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Specialists In Medical
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Obamacare and the future of the US healthcare market

The Patient Protection and Affordable Care Act – popularly known as Obamacare – was intended to bring about a major reform of healthcare provision in the United States, but has met with sustained opposition from the Republican party who are now back in control of both Houses of Congress.

The main aims were to expand the provision of affordable healthcare to America's large uninsured population; and limit the rise in Government healthcare spending. Other provisions included more regulation of insurance standards, and moves to incentivise hospitals to improve patient outcomes.

It is still too early to say what the impact on overall healthcare spending and hospital behaviour will prove to be, but there are certainly signs that the Act is changing the healthcare market in the USA.

More people in Medicaid; growing enrolment in healthcare plans

So far the Act seems to be achieving its aim of expanding healthcare coverage:

- An additional 9 million people were enrolled in Medicaid as of October 2014.
- 8 million people enrolled in healthcare plans through Federal and State exchanges in 2014, although only about 7 million maintained their premiums; and enrolment in the current season (which ends in February) seems on track to deliver at least the Government's forecast of 9.1 million enrollees in 2015, possibly as many as 11.5 million.
- 7.8million adults under the age of 26 are now enrolled in a parent's plan, and most of these would not have been eligible before the Act.
- An additional 5 million people may gain coverage directly from insurers, now that companies are no longer allowed to vary premiums on the basis of age or pre-existing conditions.

Hospitals in many states are benefitting from more Medicaid/fewer uninsured patients

Hospitals in states that opted to expand Medicaid coverage to low income groups have seen a significant drop in uncompensated care levels, especially ER visits; and increased patient volumes.

For-profit hospital groups are seeing clear benefits to their bottom-line from this:

- Community Health Systems "believe that we recognized \$80 million to \$90 million from the Affordable Care Act for the first 9 months of 2014"
- LifePoint Hospitals "experience under the Affordable Care Act continues to be very positive. We ended the quarter with approximately \$12 million in EBITDA contributions from healthcare reform."

In the 24 states that opted not to expand Medicaid coverage admission, rates remain sluggish. If these states do not change their policy, hospital finances could start to suffer more as Federal compensation for treatment of the uninsured is set to reduce over the coming years.

Will the Medical Device Tax be repealed?

Most political commentators think it unlikely that the Republicans will move to repeal the entire Act, which the President would in any case probably veto, but they probably have a number of provisions of the Act in their sights, most notably the Medical Devices Tax. Medical Device companies have argued strongly that the new tax is causing manufacturing jobs to move overseas, and limiting innovation. With growing support for repeal from Democratic Senators in states with a large medical devices industry as well as the Republicans, it seems likely that it will be scrapped before too long, benefitting industry profits.