



**The Methodist Le Bonheur Center for
Healthcare Economics**

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Methodist Le Bonheur Center for Healthcare Economics

Annual Report for the Period

May 2013 - April 2014

May 25, 2014

As in previous years, this year's annual report of the Methodist Le Bonheur Center of Healthcare Economics begins with a description of the mission, history, and objectives of the Center. This is followed by a brief review of a recently completed major research project that examines comprehensively the economic impact of Medicaid expansion made available under the Patient Protection and Affordable Care Act in Tennessee. The rest of the report summarizes the Center's specific goals and objectives for the just completed 2013-2014 academic year and our major accomplishments. Finally, the goals and objectives for 2014-2015 are presented.

Mission and Brief History: In March 2003, Methodist Le Bonheur Healthcare, Inc., and the Urban Child Institute (formerly the LHS, Inc.) gave the University of Memphis a donation of \$1.0 million to establish The Methodist Le Bonheur Center for Healthcare Economics (hereafter the Center) in the Fogelman College of Business and Economics. The mission of the Center is to address complex health care issues of efficiency, effectiveness, and equity with a focus on emerging health care issues that affect Memphis, Shelby County, and the state of Tennessee.

Objectives: Through a variety of research, instruction, and public service programs, the Center works closely with entities both internal and external to the University to accomplish its mission and objectives. In the near term, the key policy objectives emphasized by the Center will include, among other topics:

1. Evaluation of health care programs, such as health care reform, TennCare, and consumer-driven health plans, and the development of strategies and solutions for improving the quality and efficiency of health care delivery;
2. Analysis of regional and state health economic trends;
3. Assistance to stakeholders such as hospitals, nursing homes, and health plans in developing market analyses and business plans; and
4. Dissemination of best practice models to assist employers in the development and implementation of cost-effective strategies for improving employee health and saving health care costs.

Expertise: The Center is supported by a superb group of faculty associates who have distinguished themselves in the fields of health care economics and health care administration. These faculty associates are experts in conducting research in a wide range of critical health care issues including:

- Access to health care
- Health insurance coverage
- Health and health care disparities
- Cost effectiveness analysis of health care programs and interventions
- Quality improvement in health care
- Employee health benefits
- Hospital cost management
- Methodological issues in data collection, analysis, and management

The Economics of Medicaid Expansion for Tennessee under the Affordable Care Act

March 2013

A Report Commissioned by AARP and Prepared by
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ABSTRACT

The purpose of this report is to extend the depth of understanding about the importance of health care, the economic impact of Medicaid Expansion and the health care industry in Tennessee. The researchers found that Medicaid Expansion will reduce the financial strain associated with federal health reform, allowing the state of Tennessee to address other high priority needs. According to the research, Medicaid Expansion would be good for the health of Tennessee citizens and our economy.

The study covered four key areas: economic consequences of the reduction in DSH (disproportionate share hospital) payments, beneficial impact of Medicaid Expansion on the state's economy, economic impact of a hospital and the impact of closure on a community's economic base, and a focused review of literature on the impact of expanded insurance coverage on the health of the population and thereby on the economic well-being of individuals.

PART I:

- While many hospitals will experience a large reduction in uncompensated care because of expanded health insurance coverage, the same hospitals will receive far fewer DSH payments for Medicaid and Medicare patients.
- If the state chooses not to expand Medicaid, the number of uninsured could rise to 575,000 people statewide. A direct consequence of having so many uninsured is uncompensated care.
- For Tennessee, uncompensated care was estimated to be over \$4 billion in 2009, with hospitals providing 61% of the total and clinics and physicians providing 29%.
- Financial problems will impact the quality and quantity of care the hospitals can provide to area residents, including the aging population in many of the state's most rural counties.

PART II:

- Hospitals and health care have been a major engine for economic growth in many communities and counties across Tennessee. In many counties, hospitals are the largest employer.
- Protecting the financial viability of hospitals and the health care industry is one way to have a broad and positive impact on the economic growth of all areas of the state.
- Health care and social assistance accounted for the state's largest annual payroll at nearly \$15.7 billion, while other sectors like manufacturing and retail trade generated payrolls of \$12.9 billion and \$7.2 billion, respectively.
- Health care makes up 15% of the total employment in Tennessee.
- Many rural markets are served by only one hospital, and the loss of that hospital could place hardships on rural communities, residents and employers.
- It is estimated that with Medicaid Expansion, Tennessee would receive total net new federal revenue of over \$9.4 billion between 2014 and 2019. This will result in:
 - Production of goods and services (output) valued at \$17.6 billion.
 - Total salaries, wages, and benefits of \$7.9 billion.
 - An annual average total of 21,898 full- and part-time jobs.
 - State and local taxes of \$577.9 million.
- During the period of 2014-2019, for each \$1 the state spends on Medicaid Expansion, the state will receive an estimated \$29.93 in federal monies.
- The estimate of state and local taxes does not include the state's health care taxes on HMOs. The HMO tax would bring an additional \$519.4 million. The HMO tax will more than cover the state's costs of Medicaid Expansion.

PART III:

- Examinations of the economic impact of hospitals in three counties (Claiborne, Cumberland, Haywood) where there is only one hospital, and the potential impact of such a facility's closure on a community's base found that:
 1. The effects of the operation of each hospital and Medicaid Expansion extend all the way down to the smallest employer.
 2. Small retail and service providers depend on the economic growth of hospitals and health services for both direct and indirect financial support.
 3. Not only do hospitals attract customers from surrounding areas, but they allow local employers to have healthy employees who make money and spend it locally.

Part IV:

- The uninsured use significantly fewer services than the insured, making their care more fragmented and resulting in a lack of effective follow-up for chronic conditions.

More than one in four uninsured people go without needed care, compared to 4 percent of people with private health insurance.

- The uninsured receive less preventative care. For example, mammography rates for women without health insurance are 30 percent lower. That is associated with a significantly higher frequency of advanced breast cancer among uninsured women.
- This is a matter of life or death: mortality rates from common chronic conditions are approximately 25% higher for the uninsured and there is a higher rate of infant mortality.
- Poor child health, associated with lack of insurance, impacts educational opportunities and development.
- The average economic value of expanded health insurance is \$2,014 per person per year. So the number of uninsured Tennesseans equates to over \$1.8 billion in foregone economic activity per year.
- Expanding Medicaid coverage to cover the estimated 910,215 currently uninsured in Tennessee would prevent 5,172 deaths per year—or one death approximately every 100 minutes.

Specific Goals and Objectives for 2013-2014

Goal 1: Explore external opportunities

Objective 1.1 - Promote visibility through outreach and exchange

- ASEAN Ambassadors and Trade Representatives
 - The Ambassadors and trade representatives from the Association of Southeast Asian Nations (ASEAN) visited Memphis in May 2014. Dr. Cyril Chang, the Director of the Methodist Le Bonheur Center for Healthcare Economics, was invited to a symposium and reception for the ASEAN Ambassadors and their embassy staff at the University of Memphis and to a formal luncheon the next day, May 6, to discuss business and health care exchange between Memphis and the major countries in the Southeast Asian Region.

Objective 1.2 - Develop collaborative relationships

- Le Bonheur Community Health and Well-Being
 - During the 2013-14 academic year, the Methodist Le Bonheur Center for Healthcare Economics completed a subcontract project for Le Bonheur Community Health and Well-being, a community outreach division of Le Bonheur Children's Hospital, under a multi-site, federally-funded project, the Nurse-Family Partnership Program. The Center's role in this partnership was to track and analyze the costs of this well-known, evidenced-based intervention program designed to improve the health outcomes of at-risk infants and their first-time mothers.
 - The Methodist Le Bonheur Center for Healthcare Economics entered into a new contract with the Le Bonheur Community Health and Well-Being to analyze the costs and effectiveness of a federally funded intervention program called CHAMP (Changing High-Risk Asthma in Memphis through Partnership) to improve the outcomes of asthma care for a group of TennCare insured high-risk asthmatic children.
 - Contact persons: Ruth Hamblen and Susan Steppe, both of Le Bonheur Children's Hospital.
- Mississippi State University and Harvard University
 - Met and discussed at length on research projects of mutual interest with Dr. Maya McDoom of Harvard University who is currently serving as a Delta Public Health Fellow at Mississippi State University's Social Science Research Center. Possible projects included a comprehensive analysis of the impact of health care reform on the financial health and viability of rural hospitals in both Mississippi and Tennessee and needs assessment in the Mississippi Delta. Contract person: M Maya McDoom, Ph.D., MPH, the Social Science Research Center at Mississippi State University.

- Baptist Memorial Health Care
 - Met with HR administrators of Baptist Memorial Health Care to discuss a joint executive leadership training program for Baptist staff physicians. The ongoing discussion with Baptist Memorial Health Care involved the University of Memphis Development Office, The UoM School of Public Health, and the Fogelman College of Business and Economics. Contact persons: Lendon Elis of UoM Corporate and Relations and Stephanie Clark of Baptist Memorial Health Care.
- Department of Pediatrics at UTHSC
 - Met and interacted with faculty members and researchers to explore opportunities to collaborate on research projects of mutual interest. Made substantial progress in the discussion of potential projects and preparation of research proposals for submission to the Centers for Medicare and Medicaid Services. Contact persons: Jon McCullers, MD.
- QSource,[®] Tennessee's Medicare Quality Improvement Organization (QIO)
 - The Center worked closely with QSource[®] research personnel in the development of a wide range of collaborative opportunities for health care research and consulting projects. Contact person: Dawn Fitzgerald, President and CEO.
- Healthy Memphis Common Table
 - Dr. Cyril Chang, the Center's Director, and the Center's research associates worked in concert with Ms. Renee Frazier, the Executive Director of the Healthy Memphis Common Table, and her staff on a variety of community-wide health care initiatives. The focus of 2013-14 was to prepare and publish three special reports on, respectively, potentially avoidable hospitalizations, non-urgent ED visits, and Project Better Care, a community-based quality improvement project to help primary care practices and their patients with chronic conditions to improve the care delivered to diabetes patients. All three reports were completed as planned. Contact person: Renee Frazier, Healthy Memphis Common Table.

Objective 1.3 - Plan, prepare, and submit grant proposals

- Robert Wood Johnson Foundation State Access Reform Evaluation
 - Action: Designed and submitted a research proposal (\$100,000) to apply for a RWJ State Access Reform Evaluation grant to conduct a comprehensive assessment of the impact of Affordable Care Act on the health care delivery system of Tennessee and its four major urban centers.
 - Result: Not funded

- BlueCross BlueShield of Tennessee Health Foundation
 - Action: Designed and submit a letter of intent (\$98,000) for testing the hypothesis that the health care delivery system in Tennessee has undergone fundamental shift from a traditional volume-based system to a system that emphasizes quality and outcomes.
 - Result: Not funded
- State and local foundation grants
 - Action: Submitted research proposals to a variety of state and local foundations and funding agencies.
 - Result: Received the following grants and awards:
 - 2013 A proposal submitted to United HealthCare (\$40,000) to conduct a utilization analysis of ED services under the UnitedHealthcare Community Plan of Tennessee.
 - 2013 “Return on Investments in Public Health in Shelby County, Tennessee,” \$10,350 awarded by the Healthy Shelby Project of the Memphis Fast Forward Initiative.
 - 2011-2013 “Aligning Forces for Quality,” a \$60,000 subcontract grant received from the Healthy Memphis Common Table for cost analysis under a \$1.3 million grant awarded by the Robert Wood Johnson Foundation for the Aligning Forces for Quality Project.
 - 2011-2013 “Cost Analysis of the Nurse-Family Partnership Program,” \$41,625, a subcontract grant awarded by the Le Bonheur Children’s Hospital under a principal grant funded by the Health Resource and Services Administration, the U.S. Department of Health and Human Services.

Objective 1.4 Explore consulting opportunities

Actions and Results:

- Tennessee Rural Health Partnership
 - Action: Explored and discussed collaboration opportunities with Tennessee Rural Health Partnership and Tennessee Hospital Association with a focus on (a) rural health workforce shortages, and (b) the different pathways to a better solution for rural health care challenges.

- Result: A service contract under negotiation.

- UT Health Science Center
 - Action: Made numerous visits to the Office of Executive Vice Chancellor and Chief Operating Officer to discuss opportunities for collaborations and consulting services.

 - Result: A service contract is under consideration for a study the economic impacts of UTHSC's capital expenditures and major construction projects on the local economy.

- Methodist Le Bonheur Healthcare
 - Action: Worked closely with the Corporate Office of Methodist Le Bonheur Healthcare, Le Bonheur Children's Medical Center, and Methodist College of Nursing in providing expertise and technical assistance on a wide range of research and operational issues and projects.

 - Result: The collaboration resulted in the following tangible outcomes:
 1. An economic impact study of the expanded Cancer Care Center Project.
 2. Consultation service to Methodist Le Bonheur Healthcare to assist in the implementation of patient-centered medical homes.
 3. Technical assistance to the Methodist Le Bonheur Corporate Office in connection with its evaluation of a faith-based community outreach program.
 4. Participation in the design of a study of the recently expanded ED facility at the Methodist University Hospital to focus on the effects of expansion on payer mix and patient volume.

Goal 2: Study and analyze health economic trends and issues

Objective 2.1 Study emerging health care issues

Actions and Results:

- Action: Analyzed hospital utilization and discharge data

- Result: Published health care issue briefs and occasional Center reports (available at the Center's Website: <http://www.memphis.edu/mlche/>):
 - **Chang**, Cyril F. "Potential Economic Benefits of Healthy Shelby Initiative: Making the Business Case for Improving Birth Outcomes,

Hypertension Prevention, and End-of-Life Care in Memphis and Shelby County, Tennessee,” a report prepared for the Healthy Shelby Initiative and the Healthy Memphis Common Table, November 2013.

- **Chang**, Cyril F. “Status Report on Efforts to Advance Understanding and Awareness of Non-Urgent and Primary-Care-Sensitive Hospital Emergency Department Visits in Memphis and Shelby County, Tennessee,” Healthy Memphis Common Table Take Charge Report #7, March 2013
 - **Chang**, Cyril F. “Status Report on Efforts to Understand and Create Awareness of Potentially Avoidable Hospitalizations in Memphis and Shelby County, Tennessee,” Healthy Memphis Common Table Take Charge Report #5, September 2012.
 - **Chang**, Cyril F. “Potentially Avoidable Hospitalizations in Shelby County, Tennessee,” an Issue Brief released by the Methodist Le Bonheur Center for Healthcare Economics, Fogelman College of Business and Economics, The University of Memphis, May 2012.
 - **Chang**, Cyril F. “Non-urgent ED Use in Shelby County, Tennessee,” an Issue Brief released by the Methodist Le Bonheur Center for Healthcare Economics, Fogelman College of Business and Economics, The University of Memphis, August 2012.
 - **Chang, CF**, Mirvis, DM, Gnuschke et al. “The Impact of Health Reform in Tennessee,” a report prepared and published by the Methodist Le Bonheur Center for Healthcare Economics, The University of Memphis, Jan. 2012.
- Action: Prepared and submitted manuscripts to reputable refereed journals.
- Result: Published the following reports and peer-reviewed articles:
- Chen WW, Waters TW **and Chang** CF, “Insurance and Non-Urgent Emergency Department Use,” The American Journal of Managed Care, forthcoming 2015.
 - Mirvis DM and **Chang** CF, “Tennessee’s Option to Expand Medicaid Coverage: What are the Issues?” Tennessee Medicine (The Official Journal of the Tennessee Medical Association), November/December 2012:27-31.
 - Waters, T. M., **Chang**, C. F., Mirvis, D. M., et al. “The Impacts of High-Deductible Consumer-Directed Health Plans,” a manuscript currently under second review at Health Services Research, 2011; 46(1Pt1):155-172.

- Warren C. L., White-Means S. I., Wicks, M. N., **Chang, C. F.**, Gourley, D., and Rice, M. "Cost Burden of the Presenteeism Health Outcome: Diverse Workforce of Nurses and Pharmacists," *Journal of Occupational and Environmental Medicine*, 2011, 53(1):90-99.
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Goal 3: Increase visibility of the Healthcare Economics Center within the University of Memphis campus and in the external Memphis health care community

Objective 3.1 Engage in collaborative research and service activities with health-related units/departments across the University of Memphis campus to promote engaged research

Actions and Results:

- Action: Built on the momentum from previous years, The Healthcare Economics Center continued to organized and held monthly interdisciplinary research seminars under the funding support of Health Care Research Journal Club.

Result: A total 6 well attended seminars were held in 2013-2014. Topics ranged from the mega trends that are shaping the future of health care, to social determinants of ED visits, and to Patient-Centered Medical Homes. In addition to their education value, ehe seminars also provided a forum for health care practitioners and university researchers to network and to exchange research ideas.

- Action: Provided planning and design support for the proposed School of Public Health at the University of Memphis. Worked closely with the faculty and administrators of the School of Public Health in assisting its growth and development.

Results: Participated in the design and development of the Ph.D. program in Health Services and System Research and the recruitment of 3 new faculty members. Co-sponsored external speakers to visit the University of Memphis and address faculty and graduate students.

Objective 3.2 Provide research opportunities and assist in the development of a richer research environment

Actions and Results:

- Applied for and received Hospital Inpatient and Outpatient Discharge Datasets for 2010 and 2011 and the Joint Annual Report of Hospitals for the same two years for use by faculty and students
- Offered travel funds for graduate students and faculty members to attend health care conferences
- Sponsored healthcare speakers for research seminars
- Provided graduate and undergraduate internships to work on health care projects

Objective 3.3 Serve the external health care community in the greater Memphis area

Actions and Results:

- In 2013-14, Dr. Cyril Chang continued his service on the Board of Directors of the Urban Child Institute serving as both a Board member and the Chairman of the Board. He also chaired the Institute's Investment Committee that oversees the management of the Institute's investment portfolio.
- Dr. Cyril Chang serves on the Board of Directors of QSourceAR™, a fully owned, non-profit subsidiary of QSource™ Tennessee. QSource AR™ and QSource™ Tennessee are both organized as nonprofit centers for health care quality improvement. QSource™ Tennessee is also officially recognized as a Medicare Quality Improvement Organization (QIO) for Tennessee.

▪ Public Speeches by Dr. Cyril F. Chang in 2013-2014:

May 14, 2014 “Health Care Reform after ACA,” an invited lecture given to St. Jude Clinical Fellows at the St. Jude Children's Research Hospital at Memphis, Tennessee.

Feb. 20, 2014 “ACA and End-of-Life Care,” an invited lecture given at the Methodist University Hospital in Memphis, Tennessee.

May 10, 2013 “Health Reform in Tennessee and Pediatric Practice,” an invited lecture given at the 2013 Etteldorf Symposium at Le Bonheur Children's Hospital in Memphis, Tennessee.

May 8, 2013 “National Health Care Reform – An Update,” an invited lecture given at the St. Jude Children's Research Hospital.

March 5, 2013 “Should Tennessee Expand Medicaid/TennCare: What Are the Options,” given to the Mid-South Chapter of the

American Association of Health Insurance Underwriters in
Memphis, Tennessee.

January 31, 2013 Keynote speech, “Potentially Avoidable Hospitalizations and
Non-Urgent ED Visits in Shelby County, Tennessee,” give to the
Learning Collaborative training meeting sponsored by the
Diabetes for Life Project of the Healthy Memphis Common
Table.

Objective 3.4: Engage print and other media outlets to promote the Center’s visibility
and outreach

- Engaged print media and contributed op-ed articles on TennCare and health-
related topics:
 - Interviewed and quoted by three Tennessee newspapers in April 2014: Dr.
Cyril F. Chang, the Director of Methodist Le Bonheur Center for
Healthcare Economics, was quoted at length in an April 9, 2014, Memphis
Commercial Appeal article by reporter Kevin McKenzie about the release
of Medicare doctor reimbursement data by the Center of Medicare and
Medicaid. This was followed by a second article in the Nashville paper,
the Tennessean, on the same topic on 04/09/2014. Four days later on
04/13/2014, The Chattanooga Press Free Press published a long news
analysis article on the controversy surrounding the release of Medicare
doctor data and quoted Dr. Chang extensively.
 - Featured in a Memphis Commercial Appeal dated, October 16, 2013, on
ObamaCare and its impact on physician practices in Memphis by reporter
Kevin McKenzie.
 - Quoted extensively in a feature article in the online news magazine,
“Nooga.Com” on health care spending trends by freelance reporter Chloe
Morrison dated January 14, 2013.
 - Wrote and published an op-ed article, “Free Market Health Care Not Pretty,” in
The Memphis Commercial Appeal, October 13, 2013.

Goal 4: Promote wellness and health promotion programs for a healthier
community

Objective 4.1 Develop a close working relationship with external partners and
stakeholders to explore collaborative opportunities

Actions and Results:

- Contacted, met, and discussed projects of mutual interest with representatives from a wide range of community partners including:
 - Shelby County Mayor's Office
 - Memphis Fast Forward
 - Congressman Steve Cohen's Office
 - Memphis Mayor's Innovation Delivery Team
 - The Memphis Medical Society
 - Healthy Memphis Common Table
 - The Urban Child Institute
 - The Methodist Le Bonheur Healthcare, Inc.
 - The Regional Medical Center at Memphis
 - The Memphis Business Group on Health
 - Colleges of Medicine, the University of Tennessee Health Science Center
 - Colleges of Nursing and Pharmacy of the University of Tennessee Health Science Center
 - Medical Educational Research Institute
 - The Methodist University Hospital
 - Accredo Specialty Pharmacy
 - Memphis Mental Health Summit

Objective 4.2 Participate in community wellness and health promotion activities

Actions and Results:

- Worked with QSource™ Tennessee, the Center for Healthcare Quality in Tennessee, in providing expertise in economic evaluation of health promotion and intervention programs
- Worked with the Healthy Memphis Common Table in promoting health and wellness of residents and employees of the greater Memphis area

Goal 5: Provide analytical expertise to external stakeholders

Objective 5.1 Provide technical assistance

Actions and Results:

- Worked with and provided technical assistance to County Mayor Mark Luttrell and his special health care policy advisor, Dr. Kenneth Robinson, in the launch a major county-wide health initiative, the Memphis Triple Aim Project.

- Worked with and advised Dr. Ken Brown, Executive Senior Vice Chancellor of UTHSC, on a wide range of strategic planning issues of mutual interest, and with Dr. David Stern on the economic impact of the College of Medicine and branding issues facing UTHSC.
- Participated in strategic planning sessions initiated by the senior management of Methodist University Hospital in Memphis