


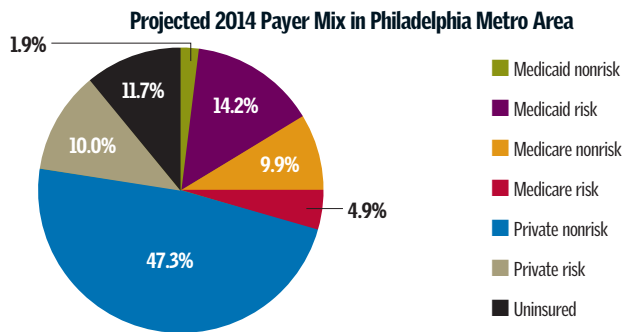
FACTFILE

Healthcare Reform: Utilization

Healthcare utilization will certainly be affected by the Patient Protection and Affordable Care Act. However, this federal healthcare reform will not be equal in its effects; individual states, and more specifically, local regions, will be affected in unique ways. There is variation in the uninsured populations and in the Medicaid policies and rates, for example. Still, increases in preventive and diagnostic services can be expected in virtually every locale. Thomson Reuters analysts have developed a five-step process to help model the effect of enrollment shifts on the demand for services. In this example, we consider hypothetical enrollment changes to the demand for colonoscopies in Philadelphia. 

PROJECTED PAYER MIX

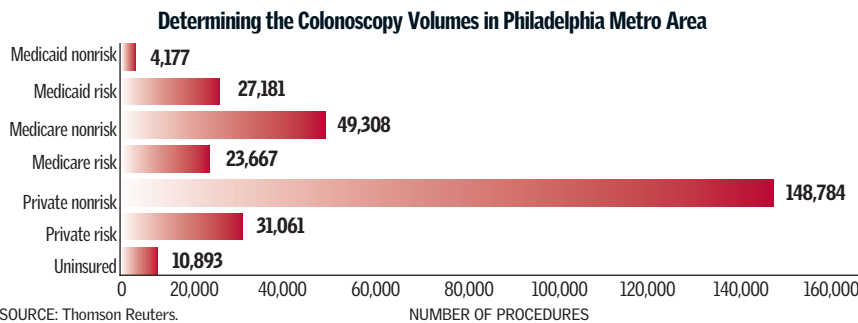
The first step is to calculate the payer mix without healthcare reform changes for the market area being studied. Seven insurance types are considered: Medicaid nonrisk (not enrolled in an HMO), Medicaid risk (enrolled in an HMO), Medicare nonrisk, Medicare risk, private nonrisk, private risk, and uninsured.



SOURCE: Thomson Reuters.

PROCEDURE VOLUMES BY PAYER

The second step in the process is to calculate procedure volumes by insurance source for the procedure being studied. In this example, most of the colonoscopies (148,784) are performed on patients in the non-high-risk private insurance pool. The fewest procedures are for those in the Medicaid nonrisk pool (4,177).

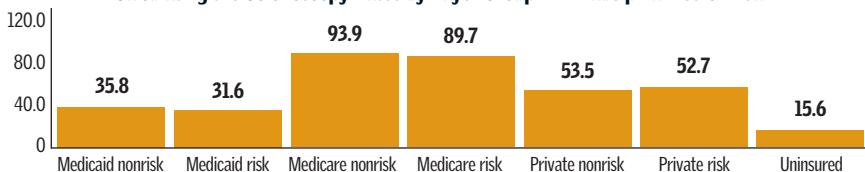


SOURCE: Thomson Reuters.

PROCEDURE RATES BY PAYER

In the third step, calculate the procedure rates, by insurance source, for the procedure being studied by dividing payer-specific volumes by enrollment totals. Note the large difference between the colonoscopy rates of the uninsured and the rates of Medicare and privately insured populations. As healthcare reform draws the uninsured population into the insured groups, expect demand to grow.

Calculating the Colonoscopy Rates by Payer Group in Philadelphia Metro Area



SOURCE: Thomson Reuters.

Access and Affordability

Nearly 15% of Americans report that they have not seen a doctor within the past 12 months because of cost, according to this data from a 2009 report. Figures vary by state, from about 6% of respondents in North Dakota and Massachusetts, to nearly 20% in Mississippi, Texas, and the Virgin Islands.

| Rank (1=low 51=high) | Number | Percent |
|-------------------------|-------------------|---------------|
| United States | 34,898,000 | 14.90% |
| 1. North Dakota | 31,000 | 6.20% |
| 2. Massachusetts | 48,000 | 6.90% |
| 3. Hawaii | 50,000 | 7.30% |
| 4. Iowa | 50,000 | 7.90% |
| 5. South Dakota | 53,000 | 8.30% |
| 6. Connecticut | 73,000 | 9.40% |
| 7. Maine | 74,000 | 9.50% |
| 8. Wisconsin | 75,000 | 10.00% |
| 9. District of Columbia | 100,000 | 10.10% |
| 10. Minnesota | 100,000 | 10.20% |
| 11. Delaware | 101,000 | 10.80% |
| 11. New Hampshire | 111,000 | 10.80% |
| 13. Vermont | 150,000 | 10.90% |
| 14. Pennsylvania | 161,000 | 11.00% |
| 15. Kansas | 180,000 | 11.10% |
| 16. Nebraska | 232,000 | 11.20% |
| 17. Rhode Island | 234,000 | 12.20% |
| 18. Wyoming | 254,000 | 12.40% |
| 19. New Jersey | 255,000 | 12.70% |
| 19. Ohio | 257,000 | 12.70% |
| 21. Maryland | 341,000 | 13.00% |
| 22. Virginia | 350,000 | 13.10% |
| 23. Illinois | 379,000 | 13.30% |
| 23. Utah | 408,000 | 13.30% |
| 25. New York | 412,000 | 13.40% |
| 25. Washington | 425,000 | 13.40% |
| 27. Montana | 432,000 | 13.50% |
| 28. Missouri | 504,000 | 13.90% |
| 28. Oregon | 544,000 | 13.90% |
| 30. Michigan | 546,000 | 14.00% |
| 31. Arizona | 557,000 | 14.10% |
| 32. Idaho | 562,000 | 14.20% |
| 33. Colorado | 577,000 | 14.40% |
| 34. Alaska | 598,000 | 14.70% |
| 35. New Mexico | 629,000 | 15.50% |
| 36. Alabama | 678,000 | 15.80% |
| 37. South Carolina | 685,000 | 15.90% |
| 38. Indiana | 782,000 | 16.50% |
| 39. North Carolina | 797,000 | 17.00% |
| 40. Nevada | 838,000 | 17.20% |
| 41. California | 844,000 | 17.30% |
| 41. Louisiana | 1,067,000 | 17.30% |
| 43. Florida | 1,071,000 | 17.40% |
| 44. Arkansas | 1,113,000 | 17.50% |
| 44. Tennessee | 1,200,000 | 17.50% |
| 46. Georgia | 1,294,000 | 17.90% |
| 47. West Virginia | 1,301,000 | 18.00% |
| 48. Kentucky | 1,994,000 | 18.20% |
| 49. Oklahoma | 2,560,000 | 18.30% |
| 50. Mississippi | 3,509,000 | 19.60% |
| 51. Texas | 4,828,000 | 19.70% |
| Guam | 20,000 | 18.50% |
| Puerto Rico | 451,000 | 15.80% |
| Virgin Islands | 14,000 | 19.20% |

SOURCE: Kaiser Family Foundation, Statehealthfacts.org, Analysis of Behavioral Risk Factor Surveillance System Survey Data, U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, 2009, www.statehealthfacts.org/comparetable.jsp?typ=1&ind=747&cat=8&sub=166&sortc=1&o=a

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DISTRIBUTING THE UNINSURED

The fourth step in the process is to distribute the uninsured population to private insurance and Medicaid. This table illustrates a simple set of assumptions about how healthcare reform will affect the uninsured population. Consistent with the Congressional Budget Office simulations, Thomson Reuters assumes that 80% of the uninsured population will gain some form of insurance and that they will migrate roughly equally into two groups, the Medicaid nonrisk and the private nonrisk populations. Note that local research indicates that Pennsylvania already has extended Medicaid eligibility to many low-income adults, so Philadelphia may not experience changes as large as those predicted by CBO.

Distributing the Uninsured Population in Philadelphia Metro Area

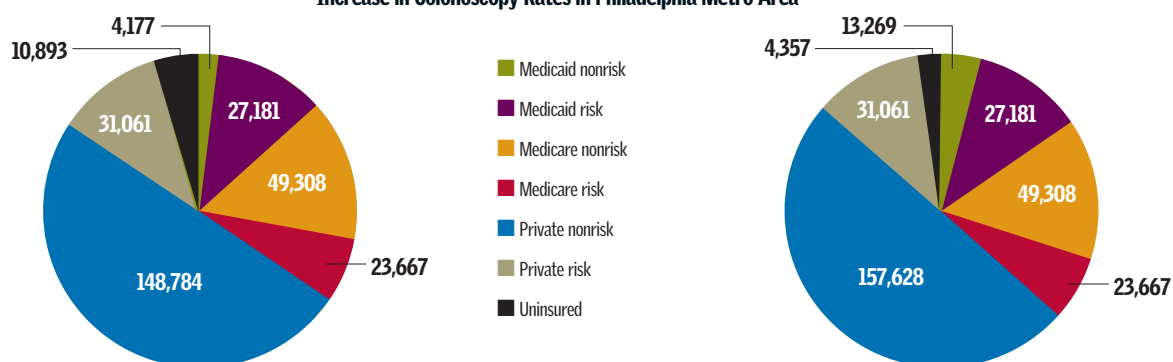
| | Projected population | Adjustments | Population change | Adjusted population | Percent change |
|------------------|----------------------|--|-------------------|---------------------|----------------|
| Medicaid nonrisk | 115,008 | Captured 50% of the uninsured | 278,116 | 393,124 | 242 |
| Medicaid risk | 842,791 | No change | 0 | 842,791 | 0 |
| Medicare nonrisk | 589,794 | No change | 0 | 589,794 | 0 |
| Medicare risk | 289,941 | No change | 0 | 289,941 | 0 |
| Private nonrisk | 2,807,262 | Captured 50% of the uninsured | 278,116 | 3,085,378 | 10 |
| Private risk | 595,799 | No change | 0 | 595,799 | 0 |
| Uninsured | 695,290 | 80% volume shift to private insurance and Medicaid | -556,232 | 139,058 | -80 |

SOURCE: Thomson Reuters.

INCREASE IN RATES

The final step is to apply the adjusted population figured in the steps above to understand the possible future increase in colonoscopy rates. The projected colonoscopy volumes assume no change in payer mix. The adjusted colonoscopy volumes are based on population multiplied by the payer-specific colonoscopy rates to calculate increased demand for colonoscopies.

Increase in Colonoscopy Rates in Philadelphia Metro Area



SOURCE: Thomson Reuters.

DEMOGRAPHIC PROJECTIONS UNADJUSTED FOR HEALTHCARE REFORM

The importance of considering local data in conjunction with the impact of the PPACA is reflected in this chart, which shows projected population figures that do not consider the effect of the healthcare reform law. So, while the uninsured population demographic normally would be expected to decline by just about 5,200, or 0.7%, (see below), when considering the effect of healthcare reform, the actual number of uninsured in the Philadelphia area is expected to drop by 556,000, or 80% (see Distributing the Uninsured chart, above).

Projected Population Growth by Insurance Type (Unadjusted for PPACA)

| 2009 | 2014 | Count | Growth 2009-2014 | % |
|-----------|-----------|---------|------------------|-------|
| 5,835,749 | 5,935,885 | 100,136 | | 1.7% |
| 116,782 | 115,008 | -1,775 | | -1.5% |
| 859,570 | 842,791 | -16,779 | | -2.0% |
| 525,039 | 589,794 | 64,755 | | 12.3% |
| 263,948 | 289,941 | 25,993 | | 9.8% |
| 2,780,308 | 2,807,262 | 26,954 | | 1.0% |
| 589,613 | 595,799 | 6,186 | | 1.0% |
| 700,489 | 695,290 | -5,199 | | -0.7% |

SOURCE: Thomson Reuters.

