Health Care: Changes and Challenges

November 3, 2017
William S. Custer, Ph.D.
Georgia State University
National Health Expenditures
Total & as Percentage of GDP

National Health Expenditures

$0 500,000 1,000,000 1,500,000 2,000,000 2,500,000 3,000,000 3,500,000 4,000,000
Percent 0.00% 0.50% 1.00% 1.50% 2.00% 2.50% 3.00% 3.50% 4.00% 4.50% 5.00% 5.50% 6.00% 6.50% 7.00% 7.50% 8.00% 8.50% 9.00% 9.50% 10.00% 10.50% 11.00% 11.50% 12.00% 12.50% 13.00% 13.50% 14.00% 14.50% 15.00% 15.50% 16.00% 16.50% 17.00% 17.50% 18.00% 18.50% 19.00% 19.50% 20.00%

- National Health Expenditures
- Percent of GDP
Prevalence of Chronic Disease in the U.S.

Percentage of U.S. Adults with Chronic Conditions, by Number of Chronic Conditions (2014)

- 12% of U.S. adults had five or more chronic conditions
- 40% had no chronic conditions
- 18% had one chronic condition
- 9% had two chronic conditions
- 7% had three chronic conditions
- 42% had more than one chronic condition

NOTE: Percentages may not total 100 because of rounding.

SOURCE: Multiple Chronic Conditions in the United States, Christine Butterfaff et al., RAND Corporation, TL-221-PFCD, 2017 (available at www.rand.org/t/TL221).
Figure 5.1
Distribution of Health Plan Enrollment for Covered Workers, by Plan Type, 1988-2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Conventional</th>
<th>HMO</th>
<th>PPO</th>
<th>POS</th>
<th>HDHP/SO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>73%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>46%</td>
<td>21%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>27%</td>
<td>31%</td>
<td>28%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>10%</td>
<td>28%</td>
<td>39%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>8%</td>
<td>29%</td>
<td>42%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>7%</td>
<td>24%</td>
<td>46%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>4%</td>
<td>27%</td>
<td>52%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>5%</td>
<td>24%</td>
<td>54%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>5%</td>
<td>25%</td>
<td>55%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>3%</td>
<td>21%</td>
<td>61%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>3%</td>
<td>20%</td>
<td>60%</td>
<td>13%</td>
<td>4%</td>
</tr>
<tr>
<td>2007</td>
<td>3%</td>
<td>21%</td>
<td>57%</td>
<td>13%</td>
<td>5%</td>
</tr>
<tr>
<td>2008</td>
<td>20%</td>
<td>58%</td>
<td></td>
<td></td>
<td>12%</td>
</tr>
<tr>
<td>2009</td>
<td>20%</td>
<td>60%</td>
<td></td>
<td></td>
<td>10%</td>
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<tr>
<td>2010</td>
<td>19%</td>
<td>58%</td>
<td></td>
<td></td>
<td>8%</td>
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<tr>
<td>2011</td>
<td>17%</td>
<td>55%</td>
<td></td>
<td></td>
<td>10%</td>
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<tr>
<td>2012</td>
<td>16%</td>
<td>56%</td>
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<td></td>
<td>9%</td>
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<tr>
<td>2013</td>
<td>14%</td>
<td>57%</td>
<td></td>
<td></td>
<td>9%</td>
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<tr>
<td>2014</td>
<td>13%</td>
<td>58%</td>
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<td>52%</td>
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<td>10%</td>
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<tr>
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<td>15%</td>
<td>48%</td>
<td>9%</td>
<td></td>
<td>29%</td>
</tr>
<tr>
<td>2017</td>
<td>14%</td>
<td>48%</td>
<td>10%</td>
<td></td>
<td>28%</td>
</tr>
</tbody>
</table>

NOTE: Information was not obtained for POS plans in 1988 or for HDHP/SO plans until 2006. A portion of the change in plan type enrollment for 2005 is likely attributable to incorporating more recent Census Bureau estimates of the number of state and local government workers and removing federal workers from the weights. See the Survey Design and Methods section from the 2005 Kaiser/HRET Survey of Employer-Sponsored Health Benefits for additional information.

Shifting RISK

Degree of Population Risk Transferred to Provider by Payment System

<table>
<thead>
<tr>
<th>Low</th>
<th>Fee for Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Paid for each unit of service w/o constraint on spending</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pay for Coordination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional per capita payment based on ability to manage care</td>
</tr>
<tr>
<td>Reform: Primary Care Medical Home</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pay for Performance</th>
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</thead>
<tbody>
<tr>
<td>Payments tied to objective measures of performance</td>
</tr>
<tr>
<td>Reform: Value Based Purchasing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Episodic Payments</th>
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</thead>
<tbody>
<tr>
<td>Payment based on delivery of services within a given timeframe</td>
</tr>
<tr>
<td>Reform: Bundled Payment</td>
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</tbody>
</table>

<table>
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<tr>
<th>Shared Savings</th>
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<tbody>
<tr>
<td>Shared savings from better care coordination and disease management</td>
</tr>
<tr>
<td>Reform: ACO’s</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>High</th>
<th>Capitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providers share savings from better care coordination and disease management</td>
<td></td>
</tr>
</tbody>
</table>
Continuum of Health Services in the U.S.

EXHIBIT 5: Healthcare Continuum

Managing for Clinical Effectiveness

TRADITIONAL FOCUS OF HOSPITALS WITHIN THE “CARE CONTINUUM”

Prevention
Urgent Care
Primary Care Visit
Ambulatory Care/Specialist Visits
Diagnostic Ancillaries, e.g., Imaging
Emergency Care
Treatment Ancillaries, e.g., Surgery
Inpatient Care
Rehab Care

Skilled Nursing
End-of-Life Care
Long-Term Care
Home Care

David Muhlestein, Robert Saunders, and Mark McClellan, Growth of ACOs and Alternative Payment Models in 2017
Rural Hospital Closures Concentrated In The South

Rural hospitals that have closed since 2010
As of September 2017

Less populated → More populated

States that did not expand Medicaid as of Jan. 1, 2017

Note: No rural hospitals closed in Alaska or Hawaii during this time period.
Source: Cecil G. Sheps Center for Health Services Research at UNC, Center for International Earth Science Information Network

Alissa Scheller/HuffPost
Health Care Is Consolidating and Integrating

Announced Hospital Transactions

- 2010: 66
- 2011: 88
- 2012: 95
- 2013: 98
- 2014: 95
- 2015: 112

Note: Includes reported combinations of acute-care hospitals in the U.S., including mergers, acquisitions, joint ventures, and member substitutions.
Congressional Health Reform Attempts 2017

- **AHCA**
  - Passed House 5/8/17
- **BCRA**
  - Failed to pass Senate 7/25/17
- **Straight repeal**
  - Failed to pass Senate 7/26/17
- **Skinny repeal**
  - Failed to pass Senate 7/28/17
Medicaid Costs are Shared by the States and the Federal Government

NOTE: FMAP percentages are rounded to the nearest tenth of a percentage point. These rates will be in effect Oct. 1, 2013 – Sept. 30, 2014.
Aging America: The U.S. Cities Going Gray The Fastest

Continued from page 1

In first place on our list is Atlanta, where the share of seniors in the population rose from 7.7% in 2000 to 10.4% in 2013, the biggest increase in the nation. In raw numbers, the over-65 population of the metro area rose to 572,534, an increase of 73.5% since 2000.

The percentage of the population in fast-growing Raleigh, N.C., that is over 65 grew from 8.0% to 10.2% in 2013, putting it in second place.

Austin may have a reputation as a youthful place,
Atlanta, Georgia #5

Over 20 out of 150 cites are in the southeast
RALEIGH-DURHAM, NORTH CAROLINA

Short Distances to Large Gaps in Health

Follow the discussion
#CloseHealthGaps

Life expectancy at birth (years)

Shorter Longer

2 miles

© 2015 Robert Wood Johnson Foundation
Short Distances to Large Gaps in Health

Life expectancy at birth (years)

- Shorter
- Longer

© 2015 Robert Wood Johnson Foundation
Short Distances to Large Gaps in Health

Life expectancy at birth (years)

| Shorter | Longer |

2 miles
NEW ECONOMIC STRENGTH

1 Billion in 65+ Wages

- In 2013 Q1, those aged 65+ held 3.7% of the jobs in the 10-county ARC area
- The average monthly wage is $1,208 for those 65+, which does lag the overall average monthly wage for all others (18-64) in the workforce at $1,400
- ...For some higher-paying industries, e.g. Professional Services, Mgmt. of Companies, average wages for 65+ are higher
What if *more retirees* move to Metro Atlanta?!!

$40\text{ Billion} 
\text{PERSONAL INCOME}$

$7.8\text{ Billion} 
\text{IN ADDITIONAL GDP}$

*Source: REMI*
What if more *working age*\(_{18-64}\)* people move to Metro Atlanta?

$4$ Billion

MORE IN PERSONAL INCOME

$2.6$ Billion

IN ADDITIONAL GDP

Source: REMI (ARC Analysis)
1990 Atlanta Labor Force

Source: ARC Plan 2040 Transportation Update (2014) (20-County Area)
2013 Atlanta Labor Force

Source: ARC Plan 2040 Transportation Update (2014) (20- County Area)
US Primary Household Shoppers Who Prefer to Shop Mainly via Mobile, Online or In-Store, by Age, Feb 2017

% of respondents

18-20
- Mobile: 40%
- Online: 38%
- In-store: 22%

21-29
- Mobile: 47%
- Online: 31%
- In-store: 22%

30-39
- Mobile: 28%
- Online: 42%
- In-store: 30%

40-49
- Mobile: 36%
- Online: 28%
- In-store: 36%

50-59
- Mobile: 28%
- Online: 26%
- In-store: 47%

60+
- Mobile: 11%
- Online: 36%
- In-store: 53%

Note: excludes grocery items; numbers may not add up to 100% due to rounding
Source: Market Track as cited in company blog, March 27, 2017

www.emarketer.com
Value Proposition:

*Aging Population Solves Community Challenges*

Aging in Community = Diversified Tax Base

Transportation options = Lower transit costs

Diverse Age Structure = Maximized Infrastructure
JANUARY 1, 2006: THE FIRST BABY BOOMERS TURN 60...

FAR OUT! THE OLD UNIFORM STILL FITS!