

**Florida TaxWatch**  
ECONOMIC COMMENTARY

## Beyond the Pandemic: Long-Term Changes and Challenges for Health in Florida

COVID-19 LEGACY SERIES PT.1  
MAY 2021

*Note: This economic commentary is the first of a multi-part “COVID-19 Legacy Series” discussing the long-term changes brought on by the COVID-19 pandemic and the challenges facing the state of Florida in the years to come. Each installment will examine a particular focus area and describe how the changes will impact the Florida economy. For this month, the commentary will focus on the long-term changes and challenges relating to health.*

**THE COVID-19 PANDEMIC FUNDAMENTALLY CHANGED THE HEALTH CARE LANDSCAPE ACROSS THE U.S.** From ushering in broader adoption of telehealth services to increasing the incidence of behavioral health issues, the pandemic has created long-term changes and challenges that will likely persist beyond the official end of the public health emergency. In Florida, these lasting changes in the health care space converge with broader aging and demographic trends, which will inevitably impact health care utilization over time. Together all these considerations present a unique confluence of factors with important outcomes for Florida’s health care system and economy.

### THE LONG-TERM COST OF FOREGONE CARE AND BEHAVIORAL HEALTH ISSUES

Throughout the pandemic, most of the attention has been focused on the direct and immediate effects of the virus—such as rates of new cases, hospitalizations, deaths—and their economic implications. Just as consequential, however, are the indirect and long-term effects of the virus, namely the health and economic outcomes from foregone medical care and behavioral health issues due to prolonged isolation. These outcomes, though often overlooked, create substantial downstream costs to individuals and society.<sup>1</sup>

During the early months of the pandemic, many individuals decided to forego visits to inpatient and outpatient settings for non-COVID-related care primarily due to safety concerns and government directives to limit elective surgeries. Data from the Florida Hospital Association reveal that there was a 38 percent decrease in emergency department visits and a 32 percent decrease in surgeries at outpatient centers in Florida during these early months.<sup>2</sup>

<sup>1</sup> Health Affairs, “Spillover Effects of the COVID-19 Pandemic Could Drive Long-Term Health Consequences for Non-COVID-19 Patients,” Oct. 23, 2020.

<sup>2</sup> Florida Health Association, “Impact of COVID-19 on Use of Medically Necessary Care,” Feb 2, 2021.

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As a result of earlier decisions to forego care and other regular screenings, there have been subsequent delays in diagnosing new diseases in patients and delivering critical treatments on time—often resulting in excess deaths not attributable to COVID-19. In Florida, there were 31,823 excess deaths between March 2020 and January 2021, with 9,810 of the excess deaths due to delayed care for other diseases (e.g., heart disease or Alzheimer’s).<sup>3</sup> Delayed care has an implicit economic cost in the long run—more severe diseases diagnosed at later stages will increase health expenses over time and result in increased mortality. Assuming the average Value of a Statistical Life (VSL)<sup>4</sup> of \$10 million used by the federal government, Florida’s excess deaths (not due to COVID-19) correspond to an economic cost of \$98.1 billion and will continue to grow as more severe diseases are diagnosed at later stages.

The psychological trauma and social isolation resulting from COVID-19 have also led to growing rates of mental illness among the population. Reports of anxiety or depression have risen by 12.7 percent in Florida since April 2020, making Florida the 8th highest among all fifty states for the average rate of anxiety and depression.<sup>5</sup> Untreated, various mental illnesses can lead to reduced productivity, job loss, and economic insecurity for many individual Floridians. To the state, these outcomes can potentially spill over and require more public expenditures to address substance abuse, incarceration, and health care in the future.<sup>6</sup> Since mental illness may not surface right away, quantifying these long-term costs is difficult at present. According to one study, however, the economic cost of mental illness due to COVID-19 was \$1.6 trillion across the U.S.—a figure that will likely grow in successive years as mental illnesses worsen.<sup>7</sup>

## BROADER ADOPTION OF TELEHEALTH SERVICES

One potential solution to the long-term costs associated with missed care and mental illness may lie in another important development that emerged during the pandemic: the broader adoption of telehealth. According to the Centers for Disease Control and Prevention (CDC), telehealth visits rose 154 percent during the end of March 2020 compared to the same period in 2019.<sup>8</sup> An even larger growth occurred in Florida, where health systems across the state experienced rapid expansions in the number of telehealth visits throughout 2020.<sup>9</sup>

Medical care administered through telehealth seems poised to remain a facet of Florida’s health care system even as some patients gradually return to in-person doctor visits. While various telemedicine tools have proven effective throughout the pandemic, the broader model of meeting patients where they are at has empowered a greater sense of self-reliance and initiative as it relates to personal health. Based on a McKinsey survey, more than 76 percent of patients were highly or moderately likely to use telehealth in the future.<sup>10</sup> From an economic standpoint, the future of telehealth could serve to offset some of the long-term economic costs incurred from mental illness or earlier foregone care by providing patients with more access to timelier services. Any potential economic benefits can be hampered, however, if there is inadequate or inequitable access to telehealth for various populations.

Especially among low-income rural areas, a future challenge to telehealth in Florida will be sufficient internet connectivity. Across Florida, there are more than 460,000 people without access to internet connection speeds capable of 25 megabits per second, primarily residing in rural counties along Florida’s big bend and panhandle.<sup>11</sup> Even for those who reside in metropolitan areas with broadband available, the service may still be unaffordable.<sup>12</sup> As a result, broadband inequities are more than just a rural issue and warrant deeper analysis into how digital poverty may be addressed in metropolitan areas.

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3 JAMA Network, “Excess Deaths from COVID-19 and Other Causes in the US, March 1, 2020, to January 2, 2021.” Published Apr. 2, 2021.

4 The Value of a Statistical Life (VSL) is an economic value used in most cost-benefit analyses involving mortality assessments and public health. The VSL is calculated by determining how much a large group of people would be willing to pay to marginally reduce their mortality risk. The federal government, on average, determines the VSL to be \$10 million.

5 QuoteWizard, “How Access to Mental Health Care Affects Anxiety and Depression,” Accessed May 13, 2021.

6 Kaiser Family Foundation (KFF), “The Implications of COVID-19 for Mental Health and Substance Abuse,” Feb. 10, 2021./

7 JAMA Network, “The COVID-19 Pandemic and the \$16 Trillion Virus,” Oct. 12, 2020.

8 Centers for Disease Control and Prevention (CDC), “Trends in the Use of Telehealth During the Emergence of the COVID-19 Pandemic – United States, January – March 2020,” Released: Oct. 30, 2020.

9 WUFT News Station, “Florida Providers See Increased Demand for Telehealth Visits,” Jan. 6, 2021.

10 McKinsey & Company, “Telehealth: A Quarter-Trillion-Dollar Post-COVID-19 Reality?” May 29, 2020.

11 BroadbandNow, “Internet Access in Florida: The State of Broadband in Florida, 2021,” Accessed May 13, 2021.

12 Brookings Institute, “Neighborhood broadband data makes it clear: We need an agenda to fight digital poverty,” Feb. 6, 2020.

Unclear and uncodified rules surrounding reimbursement for telehealth services pose another challenge for Florida in the future. According to a Foley & Lardner study,<sup>13</sup> Florida is one of twenty-eight states that does not have a law addressing “payment parity,” or paying providers the same rate for in-person and telehealth services. Going forward, lower reimbursement rates may discourage providers from providing telemedicine. As such, payment parity will be an important issue beyond the public health emergency.

## FLORIDA’S AGING POPULATION AND HEALTH CARE UTILIZATION

The challenges facing telehealth usage among older citizens are indicative of another health factor affecting the Sunshine State. Florida’s population is rapidly aging. Between 2020 and 2045, Florida’s population of 65+ residents is estimated to increase by 1.4 million people and grow from 20.4 percent to 25.2 percent of the state’s total population (See Table 1). By 2030, all Baby Boomers will be over the age of 65, which means one in every five Americans will be in the retirement stage of life.<sup>14</sup> As a result of these changes, Florida’s health care system—like much of the rest of the nation—will have to handle a larger population of older patients.

TABLE 1. FLORIDA’S 65+ POPULATION OVER TIME

Year	Population	% of State Total
2020	4,404,239	20.43%
2025	5,179,880	22.39%
2030	5,933,699	24.29%
2035	6,407,282	25.13%
2040	6,712,865	25.40%
2045	6,877,353	25.22%

Source: UF Bureau of Economic and Business Research

An aging population, combined with longer life expectancies, will directly result in higher demand for health care services. Nationwide, health care expenditures are expected to grow at an average annual rate of 5.4 percent until 2028 and reach \$6.2 trillion by 2028.<sup>15</sup> At the same time, the U.S. will be facing a collective shortage of skilled health care workers. By 2025, the U.S. will have a shortage of about 500,000 home health aides, further upsetting the equilibrium between supply and demand for elderly health care.<sup>16</sup>

A subsequent rise in health care demand among older citizens will undoubtedly impact Medicare and Medicaid utilization in Florida. Medicare is the primary source of health insurance for seniors, providing coverage to more than 4.6 million residents in Florida;<sup>17</sup> however, since the program is federally funded and does not cover long-term care, Medicare does not directly affect public expenditures in Florida. Instead, Medicaid, which does cover long-term care and is partly financed by the state, will be the primary source of growing public expenditures for Florida. Research finds that long-term care expenditures in the U.S. will rise from \$281 billion in 2020 to more than \$561 billion by 2045 (a 99.6 percent increase).<sup>18</sup> Since Florida is often the destination for retirees from other states, it can be reasonably expected that Florida’s state share of Medicaid expenditures for long term care will rise.

Florida’s aging population will affect Florida’s future economy in ways beyond just health care spending. Over time, Florida’s economy will have fewer working-age adults relative to retirees. By 2030, the ratio of workers to retirees will shrink to two workers per retiree—down from three workers per retiree before 2020.<sup>19</sup> In the longer term, there will be expected shortages of highly educated, skilled workers and labor-intensive jobs, such as construction workers. Together, these factors can potentially minimize economic growth and output while increasing the need to finance health coverage for older residents.

## CONCLUSION

Florida’s health care system will have to confront the lingering costs from foregone care and mental illness, all the while adapting to a rapidly aging population with a greater need for elderly care. Telehealth is one legacy of the pandemic that may help Florida respond to these challenges by expanding access to care for various populations, but these potential benefits are tempered by concerns over inequity and affordability. Nonetheless, for patients, providers, health care systems, and the state government, the COVID-19 pandemic has yielded lasting changes and challenges that will affect health in Florida for the foreseeable future.

<sup>13</sup> Foley & Lardner LLP, “50-State Survey of Telehealth Commercial Insurance Laws,” Feb. 2021.

<sup>14</sup> Business Insider, “The Aging US Population is Creating Many Problems – Especially Regarding Elderly Healthcare Issues,” Jan. 19, 2021.

<sup>15</sup> Centers for Medicare & Medicaid Services (CMS), National Health Expenditure Projections 2019-2029 Forecast Summary, Accessed May 13, 2021.

<sup>16</sup> Ibid.

<sup>17</sup> Health Insurance.org, Medicare in Florida, Dec. 10, 2020

<sup>18</sup> American Council of Life Insurers, “Who Will Pay for Our Long-Term Care?” Oct. 2014.

<sup>19</sup> Federal Reserve Bank of Atlanta, “For Florida, the Graying of America Presents both Promises and Pitfalls,” Mar. 10, 2016.

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