Facing the Challenges of Health Policy & Economics During the COVID-19 Pandemic

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Apologies for rescheduling...

• We were scheduled to do this about a month ago...

• But I had to reschedule since I got called to testify for a Missouri House Budget Committee
  ◦ Hearing on the Medicaid expansion initiative
  ◦ Our Center for Health Economics and Policy (CHEP) has produced the fiscal analysis to estimate the costs of the Medicaid expansion.
  ◦ The House committee held a hearing to debate this analysis.
Center for Health Economics and Policy

- Center within the Institute for Public Health (IPH)
  - The Center for Health Economics and Policy encourages the development of evidence-based research focused on improving health and disseminates this work to policymakers and other stakeholders.

- Co-Directors
  - Timothy McBride, Bernard Becker Professor, Brown School
  - Karen Joynt Maddox, Assistant Professor, Medical School

- Focus Areas
  - Medicare and Medicaid Policy
  - Outcomes and Health Services Research
  - Transformation of Health Care
  - Payment Policy
  - Cost Effectiveness and Costs of Care
  - Insurance and Managed Care
Facing the Challenges of Health Policy & Economics During the COVID-19 Pandemic

• Triple Challenges Facing USA right now
  ◦ The COVID-19 pandemic
  ◦ The Recession
  ◦ A racial justice crisis
  ◦ Medicaid expansion
The Pandemic
As we all know too well, the COVID-19 pandemic hit the US in February, really taking off in mid-March.

As COVID-19 cases started to take off in mid March, shutdowns happened across the US.

Sources:
What are the questions about health economics and policy raised by the COVID-19 pandemic?

- **The Recession**
  - How long will it last? Will job losses be permanent?
  - How is the health sector being affected?
  - In the recession, how many people will lose health insurance?
- **As people lose their jobs, income, and insurance, how many will move into poverty? What challenges will this create for them and health systems, society?**
  - The theory of Social Determinants of Health (SDOH) suggests that poverty, joblessness, lack of health insurance are key factors impacting health access, health status
- **Disparities in the impact of COVID-19:**
  - Are workers losing jobs more likely to be people of color?
  - Are low wage workers more likely to be exposed to COVID-19?
- **Medicaid expansion:**
  - Is expansion of Medicaid one of the answers to these challenges?
  - What are the prospects for Medicaid expansion in Missouri?
The Recession

More Unemployed Than Reported

Notes: Figures capture a broader set of those outside the labor force that are not officially counted as “unemployed”. As noted by the BLS, a subset of those “employed but not at work for other reasons” should have been recorded as “unemployed on temporary layoff”.

Source: Bureau of Labor Statistics
The Recession that hit in March and April 2020 was so severe, it was greater than any recession the country has seen since the Great Depression in the 1930s, when GDP fell about 25%.

This recession has even exceeded the “Great Recession” of 2008-10.

Once the Shutdown started, people started losing their jobs or getting furloughed.

We have continually set records in terms of “initial claims for unemployment”, starting March 20.

Previous record, about 750,000 in “Great Recession”; new highs near 7 million per WEEK.

Continuing claims peaked near 22 million; remain just under 20 million.

In June 2020, the official unemployment rate was 11.1%. But the rate hit 14.7%, a number not seen since the Great Depression in the 1930s. As slide shows, some feel unemployment may be understated:

- **Classification adjustment**: furloughs
- **Working part time but want FT**
- **Not looking for work**

*Source: U.S. Bureau of Labor Statistics*
We have lost 16.5 million net jobs since January 2020
But that is not the only effect – 5.4. million have left the labor force
Employment/population ratio fell to near 50%

Who is losing work? Hitting all industries, but especially leisure/hospitality, services, transportation ...
Who is losing work? …younger people, those with less education.

**Employment change by age**

*Youngest Workers Hit Hardest*

- Age 16-19: -24%
- Age 20-24: -21%
- Age 25-34: -11%
- Age 35-44: -7%
- Age 45-54: -7%
- Age 55 or older: -10%

**Employment change by education status**

*Workers less education hit hardest*

- Less than high school diploma: -24%
- High school graduate: -16%
- Some college: -10%
- Bachelor’s or higher: -2%

People of color generally hit hardest

Who is losing work? ...people of color.

For the first time in my career, I have seen major job losses in the health care sector. Health Care was “recession proof” prior to this recession. Health care employment dropped significantly in March-April 2020, but employment has rebounded; regained 43% of the 1.6 million jobs lost in March and April 2020.

SOURCE: Altarum analysis of BLS data.
Note: Lightly shaded bars denote recession periods.

For the first time in my career, I have seen major job losses in the health care sector. Health Care was “recession proof” prior to this recession. Health care employment dropped 1.6 million jobs in March and April 2020; but since then employment has rebounded: regained 43% of the jobs lost in March and April 2020. Employment still down 647,000 nationwide (-4%) from June 2019 to June 2020.
Change in Employment, June 2019- June 2020
Total Nonfarm Employment Losses, in Thousands

- Social assistance, 401
- Nursing facilities, 182
- Hospitals, 80
- Other ambulatory care, 194
- Offices of dentists, 92
- Office of Physicians, 100
- Education and health services, 1,359
- Leisure and hospitality, 4,486
- Professional and business services, 1,574
- Information & Finance, 410
- Transportation & utilities, 457
- Wholesale & Retail trade, 1,497
- Manufacturing, 743
- Construction, 330
- Mining & Logging, 117
- Government, 1,277
- Other services, 707


Health care, 647
Total health care employment down 647,000 in last 12 months

In percentage terms, Dental offices faced the biggest losses in employment (-92K) – accounting for about a third of the decline in health employment; but have regained 81% of jobs lost.

Jobs also lost in ambulatory settings (-130K), physicians offices (-100K), hospitals (-80K), nursing homes (-182K). Employment gains have been slower in nursing homes and hospitals.

### Exhibit 3. Change in Employment Data by Sector, Seasonally Adjusted

<table>
<thead>
<tr>
<th>Employment Change (in thousands)</th>
<th>One Month</th>
<th>12 Months</th>
<th>24 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Health Care</td>
<td>4,442.0</td>
<td>-12,309.8</td>
<td>-10,737.3</td>
</tr>
<tr>
<td>Health Care</td>
<td>358.0</td>
<td>-647.2</td>
<td>-348.7</td>
</tr>
<tr>
<td>Ambulatory Health Care Services</td>
<td>371.4</td>
<td>-385.9</td>
<td>-177.9</td>
</tr>
<tr>
<td>Offices of Physicians</td>
<td>80.0</td>
<td>-100.1</td>
<td>-42.8</td>
</tr>
<tr>
<td>Outpatient Care Centers</td>
<td>24.1</td>
<td>-23.9</td>
<td>7.9</td>
</tr>
<tr>
<td>Home Health Care Services</td>
<td>17.8</td>
<td>-60.3</td>
<td>16.9</td>
</tr>
<tr>
<td>Dental Offices</td>
<td>190.4</td>
<td>(92.1)</td>
<td>(76.0)</td>
</tr>
<tr>
<td>Other Ambulatory</td>
<td>59.1</td>
<td>(129.5)</td>
<td>(83.9)</td>
</tr>
<tr>
<td>Hospitals</td>
<td>6.7</td>
<td>-79.8</td>
<td>-16.1</td>
</tr>
<tr>
<td>Nursing and Residential Care Facilities</td>
<td>-20.1</td>
<td>-181.5</td>
<td>-154.7</td>
</tr>
<tr>
<td>Nursing Care Facilities</td>
<td>-18.3</td>
<td>-109.1</td>
<td>-113.1</td>
</tr>
<tr>
<td>Other Nursing and Residential</td>
<td>-1.8</td>
<td>-72.4</td>
<td>-41.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annualized Percent Change</th>
<th>One Month</th>
<th>12 Months</th>
<th>24 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Health Care</td>
<td>55.9%</td>
<td>-9.2%</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Health Care</td>
<td>32.1%</td>
<td>-4.0%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Ambulatory Health Care Services</td>
<td>87.2%</td>
<td>-5.0%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Offices of Physicians</td>
<td>46.2%</td>
<td>-3.7%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Outpatient Care Centers</td>
<td>36.7%</td>
<td>-2.5%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Home Health Care Services</td>
<td>15.6%</td>
<td>-2.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Dental Offices</td>
<td>1803.3%</td>
<td>-9.5%</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Other Ambulatory</td>
<td>65.9%</td>
<td>-4.0%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Hospitals</td>
<td>1.6%</td>
<td>-1.5%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Nursing and Residential Care Facilities</td>
<td>-7.2%</td>
<td>-5.4%</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Nursing Care Facilities</td>
<td>-13.6%</td>
<td>-6.8%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Other Nursing and Residential</td>
<td>-1.3%</td>
<td>-4.1%</td>
<td>-1.2%</td>
</tr>
</tbody>
</table>

Source: Altarum analysis of BLS Current Employment Statistics data

Shown are the changes in health spending

Large drops in health spending in March, April and May 2020

Biggest drops in dental spending, hospital care, physician care and clinical services, personal health care.

The Big Question:
When will the economy recover? How fast?

Although economics growth is predicted to return in mid-2020...

Unemployment rate not predicted to return to pre-COVID rates for at least 4-5 years

Also... given recent surges in COVID-19 rates, will recent gains in the economy reverse?

Share of Business Closures that were temporary or permanent

What is the Impact of the recession on health insurance coverage?

Most people obtain their health insurance through employment (50-60%).

Health economists have known for years – when people lose their jobs, many of them lose their employer sponsored health insurance.

Recent study concludes that perhaps 5.4 million workers have become uninsured as a result of job losses from February-May 2020, including 100,000 in Missouri.

What is the Impact of the recession on health insurance coverage?

Highest uninsured rates now, in the recession, are in southern states and some plains states.

Missouri: 16%

Uninsurance and COVID-19

A high percentage of the population is now uninsured (16%), after rapid increase in unemployment

Highest rates of uninsurance are coinciding with states where COVID-19 rates are rising fastest.

<table>
<thead>
<tr>
<th>States with highest uninsured rates (all states are non-Medicaid expansion states, except: red=expansion state)</th>
<th>Fastest increase in COVID-19 cases: new COVID-19 cases per 100,000 persons, during 7 days ending July 12, 2020 (italicized state not in first column)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas, 29%</td>
<td>Arizona, 353.9</td>
</tr>
<tr>
<td>Florida, 25%</td>
<td>Florida, 300.0</td>
</tr>
<tr>
<td>*Oklahoma, 24%</td>
<td>Louisiana, 290.0</td>
</tr>
<tr>
<td>Georgia, 23%</td>
<td>S. Carolina, 222.5</td>
</tr>
<tr>
<td>Mississippi, 22%</td>
<td>Texas, 204.4</td>
</tr>
<tr>
<td><strong>Nevada, 21%</strong></td>
<td>Georgia, 200.4</td>
</tr>
<tr>
<td>N. Carolina, 20%</td>
<td>Alabama, 185.9</td>
</tr>
<tr>
<td>S. Carolina, 20%</td>
<td>Mississippi, 180.4</td>
</tr>
<tr>
<td>Alabama, 19%</td>
<td>Idaho, 178.7</td>
</tr>
<tr>
<td>Tennessee, 19%</td>
<td>Nevada, 166.7</td>
</tr>
</tbody>
</table>

*Oklahoma is currently a non-expansion state and only recently voted to expand Medicaid.

Medicaid expansion in Missouri
Background on Medicaid Expansion

- Affordable Care Act (ACA) encouraged states to expand Medicaid.
- ACA gave states the opportunity to expand their programs to all adults with incomes at or below 138% of poverty at a much higher “matching rate”
  - Currently federal government pays 65%, state 35% of Medicaid costs,
  - Under Medicaid expansion, federal government pays 90%, state pays 10%
- To date, 38 states (including DC) have decided to expand Medicaid, and including Oklahoma, which passed a ballot initiative June 30th. 13 states have not expanded Medicaid.
- Currently Missouri covers only certain populations (aged, blind, disabled, pregnant women, and children), up to certain minimum income levels. These are “mandatory eligibles”.
- Missouri votes on August 4th to decide whether to expand Medicaid or not.
Currently the eligibility for Medicaid in Missouri is very limited; childless adults are not eligible at all, regardless of income. Unless a person is disabled, aged or blind... it is difficult to access Medicaid coverage. Custodial parents are eligible only if their incomes are less than 21% of the poverty line (about $4,480 per year for a family of three).
Fiscal Analysis of Medicaid Expansion

- CHEP/IPH estimates that expansion would cover about 231,000 adults, and about 40,500 children.
- The total costs of expanding coverage would be about $1.2 billion (in FY2020).
- However, given the 90/10 federal/state match, the state share would be about $120 million, before considering savings that would accrue to the state.
- After accounting for those savings, the state would accrue net savings of roughly $40 million (to its general fund).

Offsetting Savings

- The savings comes from new expansion enrollees that will be counted in the “Medicaid expansion” category and therefore eligible for a 90/10 federal/state match instead of 65/35. This includes:
  - Disabled spend down population, who would no longer have to spend down to become eligible for Medicaid (about $17 million in savings)
  - Disabled SSI population, who currently apply as “disabled” but face high rejection rates and a long appeal process (about $56 million), who would enroll as new expansion eligibles
  - Savings due to decline in uncompensated care, allowing some funds to be used directly for the Medicaid program (about $56 million)
  - Women enrolling first in the “expansion population” who will not be switched to the “pregnant women” category (about $38 million)
  - Those eligible under other special programs (about $31 million)

Offsetting Savings

Not included are savings outside the Medicaid budget, which other states have realized in several areas. In particular:

- Department of Mental Health
- Department of Corrections
- Recent estimates from the state assume these program may save over $3 million in FY2020
- Implementation costs
  - State assumes these would be about $7 million
- In addition, the state would likely expect to see gains to state tax revenues as the extra federal funds in excess of $1 billion are spent on healthcare services and earned as incomes by Missourians, leading to higher income, sales taxes

### Fiscal Analysis of Medicaid Expansion

- **Best estimate:** savings to the Medicaid budget of $39 million in FY2020
- **Range:** -$95 million to +42 million (just within the Medicaid budget)
  - In order to generate the range, we changed all the assumptions simultaneously to the best and worst case scenario for each assumption. It is very unlikely that all assumptions will be off in the same direction at the same time. Therefore, we find that the likely range is +/- $30 million of our best estimate.

<table>
<thead>
<tr>
<th></th>
<th>Lower Bound</th>
<th>Best Estimate</th>
<th>Upper Bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total New Adult Eligible Population</td>
<td>270,000</td>
<td>315,000</td>
<td>360,000</td>
</tr>
<tr>
<td>Average Take-up Rate</td>
<td>68%</td>
<td>73%</td>
<td>78%</td>
</tr>
<tr>
<td>New Enrollee Cost, PMPM</td>
<td>$350</td>
<td>$425</td>
<td>$525</td>
</tr>
<tr>
<td>% Never-Dual Who Forgo P&amp;T Pathway</td>
<td>40%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>State Obligation with Expansion</td>
<td>$3,150.4M</td>
<td>$3,206.1M</td>
<td>$3,287.3M</td>
</tr>
<tr>
<td>State Obligation without Expansion</td>
<td>$3,245.0M</td>
<td>$3,245.0M</td>
<td>$3,245.0M</td>
</tr>
<tr>
<td>Net Change</td>
<td>-$94.6M</td>
<td>-$38.9M</td>
<td>+$42.3M</td>
</tr>
</tbody>
</table>
Fiscal Analysis of Medicaid Expansion, FY2022-26

Estimate updated to FY2022 for purposes of the fiscal note; savings=$43 million under “best case”

Savings grow to roughly $1 billion annually in FY2026.

In FY2026, total expansion spending grows by $2.4 billion...

But state general fund savings drops by about $1 billion, relative to non-expansion scenario.

Caveats

• The main concern is that the cost of the expansion population may be higher than estimated, and even using other states’ experience is only somewhat helpful.
  ◦ But we explored the experience of many other states. Few states had eligibility levels as low as Missouri’s, so our “newly covered” population is somewhat different from that in other states.
  ◦ CHEP laid out all their assumptions behind the analysis and they can be explored.

• Missouri has found it very challenging in the past to keep costs per capita in check. DSS has a small staff and old IT infrastructure and may face some challenges implementing expansion
  ◦ Plans are actively underway to address the IT and payment policy issues.

• It has been argued that the 90/10 match may end at some point in time.
  ◦ This is not a big concern. There is a difference between statutory and regulatory authority. The 90% match is part of the statute and would require an act of Congress to modify.
  ◦ Missouri’s proposed amendment contains language that is conditional on the 90% match remaining.
External Validation

To complete this analysis, Center researchers conducted reviews of all existing documentation of other states’ experiences, including reports at the national level by well known researchers on Medicaid at places such as:

- Urban Institute, Robert Wood Johnson Foundation, the Commonwealth Fund, and the Centers for Medicare and Medicaid Services.
- CHEP used published Missouri Medicaid enrollment and cost data as well as a prior fiscal analysis of Medicaid expansion conducted by the Department of Social Services in 2014.
- CHEP carried out independent analyses of American Community Survey data and Medical Expenditure Panel Survey data.
- The analysis were informed by a discussion with analysts at The Urban Institute. The key assumptions were vetted by health policy staff at the Missouri Foundation for Health, the Missouri Hospital Association, the Missouri Primary Care Association, and others.
The Economic Effects of Medicaid Expansion

- 16,330 jobs per year
  - 64% of the jobs will be outside STL, KC
  - 9 out of 10 jobs will be quality jobs
- Over $1 billion increase in personal income

Conclusions

Dimensions of Inequity

- Testing, treatment, and health outcomes
- Lack of racial/ethnic testing data
- Access to economic stimulus
- Racist narratives and stigma
- Housing and other social determinants
- Ability to socially distance
Conclusions

• The COVID-19 crisis has led to a Triple threat of challenges
  ◦ Public health crisis, economic crisis, racial justice crisis

• How will policy respond?
  ◦ Have we already failed to a great extent?
  ◦ Can we recover from these failures? How?
  ◦ How do we help people respond to these profound challenges

• My view: the COVID-19 crisis represents the most profound crisis facing this country since the Great Depression.
  ◦ People have yet to understand the depth of these crisis, especially how profound the economic crisis is.
  ◦ A broad understanding that social determinants matter, but little understanding yet of how these social determinants are impacting people’s financial, health and mental well being.
Additional CHEP resources

Center for Health Economics and Policy website:
https://publichealth.wustl.edu/centers/health-economics/

For the report, please see
https://publichealth.wustl.edu/other-policy-publications/

For an interactive visualization, visit
https://public.tableau.com/profile/abigail.barker#!/vizhome/MOHNEXPANSIONANALYSIS/Dashboard1

Resources on Missouri Medicaid Program:
https://sites.wustl.edu/mohealthpolicy/missouri-medicaid-resources/

Other Missouri health care resources:
https://sites.wustl.edu/mohealthpolicy/
Questions?
Contact Information

Timothy McBride tmcbride@wustl.edu

Website: https://publichealth.wustl.edu/centers/health-economics/