for Medicare and Medicaid, 1997 – 2007



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.



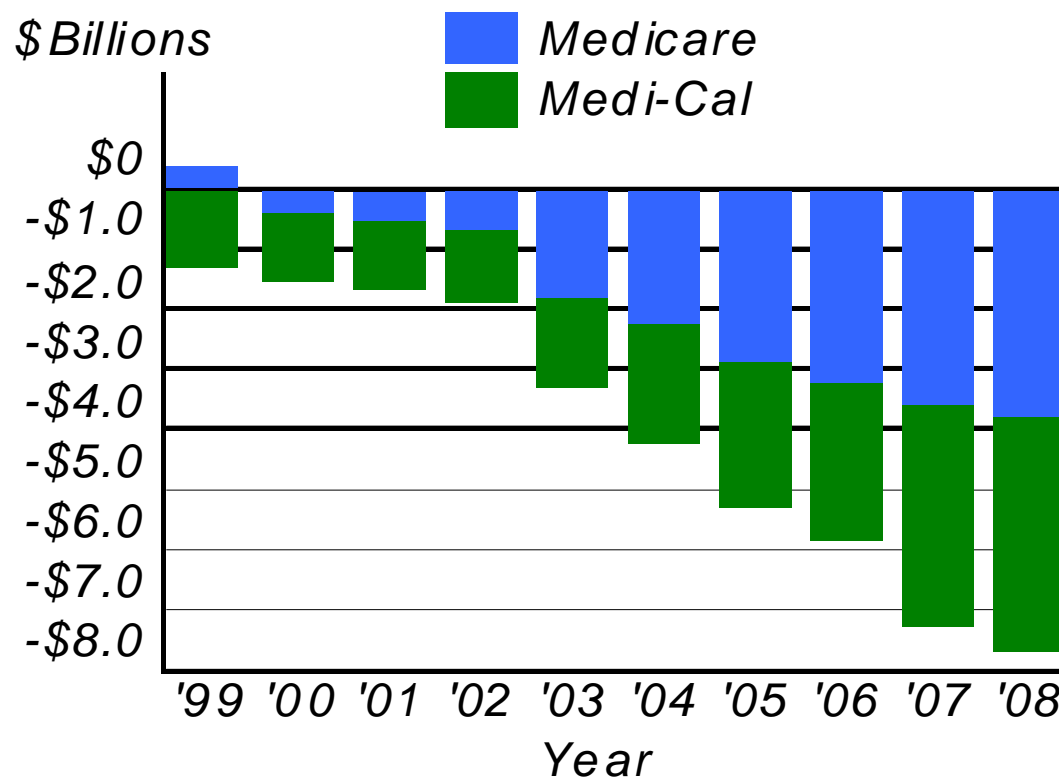
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Hospital Payment Shortfall (California)
Relative to Costs for Medicare and Medicaid, 1999 – 2009

Hospital Unfunded Cost of Providing Services
Medicare and Medi-Cal Patients

1999 - 2008

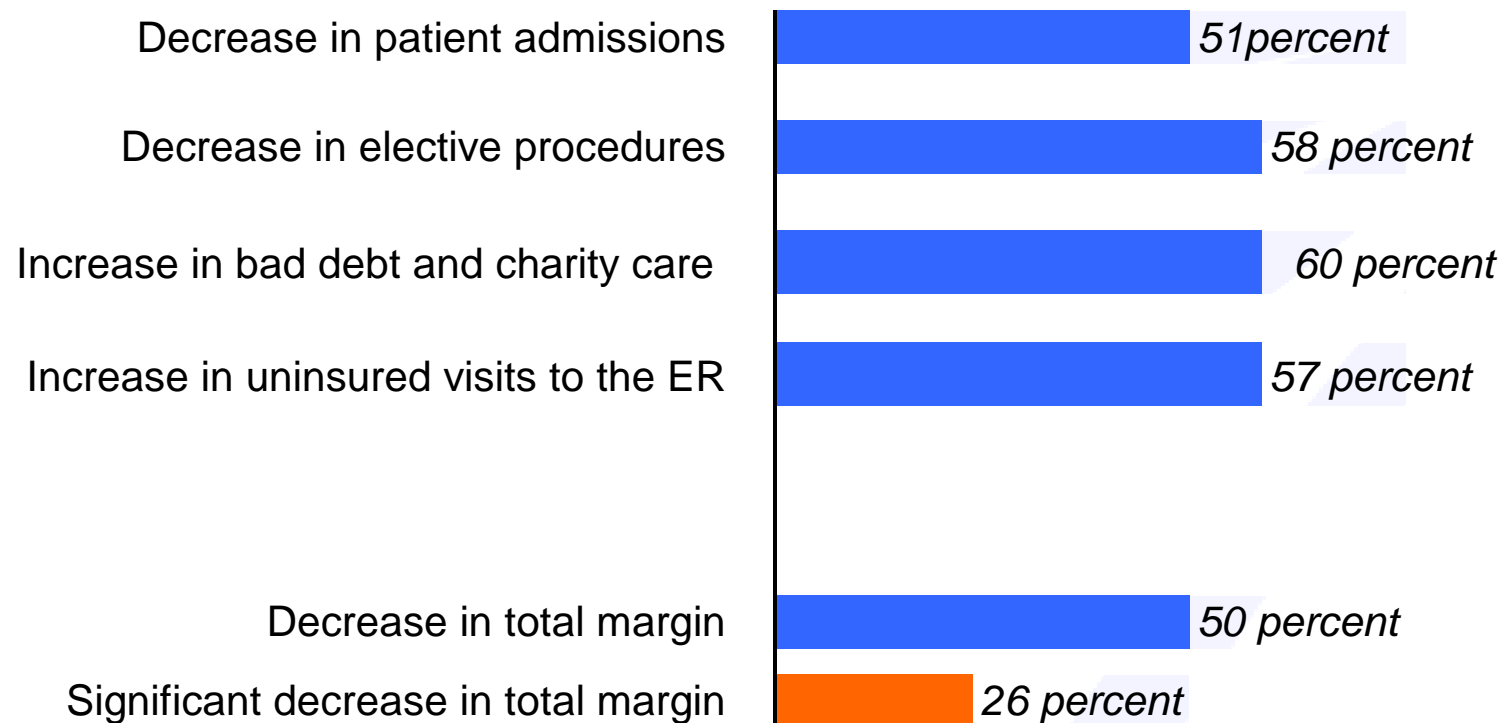
\$Billions





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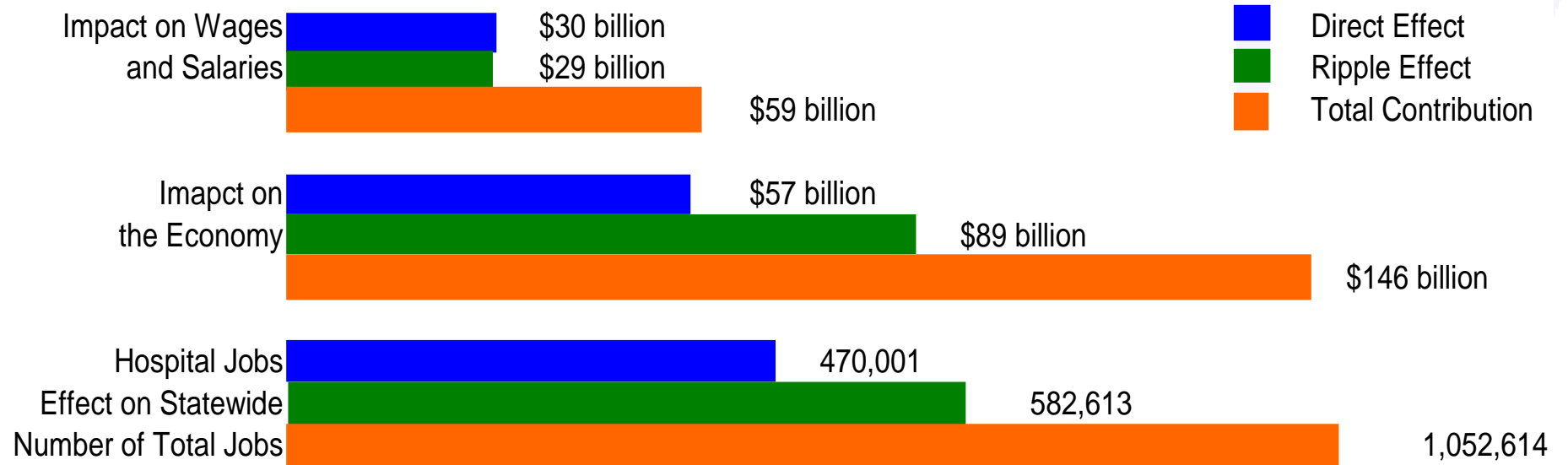
Percent of Hospitals Reporting Impact of Economic Crisis





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Hospitals Play an Important Role in the California Economy





Hospitals and the Economy

64%

cannot secure capital
to fund seismic
mandate

California
Hospitals

37%

Report
a
Negative
Margin

California
ranks

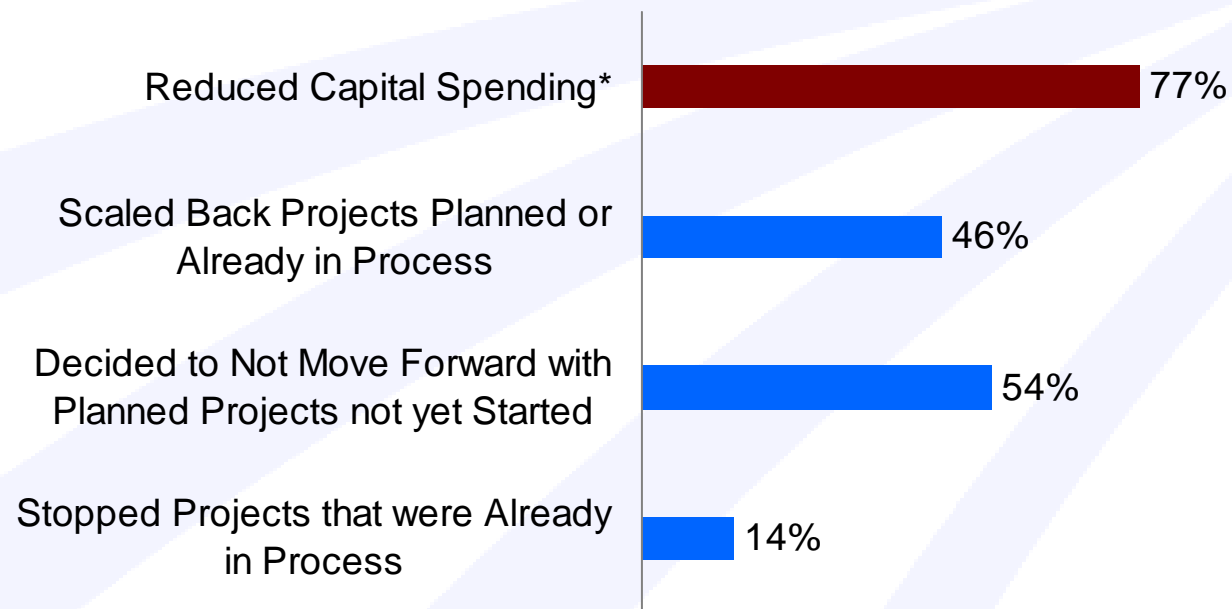
49th

in hospital bed availability
for Californians



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Percent of Hospitals Reducing Expenditures on Capital Projects because of the Capital Crisis Beginning Early in 2008



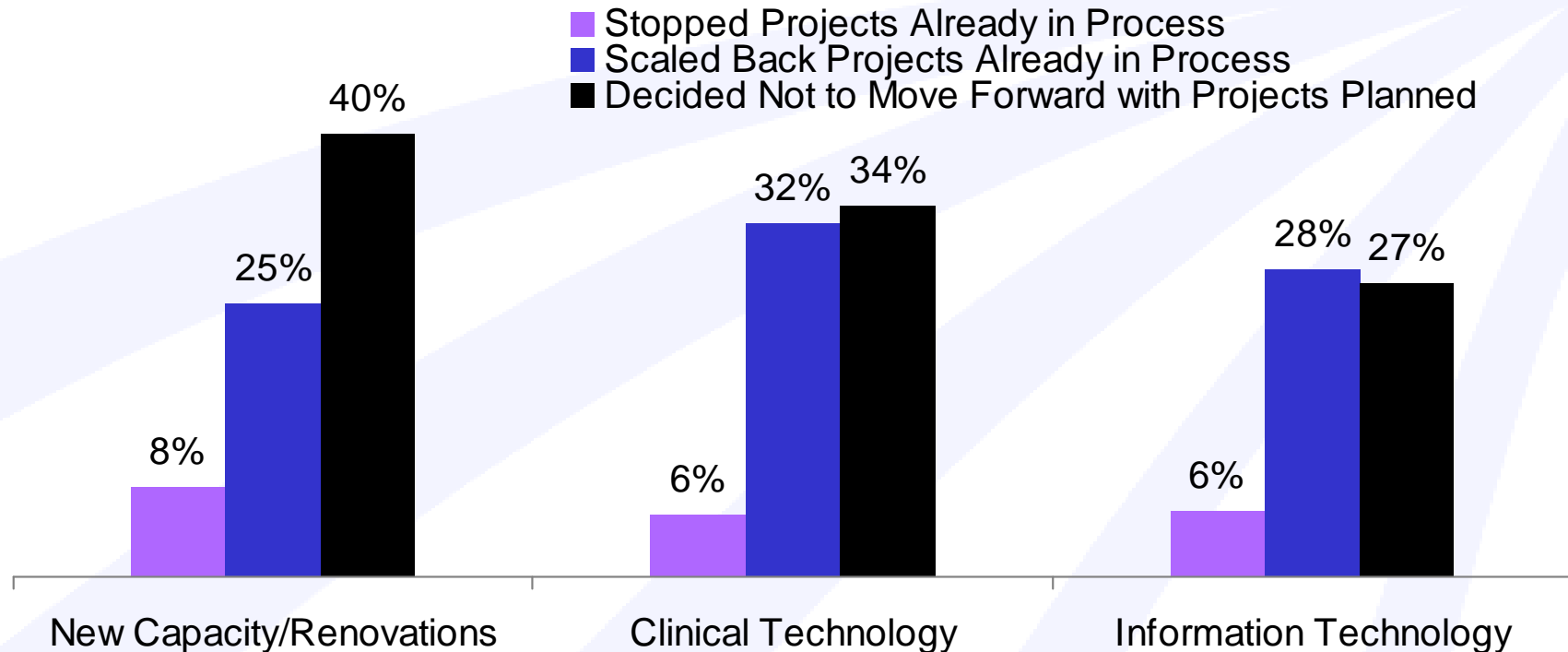
Source: AHA. (March 2009). Rapid Response Survey, The Economic Crisis: Ongoing Monitoring of Impact on Hospitals.

*Includes any hospital reporting that it had scaled back, decided not to move forward with or stopped projects planned or already in process.



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Percent of Hospitals Reporting a Change in Capital Plans since Capital Crisis Began in Early 2008



Source: AHA. (March 2009). Rapid Response Survey, The Economic Crisis: Ongoing Monitoring of Impact on Hospitals.



Hospitals and the Economy

AB 1383
Governor
Signed
Becomes Law
Jan 1, 2010

Hospital
Provider
Fee

\$2 billion
(annually)
2009-2010

Legislation
expires
Dec 31, 2010

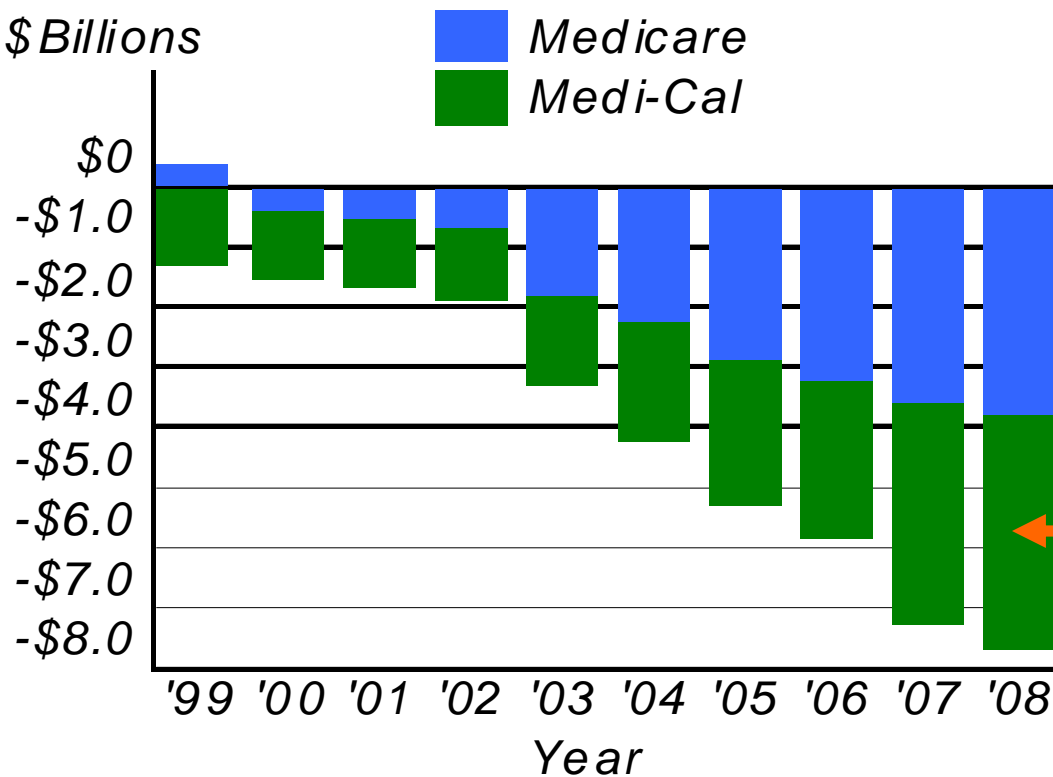


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Hospital Unfunded Cost of Providing Services
Medicare and Medi-Cal Patients

1999 - 2008

\$Billions



Solves *half* of
the Medi-Cal
shortfall.

Does not
resolve the
underlying
problem.





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Where do hospitals go
from here?

Or what does the whole
economic picture mean to
our hospitals?



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Renewal of Medi-Cal waiver

- DHCS Goals:
 - Strengthen safety-net
 - Reduce the number of uninsured
 - Increase federal funding
 - Improve health quality/outcomes
 - Promote home and community-based care



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Federal health care reform

- Reductions to Medicare and DSH payments
- Geographic variation
- Insurance/Public Plan/Exchanges



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State budget deficits

- SNF Rate Freeze
- CHA has filed multiple lawsuits challenging Medi-Cal program rate cuts



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Hospital provider fee

- AB 1383/AB188
- Next steps – federal approval
- Who's in/out/why?
- Implementation timeframe



Hospitals and the Economy

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