HEALTH CARE REFORM
HARBORVIEW MEDICAL CENTER
LOOKING BACK AND THINKING ABOUT THE ROAD AHEAD
HARBORVIEW MEDICAL CENTER
Pre ACA Charity Care Trend FY2006-2012

Source: DOH CHARITY CARE IN WASHINGTON HOSPITALS

- HMC Charity Care Growth = 187%
- HMC % Total Wa St Charity = 20%
- HMC % Un-sponsored Patients = 41%
- Un-sponsored + Medicare = 72%
HARBORVIEW MEDICAL CENTER
King County Hospitals In SFY2012
(Charity Care % Adjusted Revenue)

Charity Commitment
HMC = 25%
KC Average = 3.7%
Wa. St. Average = 5.4%

Source: DOH 2012 CHARITY CARE IN WASHINGTON HOSPITALS
Adjusted Revenue: Removes Medicare and Medicaid charges from total patient care revenues allowing a more meaningful comparison of charity commitment across hospitals.
What... caused the $23m reduction in charity care in FY2014?

WHY ... Did this improvement not translate into a greater improvement to HMC’s bottom-line?
HARBORVIEW MEDICAL CENTER FY2014
IMPACT OF ACA IMPLEMENTATION ON MEDICAID & SELF PAY SHORTFALL

Shift from Self Pay (uninsured) to Medicaid increased payments and decreased shortfall by $10.8M in the second six months of SFY2014.
HARBORVIEW MEDICAL CENTER FY2014
IMPACT OF ACA MEDICARE OFFSETS

ACA offset cost of Medicaid & HBE coverage expansion through front loaded reductions in Medicare payments.

- 2014 increased Medicare shortfall & decreased HMC net revenues by <$2.4m>
- Through 2015 Medicare ACA payoffs will have reduced payments to HMC by <$6.5m>.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>CUMULATIVE</td>
<td>(6,546,356)</td>
<td>(643,561)</td>
<td>(1,126,232)</td>
<td>(3,551,709)</td>
<td>(6,546,356)</td>
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<td>CY CHANGE</td>
<td>(268,150)</td>
<td>(375,411)</td>
<td>(482,671)</td>
<td>(2,425,477)</td>
<td>(2,994,647)</td>
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ACA mandated Medicaid DSH reductions delayed by Congress to SFY2017 will offset decrease in Medicaid payment shortfall by <$15.6m> by SFY2020.
## ACA Impact on HMC Payor Mix

<table>
<thead>
<tr>
<th>Payor</th>
<th>Pre</th>
<th>Post</th>
<th>Change</th>
<th>% Cost Recovery</th>
<th>Impact or 2% Shift</th>
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<tbody>
<tr>
<td>Medicaid</td>
<td>28%</td>
<td>37%</td>
<td>9%</td>
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<tr>
<td>HBE</td>
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<td>1%</td>
<td>1%</td>
<td>69%</td>
<td>TBD</td>
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<tr>
<td>Self Pay</td>
<td>13%</td>
<td>3%</td>
<td>-10%</td>
<td>37%</td>
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<tr>
<td>Medicare</td>
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<td>31%</td>
<td>2%</td>
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<tr>
<td>Commercial</td>
<td>30%</td>
<td>28%</td>
<td>-2%</td>
<td>144%</td>
<td>&lt;$2.7M&gt;</td>
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Early data indicates:
- 10% shift from unsponsored to Medicaid & HBE plans
- Net impact on cost recovery is unclear at this point. Arrangements with HBE based in part on Medicare rates. We are seeing a shift from commercial as well as BHP & Self Pay.

**Crowd Out Effect** – HMC is dependent on Commercial volumes to offset government program payment shortfalls. Increasing demand from newly insured low income population and on-going decrease in Commercial coverage as population ages into Medicare coverage, could result in crowding out of higher paying patients required to maintain financial viability.
ADDITIONAL TRENDS AND CONCERNS:

- ER utilization is down? But still earlier days. Utilization could peak again if community access especially for primary care fails to expand to meet new demand.

- Contrary to earlier assumptions the health status of newly insured population presenting at UWMedicine sites is significantly less than current Medicaid and other covered populations
  - Specialty service visits are increasing
  - Impact on quality scores and future competitiveness?