



UPDATE

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MADISON COUNTY COMMISSION

by

**CHAMBER OF COMMERCE
OF HUNTSVILLE/MADISON COUNTY**

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TENNESSEE VALLEY REGIONAL GROWTH COORDINATION PLAN

DISCLAIMER

This study was prepared under contract with the Madison County Commission, Alabama, with financial support from the Office of Economic Adjustment, Department of Defense. The content does not necessarily reflect the views of the Office of Economic Adjustment.

This report is intended as an aid to planners, managers, elected officials, and other decision makers in the Tennessee Valley/Redstone Arsenal region. Our aim is not to dictate what should be done, but to assist in ongoing efforts to achieve goals and objectives identified and valued by the residents of the region. The recommendations presented in this report are suggestions for how the region could work towards those goals and objectives, based on best available information and current understandings.

The information, projections, and estimates in this report are based upon publicly available data and have been prepared using generally accepted methodologies and formulas. The projections and needs presented in this report are based upon best estimates using the available data. It is important to note that currently available information and understandings are incomplete and cannot account for the inevitable, but unpredictable, impacts of unexpected global, national, state, and/or local events. Actual results and needs may differ significantly from the projections of this report due to such unforeseen factors and conditions, as well as inaccuracy of available data, and/or factors and conditions not within the scope of this project. Persons using this information to make business and financial decisions are cautioned to examine the available data for themselves and not to rely solely on this report.

Neither the Madison County Commission, the Chamber of Commerce of Huntsville/Madison County, nor its subcontractors guarantee or warrant that the projections set forth in this report will, in fact, occur. The Madison County Commission, the Tennessee Valley Regional Growth Coordination Plan Advisory Committee and Task Forces, and the Chamber of Commerce of Huntsville/Madison County and its subcontractors disclaim any liability for any errors or inaccuracies in the information, projections, and needs analysis, regardless of how the data is used, or any decisions made or actions taken by any person in reliance upon any information and/or data furnished herein.

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EXECUTIVE SUMMARY

Work on the TVRGCP began in the fourth quarter of 2007, and research and data collection continued through the late summer of 2008. The final report was written using that collected data, and submitted in initial draft in the fourth quarter of 2008. Since the time the data was collected, a national recession began, credit markets tightened, and unemployment grew significantly. The Madison County Commission had concerns about how the changed economic conditions would affect the findings, conclusions and recommendations of the TVRGCP, so they asked the consulting team to evaluate the impact of the economic downturn on the TVRGCP. This update contains the team's findings.

The consultant team's research indicates the recession is not expected to have any notable impact on the key findings, conclusions and recommended action items presented in the TVGRCP for the study period of 2005-2011. However, there are several unknown elements – namely proposed changes in federal policy requiring work now being done by defense contractors to be in-sourced, and budget cutbacks - that could affect the impact of the BRAC expansion in the Primary Study Area (PSA) and Broader Impact Region (BIR). It is also possible that some people currently in the work force may delay their retirement plans due to losses incurred in their retirement savings plans. Keeping some of these people in the workforce longer than previously anticipated could reduce the number of people new to the community needed to fill BRAC positions in the near term. Unfortunately, there is not enough information available to determine the effect of these possible developments on the BRAC expansion.

The team found:

- There will be no significant change in the estimated BRAC-related job or population growth as presented in the TVRGCP. It is still anticipated that the BIR will see a permanent increase of approximately 19,700 jobs, of which 18,350 will be located in the PSA. The BRAC-generated population growth in the BIR will be 37,000 between 2005 and 2011. Due to the influx of jobs and people, there will be impacts on the educational systems, utilities, infrastructure, tax revenue, and construction activity as outlined in Chapter 1 of the TVRGCP.
- Should existing conditions continue, there is a potential for a housing shortage in the PSA by 2011. While there is a strong base of developed and undeveloped vacant lots, the amount of financing available from banks to developers for housing construction on these lots has declined since last year. If the lending policies of regional banks liberalize, this shortfall may be avoided.
- The recession will not impact the anticipated increase in the student population; however, it is affecting the resources currently available to accommodate this growth. The economic downturn has had a strong adverse affect on public school operating budgets and will adversely affect self-funding efforts for capital improvements. A significant gain in student population is a possibility after 2011.
- The Arsenal and contractors do not anticipate significant problems meeting their staffing needs due to the recession in this calendar year. Difficulty selling houses for

some potential recruits is offset by additional interest in stable employment by others. However, 2009 is a slow year for BRAC transfers and related hires.

- Neither the recession nor the American Recovery and Reinvestment Act (ARRA) funds has had an impact on utility or transportation projects needed in the PSA or on their scheduling. The list of active projects remains virtually unchanged from what was presented in the TVRGCP. However, the cost of those projects has risen despite any deflationary impacts from the recession. Updated estimates add just over \$36 million to the combined total of nearly \$3.7 billion in the TVRGCP for utility and roadway projects. Projects submitted for ARRA funding so far by governmental entities with the region do not include those presented in the TVRGCP, because the TVRGCP-listed projects are long term, and stimulus funded projects must be “ready to go” in a short time frame.
- The recession is having a noticeable effect on city, county and state tax revenues, further curtailing an already limited ability by these entities to pay for necessary education, utility and transportation projects.
- TRICARE reimbursement policies and benefit plan confusion are having an adverse impact on physician acceptance of this type of insurance. Community leaders and physicians have been told by senior plan administrators that TRICARE rates are equal to Medicare. TRICARE “Prime” insurance offers lower reimbursement rates to physicians than TRICARE “Standard” coverage, contrary to what one might assume based simply on the names of the products. “Prime” reimbursement rates are 15 percent below Medicare’s reimbursement rate. The low reimbursement rate coupled with the difficult TRICARE bureaucracy, make physicians less inclined to accept this type of insurance.
- The TRICARE “Prime” provider listings double list providers who have two locations. The TRICARE “Prime” provider listings list medical subspecialists under Internal Medicine creating the illusion that there are far more physicians practicing full time internal medicine than there really are. (e.g. of the 93 internists listed only 22 are actually practicing internal medicine. The rest are academicians or subspecialists or different specialties)

BACKGROUND

The **Madison County Commission (MCC)** issued a Request for Proposal (RFP) to develop the **Tennessee Valley Regional Growth Coordination Plan (TVRGCP)**. Funding for this study was provided by the **U.S. Department of Defense (DoD), Office of Economic Adjustment (OEA)** to prepare the Tennessee Valley for the impact of **Base Realignment and Closure (BRAC) 2005 at Redstone Arsenal (Arsenal)**.

The **Chamber of Commerce of Huntsville/Madison County (Chamber)** submitted a proposal in response to MCC's nationwide search for a consultant as addressed in RFP P-2007-01. This proposal identified the Chamber as the lead consultant with Wadley-Donovan GrowthTech, LLC (WDG) serving as a subcontractor. After completing a competitive bid process, MCC awarded the contract to the Chamber with a Notice-to-Proceed date of October 29, 2007.

The Tennessee Valley **Study Area** for this project includes thirteen counties in northern Alabama and southern Tennessee within an eighty-mile-radius of the Arsenal. The **Primary Study Area (PSA)** includes the three Alabama counties of Limestone, Madison, and Morgan. The **Broader Impact Region (BIR)** includes the additional six counties in Alabama (Colbert, Cullman, Jackson, Lauderdale, Lawrence, and Marshall) and four counties in Tennessee (Franklin, Giles, Lawrence, and Lincoln). A map of the Study Area is shown in Figure 1.

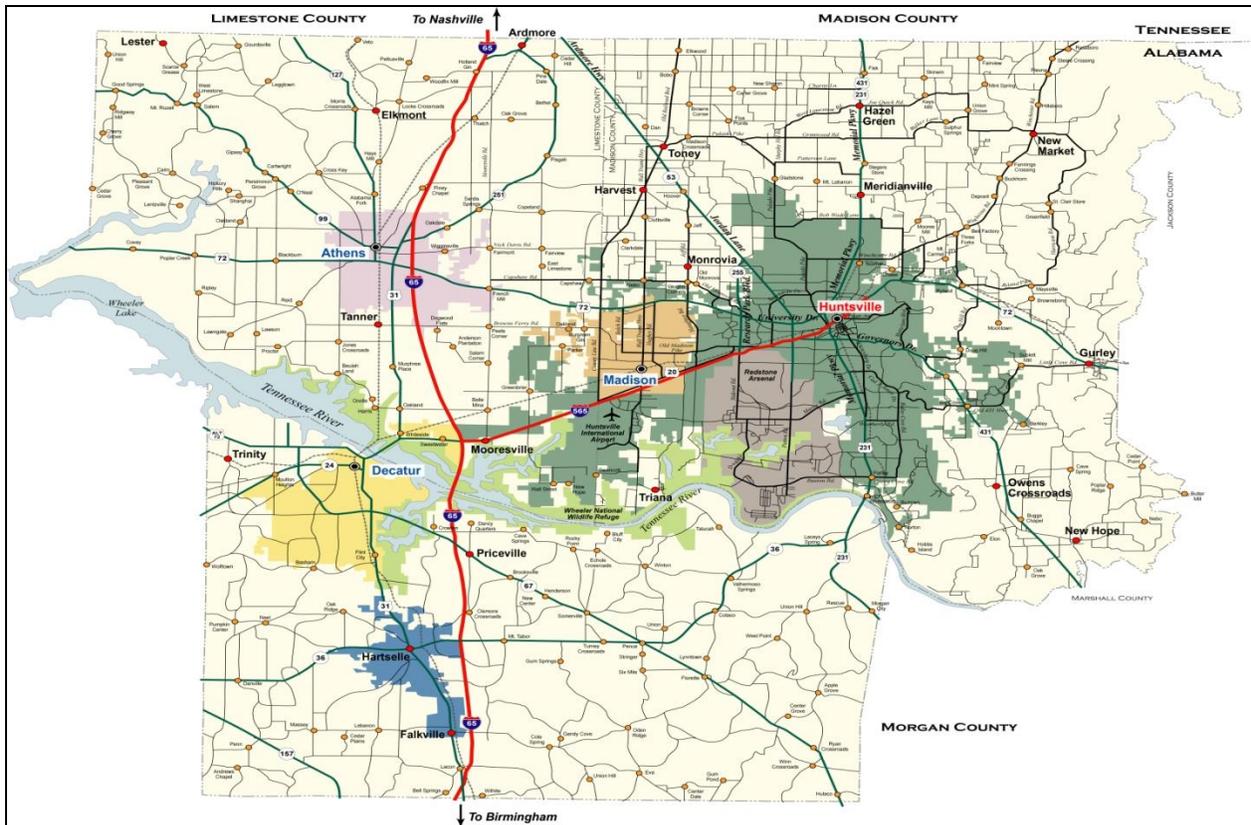
Figure 1
Tennessee Valley Regional Growth Coordination Plan Study Area



PRIMARY STUDY AREA

The **Primary Study Area (PSA)** consists of three counties in Alabama, Limestone, Madison, and Morgan, surrounding **Redstone Arsenal (Arsenal)**. Figure 2 shows the relationship of the Arsenal to the three counties and primary cities.

Figure 2
Primary Study Area



Source: City of Huntsville Planning Division and the North Central Alabama Regional Council of Governments

The PSA contains numerous incorporated areas, both large and small, as summarized below:

County	Large Municipalities	Small Municipalities
Madison	Huntsville, Madison	Gurley, New Hope, Owens Cross Roads, Triana
Limestone	Athens	Ardmore, Elkmont, Lester, Mooresville
Morgan	Decatur	Hartselle, Priceville, Trinity

The PSA includes a large amount of unincorporated area in all three of its counties. Alabama State Law allows the annexation of portions of a county by a municipality located in an adjacent county. Thus, the Cities of Huntsville, Madison, and Decatur have annexed portions of Limestone County; this is particularly the case along the I-565/Alabama Highway 20 corridor in the vicinity of I-65 (although this is not the only location).

PURPOSE

The majority of the research conducted during preparation of the various chapters of the TVRGCP occurred during the first half of 2008. Subsequent to that timeframe, a national recession began, credit markets tightened, and unemployment grew significantly.

These developments raised the legitimate question of whether there needed to be revisions to the conclusions and recommendations included in the TVRGCP. Consequently, the Madison County Commission applied to the Office of Economic Adjustment for supplemental funding to address this question, with particular attention to the following:

1. Review existing data, studies, plans, and conditions that would provide insight on recession-induced changes to the findings reported in the utility, transportation, housing and healthcare tasks in the TVRGCP draft report.
2. Review information on contractor job categories and compare them with current and projected workforce demands to ensure that community-led workforce outreach efforts are in line with BRAC-related contractor demands.
3. Review current financing options available for homeownership and how the current housing market is affecting the decision making process to relocate to Redstone Arsenal.
4. Determine if the current economic situation is having an impact on the demographics of people who decide to relocate such as age, experience, etc.
5. Identify the residential/housing market factors (in the areas from where the anticipated personnel are relocating and in the TVRGCP region) impacting the projected military growth and the TVRGCP area's ability to respond.
6. Determine if the building, financial, or mortgage sectors are expressing any particular concerns with regard to housing the incoming BRAC personnel (i.e. is capital available for residential builders, developers, and home mortgages in the TVRGCP area).
7. Investigate if any real estate/housing market fluctuations in the locales from which personnel will be migrating may affect military and civilian relocation decisions for the TVRGCP area.
8. Determine what impact, if any, the national credit crisis and housing market downturns are having on the decision by current staff to relocate with their position to Redstone Arsenal
9. Assess how much the decrease in housing values, particularly in the northern Virginia/Washington D. C. metro areas, has impacted people's decision to relocate to the TVRGCP area.
10. Determine the impact of the recession on the cost and scheduling of the utility and transportation projects identified in the TVRGCP draft report.
11. Review the Tri-Care provider reimbursement policy.

METHODOLOGY

Information provided in this TVRGCP Update is derived from several sources:

1. A meeting was held with several representatives with personnel responsibilities among the commands at Redstone Arsenal. The focus of this discussion was on observed or anticipated changes in relocations of operations or people to Redstone Arsenal and the impact of those changes on the ability to fill positions at the Arsenal, particularly those being relocated as a direct result of BRAC 2005.
2. Follow up one-on-one interviews were conducted with human resource directors at various commands and with contractors.
3. Representatives of the Consultant Team met with Mr. Joseph Murphy, publisher of the MarketGraphics of North Alabama report “North Alabama Housing and Subdivision Analysis”. This report, published three times a year, provides detailed information on the region’s housing market, with the report dated February 2008 used in several portions of the TVRGCP. Mr. Murphy generously offered to provide his February 2009 report at no cost.
4. Several follow-up telephone calls were held with Mr. Murphy to obtain additional detailed information on the area’s housing market conditions.
5. A questionnaire was sent to all members of the Public Utilities and Infrastructure and Transportation Task Forces created as part of the TVRCCGP process. The survey asked for information on ways the federal stimulus package is impacting the ability of governmental agencies or utilities to pay for projects, and it addressed topics on projects listed in the TVRGCP:
 - That should be added or removed and the reason for the addition or removal.
 - For which information has changed, such as timing, budget, available funds, and funding sources.
 - For which the recession has adversely affected funding.
 - That have been submitted for funding under the federal stimulus package.

Responses to the questionnaire were received from representatives of nearly every major utility provider and transportation planning agency in the region.

6. Current data and reports were obtained from a variety of sources pertaining to the area’s housing market including the North Alabama Multiple Listing Service and the Alabama Center for Real Estate.
7. The superintendents for the regional school systems were contacted to discuss how the recession has impacted each system’s ability or projected ability to raise funding for capital and operating expenses as it relates to both BRAC-anticipated growth as well as non-BRAC related growth.
8. The Vice President, Workforce at the Huntsville-Madison County Chamber of Commerce provided update information on the Chamber’s employee recruiting assistance effort to the Arsenal and survey information on employee recruitment from Arsenal contractors.

9. Local hospitals and the Madison County Medical Society provided input to assess the impact that TRICARE's reimbursement policies have on its acceptance by area physicians. Additional web-based research included a review of on-line materials available concerning TRICARE benefits and practices.

IMPACT OF THE RECESSION ON THE TVRGCP FINDINGS AND ACTION ITEMS

Chapter 1 – Issue Identification and Assessment of Existing Conditions

Since the preparation of the TVRGCP draft report, the national economic climate has changed drastically. These economic changes raise obvious questions on their impact on the operations and individuals targeted to relocate to the PSA as a result of the 2005 BRAC process.

Based on a review of existing data and interviews, it is concluded that there will be no significant impact on the projected socioeconomic conditions outlined in Chapter 1 of the TVRGCP. In particular, there will be no significant change in the estimated BRAC generated job or population growth. Interviews with human resource directors at the various commands at Redstone Arsenal and contractors to the Arsenal verify that the recession seems to have had little impact on people's willingness to relocate to the TVRGCP area and in some cases, has positively impacted recruiting efforts.

Some commands report that due to job shortages in the rest of the country, it has become easier to recruit workers particularly given the job security typically provided by federal government employment. This is particularly true for entry-level workers and more senior level workers who may be starting a second career after having served in the military. Human resource directors continue to report the most difficulty recruiting mid-level employees with young families. Many see that there are misperceptions about the Huntsville area and questions regarding the educational system among job candidates. Despite this obstacle, human resource directors expect little difficulty filling all of the necessary positions in the current calendar year. However, 2009 is a slow year for the BRAC transfers and related hires, and recruitment efforts in 2010 and 2011 will need to intensify to keep up with demand.

Therefore, it is still anticipated that the Broader Impact Region (BIR) will see a permanent increase of approximately 19,700 jobs, of which 18,350 will be located in the Primary Study Area (PSA). The BRAC-generated population gain in the BIR will be 37,000 between 2005 and 2011. This increase will create the impacts on the educational system, utilities, infrastructure, tax revenue, and construction activity presented in Chapter 1 of the TVRGCP.

The one potential unknown is the timing of the influx of new residents. During the course of interviews with the human resource directors at the various Arsenal commands, there was no information provided to indicate that the timing will change, however, there are two factors which could ultimately result in the timeline being impacted.

One of these factors is the proposed federal budget cuts which could potentially affect the Missile Defense Agency (MDA). The second factor which could influence the timing of transferees moving into the Huntsville area is the proposal put forth by Secretary of Defense Gates which would in-source contractor-performed jobs across the Defense Department. At this point, the status of this proposal is unclear and therefore, the potential impact is unknown.

Chapter 2 – Regional Visioning Process

There are no required changes to the Regional Visioning Process of the TVRGCP due to the recession.

Chapter 3 – Regional Land Use and Growth Trends

There is no recession induced impact to the regional land use and growth trend findings, priority and important action items identified in the TVRGCP.

Chapter 4 – Housing

It is estimated in the TVRGCP that approximately 22,075 housing units will be necessary to meet BRAC and non-BRAC-related demand between 2008 and 2011. This figure was based on the anticipated population growth described in Chapter 1 of the report. It was determined that the PSA has an exceptionally strong housing market which would allow the area to successfully absorb these new residents. At the time the report was prepared, this finding was supported by the availability of nearly 34,000 existing or potential units, which exceeds the total anticipated demand of 22,075 BRAC and non-BRAC households expected to move into the PSA from 2002 through 2011.

Based on current information, the number of existing or potential housing units has decreased only slightly to 32,976. A comparison of the current inventory versus the inventory at the time the report was written is provided in the table below.

Current and Historical Inventory by Type

Type	Current Inventory	TVRGCP Inventory
Existing Properties Currently for Sale	4,443	4,850
Homes Under Construction	975	1,685
Developed Vacant Lots	12,958	12,373
Undeveloped Vacant Lots	14,143	14,555
On-Base Family Housing	457	457
Total	32,976	33,920

Source: MarketGraphics, Inc. and North Alabama Multiple Listing Service

With the exception of the number of homes under construction – which showed a substantial decline of 42% versus what was reported in the TVRGCP - the other inventory elements have remained relatively stable since the TVRGCP research was first conducted. There continues to be a strong base of developed and undeveloped vacant lots in the area, and at the time the TVRGCP report was written, a number of developments were timed to coincide with the influx of new residents.

However, bank lending practices have drastically changed since the TVRGCP was written, which could influence the timing of new housing developments. Due to FDIC standards, area banks have had the amount of capital they can release for real estate-related projects decline. Therefore, financing for lot acquisition, development and home construction (both speculative and pre-sales) has been restricted. One developer reports that he was only able to get 60% of the financing needed to complete a project slated for the influx of new residents. Should these lending practices continue, the potential for a housing shortage exists for 2010 and 2011.

Developers also report that more new residents appear to be modifying their housing choices and are buying what they need and not necessarily what they want. While home values in the PSA are generally a good value compared to the areas transferees are relocating from, these new residents are making the decision to scale back their home purchase goals and be more frugal when purchasing a new home. This has required some developers to modify existing plans so as to meet these new demands where before it was anticipated that the luxury home market would be fueled by new relocatees.

Although unknown at this point, the demand for rental units may also increase if transferees are unable to sell their homes in their previous location. The demand for rental housing may also increase from a larger than anticipated recruited population of recent college graduates to fill the expanding job openings.

Interviews with the human resource directors of contractors and Arsenal commands indicate that newly recruited or transferred personnel to the area are not having difficulties obtaining mortgage financing.

Chapter 5 – Education

While the recession will not impact the anticipated increase in the student population, it is affecting the resources available to accommodate this growth. The economic downturn has had a strong adverse impact on public school system operating budgets and will affect self-funding efforts for capital improvements to meet the expansion needs generated by BRAC.

In the TVRGCP, the total estimated cost for improvements to meet the BRAC-generated student growth is \$455,111,100. Funding for these improvements in some systems are expected to come from locally generated revenues and bonding. However, most systems do not know at this time how they will fund their improvements. The majority of local school revenues in Alabama are provided through local retail sales taxes, which were already insufficient to fund operating and capital requirements in high-growth areas such as the PSA prior to the recession, and now this already unknown situation has been exacerbated as a result of the economic downturn and a slump in retail sales.

It should be noted that there is a longer-term potential impact on school enrollment not included in the growth model used in the full TVRGCP, which only makes projections to the year 2011, when all of the BRAC related jobs influx will have occurred. If a significant number of individuals filling these jobs are currently unmarried or have young families with no or few children, it is likely that these individuals will have children that may add significantly to school enrollment beyond 2011.

Chapter 6 – Public Utilities and Infrastructure

Responses to the team's survey indicate that neither the recession nor the federal stimulus package was having a major impact on the need for or ability to pay for infrastructure improvements in the region, or on the timing of the projects. Responses are summarized as follows:

- Huntsville Utilities reported no substantial changes in the city's projects included in Table 6.2 of Chapter 6 of the full TVRCCGP report and noted that any delays caused by the recession were expected to be minor.
- Decatur Utilities eliminated one gas pipeline extension project from its list of needed projects but provided new cost estimates for another 13 projects. The resulting net increase in project costs for Decatur is \$1,835,000.
- Athens Utilities noted that in July 2009 it will begin commissioning the new wastewater treatment plant it had included as a first priority need. They have been able to obtain \$1 million in federal funding toward the total \$24,500,000 price, of which \$4,500,000 had previously been unfunded.
- City of Madison Utilities identified one additional sewer trunk line project (the East Limestone Sewer Truck Line), an immediate need of which 35% is attributable to BRAC. This project has a total estimated cost of \$4,000,000, of which \$3,000,000 is currently unfunded. Madison Utilities also noted that the economy has had a negative impact on impact fees from new growth for the past 2 years, resulting in some projects being put on hold and/or competing for limited funding options. The city's Director of Planning, Engineering and Building noted in a separate conversation that, in part, this was a result of the inability of builders to obtain financing for new construction, a direct result of the credit crunch caused by the recession. Finally, Madison Utilities noted that any projects being considered for submission for funding under the American Recovery and Reinvestment Act, either directly by a federal agency, or to the State of Alabama, were likely to be for replacement of aging infrastructure rather than new facilities. Based on preliminary comments from funding sources, the City thinks it unlikely it will receive any stimulus funding for utility projects.
- Harvest Monrovia Water and Sewer Authority (HMWSA) provided new cost estimates for 2 water supply projects and 1 sewer plant expansion. These revised cost estimates add \$34,300,000 to the estimates included in Chapter 6 of the TVRGCP. HMWSA noted that the recession was impacting their ability to pay for needed utility improvements but did not provide details. HMWSA also noted that no stimulus funds were available for any of its needs.
- The net result of the project changes noted above is the need for an additional \$38,135,000 for utility projects above the \$185,490,000 shown in Table 6.2 of Chapter 6 in the TVRGCP, bringing the adjusted total for utility needs to \$223,625,000.

Chapter 7 – Transportation

The Metropolitan Planning Organizations responsible for transportation planning in the PSA reported no needed changes in the list of road projects included in Tables 7.2 and 7.3 of the Transportation section (Chapter 7) of the full TVRGCP.

- The City of Madison's Director of Planning, Engineering and Building reported that one of their projects (Eastview Drive Extension from Hughes Road to Sullivan Street) would be started within the next few months using local funds. This \$2,000,000 project was shown in Table 7.3 of Chapter 7 of the TVRGCP as 25% attributable to BRAC-

induced growth and totally unfunded. Madison reported that it had submitted a different list of transportation projects for stimulus funds than were included in the TVRGCP. The city expects to receive \$800,000 to pay for upgrades to two intersections; these are not considered major benefits in mitigating the impact of BRAC. The city considers itself to be in difficult but not catastrophic economic circumstances and is concentrating on maintaining what it has rather than undertaking any major improvements not already programmed.

- Reflecting the situation of nearly every governmental unit in the PSA, the overall funding situation in the PSA was summarized by one respondent as “We didn’t have the money before and we still don’t!”
- The net impact of the changes noted above is to reduce the aggregate cost of needed roadway projects by \$2 million of a total of more than \$3.5 billion.

Chapter 8 – Public Safety and Emergency Services

There is no recession induced impact to the public safety and emergency services findings, priority and important action items identified in the TVRGCP.

Chapter 9 – Health and Social Services

TRICARE is the health care insurance program serving active duty service members, National Guard and Reserve members, retirees, their families, survivors and certain former spouses worldwide. Redstone Arsenal estimates that approximately 78,000 military retirees reside in the Tennessee Valley, constituting a very significant pool of potential TRICARE beneficiaries.

The Scope of Work for this update to the TVRGCP calls for a “preliminary assessment” of the impact that TRICARE provider reimbursement policies have on provider willingness to accept TRICARE insurance coverage.

An investigation into TRICARE’s reimbursement policies revealed several important findings:

- TRICARE offers several insurance plans in the local market. The three most widely used programs are TRICARE “Prime;” TRICARE “Standard” and TRICARE “Extra.”
- TRICARE “Prime” is a managed care program that reimburses “network” physicians at approximately 85% of the standard Medicare rate of reimbursement. Physicians who agree to accept this reduced rate of reimbursement are included on a list of providers supplied to the insured.
- TRICARE “Standard” is a traditional fee-for-service insurance option. TRICARE Standard offers more choice in providers as any TRICARE-authorized provider (network or non-network) is acceptable. Reimbursement rates under TRICARE standard for physicians are essentially the same as Medicare’s rates. As it is an open system, there is no list of providers.
- Physicians are generally not well informed about the different reimbursement schedules in these various plans. Comments regarding TRICARE were solicited from providers as a

part of this effort. The following comments were collected from physician providers regarding TRICARE:

“Payment is lower than Medicare;”

“Difficult to work with plan administrator (Humana);”

“Extremely difficult to work with;”

“Pay out less than Medicare;”

“Payment often sent to patient instead of provider;”

“Payment often wrong (either overpayment or underpayment);”

“Impossible to get referrals;”

“I’m about to drop TRICARE Main reason – payment less than Medicare;”

“For example, H Pylori test on TRICARE patients pays less than the cost the materials, equipment and labor time.”

“I considered taking TRICARE but when I checked the fee schedule, which I was told was the **maximum** fees (set by Congress) that could be reimbursed by the administering insurance company, I was turned off. For a “non-facility physician” which I believe includes me, the well child reimbursements are much better than we charge, sick visits are in line, many vaccine reimbursements are below par (some less than cost even including the admin fee), and hospital services are unacceptable. Doing a newborn history and physical is only reimbursed \$50.76 and a subsequent day visit for a newborn brings only \$27.57. Try calling an electrician to your home and paying him/her those kind of fees! Likewise ER visits which generally take 30 minutes travel plus 30 to 60 minutes to serve are reimbursed at \$35.12 (99282) and \$56.12 (99283).

One other thing about TRICARE is that when I see a TRICARE patient on call for another doctor who is a TRICARE provider, TRICARE usually doesn’t pay one cent when we file for the patient. I would like to be a TRICARE provider if only they would treat me and the patients fairly. Feel free to share this with anyone who would like to know why more pediatricians are not signing up for TRICARE.”

- The list supplied to TRICARE “Prime” beneficiaries of providers serving the North Alabama region who accept TRICARE “Prime” reimbursement is misleading at best. The TRICARE “Prime” provider list includes medical subspecialists in the Internal Medicine category creating the illusion that there are far more physicians practicing full time internal medicine than there really are (e.g. of the 93 internists listed only 22 are actually practicing internal medicine. The rest are academicians or subspecialists or different specialties). An insured who used this list in an effort to find a traditional primary care physician could easily work their way far down this list before finding a physician willing to provide the needed service.
- While TRICARE’s relationship with the area hospitals is generally better than the relationship with the physician community, TRICARE has a checkered history with the local hospitals. Proposed cuts to hospital reimbursement rates, especially for outpatient procedures, are very troubling. Cuts of up to 50 percent of the current reimbursement rates

have been proposed. Athens Limestone County Hospital is currently reimbursed at a rate below Medicare. There is concern on their part that future cuts in the outpatient reimbursement will effectively put them out of the business of taking TRICARE reimbursement. ALH has requested 100% of Tricare and hopes that they can survive the OPSS reductions. Huntsville Hospital has requested that Humana consider both hospitals together - as they are financially responsible for ALH's losses - but Humana will not consider this in its transition criteria.

Based on this preliminary assessment, it appears that TRICARE reimbursement policies have an adverse impact on provider willingness to accept this form of insurance.

Chapter 10 – Cultural and Recreational Opportunities

There is no impact to the cultural and recreational opportunity findings, priority and important action items identified in the TVRGCP.

Chapter 11 – Economic Development

Additional workforce demands will be felt throughout the PSA despite the impact of the recession. Area contractors to the Arsenal commands located throughout the PSA will be experiencing additional workforce demands because of the BRAC process and will have to expand recruiting efforts to meet these demands. The Huntsville/Madison County Chamber of Commerce (the Chamber) is working to assist firms located across the PSA by identifying the priority workforce demands among all employers, but in particular, defense contractors. In January 2009, the Chamber conducted a survey of its membership to gauge recruitment plans. The survey was comprehensive and included 52 contractors to the Arsenal.

Despite the economic downturn, the staff recruitment plans of these contractors appear to be strong and the recession does not seem to be impacting the timing of their recruitment or the anticipated demand for workers. Some key points from the survey include:

- At a minimum the contractors will recruit for a minimum 1,253 jobs in 2009 (maximum staffing recruitment goal could not be determined),
- 83% of these contractors (i.e. 43) said their recruiting efforts were going to increase in 2009 over those of 2008 (the other nine will be recruiting for fewer positions than last year).
 - 24 expected to recruit about the same number of individuals as in 2008
 - 13 will be recruiting more individuals
 - Six will be recruiting significantly more individuals
- About 70% include a national or regional recruiting focus, but 58% also look locally.
- The top three most significant recruiting challenges are:
 - Finding qualified workers (rated moderate to significant by 79%),

-
- Meeting salary requirements (rated moderate to significant by 63%), and
 - Attracting workers to the PSA (rated moderate to significant by 56%).
 - Other concerns raised in open-ended questions were cost of relocation/ability to sell houses for recruits and US citizenship requirements.
 - 77% of the companies use the Chamber’s website, *ASmartPlace.com*, for staff recruiting. Those who do not were unaware of the service.
 - In the survey, there were 170 positions identified that are being recruited. Of these the priority positions being recruited include: engineering (61), computer science (51), business and financial (28), management (9). These do not correlate to absolute number of positions being recruited for – they are priorities for recruiting.

The Chamber has implemented a number of initiatives and services to assist contractors to the Arsenal in finding qualified workers and attracting them to the region including *ASmartPlace.com*. Interviews with individual contractors have indicated that this website has been a valuable tool in “selling” the area to potential recruits. The Chamber will continue to refine and market their workforce programs and services particularly in the top priority occupations for area employers as indicated by the survey. This will allow the Chamber to more fully target their efforts on these positions.

IMPACT OF THE RECESSION ON FUNDING ABILITY

The primary area in which the recession is impacting the Study Area is the ability of the state governments, local governments, local education authorities and others to provide funding for needed public sector improvements in support of installation growth. In particular, tax receipts are significantly down, financing and credit is being constricted, and self-funding efforts for capital improvements in the school systems will be more difficult.

The recession is having some ameliorating effect on construction costs as the price of both materials and labor declines due to reduced project activity and demand, other factors are already adding to previously estimated costs, particularly for utilities and roadway construction. At the same time, revenue sources to local, county and state government have been significantly reduced at the same time as a lack of credit has made it more difficult to fund projects in traditional ways.

While the credit crunch is likely to be a short-term phenomenon as it typically is in a recession, the cities and counties in the PSA do not have the financial capability to pay for necessary projects – in particular, roads, utilities and school construction – and the State of Alabama is in a similar financial situation. The resulting situation is a need of more than \$3.7 billion for utilities and roadway projects, more than \$1 billion is attributable to BRAC-induced growth, and nearly all of which has no identified funding source. In addition to these quantified needs, there is an unknown amount of new school construction or improvements, public transportation needs, and other projects requiring funding.

It would be impossible for state, county and local governments and local education authorities to pay all these costs in a hearty economy; the recession exacerbates the problem.

REMEDIAL ACTIONS TO MITIGATE IDENTIFIED ISSUES

At the current time, there appears to be few issues that will emerge as the result of the recession that will change the findings, conclusions and recommendations provided of the TVRGCP. However, key stakeholders appear to be aware of and are monitoring potential recession-related challenges.

Federal stimulus funding should be given serious consideration for meeting BRAC-related utility and transportation needs as additional funds are made available.

- Of the \$27.5 billion allocated to the Federal Highway Administration, half does not need to be obligated by the recipient states until one year after apportionment.
- The Secretary of United States Department of Transportation (USDOT) has an additional \$1.5 billion for competitive surface transportation grants, including public transportation. A call for proposals is expected in August.
- The Federal Transit Administration (FTA) has \$8.4 billion available as of March 9, 2009, although the majority will be allocated on a formula basis.
- FTA's Transit Investment for Greenhouse Gas Reduction (TIGGER) program has \$100 million available, not by formula, with proposals due by May 22, 2009.
- The Treasury Department's "Build America Bonds" program addresses the lack of access to tax exempt bonds to pay for public works projects by creating a new taxable bond program. Treasury will make a direct payment to states or local governments issuing such bonds to cover 35% of the interest costs. Eligible projects include schools, roads, transportation infrastructure, water and sewer projects, other public utilities, and other types of public projects.

Additional initiatives are expected as part of the President's agenda to revitalize the country and its economy including improving the nation's education system which may include support for construction; additional funding to improve infrastructure including the creation of a National Infrastructure Bank; additional funding for Clean Water and Drinking Water state revolving funds; and other programs as yet unknown or not listed here.

It is imperative that the region's leadership, educators, utility and transportation planners work diligently to access every possible funding source as recommended in the full TVRGCP.