



## Healthcare Reform; Patient Protection and Affordable Care Act By ADAMS' Director, Mike Romano

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Much has been written in recent days about healthcare reform, and what has emerged is that like it or not, sweeping change is here. The major components of the Patient Protection and Affordable Care Act as modified by the Reconciliation Act of 2010 (PPACA or Healthcare Reform for short) include:

- Healthcare coverage expansions
- Provider payment reductions
- Pilot programs that tie performance to payment
- Quality improvement initiatives
- Development of accountable care organizations

Though the generic implications to Hospitals are beginning to come into focus - reduce and manage cost, measure and monitor quality, integrate providers across the continuum of care and shift from managing care to managing outcomes – the specifics are less clear.

As the Nation's leading provider of program management and advisory services to healthcare organizations, ADAMS believes that among the most important long-term implications of healthcare reform will be the impact of insurance expansion provisions and other elements of the plan on the need for future hospital capacity. Consider the following:

- Estimates predict that by 2020, the U.S. population will grow by 50 million new residents. The healthcare system will be increasingly stressed as 74 million baby boomers are slated to retire in the next fifteen years, and by 2050, over 20 percent of the populace will be over 65 years of age. Data has shown that utilization rates among the Medicare population are approximately 3x that of those under age 65.
- There is also evidence that suggests that as formerly uninsured patients are covered under new health reform legislation, a significant release of pent up demand could result. Specifically, ADAMS has completed surveys of seven major markets across the country and found that current utilization rates among the indigent are less than half of the levels of a typical Medicaid population. Simply put, your facility could have twice its current self pay volume under the new plan.
- On the other hand, it is less clear if planned payment reductions, implementation of pilot payment programs such as bundling, the advent of Accountable Care Organizations and other reform provisions will serve to offer downward pressure on utilization rates to offset some of the trends above.

Whether you are currently in the middle of a major expansion plan or just planning for the future, ADAMS stands ready to assist you in evaluating your future facility needs. Please contact Mike Romano or Larry Throneberry for further information.

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