

# The Implications of Healthcare Reform for Business



**Vivian Ho**

**Baker Institute Chair in Health Economics**

**Professor of Economics, Rice University**

**Professor, Baylor College of Medicine**



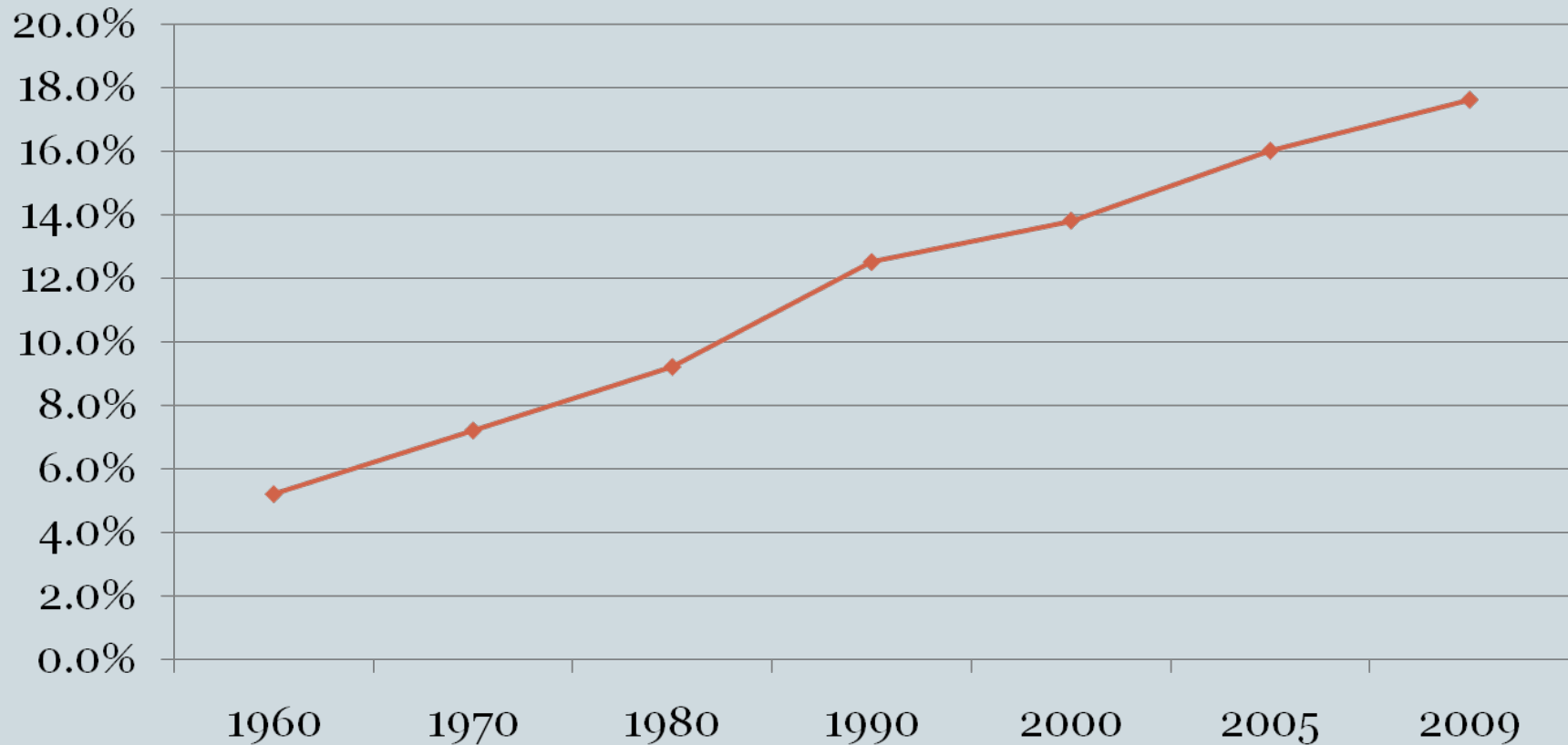
JAMES A. BAKER III  
INSTITUTE FOR  
PUBLIC POLICY  
RICE UNIVERSITY



# Healthcare costs are now >17% of GDP

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## Percentage of GDP



Source: National Health Expenditures, Center for Medicare and Medicaid Services

# Do healthcare costs hurt employment?

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- Total compensation for most workers = wages + benefits.
- If health insurance premiums rise, employers could pass costs on to workers as lower wages, or not offer health insurance to low-wage workers.
- What does research tell us?

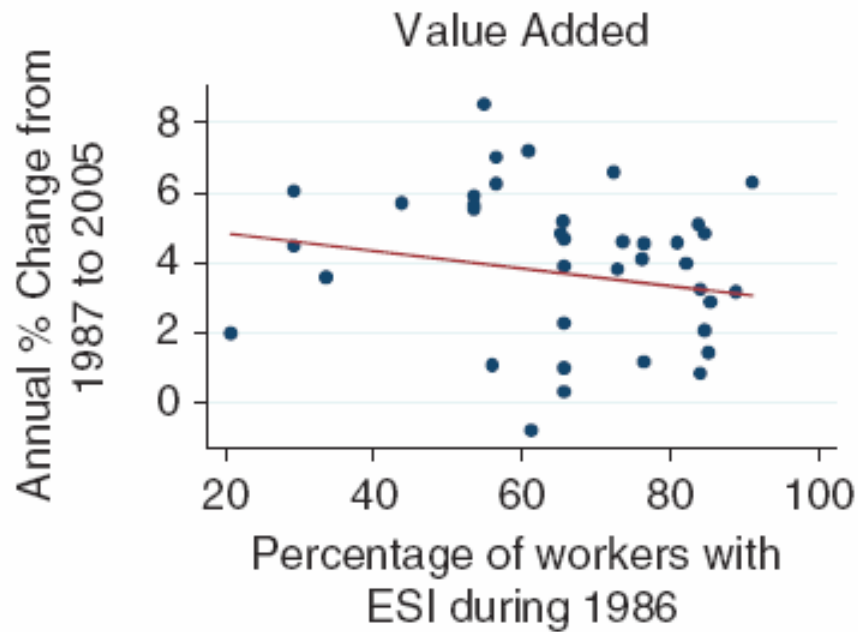
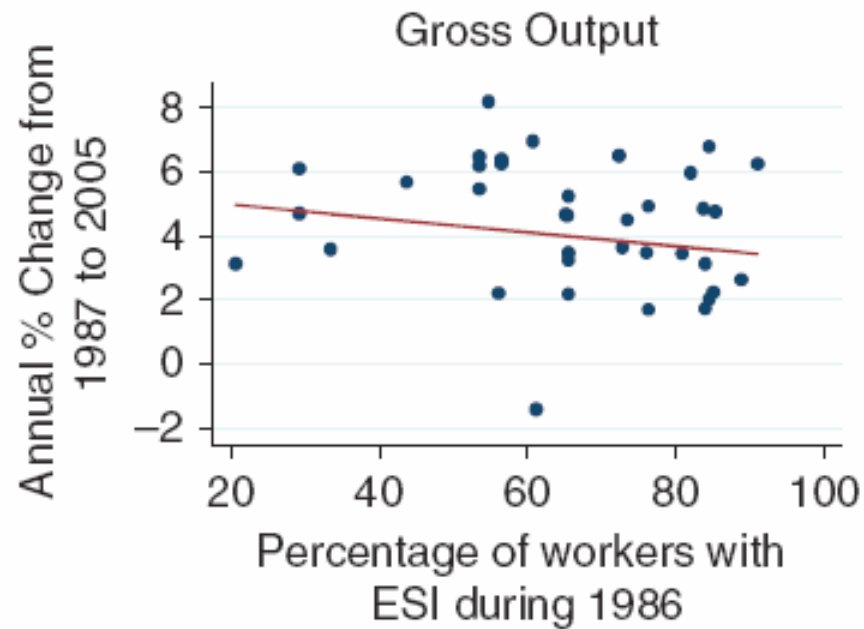
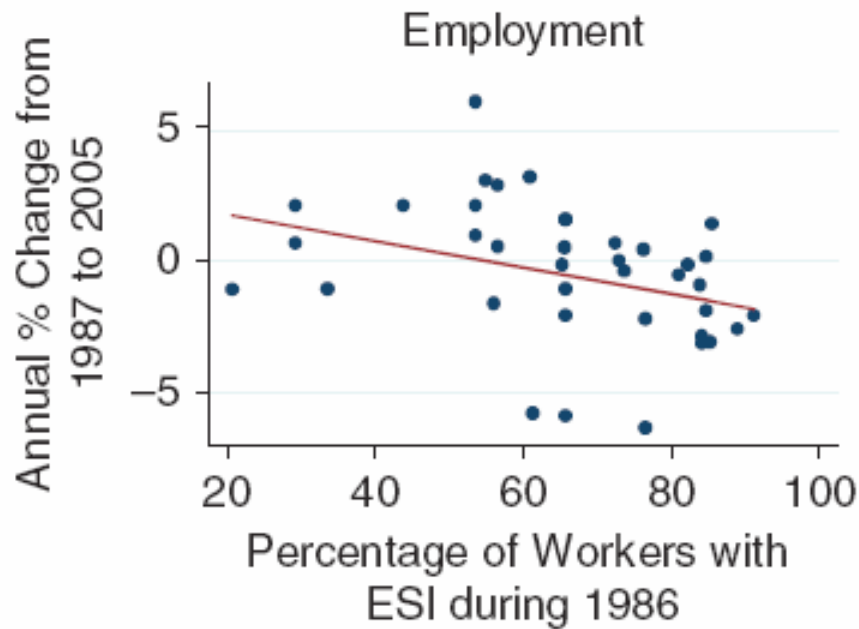
# Do healthcare costs hurt employment?

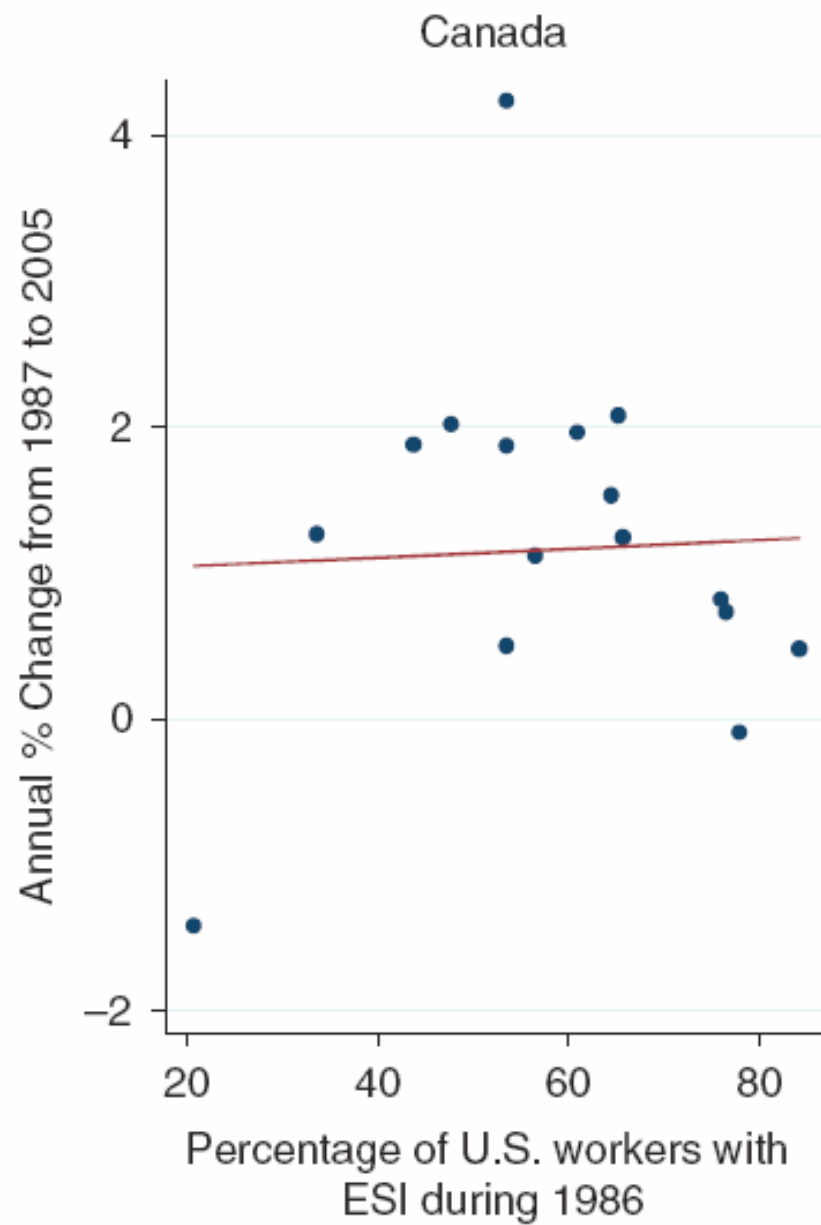
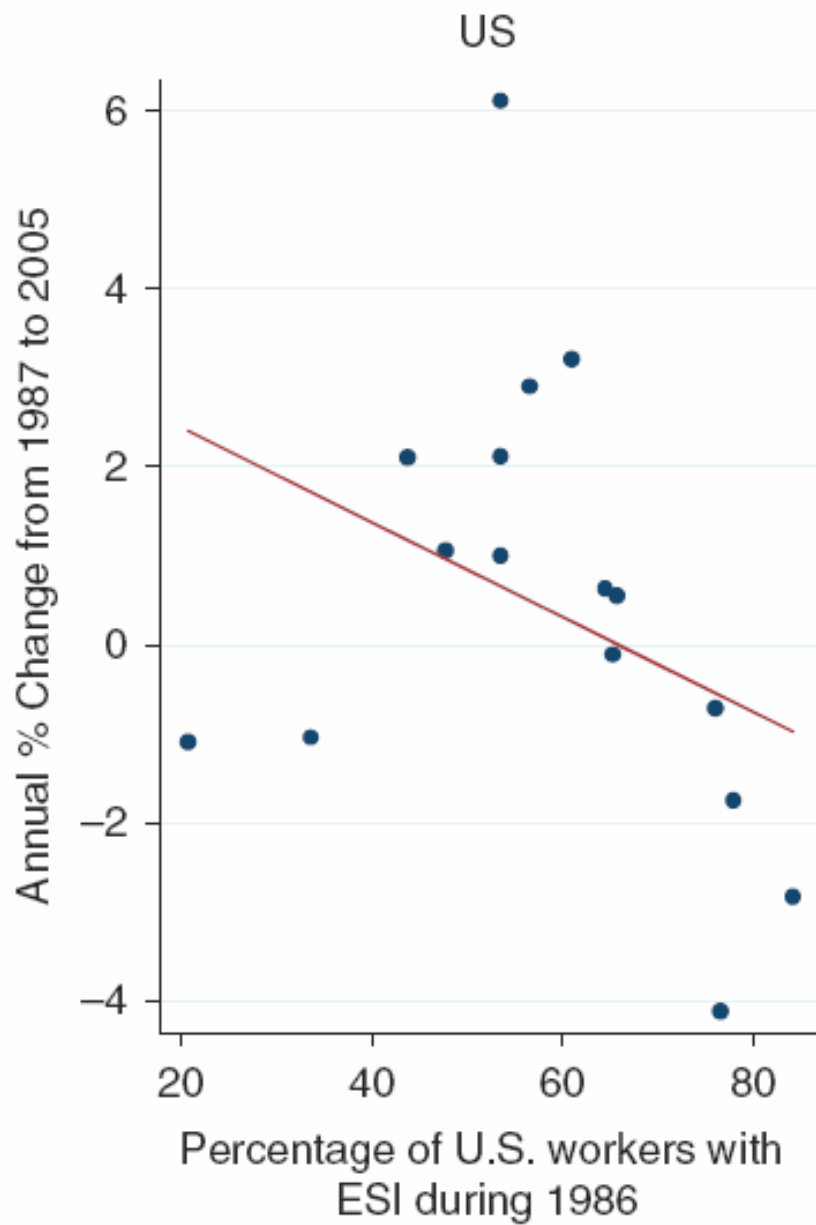
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- Comparison of employment growth across U.S. industries with varying levels of employer-sponsored health insurance (ESI)

(N. Sood et al, Health Services Research 2009)

- 38 industries, 1987 – 2005
- Bivariate analyses & multivariate regressions relating  $\%ESL_{t-1} \times \ln(\text{Health Expenditures}/\text{GDP})$  to:
  - Employment
  - Gross Output
  - Value Added





# ESI and Economic Outcomes

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- Sood et al's analysis suggests that a 10% increase in growth rate of "excess" healthcare costs (>GDP growth rate) leads to:
  - 120,000 fewer jobs.
  - \$28b in lost gross output.
  - \$14b in lost value added.

# The Affordable Care Act and Cost Growth

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- Hospital readmissions reduction program
  - saves Medicare \$8.2b thru 2019.
- Medicare payment penalties for hospital acquired conditions
  - saves Medicare \$3.2b over 10 years.
- Bundled payments for renal disease patients
  - saves Medicare \$1.7b over 10 years.
- Accountable care organizations
  - saves Medicare \$5b over 10 years.



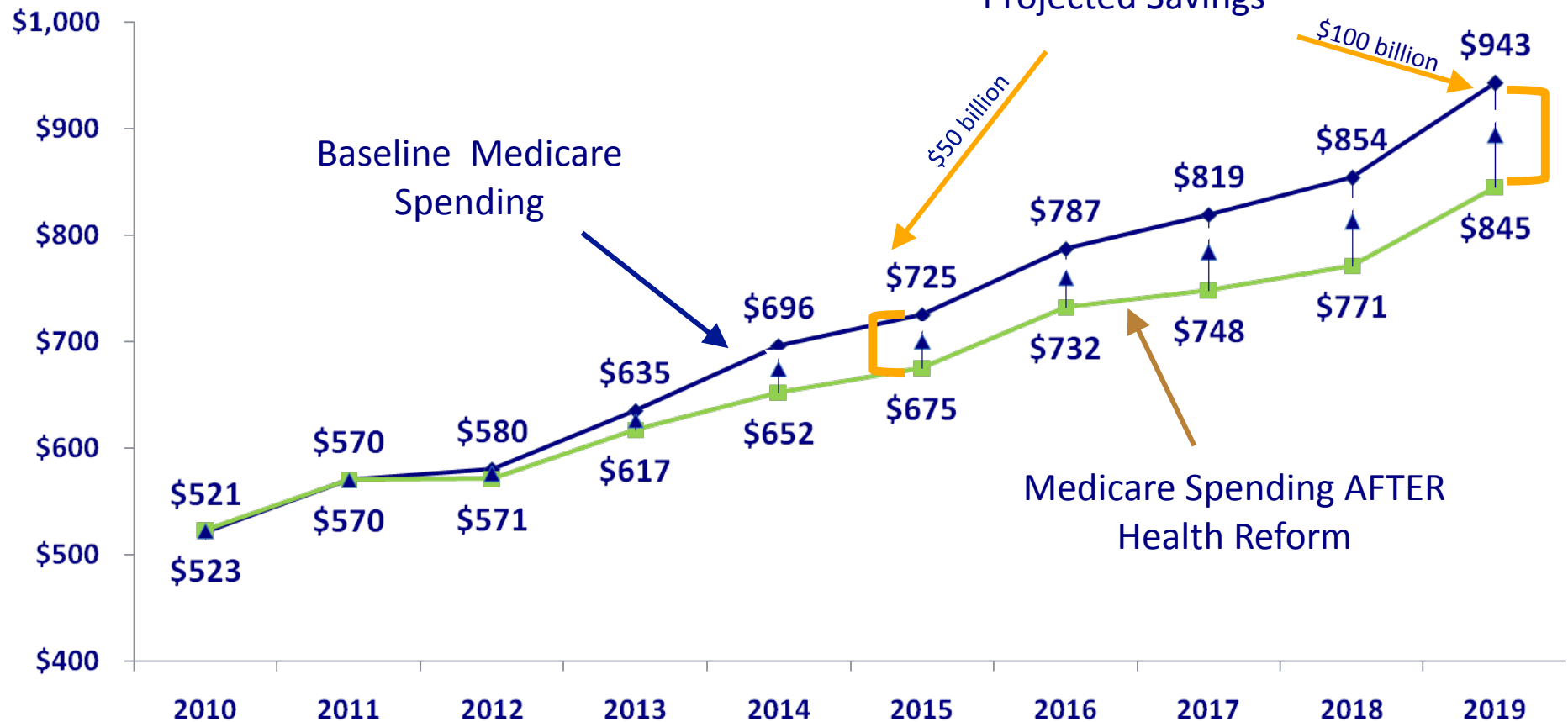
Exhibit 15

# Rate of Medicare Spending Projected to Slow



## Congressional Budget Office Projections

Medicare Baseline Spending  
(in \$ billions)



NOTE: Estimates do not take into account future changes to the Sustainable Growth Rate formula to prevent reduction in fees.

SOURCE: Medicare Baseline Spending before reform from CBO, March 2009 Baseline: MEDICARE; after reform from Kaiser Family Foundation analysis of CBO cost estimates of health reform legislation, March 20, 2010.

# The ACA and ESI

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## ● Pay or Play

- Large firms fined if no affordable coverage to FT workers & 1+ worker buys subsidized exchange coverage.
  - ✦ fine = \$2000/FTE, except 1<sup>st</sup> 30 workers.
- Small firms ( $\leq 50$  FTEs) are exempt.

# The ACA and ESI

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- Health Insurance Exchanges
  - Workers whose employer doesn't offer insurance, or where insurance is "unaffordable" can buy insurance thru state exchanges.
  - FTEs w/ income <400% of federal poverty level meeting certain criteria receive a voucher to buy insurance thru work or the exchanges.
- Medicaid expansion to non-elderly <133% of poverty level.

# Predicted Changes in ESI

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	Without Reform	ACA
Total (millions)	151.6	151.2
<100 Workers	30.5	30.4
100-1,000 Workers	30.1	30.3
1,000+ Workers	67.3	68.8

Urban Institute, Health Insurance Policy Simulation Model 2010

# Predicted Changes in Employer Spending

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	Without Reform	ACA
Total (billions)	513.3	510.2
<100 Workers	114.6	104.8
100-1,000 Workers	99.0	110.6
1,000+ Workers	228.0	230.3

Urban Institute, Health Insurance Policy Simulation Model 2010

# Conclusions

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- Employers may spend slightly less on health insurance due to the ACA, and the # covered won't change much.
- Rising healthcare costs are detrimental to U.S. businesses.
- Measures in the ACA that induce healthcare providers to provide high quality healthcare at lower costs are vital for the future health of the U.S. economy.