HEALTH CARE COSTS AND ACCESS DISPARITIES IN APPALACHIA

January 2012

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APPALACHIAN REGIONAL COMMISSION

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# Glossary of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ACA</td>
<td>Affordable Care Act</td>
</tr>
<tr>
<td>AFDC</td>
<td>Aid to Families with Dependent Children</td>
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<tr>
<td>AHA</td>
<td>American Hospital Association</td>
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<tr>
<td>AHRQ</td>
<td>Agency for Healthcare Research and Quality</td>
</tr>
<tr>
<td>AHW</td>
<td>Average Hourly Wage</td>
</tr>
<tr>
<td>AMMS</td>
<td>Advanced Maintenance Management System</td>
</tr>
<tr>
<td>ARC</td>
<td>Appalachian Regional Commission</td>
</tr>
<tr>
<td>ARC_EDI</td>
<td>Appalachian Regional Commission Economic Distress Index</td>
</tr>
<tr>
<td>ARF</td>
<td>Area Resource File</td>
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<tr>
<td>ARRA</td>
<td>American Resource Recovery Act</td>
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<tr>
<td>ASEC</td>
<td>Annual Social and Economic</td>
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<tr>
<td>BLS</td>
<td>Bureau of Labor Statistics</td>
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<tr>
<td>BRFSS</td>
<td>Behavioral Risk Factor Surveillance System</td>
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<tr>
<td>CBO</td>
<td>Congressional Budget Office</td>
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<tr>
<td>CBP</td>
<td>County Business Patterns</td>
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<tr>
<td>CBSA</td>
<td>Core-Based Statistical Areas</td>
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<tr>
<td>CDC</td>
<td>Center for Disease Control</td>
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<tr>
<td>CHAI</td>
<td>Combined Health Access Index</td>
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<tr>
<td>CHIP</td>
<td>Child Health Insurance Program</td>
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<tr>
<td>CHSI</td>
<td>Community Health Status Indicator</td>
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<tr>
<td>CMF</td>
<td>Compressed Mortality File</td>
</tr>
<tr>
<td>CMMI</td>
<td>CMS Center for Innovations</td>
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<tr>
<td>CMS</td>
<td>Centers for Medicare and Medicaid Services</td>
</tr>
<tr>
<td>COBRA</td>
<td>Consolidated Omnibus Budget Reconciliation Act</td>
</tr>
<tr>
<td>CPS</td>
<td>Census Population Studies</td>
</tr>
<tr>
<td>DDS</td>
<td>Doctor of Dental Surgery</td>
</tr>
<tr>
<td>DHHS</td>
<td>Department of Health and Human Services</td>
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<tr>
<td>DSH</td>
<td>Medicaid disproportionate share</td>
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<tr>
<td>ECI</td>
<td>Employment Cost Index</td>
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<tr>
<td>EDI</td>
<td>Economic Distress Index</td>
</tr>
<tr>
<td>EMUP</td>
<td>Exceptional Medically Underserved Population</td>
</tr>
<tr>
<td>ESRD</td>
<td>End Stage Renal Disease</td>
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Health Care Costs and Access Disparities in Appalachia

ESRI   Environmental Systems Research Institute
FDA    U.S. Food and Drug Administration
FMAP   Federal Medical Assistance Percentage
FPL    Federal Poverty Level
FQHC   Federally Qualified Health Centers
FT     Federal Trade Commission
FY     Fiscal Year
GAF    Geographic Adjustment Factor
GDP    Gross Domestic Product
GDSC   Governor’s Designation Secretary Certified
GPCI   Geographic Practice Cost Index
GPO    Government Printing Office
GSP    Gross State Product
HCCA   Healthcare Costs, Coverage, and Access Index
HCC    Health Care Cost
HCRA   Health Care Resource Availability
HCUP   Healthcare Costs and Utilization Project
HI     Hospital Insurance
HIC    Health Insurance Coverage
HOSPBEDS Acute Hospital Beds
HRSA   Health Resource and Service Administration
HSA    Health Savings Account
HWI    Hospital Wage Index
IOM    Institute of Medicine
IPPS   Inpatient Prospective Payment System
IRS    Internal Revenue Source
J-1 Visa Non-immigrant visa issued by the U.S., esp. for medical or business training within the U.S.
JAMA   Journal of the American Medical Association
KCMU   Kaiser Commission on Medicaid and the Uninsured
KFF    Kaiser Family Foundation
MAX    Medicaid Analytic Extract
MEPS   Medical Expenditure Panel Survey
MSA    Metropolitan Statistical Areas
MUA    Medically Underserved Areas
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>MUA/P</td>
<td>Medical Underserved Areas &amp; Populations</td>
</tr>
<tr>
<td>MUP</td>
<td>Medically Underserved Population</td>
</tr>
<tr>
<td>NASBO</td>
<td>National Association of State Budget Officers</td>
</tr>
<tr>
<td>NCHS</td>
<td>National Center for Health Statistics</td>
</tr>
<tr>
<td>nda</td>
<td>No data available</td>
</tr>
<tr>
<td>NHE</td>
<td>National Health Expenditures</td>
</tr>
<tr>
<td>NHSC</td>
<td>National Health Service Corps</td>
</tr>
<tr>
<td>NIS</td>
<td>National Immunization Survey</td>
</tr>
<tr>
<td>NPCP</td>
<td>Non-Primary Care Physicians</td>
</tr>
<tr>
<td>NPRM3</td>
<td>Notice of Proposed Rule Making</td>
</tr>
<tr>
<td>nrf</td>
<td>No report, survey sample size fewer than 50</td>
</tr>
<tr>
<td>OA</td>
<td>Old Age</td>
</tr>
<tr>
<td>OCC</td>
<td>Occupational Mix</td>
</tr>
<tr>
<td>OHRM</td>
<td>Office of the Actuary Health Reform Model</td>
</tr>
<tr>
<td>OMB</td>
<td>Office of Management and Budget</td>
</tr>
<tr>
<td>OSCAR</td>
<td>Online Survey, Certification and Reporting</td>
</tr>
<tr>
<td>PCP</td>
<td>Primary Care Physicians</td>
</tr>
<tr>
<td>PCSA</td>
<td>Primary Care Service Area</td>
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<tr>
<td>PHC</td>
<td>Personal health care</td>
</tr>
<tr>
<td>PHCE</td>
<td>Personal Health Care Expenditures</td>
</tr>
<tr>
<td>PPACA</td>
<td>Patient Protection and Affordable Care Act</td>
</tr>
<tr>
<td>ResDAC</td>
<td>Research Data Assistant Center</td>
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<tr>
<td>RHC</td>
<td>Rural Health Clinic</td>
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<tr>
<td>RIMS II</td>
<td>Regional Input-Output Modeling System</td>
</tr>
<tr>
<td>RN</td>
<td>Registered Nurse</td>
</tr>
<tr>
<td>RSA</td>
<td>Rural Service Area</td>
</tr>
<tr>
<td>RTP</td>
<td>Research Triangle Park</td>
</tr>
<tr>
<td>SAHIE</td>
<td>Small Area Health Insurance Estimates</td>
</tr>
<tr>
<td>SAMSA</td>
<td>Substance Abuse and Mental Health Administration</td>
</tr>
<tr>
<td>SCHIP</td>
<td>State’s Children’s Health Insurance Program</td>
</tr>
<tr>
<td>SES</td>
<td>Socioeconomic status</td>
</tr>
<tr>
<td>SGR</td>
<td>Sustainable Growth Rate</td>
</tr>
<tr>
<td>SHADAC</td>
<td>State Health Access Data Assistance Center</td>
</tr>
<tr>
<td>SID</td>
<td>State Inpatient Databases</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>SMI</td>
<td>Supplementary Medical Insurance</td>
</tr>
<tr>
<td>SSA</td>
<td>Social Security Administration</td>
</tr>
<tr>
<td>SSI</td>
<td>Supplemental Security Income</td>
</tr>
<tr>
<td>TRH</td>
<td>Tennessee Rural Health</td>
</tr>
<tr>
<td>TRICARE</td>
<td>VA and Department of Defense health insurance plan</td>
</tr>
<tr>
<td>UNC</td>
<td>University of North Carolina at Chapel Hill</td>
</tr>
<tr>
<td>VA</td>
<td>Veterans Administration</td>
</tr>
<tr>
<td>VHA</td>
<td>Veterans Health Administration</td>
</tr>
<tr>
<td>VISN</td>
<td>Veterans Integrated Service Networks</td>
</tr>
<tr>
<td>VISTA</td>
<td>Veterans Health Information Systems and Technology Architecture</td>
</tr>
<tr>
<td>WIC</td>
<td>Woman, Infants, and Children Program</td>
</tr>
<tr>
<td>YPLL</td>
<td>Years of Potential Life Lost</td>
</tr>
<tr>
<td>YPLL_75</td>
<td>Years of Potential Life Lost under age 75 per 100,000 population</td>
</tr>
<tr>
<td>ZBP</td>
<td>Zip Code Business Patterns</td>
</tr>
</tbody>
</table>
TABLE OF CONTENTS

GLOSSARY OF ACRONYMS ................................................................................................................................................... III

LIST OF FIGURES .......................................................................................................................................................... XI

LIST OF TABLES ........................................................................................................................................................ XIII

EXECUTIVE SUMMARY AND KEY FINDINGS ............................................................................................................. XV

HEALTH COST AND ACCESS INDEX ............................................................................................................................ XV

KEY FINDINGS ............................................................................................................................................................ XVII

Healthcare Cost, Coverage, and Access Index.................................................................................................. xvii
Tests of Relationships between the HCCA and Health and Economic Status................................................... xvii
Influence of Socioeconomic Status on Relationships between HCCA and Health Status in Appalachia .......... xix
Other Healthcare Use Measures........................................................................................................................xx

HEALTH REFORM POLICY ISSUES ........................................................................................................................................ XX

CHAPTER 1 INTRODUCTION .............................................................................................................................................. 1

1.1. CONTEXT FOR ARC HEALTHCARE ACCESS INDEX ............................................................................................................ 1

1.2 LITERATURE REVIEW ................................................................................................................................................. 1

1.2.1 Healthcare Access .................................................................................................................................... 1

1.2.2 Costs of Care and Bankruptcy .................................................................................................................. 3

1.2.3 Federal Funding For Healthcare ............................................................................................................... 4

1.2.4 State and Local Spending on Healthcare .................................................................................................. 6

1.2.5 Impact of Medicaid on State Economic Activity ....................................................................................... 8

1.3 INDEX CONSTRUCTION .............................................................................................................................................. 9

1.4 EXISTING MEASURES OF HEALTHCARE ACCESS AND DISPARITIES ..................................................................................... 10

1.4.1 Healthcare Disparities Scorecards .......................................................................................................... 10

1.4.2 Health Cost Measures ............................................................................................................................ 13

1.4.3 Insurance Coverage Measures ............................................................................................................... 14

1.4.4 Healthcare resource Measures .............................................................................................................. 14

1.4.5 Health Status Measures ......................................................................................................................... 15

1.5 STRUCTURE OF THE REPORT ..................................................................................................................................... 16

CHAPTER 2 HEALTHCARE COST, COVERAGE, AND ACCESS INDEX ................................................................................ 17

2.1 INDEX CRITERIA ..................................................................................................................................................... 17

2.2 INDEX COMPONENTS .............................................................................................................................................. 17

2.3 HEALTH CARE COST (HCC) COMPONENT ................................................................................................................... 17

2.4 HEALTH INSURANCE COVERAGE (HIC) COMPONENT .................................................................................................. 18

2.5 HEALTH CARE RESOURCES AVAILABILITY (HCRA) COMPONENT ...................................................................................... 18
CHAPTER 3 APPALACHIAN HEALTHCARE ACCESS ................................................................. 19

3.1 APPLICATION OF INDEX .............................................................................................. 19

3.2 MAPS OF HEALTHCARE COST, COVERAGE AND ACCESS INDEX (HCCA) AND COMPONENTS ............................................................. 21

3.2.1 Healthcare Cost, Coverage and Access (HCCA) Index .............................................. 22

3.2.2 Health Care Cost (HCC) Component ........................................................................ 24

3.2.3 Health Insurance Coverage (HIC) Component .......................................................... 26

3.2.4 Health Care Resource Availability (HCRA) Component ............................................ 28

3.3 SUMMARY OF FINDINGS FOR HEALTHCARE COST, COVERAGE, AND ACCESS (HCCA) INDEX IN APPALACHIAN REGION .................. 30

3.4 RESULTS IN APPALACHIAN STATES .............................................................................. 32

3.4.1 Healthcare Cost, Coverage, and Access (HCCA) Index ............................................ 32

3.4.2 Health Care Cost (HCC) Component ........................................................................ 33

3.4.3 Health Insurance Coverage (HIC) Component .......................................................... 34

3.4.4 Health Care Resource Availability (HCRA) Component ............................................ 35

3.5 HEALTHCARE COST, COVERAGE, AND ACCESS (HCCA) INDEX AND DISTRESSED APPALACHIAN COUNTIES ................................ 36

3.6 OTHER MEASURES OF HEALTH CARE ACCESS .......................................................... 39

3.6.1 Independent Measures ............................................................................................... 39

3.6.2 Children Insured ....................................................................................................... 40

3.6.3 Disability Coverage .................................................................................................. 44

3.6.4 Health Outcomes .................................................................................................... 46

3.6.5 Veterans Health Affairs Utilization ........................................................................... 49

CHAPTER 4 CORRELATION OF HEALTHCARE COST, COVERAGE, AND ACESS (HCCA) INDEX WITH HEALTH STATUS, ECONOMY AND PERSISTENT POVERTY ............................................................. 53

4.1 APPALACHIA .................................................................................................................. 53

4.2 RURAL AND ECONOMICALLY DISTRESSED AREAS .................................................. 53

4.3 RELATIONSHIPS BETWEEN HEALTHCARE COST, COVERAGE, AND ACCESS (HCCA) INDEX AND COUNTY SOCIOECONOMICS .......... 54

4.3.1 Analytic Approach ..................................................................................................... 54

4.3.2 Correlations of Healthcare Cost, Coverage, and Access (HCCA) Index and Its Components with YPLL_75, the ARC Economic Distress Index, and Prevalence of Disability .................................................. 55

4.3.3 Controlling for the Economic Distress Index ............................................................. 58

4.3.4 Testing the Relationships of Components of Healthcare Cost, Coverage, and Access (HCCA) Index to Health Status and Economic Distress ................................................................. 59

4.3.5 Controlling for Persistent Poverty ............................................................................. 59

4.4 SUMMARY OF STATISTICAL CORRELATIONS: ACCESS AND HEALTH STATUS .................................................................................. 61
### Table of Contents

**CHAPTER 5 POLICY ISSUES FOR ARC**

5.1 Supply of Health Care Providers ................................................................. 63
5.2 Health System Design .................................................................................. 64
5.3 Health Care Cost Issues .............................................................................. 65
5.4 Cost-Access Relationship .......................................................................... 67
5.5 Indirect Economic Impact of Healthcare Cost ............................................. 68
   5.5.1 Loss of Disposable Income .................................................................. 68
   5.5.2 Medical Bankruptcy ............................................................................ 68
   5.5.3 Per Capita Spending ........................................................................... 70
5.6 CMS Geographic Wage Index ...................................................................... 73
5.7 Social Cost of Healthcare Access Barriers .................................................. 76
5.8 Health Reform and State Medicaid Burdens .............................................. 77

**CHAPTER 6 BEST PRACTICES IN PROVIDING BETTER HEALTH INSURANCE**

6.1 Rural Residents ......................................................................................... 81
6.2 Potential for Appalachian Region ............................................................... 82
6.3 Impact of Health Reform Legislation .......................................................... 83
   6.3.1 Insurance Exchanges ........................................................................ 83
   6.3.2 Innovation Opportunities .................................................................... 84
   6.3.3 Delivery System ................................................................................ 84
   6.3.4 Estimated Changes in Medicaid State Spending .................................. 86

**CHAPTER 7 SUMMARY FINDINGS AND RECOMMENDATIONS**

7.1 Conclusions and Findings from the Healthcare Cost, Coverage and Access Index (HCCA) ................................................................. 91
7.2 Implications of Health Reform ................................................................... 91
7.3 Recommendations ..................................................................................... 92
   7.3.1 Policy Issues ..................................................................................... 92
   7.3.2 Participate with Institute of Medicine Committee to Modify CMS Geographic Wage Index ...... 93
   7.3.3 Support Regional and Local Healthcare Labor Force Reforms and Technology ..................... 95
   7.3.4 Advocate for Low Resource Areas .................................................... 96
   7.3.5 Actively Engage with CMS Center for Medicare and Medicaid Innovations ....................... 97
7.4 Areas for Further Study .......................................................................... 98

**CHAPTER 8 REFERENCES** ............................................................................. 99
LIST OF FIGURES

FIGURE 1 – COUNTY HEALTHCARE COST, COVERAGE AND ACCESS INDEX IN APPALACHIA, 2011 ............................................................. XVI
FIGURE 2 – AVERAGE OF HCCA INDEX AND COMPONENTS BY GEOGRAPHIC GROUP ........................................................................... XVII
FIGURE 3 – COMPARISON OF ESTIMATED PREVENTABLE MORTALITY RATES IN 2005-2007 ............................................................... XVIII
FIGURE 4 – HEALTH CARE ACCESS EARLY DEFINITIONS ..................................................................................................................... 2
FIGURE 5 - EMERGING MODEL OF HEALTH CARE ACCESS ................................................................................................................... 2
FIGURE 6 – FORECAST OF STATE AND LOCAL TOTAL HEALTH EXPENDITURES, 2009 -2019 ................................................................ 7
FIGURE 7 – PERCENT CHANGE IN TOTAL MEDICAID SPENDING AND ENROLLMENT, FY 1998 - FY 2011 ......................................................... 9
FIGURE 8 – TOTAL PER CAPITA MEDICARE ESRD PAYMENTS, WHOLE STATE ALABAMA (2003) ............................................................... 12
FIGURE 9 – TOTAL PER CAPITA ESRD PAYMENTS APPALACHIAN COUNTIES, ALABAMA (2003) ............................................................... 12
FIGURE 10 – COUNTY HCCA INDEX IN THE U.S., 2011 .................................................................................................................. 22
FIGURE 11 - COUNTY HEALTHCARE COST, COVERAGE AND ACCESS (HCCA) INDEX IN APPALACHIA, 2011 ............................................... 23
FIGURE 12 – COUNTY HCC COMPONENT IN THE U.S., 2011 .................................................................................................................. 24
FIGURE 13 – COUNTY HEALTH CARE COST (HCC) COMPONENT IN APPALACHIA, 2011 ............................................................... 25
FIGURE 14 - COUNTY HIC COMPONENT IN THE U.S., 2011 .................................................................................................................. 26
FIGURE 15 – COUNTY HEALTH INSURANCE COVERAGE (HIC) COMPONENT IN APPALACHIA, 2011 ......................................................... 27
FIGURE 16 - COUNTY HCRA COMPONENT IN THE U.S., 2011 .................................................................................................................. 28
FIGURE 17 - COUNTY HEALTH CARE RESOURCE AVAILABILITY (HCRA) COMPONENT IN APPALACHIA, 2011 ............................................ 29
FIGURE 18 - DISTRIBUTION OF COUNTIES IN ARC STATES BY INDEX AND COMPONENT (n=1070 COUNTIES) .............................................. 30
FIGURE 19 - DISTRIBUTION OF ARC COUNTIES BY INDEX AND COMPONENT (n=420) ............................................................................ 30
FIGURE 20 - HCCA INDEX OF COUNTIES IN APPALACHIAN STATES .................................................................................................... 32
FIGURE 21 - HCC PERCENTILE DISTRIBUTION OF COUNTIES IN THE APPALACHIAN STATES ........................................................................ 33
FIGURE 22 – HIC DISTRIBUTION OF COUNTIES IN APPALACHIAN STATES ............................................................................................ 34
FIGURE 23 - HCRA DISTRIBUTION OF COUNTIES IN APPALACHIAN STATES ............................................................................................ 35
FIGURE 24 – COMPARISON OF HCCA PERCENTILE RANKING TO DISTRESS LEVEL FOR ALL COUNTIES IN U.S. .............................................. 36
FIGURE 25 – COMPARISON OF HCCA PERCENTILE RANKING TO DISTRESS LEVEL FOR ALL COUNTIES IN APPALACHIAN STATES .................... 37
FIGURE 26 - COMPARISON OF HCCA PERCENTILE RANKING TO DISTRESS LEVEL FOR APPALACHIAN COUNTIES ........................................... 38
FIGURE 27 – COUNTY PERCENTILE OF CHILDREN UNDER 18 INSURED BY MEDICAID / CHIP IN THE U.S., 2009........................................... 40
FIGURE 28 – COUNTY PERCENTILE RANK OF PERCENT CHILDREN UNDER 18 INSURED BY MEDICAID / CHILDREN’S HEALTH INSURANCE
PROGRAM (CHIP) IN APPALACHIA, 2009 .......................................................................................................................... 41
FIGURE 29 – COUNTY PERCENTILE OF CHILDREN UNDER 18 INSURED IN THE U.S., 2007 ...................................................................... 42
FIGURE 30 - COUNTY PERCENTILE RANK OF PERCENT CHILDREN UNDER 20 INSURED IN APPALACHIA, 2009 ........................................... 43
FIGURE 31 - COUNTY MEDICARE DISABILITY ENROLLMENT IN THE U.S., 2007 .............................................................................. 44
FIGURE 32 - COUNTY PERCENTILE RANK OF PERCENT MEDICARE DISABILITY ENROLLMENT IN APPALACHIA, 2007 ................................ 45
FIGURE 33 – COUNTY YEARS OF PREVENTABLE POTENTIAL LIFE LOST UNDER AGE 75 IN THE U.S., 2007 .................................................. 46
FIGURE 34 – COUNTY PERCENTILE RANK OF YEARS OF PREVENTABLE POTENTIAL LIFE LOST PER 100,000 POPULATION UNDER AGE 75 IN APPALACHIA, 2005-2007 ................................................................................... 47

FIGURE 35 – COMPARISON OF ESTIMATED PREVENTABLE MORTALITY IN 2005-2007 .................................................................................................................. 48

FIGURE 36 – COUNTY VETERAN USE OF VHA SERVICES IN THE U.S., 2009 .................................................................................................................. 50

FIGURE 37 – COUNTY VETERAN USE OF VETERANS HEALTH ADMINISTRATION (VHA) SERVICES IN APPALACHIA, 2009 .................................................. 51

FIGURE 38 – PERCENTILE DISTRIBUTION OF UNIQUE USERS AS A PERCENTAGE OF VA ELIGIBLES, APPALACHIAN COUNTIES, 2009 ........................................................................................................ 52

FIGURE 39 – UNIQUE USERS AS A PERCENTAGE OF VA ELIGIBLES, APPALACHIAN COUNTIES, 2009 .......................................................................................... 52

FIGURE 40 – PERSISTENT POVERTY COUNTIES, 1970-2000 .................................................................................................................. 60

FIGURE 41 – 2009 NATIONAL HEALTHCARE EXPENDITURES .................................................................................................................. 66

FIGURE 42 - PRICE-ADJUSTED MEDICARE EXPENDITURES PER BENEFICIARY BY HOSPITAL, 2008 .................................................................................. 71

FIGURE 3 – COUNTY CMS HOSPITAL GEOGRAPHIC WAGE INDEX ADJUSTED FOR GAF IN THE U.S., 2011 .................................................................................. 74

FIGURE 4 – COUNTY PERCENTILE RANK OF CMS HOSPITAL GEOGRAPHIC WAGE INDEX IN APPALACHIA, 2011 .................................................................................. 75

FIGURE 45 – APPALACHIAN REGION UNINSURED BY AGE GROUP, 2009 .................................................................................................................. 83

FIGURE 46 - MEDICALLY UNDERSERVED AREAS & POPULATIONS IN THE UNITED STATES .................................................................................................................. 109

FIGURE 47 - CORE BASED STATISTICAL AREAS PER OMB .................................................................................................................. 133

FIGURE 48 - SCATTER PLOT REGRESSION MODEL: PREDICTIVE VALUE OF YPLL_75 BY ARC_EDI AND HCCA INDEX FOR ALL COUNTIES IN THE U.S. (N=3007 COUNTIES) .................................................................................................................. 156

FIGURE 49 - SCATTER PLOT REGRESSION MODEL: PREDICTIVE VALUE OF YPLL_75 BY ARC_EDI AND HCCA INDEX, FOR ALL COUNTIES IN THE 13 APPALACHIAN STATES (N=1069 COUNTIES) .................................................................................................................. 157

FIGURE 50 - REGRESSION MODEL: PREDICTIVE VALUE OF YPLL_75 BY ARC_EDI AND HCCA INDEX FOR ALL COUNTIES IN THE APPALACHIAN REGION (N=419 COUNTIES) .................................................................................................................. 158

FIGURE 51 - REGRESSION MODEL: YPLL_75 BY PERSISTENT POVERTY OF THE COUNTY AND HCCA INDEX, FOR ALL COUNTIES IN THE U.S. (N=3007 COUNTIES) .................................................................................................................. 163

FIGURE 52 - REGRESSION MODEL: YPLL_75 BY PERSISTENT POVERTY OF THE COUNTY AND HCCA INDEX FOR ALL COUNTIES IN THE 13 APPALACHIAN STATES (N=1069 COUNTIES) .................................................................................................................. 164

FIGURE 53 - REGRESSION MODEL: YPLL_75 BY PERSISTENT POVERTY OF THE COUNTY AND HCCA, FOR ALL COUNTIES IN THE APPALACHIAN REGION (N=419 COUNTIES) .................................................................................................................. 165

FIGURE 54 - LOGRITHMIC TRANFORMATION OF YEARS OF POTENTIAL LIFE LOST PER 10,000 POPULATION UNDER AGE 75 .................................................................................................................. 169

FIGURE 55 - COMPARISON OF ESTIMATED PREVENTABLE MORTALITY RATES IN 2005-2007 .................................................................................................................. 170

FIGURE 56 - CORRESPONDENCE BETWEEN ARC_EDI AND YPLL_75 PER 10,000 POPULATION IN ALL U.S. COUNTIES, 2005-2007 .................................................................................................................. 171

FIGURE 57 - CORRESPONDENCE BETWEEN HCCA INDEX AND YPLL_75, ALL U.S. COUNTIES, 2005-2007 .................................................................................................................. 172

FIGURE 58 – YPLL_75, ALL U.S. COUNTIES, 2005-2007 – ARRAYED BY ARC_EDI (5 LEVELS) AND HCCA INDEX .................................................................................................................. 173

FIGURE 59 – YPLL_75, ALL U.S. COUNTIES, 2005-2007 – ARRAYED BY ARC_EDI (3 LEVELS) AND HCCA INDEX .................................................................................................................. 174

FIGURE 60 – YPLL_75, APPALACHIAN COUNTIES, 2005-2007 – ARRAYED BY ARC_EDI (3 LEVELS) AND HCCA INDEX .................................................................................................................. 175

FIGURE 61 – YPLL_75, APPALACHIAN COUNTIES, 2005-2007 ARRAYED BY ARC_EDI (3 LEVELS) AND HCRA COMPONENT .................................................................................................................. 176

FIGURE 62 – YPLL_75, APPALACHIAN COUNTIES, 2005-2007 ARRAYED BY ARC_EDI (3 LEVELS) AND HIC COMPONENT .................................................................................................................. 177

FIGURE 63 – YPLL_75, APPALACHIAN COUNTIES, 2005-2007 ARRAYED BY ARC_EDI (3 LEVELS) AND HCRA COMPONENT .................................................................................................................. 178

FIGURE 64 – COUNTY ECONOMIC STATUS IN APPALACHIA, FY 2012 .................................................................................................................. 179
LIST OF TABLES

TABLE 1 - HEALTHCARE COST, COVERAGE AND ACCESS INDEX COMPONENTS .......................................................... XV
TABLE 2 - CORRELATION OF HCCA AND ITS COMPONENTS, THE ARC ECONOMIC DISTRESS INDEX, AND MEDICARE DISABILITY ENROLLMENT WITH PREMATURE MORTALITY .......................................................... XIX
TABLE 3 – HCRA INPUT DATABASE .......................................................................................................................... 18
TABLE 4 - HEALTHCARE COST, COVERAGE AND ACCESS (HCCA) INDEX CALCULATION .......................................................... 18
TABLE 5 – HEALTH CARE COSTS (HCC) COMPONENT CALCULATION ........................................................................ 18
TABLE 6 - HEALTH INSURANCE COVERAGE (HIC) COMPONENT CALCULATION ............................................................ 19
TABLE 7 – HEALTH CARE RESOURCE AVAILABILITY (HCRA) COMPONENT CALCULATION ........................................ 19
TABLE 8 - RAW VALUES FOR HCCA AND SUBCOMPONENTS – ALL U.S. COUNTIES (n=3110 COUNTIES) .............................................. 31
TABLE 9 - RAW VALUES FOR HCCA AND SUBCOMPONENTS – APPALACHIAN STATES (n=1070 COUNTIES) .............................................. 31
TABLE 10 - RAW VALUES FOR HCCA AND SUBCOMPONENTS – APPALACHIAN COUNTIES (n=420 COUNTIES) ........................................... 31
TABLE 11 – COUNT OF ARC COUNTIES BY HCCA PERCENTILE GROUP ................................................................................ 32
TABLE 12 – COUNT OF ARC COUNTIES BY HCC PERCENTILE GROUP ..................................................................................... 33
TABLE 13 – COUNT OF ARC COUNTIES BY HIC PERCENTILE GROUP ..................................................................................... 34
TABLE 14 – COUNT OF ARC COUNTIES BY HCRA PERCENTILE GROUP .................................................................................. 35
TABLE 15 – NATIONAL EXPENDITURES HCCA BY ARC ECONOMIC DISTRESS INDEX 2011 (n=3110) .................................................. 36
TABLE 16 – APPALACHIAN STATES HCCA BY ARC ECONOMIC DISTRESS INDEX (n=1070 COUNTIES) .................................................. 37
TABLE 17 – APPALACHIAN COUNTIES HCCA BY ARC ECONOMIC DISTRESS INDEX (n=420 COUNTIES) .................................................... 38
TABLE 18 – INDEPENDENT MEASURES CALCULATION .............................................................................................. 39
TABLE 19 - CORRELATIONS BETWEEN MEASURES OF HEALTH STATUS, ECONOMIC DISTRESS, AND PROPOSED HCCA AND ITS COMPONENTS, FOR ALL COUNTIES IN THE U.S. (N=3110 COUNTIES)* .............................................. 57
TABLE 20 - CORRELATIONS BETWEEN MEASURES OF HEALTH STATUS, ECONOMIC DISTRESS, AND PROPOSED HCCA INDEX AND ITS COMPONENTS, FOR ALL COUNTIES IN THE 13 APPALACHIAN STATES (N=1070 COUNTIES)* .............................................. 57
TABLE 21 - CORRELATIONS BETWEEN MEASURES OF HEALTH STATUS, ECONOMIC DISTRESS, AND PROPOSED HCCA INDEX AND ITS COMPONENTS, FOR ALL COUNTIES IN THE APPALACHIAN REGION (N=420 COUNTIES)* .............................................. 58
TABLE 22 – ACA IMPACT ON APPALACHIAN STATE MEDICAID ENROLLMENT AND SPENDING .................................................................. 78
TABLE 23 – APPALACHIAN STATES SHARE OF U.S. POPULATION AND U.S. MEDICAID ENROLLMENT ........................................................ 79
TABLE 24 – FEDERAL MATCHING PERCENTAGE (FMAP) FOR MEDICAID IN APPALACHIAN STATES ........................................................ 79
TABLE 25 – MEDICAID ENROLLMENT AND SPENDING IN APPALACHIAN STATES, 2009 ........................................................................ 80
TABLE 26 – SUMMARY OF MEDICAID EXPANSION EFFECT ON STATE BUDGETS ............................................................................. 88
TABLE 27- CMS WAGE INDEX APPROVED FOR USE IN 2010 MEDICARE PAYMENTS ........................................................................ 105
TABLE 28 - FEDERAL ASSISTANCE PERCENTAGES AND ENHANCED FEDERAL MEDICAL ASSISTANCE PERCENTAGES ................................................. 111
TABLE 29- PROJECTED NATIONAL HEALTH EXPENDITURES: THE ESTIMATED IMPACT OF REFORM - AGGREGATE AMOUNTS ................................................. 113
TABLE 30 – MEDICAID ECONOMIC IMPACT FOR ARC STATES ...................................................................................... 115
TABLE 31 - NATIONAL AND STATE-BY-STATE RESULTS FOR ADULTS AT OR BELOW 133 PERCENT FPL (STANDARD PARTICIPATION SCENARIO) 119
TABLE 32 - NATIONAL AND STATE-BY-STATE RESULTS FOR ADULTS AT OR BELOW 133 PERCENT FPL .................................................... 121
TABLE 33 - APPALACHIAN STATE HEALTH CARE SPENDING BY STATE OF RESIDENCE RANK ORDERED* ................................................... 132
TABLE 34 - NUMBER AND PERCENT OF COUNTIES WITHOUT PHYSICIANS, 2008 (U.S. AND ARC COUNTIES) ................................................... 140
TABLE 35 - MEAN VALUES OF PHYSICIANS TO POPULATION RATIOS OF VARIOUS TYPES .................................................................................. 141
TABLE 36 - PHYSICIANS PER 100,000 POPULATION, APPALACHIAN AND NON-APPALACHIAN COUNTIES, ARRAYED BY PERCENTILE .......... 142
TABLE 37 - HEALTH INSURANCE ACCESS COMPONENT CONSTRUCTION ........................................................................................................ 144
TABLE 38 - SUMMARY OF SUBCOMPONENT INDICES .......................................................................................................................... 146
TABLE 39 – HCC COMPONENT CONSTRUCTION AND FOR CONSTRUCTING THE FINAL HCCA INDEX INDICATOR ................................................ 147
TABLE 40 - STEPS IN HIC COMPONENT CONSTRUCTION .......................................................................................................................... 148
TABLE 41 - STEPS IN HCRA COMPONENT CONSTRUCTION .......................................................................................................................... 149
TABLE 42 – SAHIE EXTRACTED DATA FROM ARF ............................................................................................................................................. 151
TABLE 43 – UNIQUE USERS AS A PERCENTAGE OF VA ELIGIBLE’S BY NATIONAL PERCENTILE GROUP ................................................................................................................... 153
TABLE 44 – UNIQUE USERS AS A PERCENTAGE OF VA ELIGIBLE’S.......................................................................................................................... 153
TABLE 45 - REGRESSION MODEL: PREDICTIVE VALUE OF YEARS OF POTENTIAL LIFE LOST_75^1 BY ARC ECONOMIC DISTRESS INDEX AND HCCA, FOR ALL COUNTIES IN THE U.S. (N=3007 COUNTIES) ................................................................................................................... 156
TABLE 46 - REGRESSION MODEL: PREDICTIVE VALUE OF YPLL_75^1 BY ARC EDI AND HCCA INDEX FOR ALL COUNTIES IN THE 13 APPALACHIAN STATES (N=1069 COUNTIES) .......................................................................................................................... 157
TABLE 47 - REGRESSION MODEL: PREDICTIVE VALUE OF YPLL_75^1 BY ARC EDI AND HCCA INDEX FOR ALL COUNTIES IN THE APPALACHIAN REGION (N=419 COUNTIES) .......................................................................................................................... 158
TABLE 48 - REGRESSION MODEL: YPLL_75^1 BY ARC EDI AND COMPONENTS OF HCCA INDEX FOR ALL COUNTIES IN THE U.S. (N=3007 COUNTIES) .......................................................................................................................... 160
TABLE 49 - REGRESSION MODEL: YPLL_75^1 BY ARC EDI AND COMPONENTS OF HCCA INDEX FOR ALL COUNTIES IN THE 13 APPALACHIAN STATES (N=1069 COUNTIES) .......................................................................................................................... 161
TABLE 50 - REGRESSION MODEL: YPLL_75^1 BY ARC EDI AND COMPONENTS OF HCCA INDEX FOR ALL COUNTIES IN THE APPALACHIAN REGION (N=419 COUNTIES) .......................................................................................................................... 162
TABLE 51 - REGRESSION MODEL: YPLL_75^1 BY PERSISTENT POVERTY OF THE COUNTY AND HCCA INDEX, FOR ALL COUNTIES IN THE U.S. (N=3007 COUNTIES) .......................................................................................................................... 163
TABLE 52 - REGRESSION MODEL: YPLL_75^1 PERSISTENT POVERTY OF THE COUNTY AND HCCA INDEX FOR .......................................................................................................................... 164
TABLE 53 - REGRESSION MODEL: YPLL_75^1 BY PERSISTENT POVERTY OF THE COUNTY AND HCCA FOR ALL COUNTIES IN THE APPALACHIAN REGION (N=419 COUNTIES) .......................................................................................................................... 165
TABLE 54 - REGRESSION MODEL: YPLL_75^1 BY PERSISTENT POVERTY OF THE COUNTY AND COMPONENTS OF HCCA INDEX FOR ALL COUNTIES IN THE U.S. (N=3007 COUNTIES) .......................................................................................................................... 166
TABLE 55 - REGRESSION MODEL: YPLL_75^1 BY PERSISTENT POVERTY OF THE COUNTY AND COMPONENTS OF HCCA INDEX FOR ALL COUNTIES IN THE 13 APPALACHIAN STATES (N=1069 COUNTIES) .......................................................................................................................... 167
TABLE 56 - REGRESSION MODEL: YPLL_75^1 BY PERSISTENT POVERTY OF THE COUNTY AND COMPONENTS OF HCCA INDEX, FOR ALL COUNTIES IN THE APPALACHIAN REGION (N=419 COUNTIES) .......................................................................................................................... 168
EXECUTIVE SUMMARY AND KEY FINDINGS

HEALTH COST AND ACCESS INDEX

The Appalachian Regional Commission (ARC) contracted for development of an index that would consistently measure healthcare access and cost disparities of the Appalachian Region compared with the rest of the United States. The goal was a metric of comparable depth and scope to the ARC Economic Status Index that ARC uses to measure Economic Distress levels in the Appalachian Region. PDA, Inc. and the Cecil G. Sheps Center for Health Services Research of the University of North Carolina at Chapel Hill developed the Healthcare Cost Coverage and Access Index (HCCA), which includes components describing relative availability of health care resources, level of health insurance coverage and cost of providing health services. Sources of data for the index are publicly available and updated annually.

<table>
<thead>
<tr>
<th>Component Name</th>
<th>Measures</th>
<th>Currency of Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care Cost (HCC)</td>
<td>CMS Medicare Hospital Geographic Wage Index</td>
<td>2005</td>
</tr>
<tr>
<td>Health Insurance Coverage (HIC)</td>
<td>Percentage of Persons Under 65 who report having health insurance</td>
<td>2007</td>
</tr>
<tr>
<td>Health Resource Availability (HCRA)</td>
<td>Acute short term hospital beds, primary and specialty physician and dentist supply</td>
<td>2007</td>
</tr>
</tbody>
</table>

The index is designed to show the status of Appalachian counties relative to one another, to other counties in Appalachian states, and to the rest of the counties in the United States. This report describes these county comparisons at the level of the HCCA summary index and each individual component index. All index data are scaled as percentiles of all counties in the U.S.

The report tests relationships of the index and its components to county health status, economic status, and persistent poverty. It also explores medical bankruptcy and the impact of health reform on state budgets.

Figure 1 maps the HCCA Index in the Appalachian Region. The blue to red scale separates counties in quintiles where blue represents good access, coverage, and payment compared to the national average, white indicates the county is close to the national average and red, that its index or measure is well below the national average.
On average, counties in Appalachia ranked slightly below the national norm on HCCA, but pockets of good and poor access occur in Appalachian counties in every state except Maryland and South Carolina.
KEY FINDINGS

HEALTHCARE COST, COVERAGE, AND ACCESS INDEX

The HCCA shows Appalachian counties have, in the aggregate, more healthcare cost, coverage, and access disparities than their respective states’ or the United States’ average. For the health care payment and health care resources components of the HCCA, the average values for counties in the Appalachian Region are worse than all counties in the United States. Insurance coverage in the region is slightly better than the U.S. average; this is helped by high Medicare Disability enrollment and high Medicaid participation.

FIGURE 2 – AVERAGE OF HCCA INDEX AND COMPONENTS BY GEOGRAPHIC GROUP

Values are national percentiles with highest representing least desirable score

Close to half of ARC counties (48 percent) ranked in the lowest quintile of healthcare reimbursement summarized by the cost component (HCC). The mean percentile for Appalachian counties was 31.87 compared to 49.54 for the U.S. The HCC is based on the Centers for Medicare and Medicaid (CMS) Hospital Geographic Wage Index, which, in turn sets the baseline for payment by most other payers, government and private. The Appalachian Region’s rates on the index are among the lowest in the U.S.

TESTS OF RELATIONSHIPS BETWEEN THE HCCA AND HEALTH AND ECONOMIC STATUS

Preventable mortality rates, measured in age-adjusted Years of Potential Life Lost from preventable causes for people younger than 75, per 100,000 people (YPLL_75), is often used to compare health status among different groups. The County Health Rankings project (www.countyhealthrankings.org) publishes these by county. This index, though controversial, is recognizable by a lay audience, and its use as a measure of health outcomes is supported by the National Center for Health Statistics in its summaries and discussions of comparative health outcomes. This project benchmarked YPLL rates for the three groups: 1,070 counties in the Appalachian states, 420 counties in the Appalachian Region, and all US counties and county equivalents. Rates for the Appalachian Region county group were about 19 percent higher than for all U.S counties, indicating that residents of Appalachian counties die younger from preventable causes.
The research team looked at relationships of this health status measure to the ARC Economic Distress Index (ARC_EDI) and to measures of healthcare cost and access, (HCCA and its components). Because of the high rate of enrollment in Medicare Disability support in the Appalachian Region, the research team also examined relationship between YPLL_75 rates and Medicare Disability enrollment.

Regardless of geography, there is high correlation between premature mortality and both the ARC_EDI and the level of county population enrolled in Medicare Disability. Table 2 shows a relative preventable mortality score for the geographic groups for 2005 through 2007. As would be expected, the U.S. has a mean of 49.5 on a 99 percentile scale. The Appalachian mean score is 19 percent lower than the U.S.

When we examined groups of counties, we found that preventable mortality rates were highly correlated with the HCCA and the health cost component, HCC. High preventable mortality was associated with low HCCA and low healthcare cost. There was no correlation between YPLL_75 rates and the health insurance component (HIC) in the Appalachian counties, and some correlation between the health resources component (HCRA) and YPLL_75 in the three comparison geographies. However, there is high correlation between low reimbursement (HCC) and poor health outcomes (YPLL_75). At the county level, some areas with high insurance had low resource access and cost scores, indicating that health insurance coverage alone is not the key to good care access, but access to healthcare resources may affect preventable mortality.

We found that for all counties in the United States and for counties in Appalachian states, there were positive relationships among the YPLL_75, the ARC_EDI, the HCCA, and components (HCC, HIC, and HCRA). This means that where there is economic distress, there is poor health and factors that are associated with less access to healthcare. Conversely, where there is a better economy there are better health outcomes.
TABLE 2- CORRELATION OF HCCA AND ITS COMPONENTS, THE ARC_EDI, AND MEDICARE DISABILITY ENROLLMENT WITH PREMATURE MORTALITY

<table>
<thead>
<tr>
<th>Location (number of counties)</th>
<th>Mean YPLL-75 (std. dev.)</th>
<th>Community Health Status: Medicare Disability Enrollment</th>
<th>Economic Distress: ARC EDI</th>
<th>Proposed Index and components</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>HCCA</td>
<td>HCC</td>
<td>HIC</td>
</tr>
<tr>
<td>United States (n=3110)</td>
<td>49.5 (28.9)</td>
<td>.669</td>
<td>.669</td>
<td>.490</td>
</tr>
<tr>
<td>Appalachian states (n=1070)</td>
<td>60.74 (26.8)</td>
<td>.755</td>
<td>.735</td>
<td>.487</td>
</tr>
<tr>
<td>Appalachian Region (N=420)</td>
<td>63.9 (21.0)</td>
<td>.728</td>
<td>.560</td>
<td>.301</td>
</tr>
</tbody>
</table>

Correlations between YPLL_75: per 100,000 Population--Averaged over 2005-2007 and expressed as a percentile. Disability expressed as enrollees per population. All other indices and components scaled such that 1 is best and 100 is worst.

These associations are strong; in technical terms, they are highly statistically significant. The probability that they are due to chance is less than one in a thousand (p<.001). Taken together this pattern is very consistent with the notion that there is an underlying relationship between general socioeconomic factors, the robustness of the healthcare system, and overall population health status when measured at the county level. Moderately strong relationships (above 0.45) exist between the HCCA and both the established measure of economic distress (ARC_EDI) and the measure of population health status (YPPL_75). Further, the relationships between the HCCA and the YPPL_75 and ARC_EDI are greater than the relationships between any of the HCCA components and the two validating measures. For detail of this analysis, please see Appendix M. The HCCA Index is validated statistically by the correlations among each of the HCCA components. Statistical correlations are low, but positive, suggesting that the components are tapping related, but distinct aspects of the healthcare system.

INFLUENCE OF SOCIOECONOMIC STATUS ON RELATIONSHIPS BETWEEN HCCA AND HEALTH STATUS IN APPALACHIA

The research team explored the overall influence of socioeconomic status on the relationship between the HCCA and preventable mortality rates. Using multivariate regression analyses, the team measured the extent to which either the ARC Economic Distress Index or the U.S. Department of Agriculture Persistent Poverty County status was associated with the HCCA or its components and the premature mortality rates (YPPL_75). At the national level, the HCCA Index exhibits an independent relationship to preventable mortality rates, that is, the HCCA Index varies along with premature mortality no matter how other variables change. This is important because, in all three geographies, all U.S., Appalachian state and Appalachian Region counties, the socioeconomic status of counties, as reflected in the ARC Economic Distress Index, also has a substantial relationship to preventable mortality rates but there appears to be an independent effect related to costs of care and access to care at the national level. In Appalachian counties this pattern of association was not significant and suggests that something other than economic distress, healthcare cost and access are influencing health outcomes in the Appalachian states. The HCCA components, for insurance (HIC) and cost access (HCC), explained almost half the variance in preventable mortality (46.2 percent), which is very significant. When equations included a variable to test the influence of a county’s location in the Appalachian Region on preventable mortality, rates of preventable mortality in Appalachian counties
compared to other counties in Appalachian states were higher than would be predicted on the basis of their scores on ARC_EDI and HCCA alone, suggesting that there may be another factor beyond the combined impact of socioeconomic status and health system characteristics access, cost and coverage, that accounts for variations in preventable mortality in Appalachia.

**Other Healthcare Use Measures**

The study also reviewed other measures of healthcare use and expenditures in the Appalachian Region as reported by the CMS and the Veterans Health Administration (VHA). Most of the Appalachian Region had high Medicare expenditures per capita in 2009. This may be affected by a combination of the region’s particularly high per capita enrollment in Medicare Disability programs and its lower health status. Parts of Central and Southern Appalachia rank in the highest national quintile of per capita enrollment in Medicare Disability in 2007, and Disability enrollees are heavy healthcare users. In central and southern Appalachia, as much as 15.6 percent of the population received Medicare Disability payments. Information from 2007 VHA use files showed military veterans in the Appalachian Region, particularly the central sub-region and western Pennsylvania were among the highest users of VHA services in the U.S.

The research team also reviewed the scientific literature on relationships between personal healthcare expenditures and bankruptcy, finding that healthcare costs are associated with bankruptcy, though the extent is not clear. Several studies noted that social policy design flaws in many government safety net health insurance programs not only discourage individual economic pursuits; they also leave many people at risk of bankruptcy from expensive, uncovered medical care costs if they are not treated in clinics and hospitals with safety net programs.

**Health Reform Policy Issues**

Health reform will change health insurance coverage and the structure of the healthcare delivery system. Among the issues under study is the CMS Medicare Hospital Geographic Wage Index, the HCC component of the HCCA. This index establishes a baseline rate for 60 percent of Medicare payments and, by reference, for other payers as well. Presently the average county in the Appalachian Region receives lower payments than the U.S. average. Moreover, in general, Appalachian counties have not benefited as much from the work-arounds that have helped other rural communities to side-step low rates. A “Frontier” adjustment, for example, brings communities in several states in the west to the lower of their own or the national average index. ARC may wish to consider advocacy to give rural Appalachian counties parity with Frontier counties when policy makers consider adjustments to the index.

Federal health reform will increase insurance coverage. A review of the scientific and policy literature indicates that the Affordable Care Act’s coverage initiatives will have a direct impact on state Medicaid budgets. Most reports indicate that Appalachian states’ total Medicaid costs will increase, although the amounts are a function of a state’s current coverage policies. Individual Appalachian states may see costs increase 1.4 to 15.4 percent to cover six to 41 percent more people. This will occur when health reform is fully implemented in 2014. In that year, each state Medicaid program must cover all persons with incomes under 133 percent of the national poverty level. Because HCCA results show low correlation between health insurance coverage and preventable mortality rates, more coverage alone may not result in health status improvements. The study’s demonstrated relationships between payment and resource availability suggest that without payment changes many people with new coverage may have trouble getting service.

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1 Table 26 of this report.
2 Table 22 of this report, Kaiser Commission on Medicaid and the Uninsured, on line, 2010.
Health reform initiatives will clearly require more healthcare resources in Appalachia. Two programs championed by ARC, the Rural Health Clinics Act and the J-1 visa waiver program for foreign medical graduates can improve resource availability. For different reasons, both merit renewed attention in the health reform environment. The former addresses payment for primary healthcare providers and the latter addresses supply of healthcare providers to underserved areas.

ARC encouragement of broadband communications to rural areas will also help with the technology needed to support contemporary health care delivery, thus expand resource access. Finally, encouragement of expanded roles for entry workers in health care labor force will be similarly beneficial.