The Economics of Medicaid Expansion for Tennessee under the Affordable Care Act

March 2013
Commissioned by AARP
on behalf of
A Healthy TN

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AARP
Real Possibilities

for a healthy Tennessee
EXECUTIVE SUMMARY

On behalf of A Healthy TN, a coalition of organizations advocating for Medicaid Expansion, AARP Tennessee commissioned an independent study by four of Tennessee’s leading health policy and economic researchers.

The purpose of this report is to extend the depth of understanding about the importance of health care, the economic impact of Medicaid Expansion and the health care industry in Tennessee. The researchers found that Medicaid Expansion will reduce the financial strain associated with federal health reform, allowing the state of Tennessee to address other high priority needs. According to the research, Medicaid Expansion would be good for the health of Tennessee citizens and our economy.

The study covered four key areas: economic consequences of the reduction in DSH (disproportionate share hospital) payments, beneficial impact of Medicaid Expansion on the state’s economy, economic impact of a hospital and the impact of closure on a community's economic base, and a focused review of literature on the impact of expanded insurance coverage on the health of the population and thereby on the economic well-being of individuals.

PART ONE:

- While many hospitals will experience a large reduction in uncompensated care because of expanded health insurance coverage, the same hospitals will receive far fewer DSH payments for Medicaid and Medicare patients.
- If the state chooses not to expand Medicaid, the number of uninsured could rise to 575,000 people statewide. A direct consequence of having so many uninsured is uncompensated care.
- For Tennessee, uncompensated care was estimated to be over $4 billion in 2009, with hospitals providing 61% of the total and clinics and physicians providing 29%.
- Financial problems will impact the quality and quantity of care the hospitals can provide to area residents, including the aging population in many of the state’s most rural counties.
PART TWO:

- Hospitals and health care have been a major engine for economic growth in many communities and counties across Tennessee. In many counties, hospitals are the largest employer.
- Protecting the financial viability of hospitals and the health care industry is one way to have a broad and positive impact on the economic growth of all areas of the state.
- Health care and social assistance accounted for the state’s largest annual payroll at nearly $15.7 billion, while other sectors like manufacturing and retail trade generated payrolls of $12.9 billion and $7.2 billion, respectively.
- Health care makes up 15% of the total employment in Tennessee.
- Many rural markets are served by only one hospital, and the loss of that hospital could place hardships on rural communities, residents and employers.
- It is estimated that with Medicaid Expansion, Tennessee would receive total net new federal revenue of over $9.4 billion between 2014 and 2019. This will result in:
  - Production of goods and services (output) valued at $17.6 billion.
  - Total salaries, wages, and benefits of $7.9 billion.
  - An annual average total of 21,898 full- and part-time jobs.
  - State and local taxes of $577.9 million.
  - During the period of 2014-2019, for each $1 the state spends on Medicaid Expansion, the state will receive an estimated $29.93 in federal monies.
- The estimate of state and local taxes does not include the state’s health care taxes on HMOs. The HMO tax would bring an additional $519.4 million. The HMO tax will more than cover the state’s costs of Medicaid Expansion.

PART THREE:

- Examinations of the economic impact of hospitals in three counties (Claiborne, Cumberland, Haywood) where there is only one hospital, and the potential impact of such a facility’s closure on a community’s base found that:
  1. The effects of the operation of each hospital and Medicaid Expansion extend all the way down to the smallest employer.
  2. Small retail and service providers depend on the economic growth of hospitals and health services for both direct and indirect financial support.
  3. Not only do hospitals attract customers from surrounding areas, but they allow local employers to have healthy employees who make money and spend it locally.
PART FOUR:

- The uninsured use significantly fewer services than the insured, making their care more fragmented and resulting in a lack of effective follow-up for chronic conditions. More than one in four uninsured people go without needed care, compared to 4 percent of people with private health insurance.
- The uninsured receive less preventative care. For example, mammography rates for women without health insurance are 30 percent lower. That is associated with a significantly higher frequency of advanced breast cancer among uninsured women.
- This is a matter of life or death: mortality rates from common chronic conditions are approximately 25% higher for the uninsured and there is a higher rate of infant mortality.
- Poor child health, associated with lack of insurance, impacts educational opportunities and development.
- The average economic value of expanded health insurance is $2,014 per person per year. So the number of uninsured Tennesseans equates to over $1.8 billion in foregone economic activity per year.
- Expanding Medicaid coverage to cover the estimated 910,215 currently uninsured in Tennessee would prevent 5,172 deaths per year—or one death approximately every 100 minutes.

NOTE: We acknowledge that the numbers projected in this report are larger than those used by Health Care Finance and Administration (HCFA) in November 2012 as part of the TennCare budget presentation for FY 2014. This study, however, is based on an assumption of full participation by those who will be newly eligible. While HCFA used lower estimates of likely enrollment, the basic conclusions about the impact of the expansion are the same.
PART ONE: DSH Payment Cuts

Nationally, the Patient Protection Affordable Care Act of 2010 (PPACA or ACA) will reduce Medicaid DSH (Disproportionate Share Hospital) payments by $17.1 billion between 2014 - 2020. Medicaid DSH payments to states are scheduled to decline by $0.5 billion in 2014 and continue to decline through 2020. Large reductions in DSH payments will begin in earnest in 2017 with a $1.8 billion cut, followed by cuts of $5.0 billion, $5.6 billion, and $4.0 billion in subsequent years.

The impact of Medicaid DSH reductions will be compounded by large reductions in Medicare DSH payments to individual hospitals. According to the Congressional Budget Office, Medicare DSH payments may be reduced by as much as 75.0 percent, depending on the number of uninsured and the uncompensated care provided by each hospital. Size and timing of DSH cuts in Tennessee are dramatic. Due to prior agreements between Tennessee and the federal government, federal Medicaid DSH funding to TN was always 30.0 percent of the total federal DSH allotment for the state.

HHS plans to develop a methodology to reduce total federal Medicaid DSH payments by $14.1 billion by 2019, which is approximately a 50 percent reduction. While many hospitals will experience a large reduction in uncompensated care because of expanded health insurance coverage, the same hospitals will receive far fewer DSH payments for Medicaid and Medicare patients. Uncompensated care will remain an issue for most Tennessee hospitals long after the DSH payments end in 2014.

Under the ACA, insurance coverage would expand by 560,000 persons, or about 62.0 percent of the approximately 910,000 uninsured non-elderly residents in Tennessee.* Remaining uninsured in Tennessee (350,000 people) would be about 6.5 percent of the state’s non-elderly population, or 38.0 percent of the state’s previously uninsured.

If the state chooses not to expand Medicaid, then the number of uninsured could rise to 575,000 people statewide. A direct consequence of having so many uninsured is uncompensated care. For Tennessee, this was estimated to be over $4 billion in 2009, with hospitals providing 61.0 percent of the total and clinics and physicians providing 29.0 percent.*

The need for uncompensated care will remain, but DSH payments will not. Many hospitals in Tennessee will be at risk. Some hospitals may close while many others will face dramatic reductions in financial strength. Financial problems will impact the quality and quantity of care the hospitals can provide to area residents, including the aging population in many of the state’s most rural counties.


**Ibid, pg. 32.
PART TWO: Economic Role of Hospitals and the Impact of Medicaid Expansion

Hospitals and health care have been major engines for economic growth in many communities and counties across Tennessee. In many counties, hospitals are frequently the largest employer. Health care availability is an important consideration for many county residents and employers. Growth in many counties depends on the growth of the health care industry.

Tennessee, like other states, is facing a health care challenge that extends far beyond the decision regarding Medicaid Expansion. The challenge is how to provide localized, high-quality health care for all of the residents of the state, particularly those in rural areas. Uncompensated care does not go away with ACA, insurance exchanges, or the expansion of Medicaid—it just gets smaller.

The elimination of DSH payments will have a negative effect on hospitals and on the economic outlook for many counties in Tennessee. Even in the best periods of economic growth, many rural counties and communities get left behind. Their long-term economic future is tied closely to the growth of local employers, and particularly to the growth of essential sectors like health care.

Growing existing employers and protecting the industries that are already located in the state are far more likely to produce a winning economic strategy for the entire state. Protecting the financial viability of hospitals and the health care industry is one way to have a broad and positive impact on the economic growth of all areas of the state.

- Using industry classifications from *County Business Patterns*, the health care and social assistance industry sector was the largest employer in TN in 2010 with 367,826 jobs, compared to retail trade and manufacturing with 301,748 and 286,974 employees, respectively.

- Health care and social assistance also accounted for the largest annual payroll at nearly $15.7 billion, while other sectors like manufacturing and retail trade generated payrolls of $12.9 billion and $7.2 billion, respectively.

- Health care makes up 15.0 percent of the total employment* in the state.

- Many counties have health care employment levels in excess of the state average. Five counties - Cannon, Decatur, Lake, Perry and Washington - have health care employment levels in excess of 20.0 percent.

*2011 Quarterly Census of Employment and Wages (QCEW)
• An additional eight counties - Dickson, Fentress, Grundy, Hancock, Knox, Pickett, Sullivan and Trousdale - have health care employment levels between 15.0 and 20.0 percent.

• Total health care employment levels for four counties - Davidson (66,033), Hamilton (22,402), Knox (32,760), and Shelby (63,996) - make up 185,191 of a total statewide health care employment level of 378,156 (49.0 percent).

• Many rural markets are served by only one hospital, and the loss of that hospital could place hardships on rural communities, residents, and employers.

• The data on the state economic impact of the Medicaid Expansion support the prior research on this topic. Medicaid Expansion will have a large positive impact on the state’s economy.

• The economic impact estimates presented in this analysis represent what Tennessee would lose by not expanding Medicaid to 133.0 percent of the FPL under the ACA (138.0 percent including the 5.0 percent income disregard).
Between 2014 and 2016 the net state cost of expanding Medicaid is zero, with all costs being covered by the federal government. State costs (Table 1) begin in 2017 and total an estimated $315.6 million over the five year period. New federal revenue to the state will total more than $9.4 billion. It is this new revenue that will bring with it an economic impact.

**Table 1. Medicaid Expansion Costs, Newly Eligible and Enrolled, 2014-2019**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Enrollments</th>
<th>Total Costs</th>
<th>FMAP*</th>
<th>State Costs</th>
<th>Federal Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>136,452</td>
<td>$1,284,552,542</td>
<td>100.0%</td>
<td>0</td>
<td>$1,284,552,542</td>
</tr>
<tr>
<td>2015</td>
<td>227,420</td>
<td>$1,473,239,443</td>
<td>100.0%</td>
<td>0</td>
<td>$1,473,239,443</td>
</tr>
<tr>
<td>2016</td>
<td>288,065</td>
<td>$1,635,333,532</td>
<td>100.0%</td>
<td>0</td>
<td>$1,635,333,532</td>
</tr>
<tr>
<td>2017</td>
<td>288,065</td>
<td>$1,696,847,221</td>
<td>95.0%</td>
<td>$82,785,546</td>
<td>$1,614,061,675</td>
</tr>
<tr>
<td>2018</td>
<td>288,065</td>
<td>$1,780,403,530</td>
<td>94.0%</td>
<td>$104,508,473</td>
<td>$1,675,895,057</td>
</tr>
<tr>
<td>2019</td>
<td>303,226</td>
<td>$1,889,676,170</td>
<td>93.0%</td>
<td>$128,266,733</td>
<td>$1,761,409,437</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td><strong>$9,760,052,436</strong></td>
<td>-</td>
<td><strong>$315,560,752</strong></td>
<td><strong>$9,444,491,685</strong></td>
</tr>
</tbody>
</table>

Total Economic Impact Summary

It is estimated that Tennessee will receive total net new federal revenue of over $9.4 billion between 2014 and 2019.

This will result in:

- Production of goods and services (output) valued at $17.6 billion.
- Total salaries, wages, and benefits of $7.9 billion.
- An annual average total of 21,898 full- and part-time jobs.
- State and local taxes of $577.9 million.
- During the period of 2014-2019, for each dollar the state spends on Medicaid expansion the state will receive an estimated $29.93.

The estimate of state and local taxes does not include the state’s health care taxes on HMOs. The HMO tax would bring an additional $519.4 million. The HMO tax will more than cover the state’s costs of Medicaid Expansion.

NOTE: The numbers projected above are larger than those used by Health Care Finance and Administration (HCFA) in November 2012 as part of the TennCare budget presentation for FY 2014. Our study, however, is based on an assumption of full participation by those who will be newly eligible. While HCFA used lower estimates of likely enrollment, the basic conclusions about the impact of the expansion are the same.
The hospital industry is the industry that will benefit the most but other industries will also benefit from Medicaid Expansion under the ACA (Table 2). This will occur as hospitals, contractors, suppliers and employees buy supplies and spend their earnings throughout the state as a normal part of doing business.

**Table 2. Top Ten Industries Affected by Medicaid Expansion, by Employment**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>11,090</td>
<td>$5,332,264,468</td>
<td>$9,791,635,448</td>
</tr>
<tr>
<td>Real Estate Establishments</td>
<td>1,210</td>
<td>$111,273,388</td>
<td>$1,098,158,101</td>
</tr>
<tr>
<td>Food Services and Drinking Places</td>
<td>1,004</td>
<td>$124,284,173</td>
<td>$334,024,876</td>
</tr>
<tr>
<td>Employment Services</td>
<td>911</td>
<td>$153,407,440</td>
<td>$208,736,931</td>
</tr>
<tr>
<td>Offices of Physicians, Dentists, and Other Health Practitioners</td>
<td>360</td>
<td>$201,056,834</td>
<td>$295,798,982</td>
</tr>
<tr>
<td>Wholesale Trade Businesses</td>
<td>337</td>
<td>$140,238,049</td>
<td>$341,205,086</td>
</tr>
<tr>
<td>Medical and Diagnostic Labs and Outpatient and Other Ambulatory Care Services</td>
<td>334</td>
<td>$138,293,800</td>
<td>$275,925,523</td>
</tr>
<tr>
<td>Services to Buildings and Dwellings</td>
<td>288</td>
<td>$49,680,487</td>
<td>$103,085,474</td>
</tr>
<tr>
<td>Retail Stores - General Merchandise</td>
<td>264</td>
<td>$43,363,883</td>
<td>$95,249,555</td>
</tr>
<tr>
<td>Retail Stores - Food and Beverage</td>
<td>245</td>
<td>$43,734,579</td>
<td>$83,200,852</td>
</tr>
</tbody>
</table>
PART THREE: Economic Impact of Medicaid Expansion on Local Economies

This part of the report examined the economic impact of local hospitals in three sample counties in Tennessee: Claiborne, Cumberland and Haywood counties. These counties were selected because they were single-hospital counties where the future of the hospital might be at risk from the loss of Medicaid DSH payments and the decisions that are made regarding Medicaid Expansion. The economic impact of hospitals in these counties is representative of the impact of hospitals in other, single-hospital counties.

The effects of the operation of each hospital and the Medicaid Expansion extend all the way down to the smallest employer. Small retail and service providers depend on the economic growth of hospitals and health services for both direct and indirect financial support. Not only do hospitals attract customers from surrounding areas, but they allow local employers to have healthy employees who make money and spend it locally.

Claiborne County:

Claiborne County Hospital (CCH) is the only hospital in Claiborne County. CCH employs over 329 persons and has 85 licensed beds. According to the Tennessee Joint Annual Report for Hospitals (JAR), in 2011 CCH had 1,880 admissions/discharges and an average daily census of 22 patients.

The economic impact of CCH on Claiborne County is estimated at:

- Production of goods and services (output) valued at $28.16 million.
- Total salaries, wages, and benefits of almost $10.5 million.
- An annual average total of 329 full- and part-time jobs.
- State and local taxes of $932,241.
Table 3. Claiborne County Hospital Employment Effects

<table>
<thead>
<tr>
<th>Industry</th>
<th>Employment</th>
<th>Labor Income</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>175.0</td>
<td>$8,840,849</td>
<td>$20,568,649</td>
</tr>
<tr>
<td>Real Estate Establishments</td>
<td>15.4</td>
<td>129,500</td>
<td>2,229,611</td>
</tr>
<tr>
<td>Food Services and Drinking Places</td>
<td>5.5</td>
<td>98,138</td>
<td>289,098</td>
</tr>
<tr>
<td>Employment Services</td>
<td>3.8</td>
<td>103,069</td>
<td>141,770</td>
</tr>
<tr>
<td>Medical and Diagnostic Labs and Outpatient and Other Ambulatory Care Services</td>
<td>3.1</td>
<td>128,515</td>
<td>341,691</td>
</tr>
<tr>
<td>Retail Stores - Food and Beverage</td>
<td>2.1</td>
<td>45,380</td>
<td>102,935</td>
</tr>
<tr>
<td>Monetary Authorities and Depository Credit Intermediation Activities</td>
<td>1.8</td>
<td>81,421</td>
<td>540,526</td>
</tr>
<tr>
<td>Offices of Physicians, Dentists, and Other Health Practitioners</td>
<td>1.5</td>
<td>67,547</td>
<td>133,121</td>
</tr>
<tr>
<td>Private Junior Colleges, Colleges, Universities and Professional Schools</td>
<td>1.5</td>
<td>45,043</td>
<td>100,919</td>
</tr>
<tr>
<td>Other State and Local Government Enterprises</td>
<td>1.4</td>
<td>35,462</td>
<td>221,471</td>
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</table>
Cumberland County:

Cumberland Medical Center (CMC) is the only hospital in Cumberland County. CMC employs over 840 persons, in addition to 95 physicians, and has 189 licensed beds. According to the Tennessee Joint Annual Report for Hospitals (JAR), in 2011 CMC had 5,997 admissions/discharges and an average daily census of 70 patients.

The economic impact of CMC on Cumberland County is estimated at:

- Production of goods and services (output) valued at $136.4 million.
- Total salaries, wages, and benefits of almost $79.1 million.
- An annual average total of 811 full- and part-time jobs.
- State and local taxes of $4.3 million.
<table>
<thead>
<tr>
<th>Industry</th>
<th>Employment</th>
<th>Labor Income</th>
<th>Output</th>
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</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>356.3</td>
<td>$67,250,183</td>
<td>$91,124,254</td>
</tr>
<tr>
<td>Real Estate Establishments</td>
<td>57.9</td>
<td>$456,092</td>
<td>$8,324,810</td>
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<tr>
<td>Food Services and Drinking Places</td>
<td>50.9</td>
<td>$867,376</td>
<td>$2,641,109</td>
</tr>
<tr>
<td>Employment Services</td>
<td>42.1</td>
<td>$760,843</td>
<td>$1,186,718</td>
</tr>
<tr>
<td>Offices of Physicians, Dentists, and Other Health Practitioners</td>
<td>25.3</td>
<td>$1,420,436</td>
<td>$2,533,670</td>
</tr>
<tr>
<td>Retail Stores - General Merchandise</td>
<td>19.7</td>
<td>$466,465</td>
<td>$1,109,955</td>
</tr>
<tr>
<td>Retail Stores - Food and Beverage</td>
<td>18.4</td>
<td>$504,047</td>
<td>$999,342</td>
</tr>
<tr>
<td>Retail Stores - Motor Vehicles and Parts</td>
<td>12.8</td>
<td>$557,290</td>
<td>$1,078,271</td>
</tr>
<tr>
<td>Civic, Social, Professional, and Similar Organizations</td>
<td>12.7</td>
<td>$324,674</td>
<td>$502,567</td>
</tr>
<tr>
<td>Nursing and Residential Care Facilities</td>
<td>12.3</td>
<td>$347,091</td>
<td>$657,929</td>
</tr>
</tbody>
</table>
Haywood County:

Haywood Park Community Hospital (HPCH) is the only hospital in Haywood County. HPCH employs over 100 persons and has 68 licensed beds. According to the Tennessee Joint Annual Report for Hospitals (JAR), in 2011 HPCH had 862 admissions/discharges and an average daily census of 6 patients.

The economic impact of HPCH on Haywood County is estimated at:

- Production of goods and services (output) valued at $9.7 million.
- Total salaries, wages, and benefits of almost $3.8 million.
- An annual average total of 85 full- and part-time jobs.
- State and local taxes of $269,586.
Table 5. Haywood Park Community Hospital Employment Effects

<table>
<thead>
<tr>
<th>Industry</th>
<th>Employment</th>
<th>Labor Income</th>
<th>Output</th>
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<tbody>
<tr>
<td>Private Hospitals</td>
<td>64.2</td>
<td>$3,112,358</td>
<td>$7,415,298</td>
</tr>
<tr>
<td>Employment Services</td>
<td>2.9</td>
<td>$64,473</td>
<td>$93,346</td>
</tr>
<tr>
<td>Securities, Commodity Contracts, Investments and Related Activities</td>
<td>1.8</td>
<td>$13,098</td>
<td>$212,457</td>
</tr>
<tr>
<td>Food Services and Drinking Places</td>
<td>1.4</td>
<td>$20,542</td>
<td>$68,959</td>
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<tr>
<td>Services to Buildings and Dwellings</td>
<td>1.3</td>
<td>$26,742</td>
<td>$67,417</td>
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<td>Retail Stores - General Merchandise</td>
<td>1.0</td>
<td>$22,896</td>
<td>$54,436</td>
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<tr>
<td>Real Estate Establishments</td>
<td>0.8</td>
<td>$11,213</td>
<td>$124,494</td>
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<tr>
<td>Offices of Physicians, Dentists, and Other Health Practitioners</td>
<td>0.7</td>
<td>$40,031</td>
<td>$70,650</td>
</tr>
<tr>
<td>Nursing and Residential Care Facilities</td>
<td>0.6</td>
<td>$19,041</td>
<td>$35,387</td>
</tr>
<tr>
<td>Retail Stores - Food and Beverage</td>
<td>0.6</td>
<td>$10,786</td>
<td>$26,152</td>
</tr>
</tbody>
</table>
PART FOUR: Insurance Coverage, Health and Financial Well-Being

The uninsured have significant barriers to health care and use fewer health care resources than do those with health insurance:

- The uninsured experience significantly more barriers to accessing needed health care than do the insured.
- Safety net services are unable to provide the same level of access for the uninsured as is available for the insured.
- Barriers to care for the uninsured are higher in communities with high numbers of uninsured than in communities with lower numbers.

The uninsured use significantly fewer health care services than do the insured, even after accounting for available free services. Jack Hadley* and associates reported that persons who were uninsured for an entire year used approximately 38.0 percent of the health care resources, measured by dollars spent on health care, as did those who were insured for a full year.

The uninsured have a usual source of care less often than do the insured, leading to fragmented and inefficient health care and to lack of effective follow-up for chronic conditions. Evidence compiled by the Kaiser Family Foundation** indicates that 53.0 percent of the uninsured have no usual source of health care, compared to only 10.0 percent of persons with private insurance.

The uninsured have more unmet health care needs than do the insured. According to the Kaiser Family Foundation**, 26.0 percent of the uninsured went without needed care in 2011, as compared to 4.0 percent of persons with private health insurance.


**Kaiser Family Foundation, The Uninsured. A Primer.
The uninsured receive less preventive care than do the insured. Rates of mammography among women without health insurance are 30.0 percent lower than for women with insurance; rates for Pap smear testing are 60.0 percent lower.* This difference is associated with a significantly higher frequency of advanced breast cancer at the time of diagnosis among uninsured (18.0%) than among insured (8.0%) women.**

Even short periods of being uninsured during the year result in barriers to needed care. Hadley*** and associates reported that those who were uninsured for part of a year used only 69.0 percent of the resources as those who were continuously fully insured.

Many people with health insurance have coverage that does not provide adequate financial coverage; that is, they are underinsured, which leads to significant problems accessing needed health care. In 2009, 29 million people (22.0% of adults) with health insurance were underinsured; that is, they had out-of-pocket medical expenses equal to or greater than 10.0 percent of family annual income.****

The uninsured have poorer health and higher rates of morbidity and mortality from common diseases than do the insured. According to the Institute of Medicine, overall mortality rates from common chronic conditions are approximately 25.0 percent higher for the uninsured than for the insured. *****

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***Hadley, Holahan, Coughlin, and Miller, “Covering the Uninsured in 2008.”


Lacking health insurance leads to personal and family financial problems. According to the Institute of Medicine, illness and disability are the leading causes of new or increasing poverty worldwide at both the individual and total population levels.* Improved individual health prolongs the number of active years in the productive labor force and increases productivity during each year in the labor force. The uninsured have a significantly higher rate of unpaid medical bills than do the insured. Of the uninsured, 47.0 percent have had problems paying medical bills during the prior 12 months, compared to only 23.0 percent of those with private insurance.**

Unpaid medical bills are a leading contributor to personal bankruptcy. The uninsured are charged as much as 2.5 times more for hospital services than the insured because they are charged full prices rather than negotiated, discounted rates as are patients with private insurance.*** Persons without health insurance save less for retirement than do the insured. Data from the 2004-2006 Consumer Expenditure Survey demonstrated that persons without health insurance save approximately 35.0 percent less for retirement than do the insured.****

Poor health results in intergenerational impacts on health and financial well-being. According to the Institute of Medicine, the uninsured experience a higher rate of pregnancy complications, early delivery, low and very low birth weight babies, and infant mortality than do the insured.***** Children in poor health have lower levels of education and lower future earning capacities. Poor child health, associated with lack of insurance, is strongly associated with developmental delays, less school attendance, and less learning.******

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*Institute of Medicine, Health Insurance is a Family Matter (Washington, DC: National Academies Press, 2002).

**Kaiser Family Foundation, The Uninsured. A Primer.


*****Institute of Medicine, Health Insurance is a Family Matter (Washington, DC: National Academies Press, 2002).

A high rate of uninsured in a community has adverse consequences for the community’s health care system and for the health and well-being of the entire community. According to the Institute of Medicine, a high proportion of uninsured in a community contributes to limited access of the insured as well as the uninsured to primary and specialty care, as existing resources are overcrowded.*

High rates of uninsured in a community are associated with reduced health care quality and lower health status for the entire community, including the fully insured.** High numbers of uninsured in a community reduced social capital and social cohesion in the community, associated with falls in political activity and social network support.

The lack of health insurance reduces the economic well-being of the entire community. Health care for the uninsured is largely uncompensated, leading to higher health care costs and taxes for the entire community and diverts community resources away from other important community needs. Approximately 75.0 percent of uncompensated care is paid for from public funds, derived from federal, state, or local tax revenues.*** Uncompensated care results in cost shifting by hospitals; that is, increasing charges to patients with insurance to cover losses on the uninsured. In Tennessee, this results in increases in health insurance by approximately $900 per year for family coverage.****

Poor health, such as resulting from lack of insurance, has substantial costs to businesses because of high costs of health care and because of rates of absenteeism and, especially, presenteeism. High uninsured rates have important spinoff effects to other sectors of society. According to the Institute of Medicine, high numbers of uninsured in a community increases stress on the judicial system as, for example, the demand for public services to the mentally ill is increased.*****


***Hadley, Holahan, Coughlin, and Miller, “Covering the Uninsured in 2008.”

****Center for American Progress, The Cost Shift from the Uninsured (Washington, DC: Center for American Progress, 2009).

*****Institute of Medicine, Shared Destiny.
Poor health is associated with fewer productive years in the labor market and with reduced productivity during each year in the labor market. The Institute of Medicine has concluded that the average economic value of expanded health insurance is $2,014 per person per year.* For Tennessee, with approximately 910,000 uninsured in 2009,** this equates to over $1.8 billion in foregone economic activity per year.

Poor population health reduces economic development.*** It reduces savings that are needed for capital investment and reduces external investment. It also deters rapid diffusion of new technology into a region, delaying advancement in technological achievement and development.

Providing health insurance increases health care use and reduces mortality. Increasing insurance coverage through Medicaid expansions, the most common source of new insurance under the Affordable Care Act, increases access to and use of health care. Increasing insurance coverage through Medicaid expansions reduces mortality for the previously uninsured. Expanding Medicaid coverage to cover the estimated 910,000 currently uninsured in Tennessee would prevent 5,172 deaths per year—or one death approximately every 100 minutes.****


**Chang, Mirvis, Gnuschke, et al., Impacts of Health Reform on Tennessee.

***Mirvis and Bloom, “Population Health and Economic Development in the United States.”

****Chang, Mirvis, Gnuschke, et al., Impacts of Health Reform on Tennessee.
Tennessee Sole County Hospitals, 2013

Data: Tennessee Hospital Association, 2013
Map: Sparks Bureau of Business and Economic Research, 2013

Sole County Hospital
- ★ At Risk of Major Cuts or Closure
- ★★ Not at Risk
Tennessee Population 65 and Over by County, 2010

Source: Census 2010
Map: Sparks Bureau of Business and Economic Research, 2013
Tennessee Percentage of Population 65 and Over by County, 2010

Source: Census 2010
Map: Sparks Bureau of Business and Economic Research, 2013
Tennessee Health Care Related Employment by County, 2011

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Map: Sparks Bureau of Business and Economic Research, 2013
Tennessee Percentage of Health Care Related Employment by County, 2011

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Map: Sparks Bureau of Business and Economic Research, 2013
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Dr. Jeff Wallace, Ph.D. is an Economist and Research Associate Professor with the Sparks Bureau of Business & Economic Research at The University of Memphis, where he has worked since 1993. He is a member of the National Association for Business Economics and a past President of the MidSouth Association for Business Economics. Dr. Wallace specializes in economic impact studies, having most recently completed An Economic Assessment of the Impact of the Memphis International Airport (February 2013), an economic impact study of the Patient Protection and Affordable Care Act on Shelby County (2011), and an economic impact study of The University of Tennessee Center for Health Sciences (2011). Dr. Wallace also has substantial experience in tax revenue forecasting and government fiscal analysis, survey research and design, labor market analysis, state labor training program evaluation, and other state and local government program evaluations.

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