

Topics: Affordability in Hospital Costs and Community Investments

Affordability Webinar Series

Colorado Department of Health Care Policy & Financing

April 14, 2021

Moderator

Panel: Affordability in Hospital Costs and Community Investments



Cristen Bates, Senior Advisor of Affordability Partnerships,
Colorado Department of Health Care Policy & Financing

Panelists



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Health Policy & Affordability Webinar Series



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COLORADO

Department of Health Care
Policy & Financing

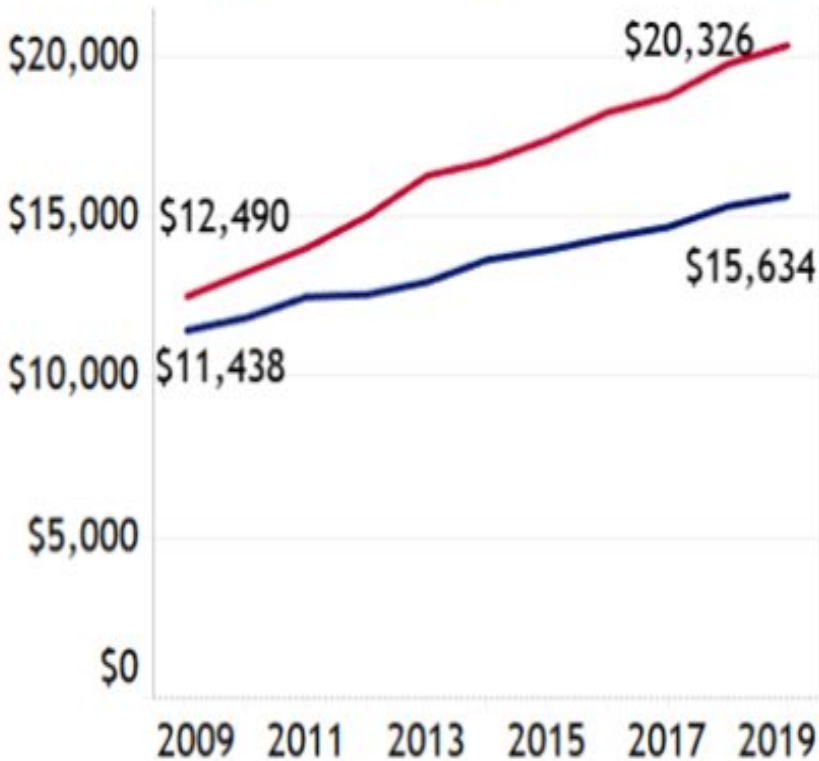
Hospital Insights

Source: 2018/2019 Medicare Cost Reports

Colorado Cost, Price & Profit Trends, 2009-2019

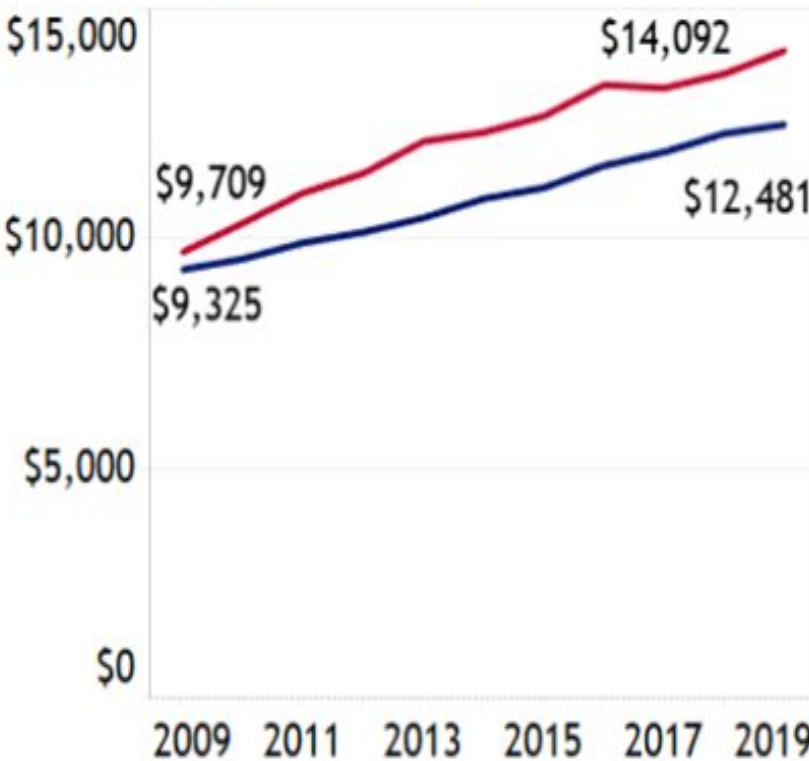
Price per Patient

■ Colorado ■ National



Cost per Patient

■ Colorado ■ National



Total Profit per Patient

■ Colorado ■ National



Data extracted November 2020



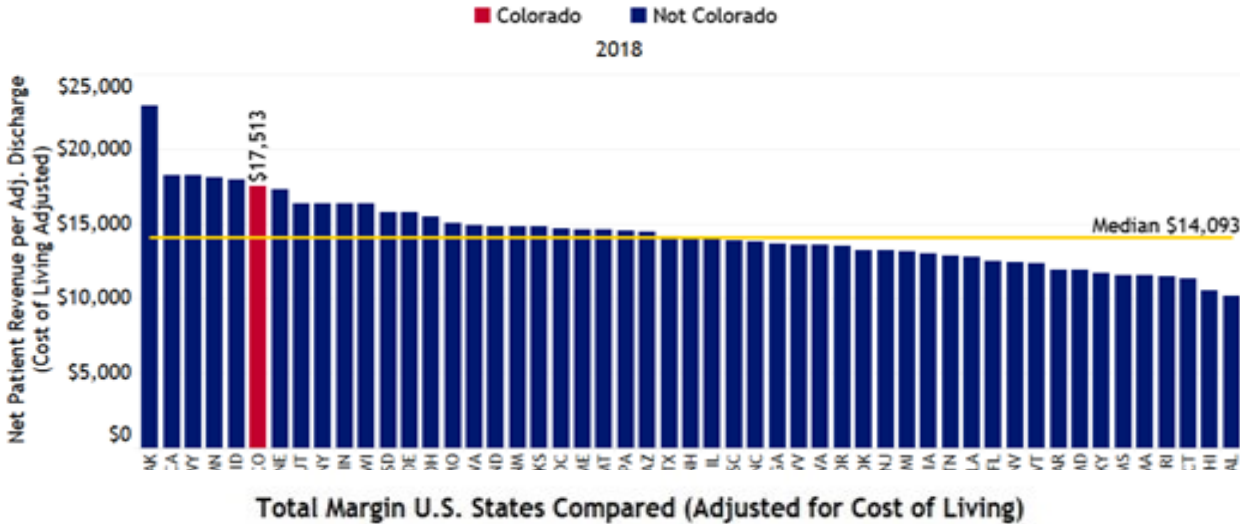
Rural Hospitals ripe for public investment

- Compared to front range hospital systems, rural hospitals have lower margins and serve more publicly insured patients
- Investments should address affordability, access, outcomes and health disparities/equity
 - Regional Centers of Excellence
 - IT investment to drive affordability and address disparities
 - Expanded primary care, behavioral health, chemotherapy, basic surgical, orthopedics, etc.

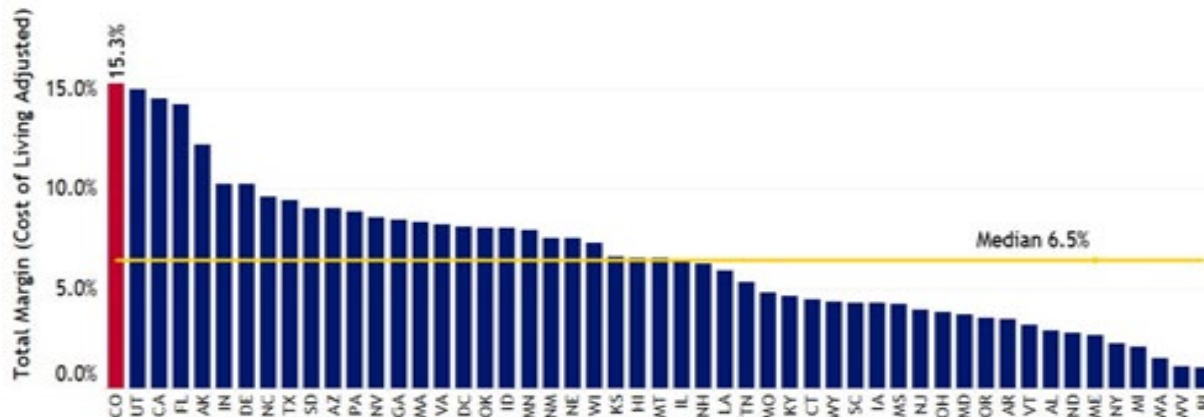
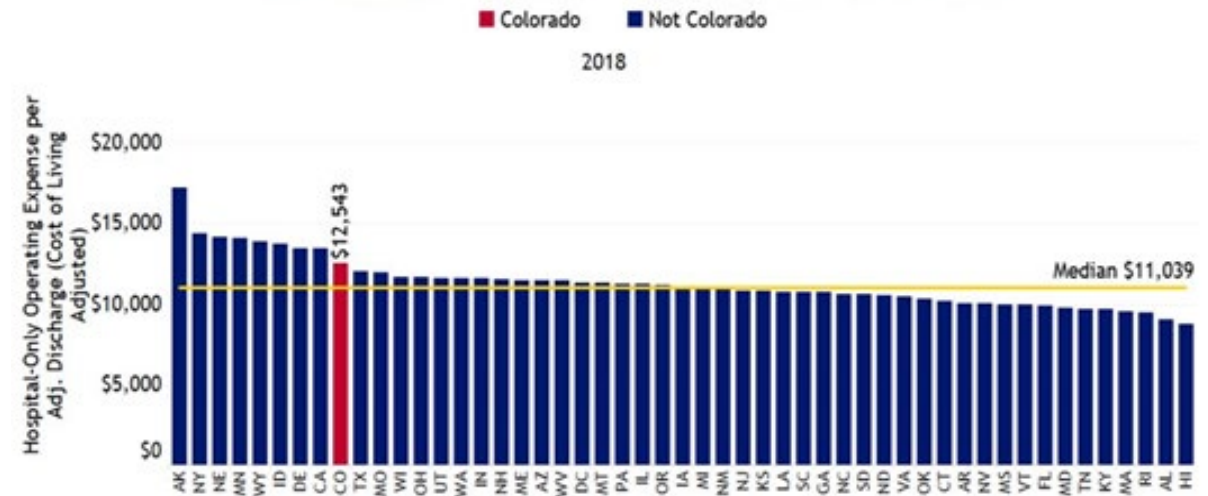
Transparency: Medicare Cost Reports, 2018

CO Rankings: 6th Price, 9th Cost, 1st Total Profit

Price per Patient U.S. States Compared (Adjusted for Cost of Living)



Cost per Patient U.S. States Compared (Adjusted for Cost of Living)



Opportunity for collaboration with hospitals to reduce prices and bring profits more in line with national median. Thank you for recent pricing adjustments: i.e. Centura, SCL. Still, *more change is needed from major systems to bring CO hospitals in line with national norms.*



Colorado Hospital Groupings

Hospital with > 25 beds

Colorado hospitals with greater than 25 beds

High price
25

Not high price
16

Figure 21

Nationally normal costs
10

High profit
8

Nationally
normal profit
2

Figure 23

High cost
15

High profit
8

Nationally
normal profit
6

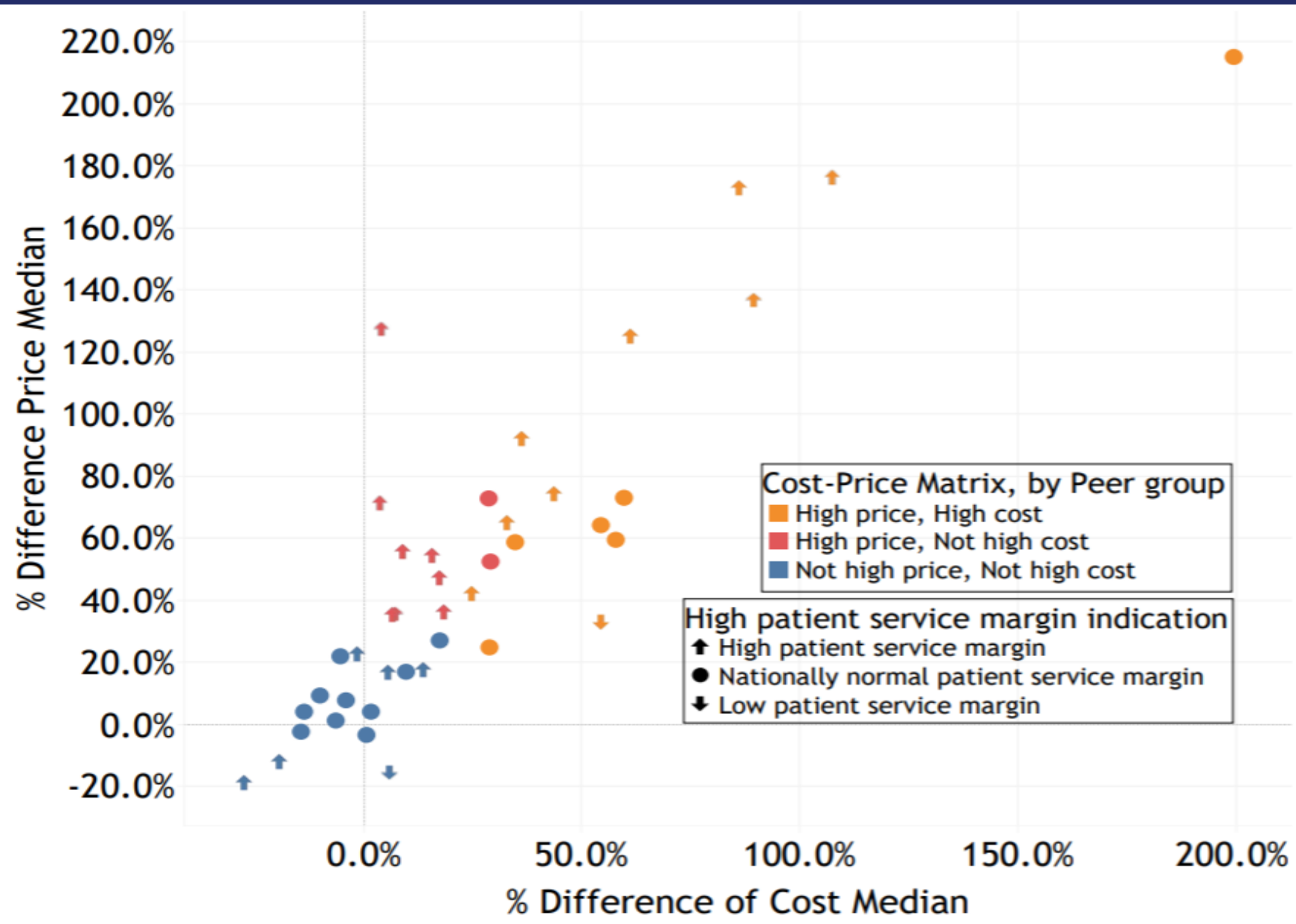
Low profit
1

Figure 25

Nationally
normal costs
14

Low cost
2





National Median Cost- Price Scatterplot of Colorado Hospitals, including Net Income/Profit

Opportunity to
rein in the
outliers

2018 Income Statement, All Colorado Hospitals; Two Types of Profit

Statement Line	Colorado
Net Patient Revenue	\$ 16,862,512,337
Hospital-Only Operating Expense	12,073,928,031
Non-Hospital Operating Expense	3,301,592,506
Total Operating Expenses	15,375,520,537
⇒ Patient Services Net Income	1,486,991,800
⇒ Plus: Other Non-Patient Income	1,371,040,633
Less: Other Non-Operating Expenses	8,546,621
Net Income	\$ 2,849,485,812
Total Margin	15.6%

Non-Profit Hospitals Net Income: 58% of total

\$ 1,659,344,433

2018 Income Statement, Colorado Hospital System and Non-System

Statement Line	System	Not System
Net Patient Revenue	\$12,356,264,589	\$4,506,247,748
Hospital-Only Operating Expense	8,499,932,532	3,573,995,499
Non-Hospital Operating Expense	1,593,050,249	1,708,542,257
Total Operating Expenses	10,092,982,781	5,282,537,756
Patient Services Net Income	2,263,281,808	(776,290,008)
Patient Services Margin	18.3%	-17.2%
Plus: Other Non-Patient Income	219,263,226	1,151,777,407
Less: Other Non-Operating Expenses	(3,289,143)	11,835,764
Net Income	\$2,485,834,177	\$363,651,635
Total Margin	19.8 %	6.4%

CO 2018 vs 2019 Hospital Rankings

Source: Medicare Cost Reports Submitted by Hospitals

	<u>2018</u>	<u>2019</u>
Price/Patient	6th highest	3rd highest
Cost/Patient	9th highest	9th highest
Profit/Patient	2nd highest	4th highest
Total Profit	1st highest	5th highest

While all factors - price, cost, profit - are important, collaboration on hospital PRICES is key to impacting consumer and employers premiums as well as self-funded employer benefit costs.

Community Benefit

Community Benefit can be Represented in Different Ways

AHA reports all benefits and uncompensated care

Reported to the IRS

Reported through HB 19-1320

+ Community investment activities

+ Medical research & professional education

+ Charity care program

+ Medicaid and other non-Medicare public program unreimbursed costs

+ Bad debt

+ Medicare shortfall

*Community impact FROM
the hospital for
providing services*



*Financial impact TO
the hospital for
providing services*



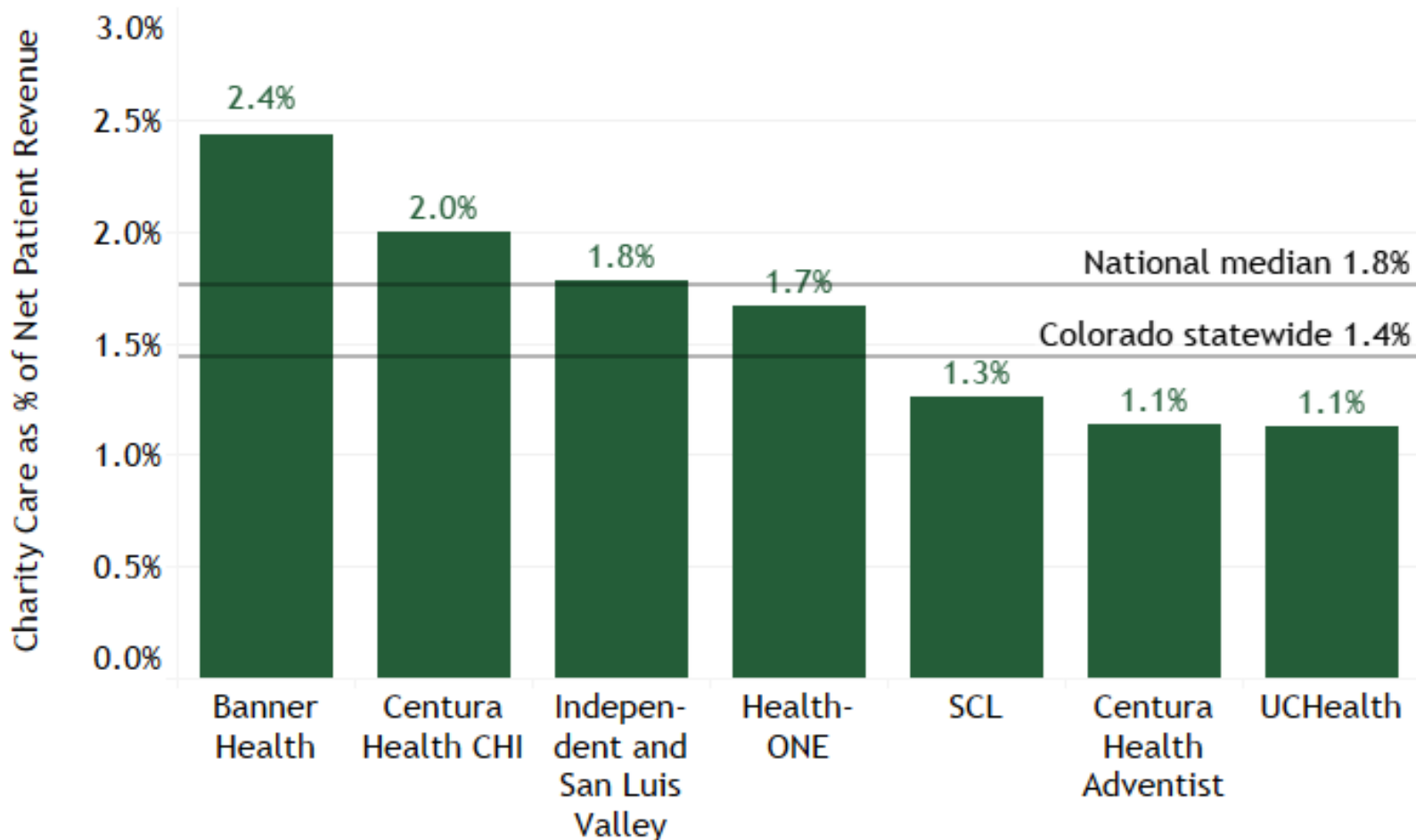
2017 Community Benefit Categories and Percent of Total Expenses

Community Benefit Category	Percent of total expense	Typical for nonprofit hospitals?	Typical for for-profit hospitals?
Financial assistance, unreimbursed Medicaid, unreimbursed costs from means-tested government programs	6.4%	✓	✓
Medicare shortfall	3.1%	✓	✓
Bad debt expense attributable to financial assistance	0.4%	✓	✓
Subtotal attributable for both nonprofit and for-profit	9.9%		
Health professions education	1.7%	✓	
Medical research	0.5%	✓	
Cash and in-kind contributions to community groups	0.3%	✓	
Community building activities	0.1%	✓	
Other (community health improvement, subsidized health)	1.7%	✓	
Total	13.8%		
Percent of total that is attributable for both nonprofit and for-profit	71.7%		

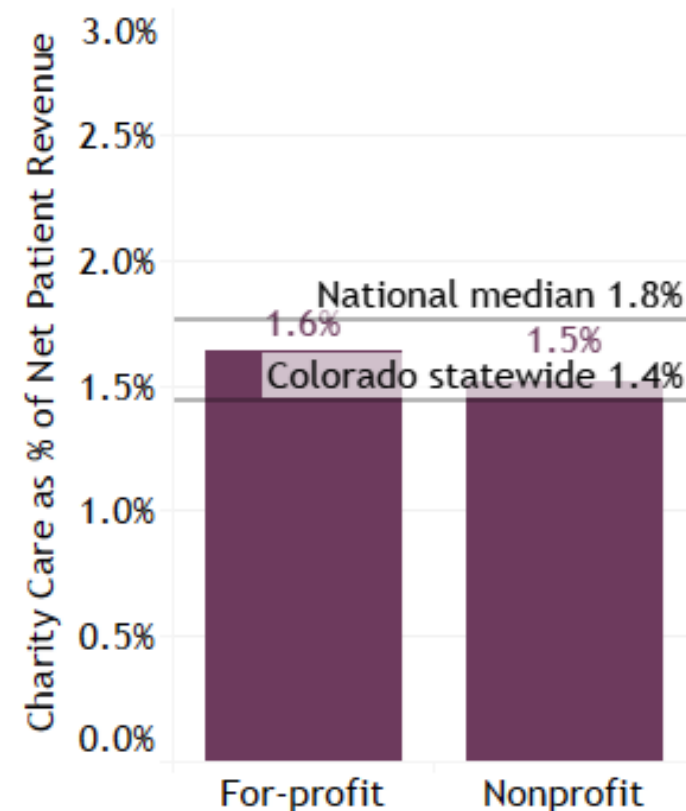
Total does not sum due to rounding.

2018 Charity Care as a Percent of Net Patient Revenues

By Hospital System



By Profit Status



A New Path Forward in Health Care

Improving Community Access, Affordability & Health Outcomes	Initiative	Owner
	Strengthen comprehensive primary care through eConsults and alternate payment methodologies.	\$ 🏥
	Connect patients and families to community resources that help them improve their health.	\$ 🏥 ❤️
	Help patients navigate to the right specialist when needed through eConsults and thoughtful referrals to higher-performing providers (better outcomes, yet more affordable).	\$
	Ensure the efficient use of Emergency Rooms by educating patients on alternatives like telehealth, urgent care and nurse advice lines.	📈 \$ 🏥 ❤️
	Improve equitable access to affordable physical and behavioral care by building out telehealth infrastructure and policy.	📈 \$ 🏥
	Reduce unnecessary procedures and low-value care by connecting providers to effective cost and quality tools.	\$ 🏥
	Maximize innovations to improve affordability and quality outcomes while reducing provider burden.	📈 \$ 🏥
Hospital Value & Sustainability	Increase use of value-based payments to incentivize affordability, clinical innovation and improved patient outcomes.	\$ 🏥
	Publicly report insights into hospital financials and community investments that drive affordability policies, improve access to efficient delivery systems and support community health.	📈 \$ 🏥 ❤️
Achieving Health Equity	Invest in rural hospitals to improve sustainability, increase access to care, address health disparities, and improve outcomes in rural communities.	📈 🏥 ❤️
	Review all policies and practices through an equity lens to thoughtfully address health disparities.	📈 \$ 🏥 ❤️
	Design policies that promote people over profits.	📈 \$ 🏥
	Lead statewide reform to improve the mental health and substance use system by implementing the Behavioral Health Blueprint.	📈 \$ 🏥



POLICYMAKERS

State & Federal Legislators,
Local Government Officials,
Advocates



PROVIDERS

Clinicians, Health Care
Administrators, Facilities



PAYERS

Medicare, Medicaid,
Insurance Carriers,
Employers



CONSUMERS

Patients, Families,
Coloradans



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New Hospital Analytical Tools Available to the Public Soon



Colorado vs. National:
Operating Cost per Adjusted Discharge, Administrative Cost per Adjusted Discharge, Capital Cost per Adjusted Discharge, Medical Cost per Adjusted Discharge, Total Margin percent, and Patient Services Margin percent



Operating Cost per Adj. Discharge

Administrative Cost per Adj. Discharge

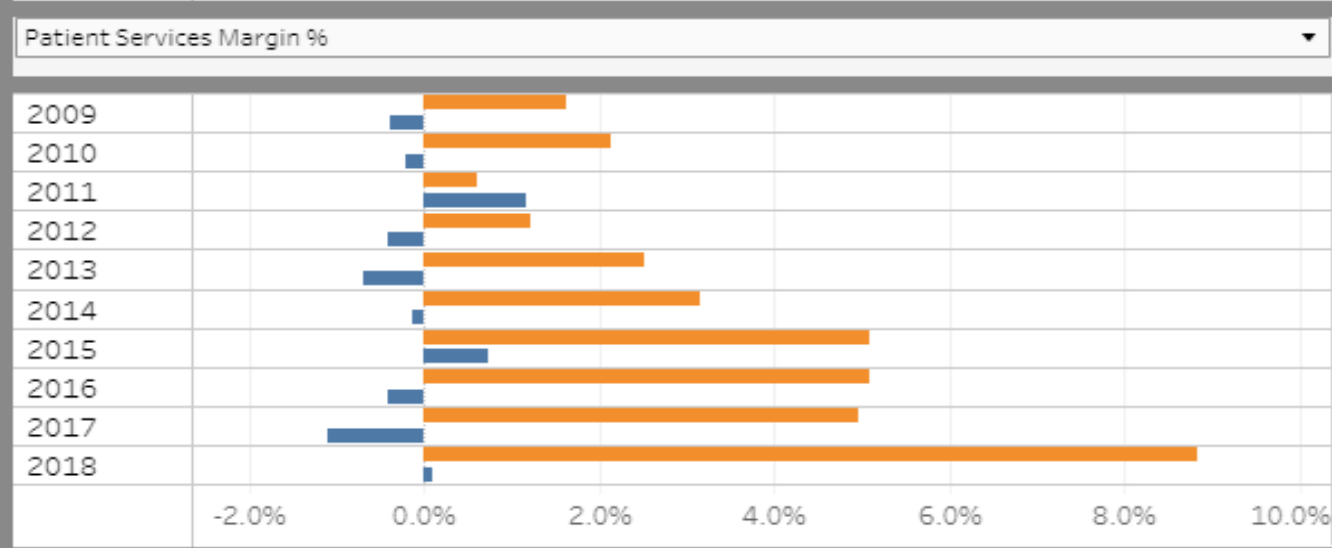
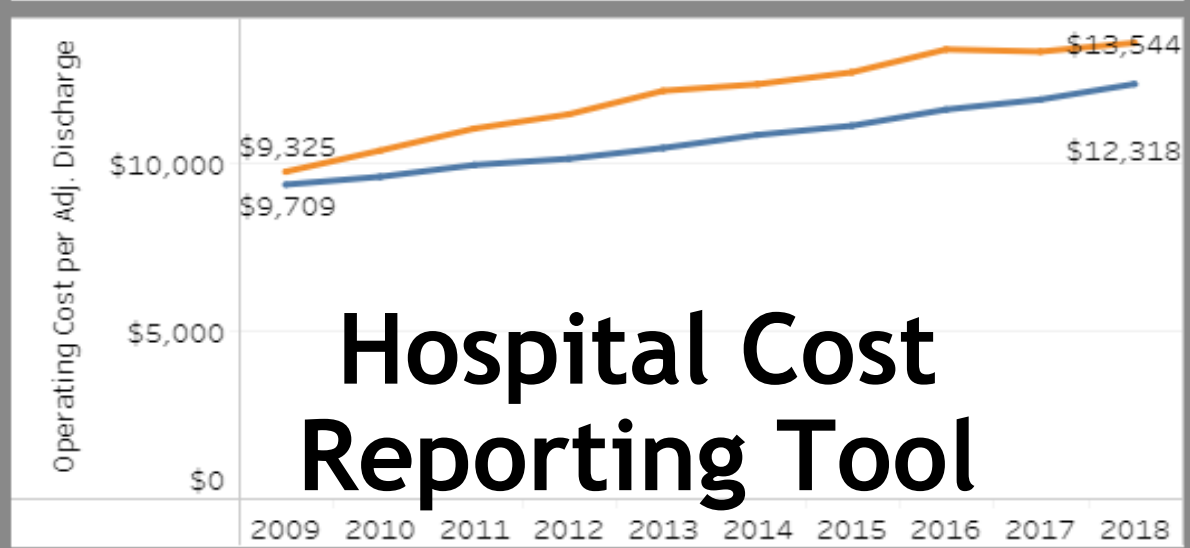
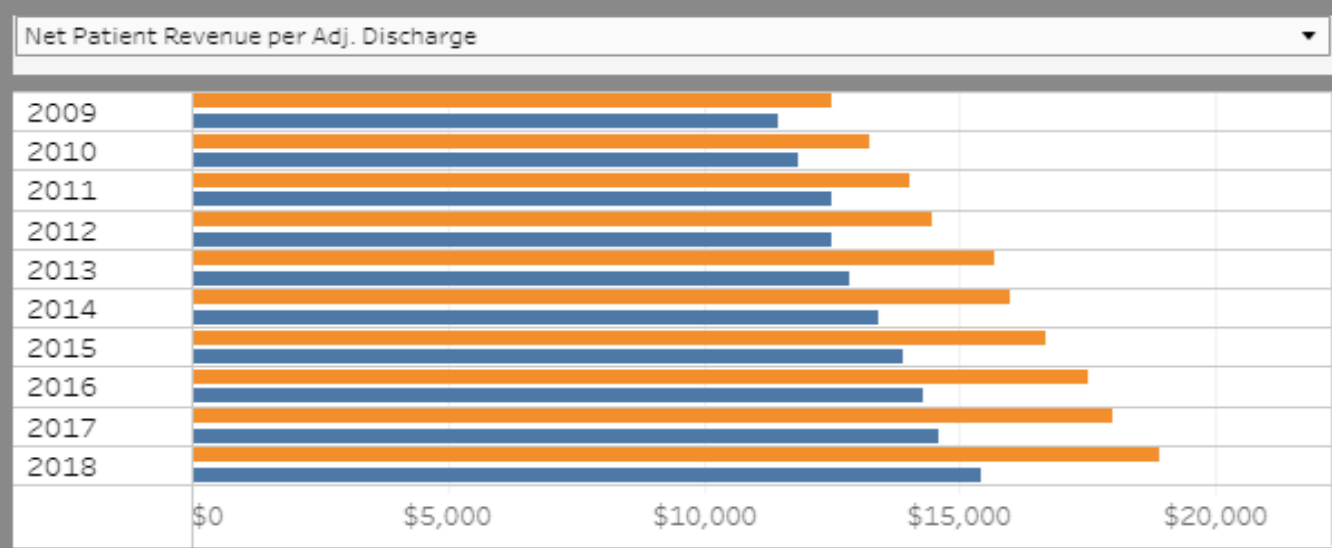
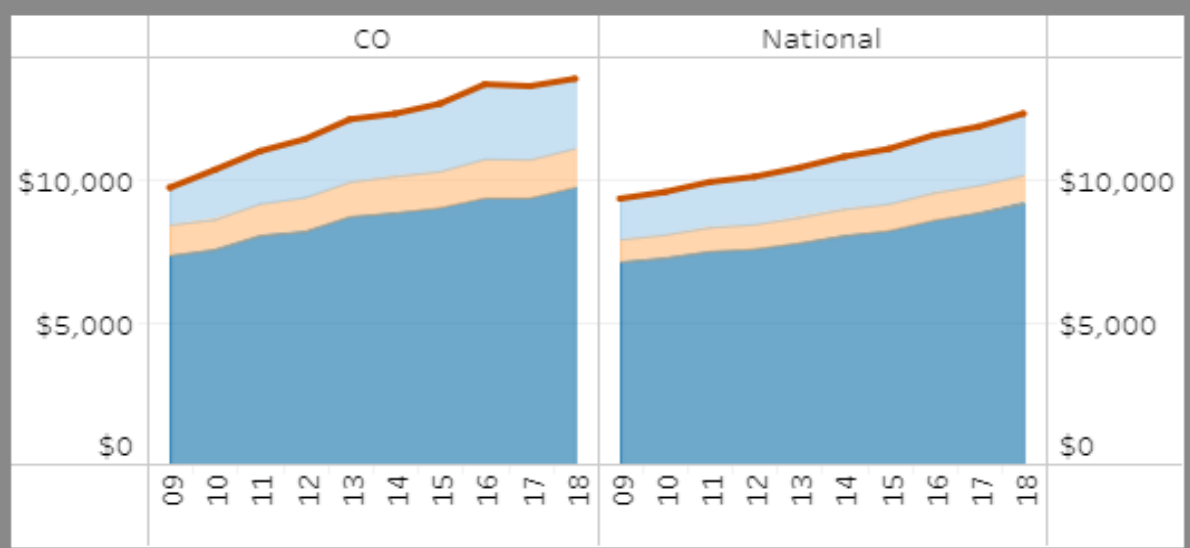
Capital Cost per Adj. Discharge

Medical Cost per Adj. Discharge

Region Level

CO

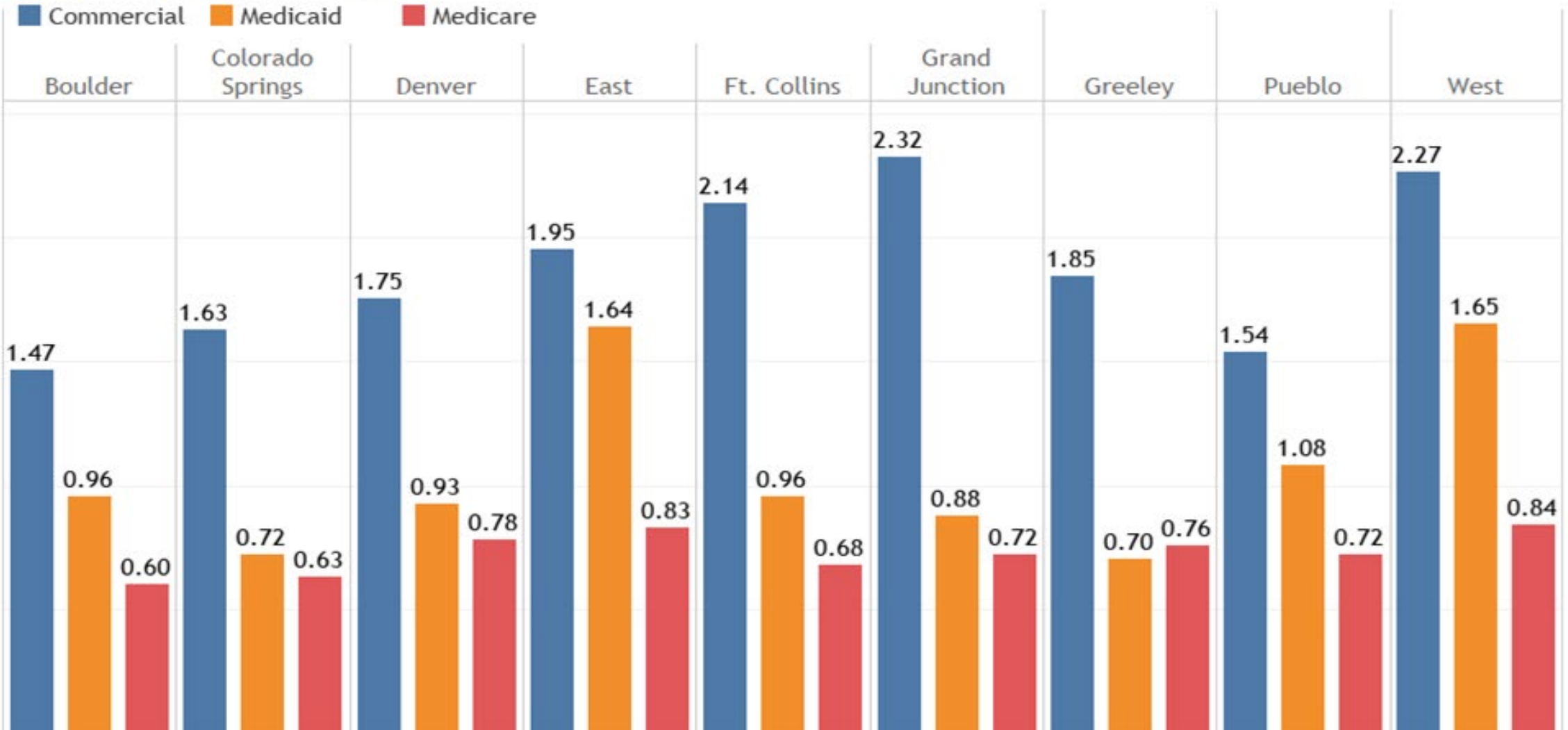
National



Hospital Cost Reporting Tool

Payment Variation Tool

Relative Price by DOI Region



CO Dept. of Health Care Policy & Financing Affordability Resources

For more information on affordability visit the website at:
<https://hcpf.colorado.gov/affordability>

HCPF's Hospital Reporting Hub
<http://hcpf.colorado.gov/hospital-reports-hub>

2021, Reducing Prescription Drugs Costs in Colorado
<https://hcpf.colorado.gov/publications>

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Policy Researcher, RAND
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COMING SOON

Recording of this event will be posted in a week
on HCPF's Affordability Site

Next Affordability Webinar: Employer Tools and
Resources to Save Money on Health Care in June
2021

RAND Hospital Price Transparency Project

Colorado Health Policy & Affordability Webinar

April 14, 2021

Christopher Whaley

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Employer-sponsored plans cover half of Americans

\$1.2 trillion

health care costs in 2018

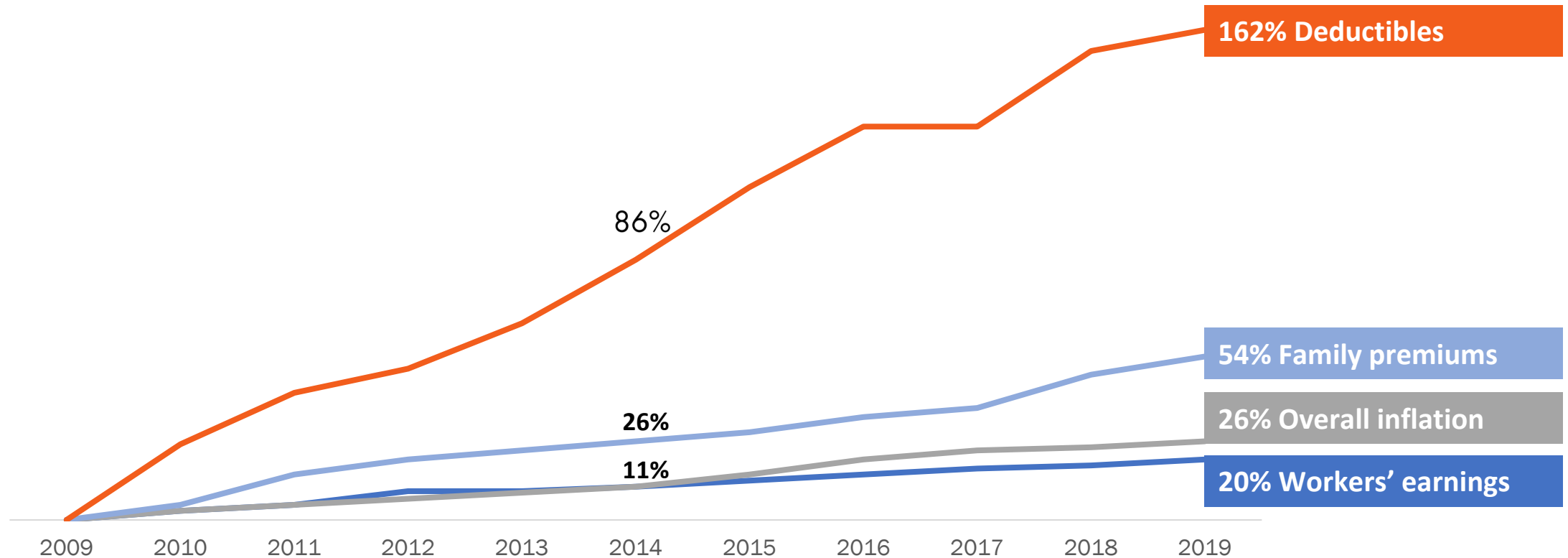
\$480 billion

hospital costs in 2018



160 million
people

Over the past decade, premiums and deductibles have outpaced wages



What do we *not yet* know?

- How do prices compare across the country?
- Are hospital prices continuing to rise?
- Which hospitals/systems are getting the highest prices?
- ***What are the prices that individual self-funded employers are paying, and are these prices in line with the value that employers are getting?***

Hospital prices in the time of COVID-19

- COVID-19 is placing enormous financial pressure on both hospitals and employers
- Hospitals and health professionals are critical members of their communities
- Health benefits are one of the largest expenses for employers
- Now more than ever, employers need transparent information about hospital prices

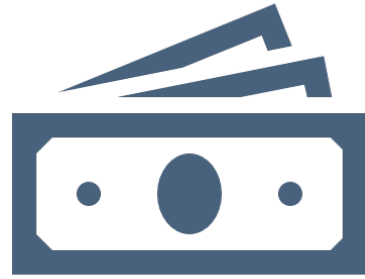
Why did RAND undertake this study?

- We do not know what the “right” price is for hospital care
- Self-funded employers cannot act as responsible fiduciaries for their employees without price information
- Employers can use the information in this report—together with knowledge of their own employee populations—to decide if the prices they and their employees are paying align with value



Obtain claims data from:

- self-funded employers
- APCDs
- health plans



Measure prices in two ways:

- relative to a Medicare benchmark
- price per case-mix weight



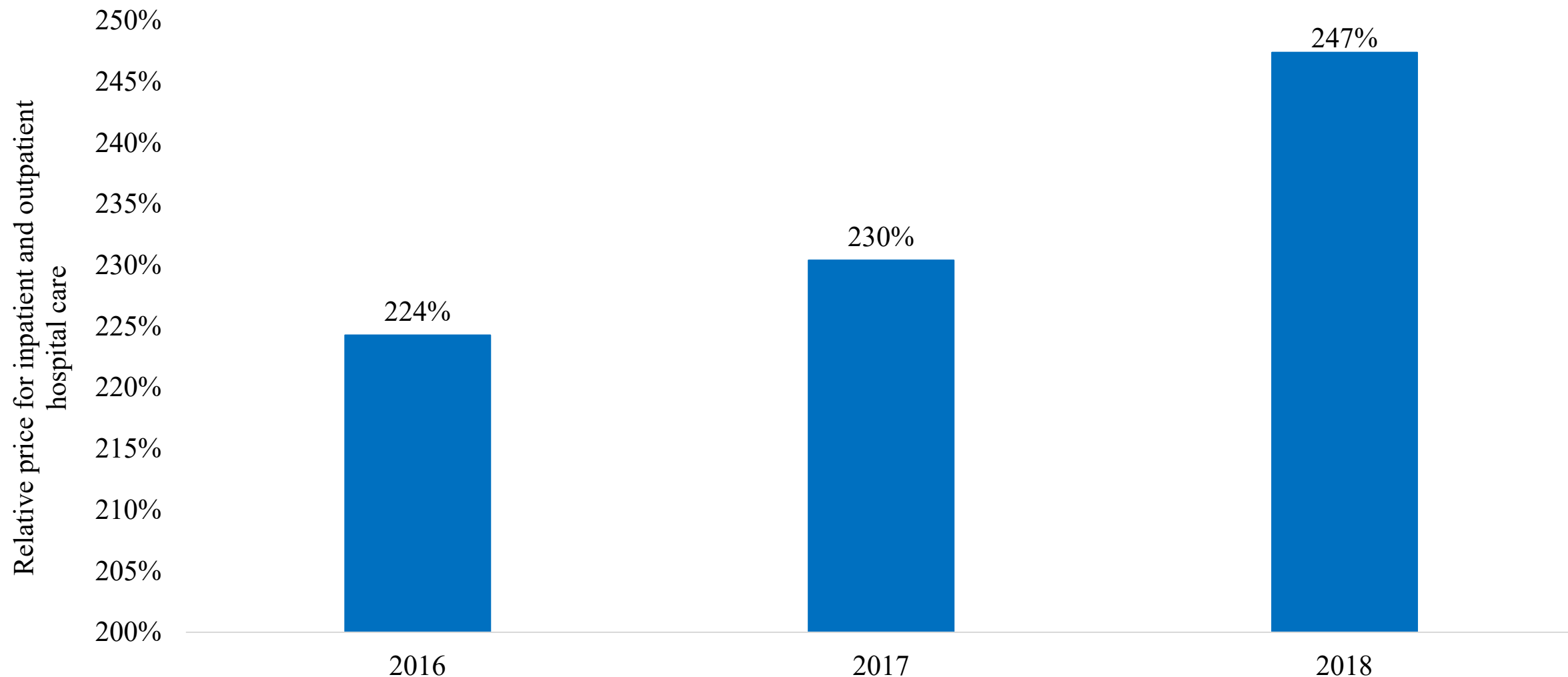
Create a *public* hospital price report:

- posted online, downloadable
- named facilities & systems
- inpatient prices & outpatient prices

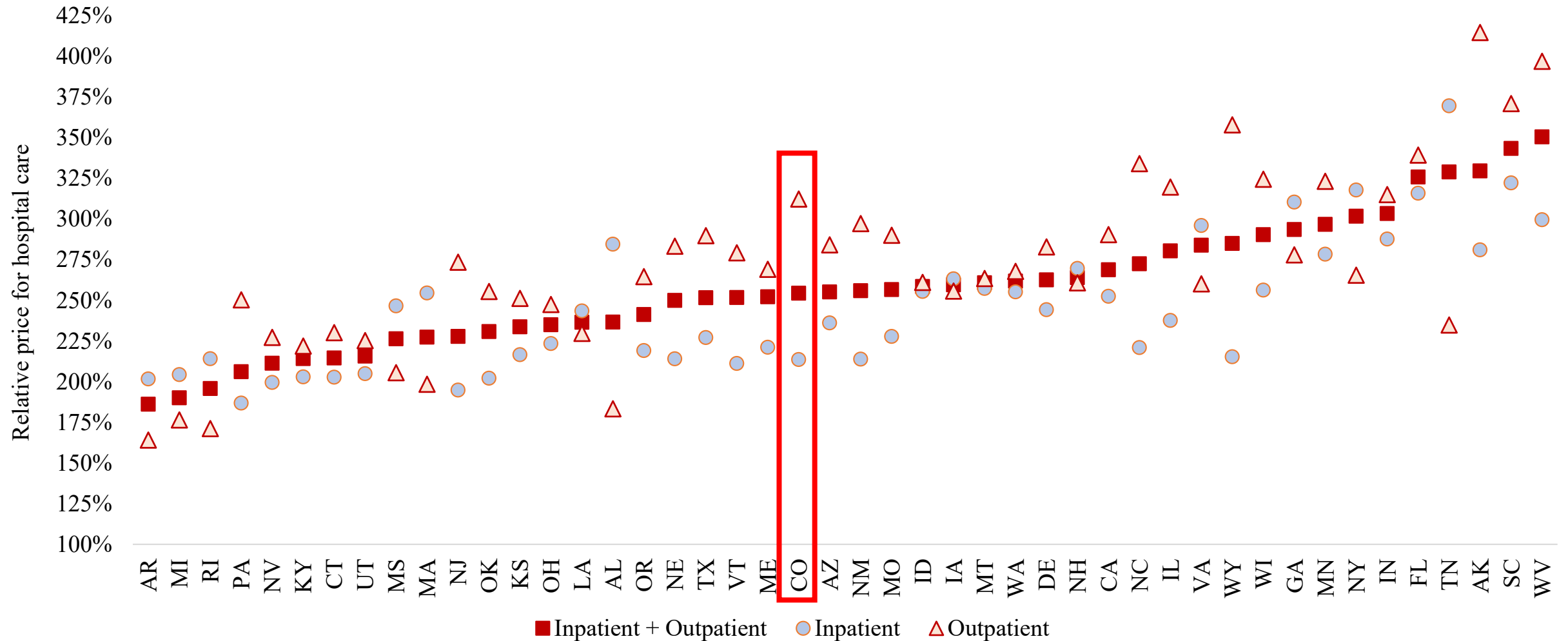


Create *private* hospital price reports for self-funded employers

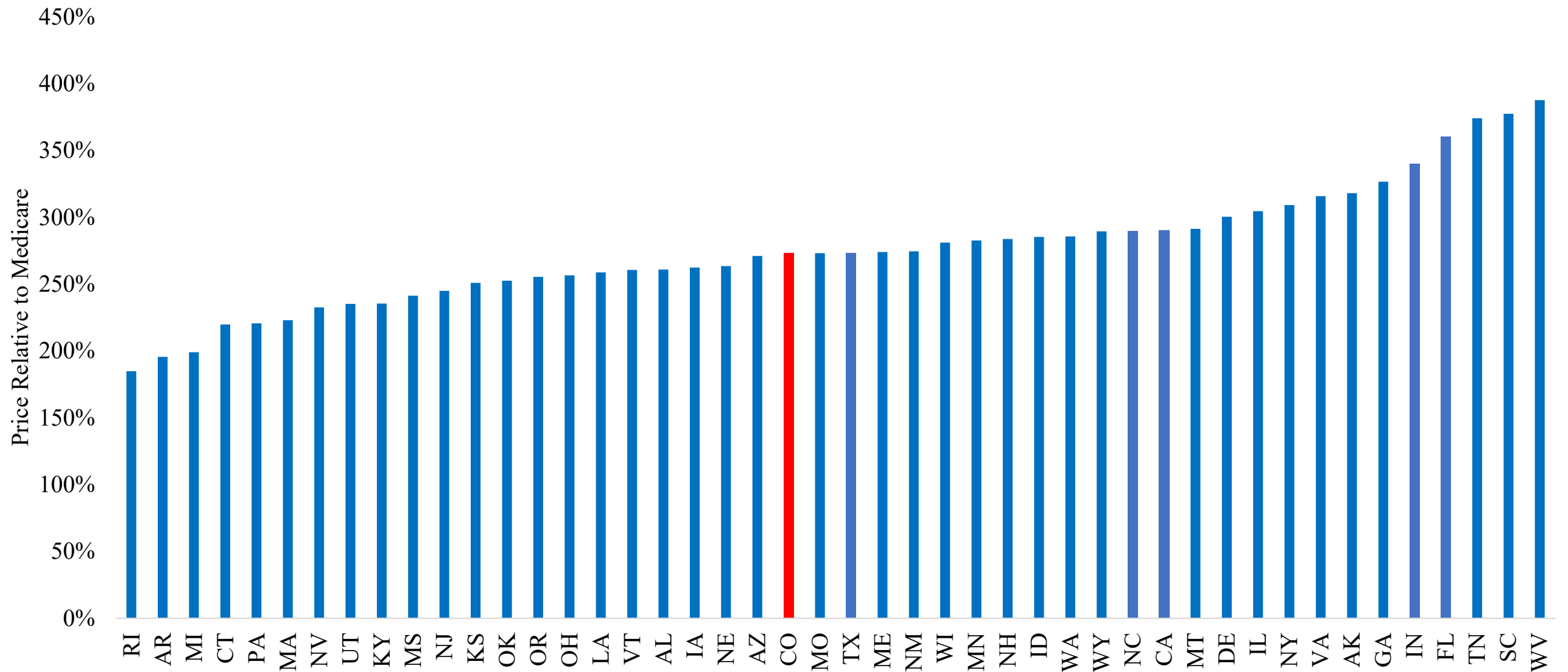
Commercial prices relative to Medicare have increased steadily



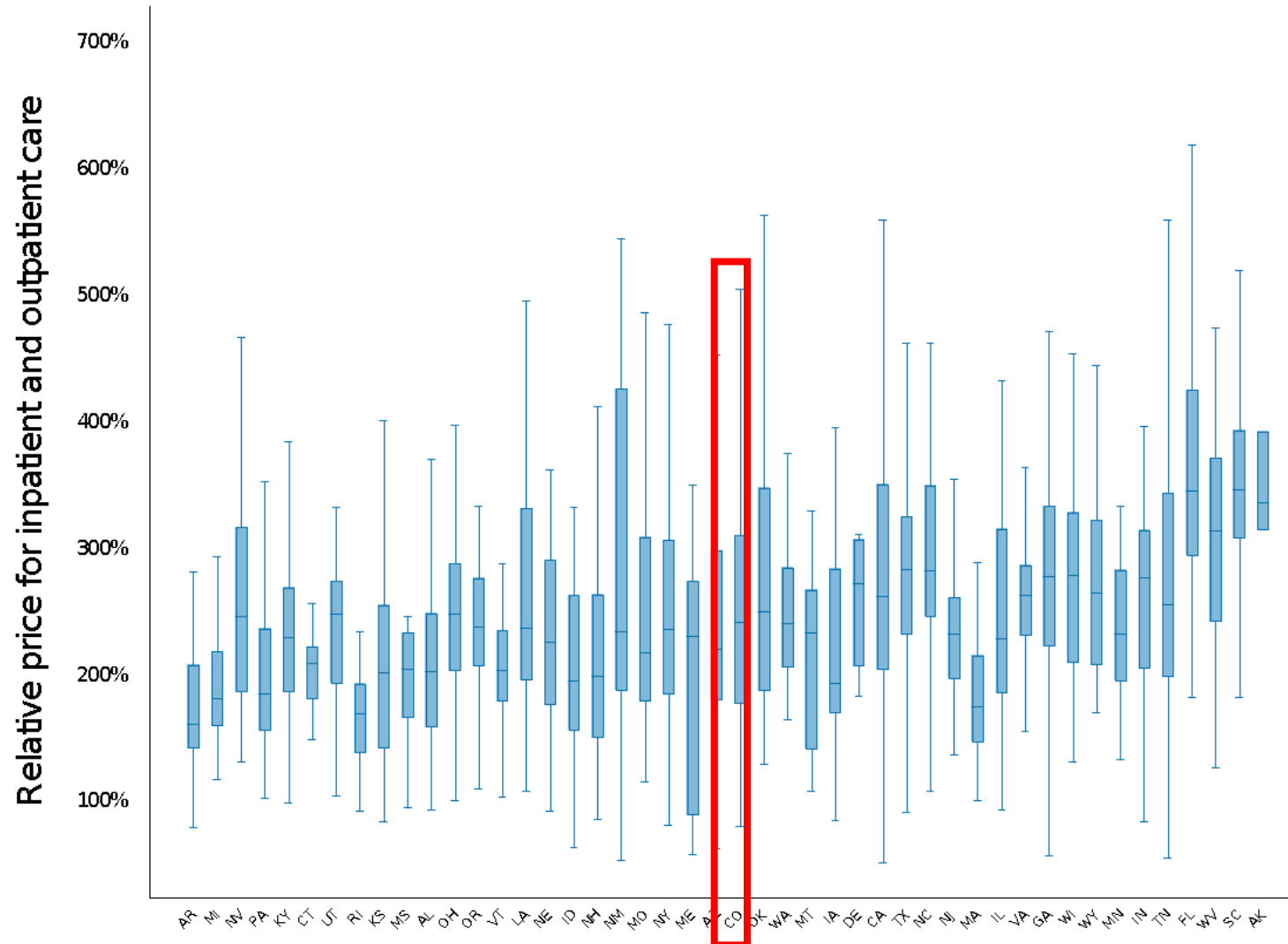
Commercial prices relative to Medicare vary widely across states



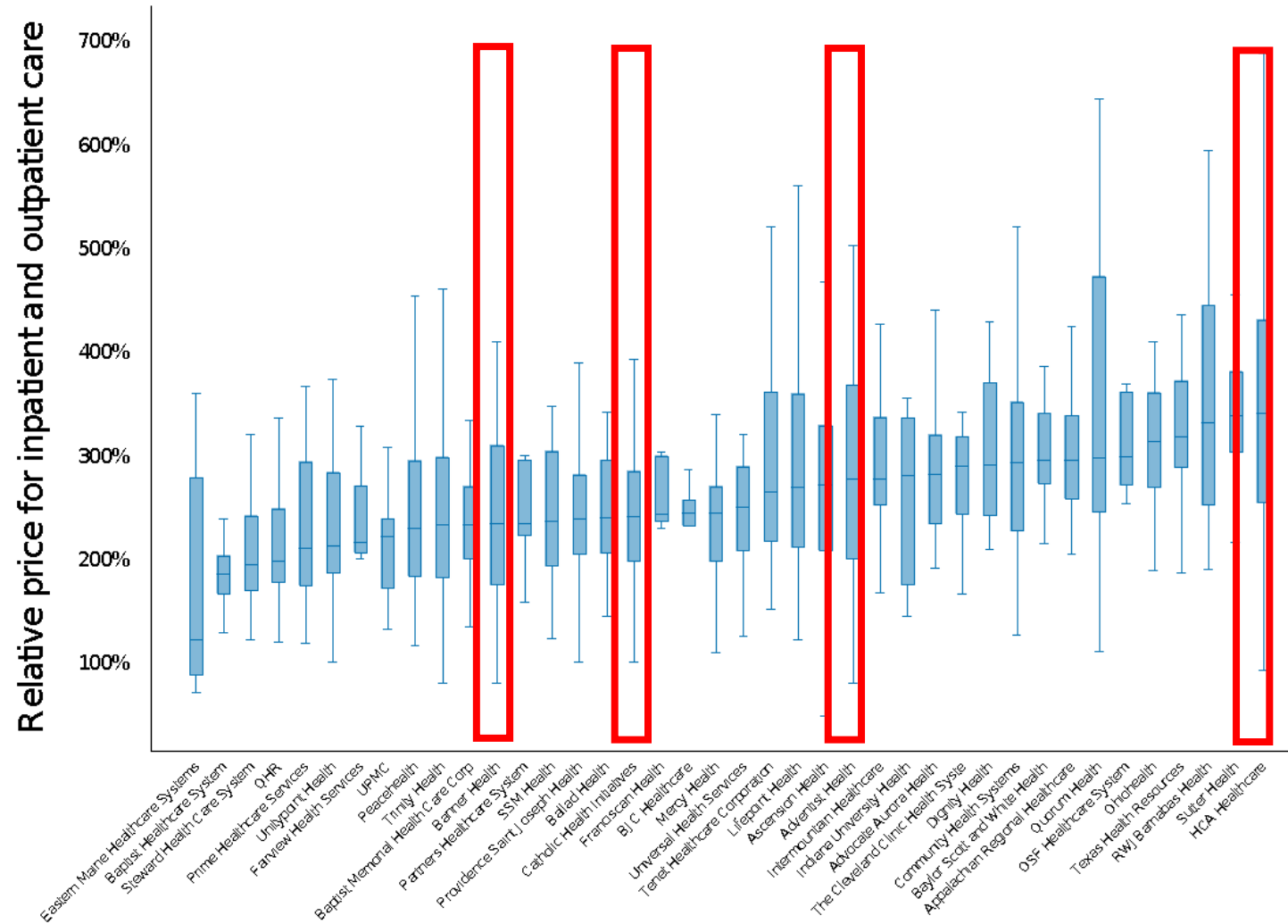
Facility prices relative to Medicare, by state:



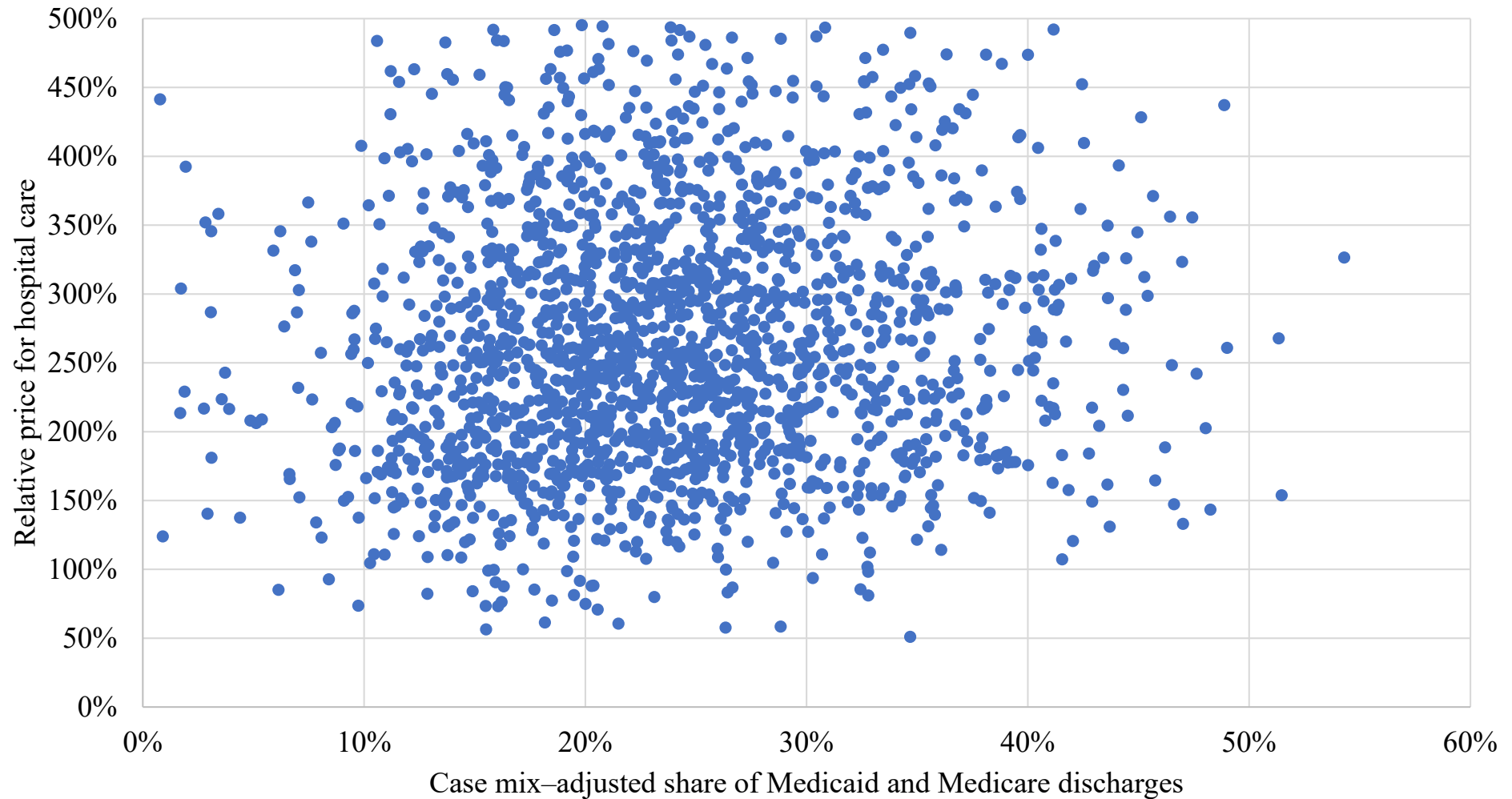
Prices vary widely within states



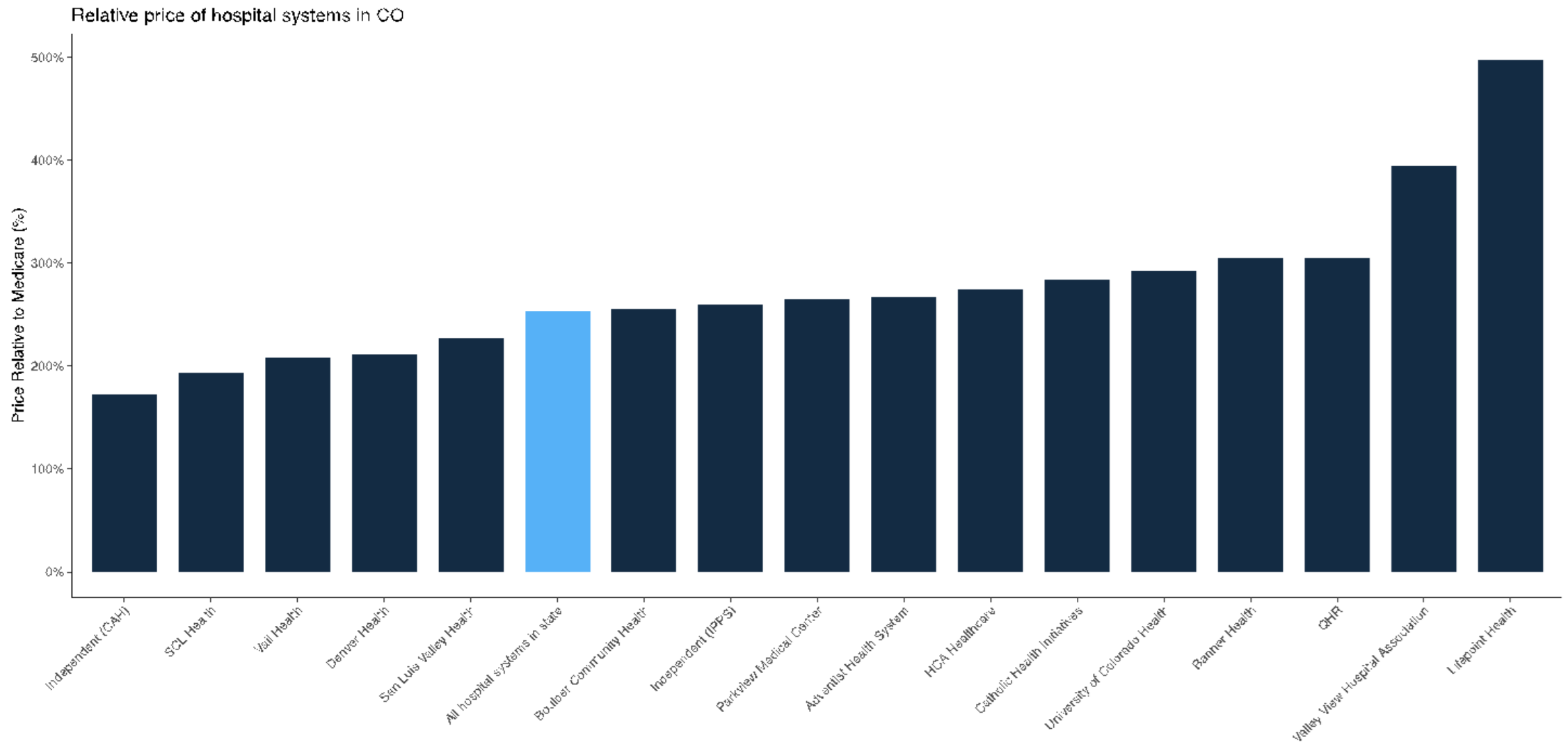
And also within hospital systems



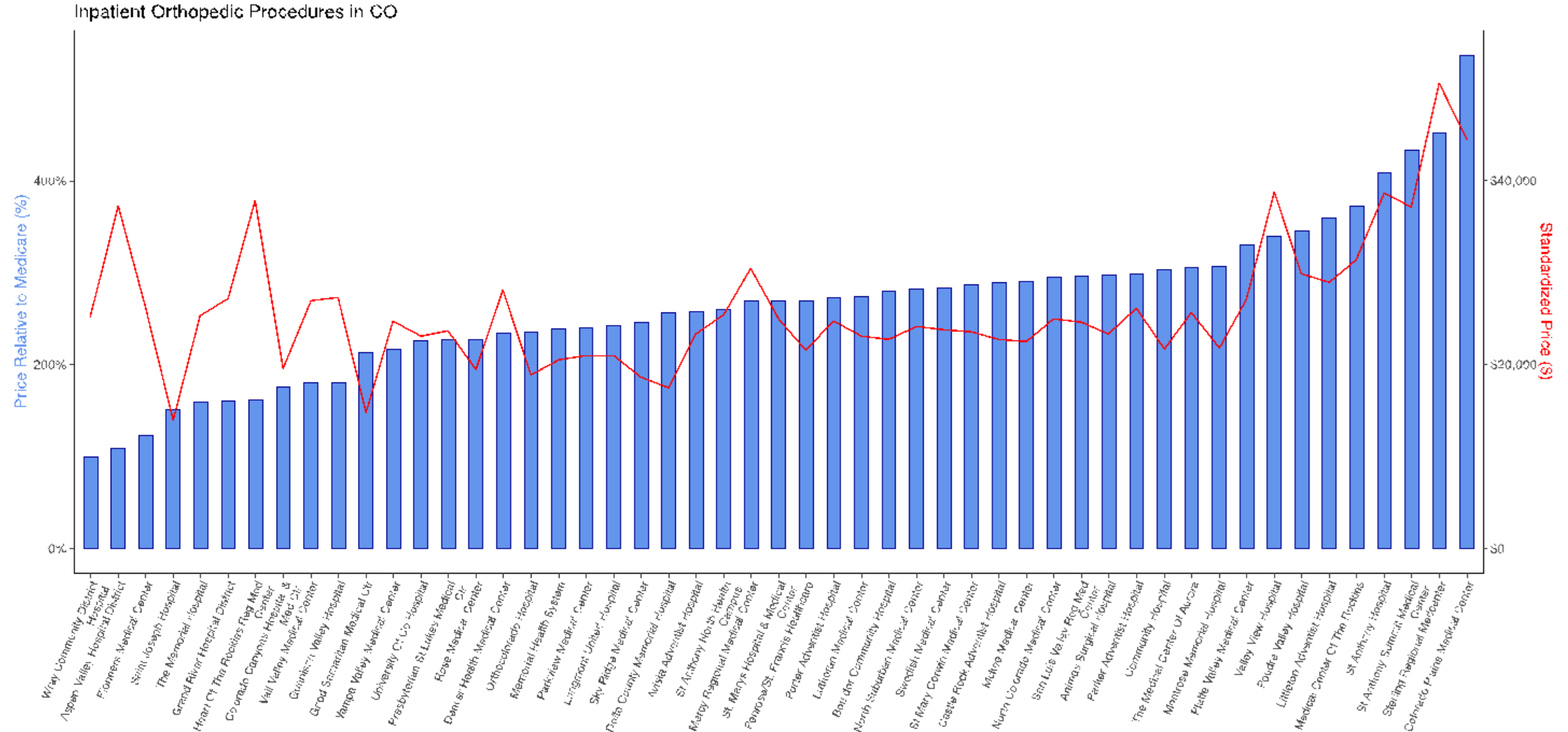
Patient mix doesn't explain price variation



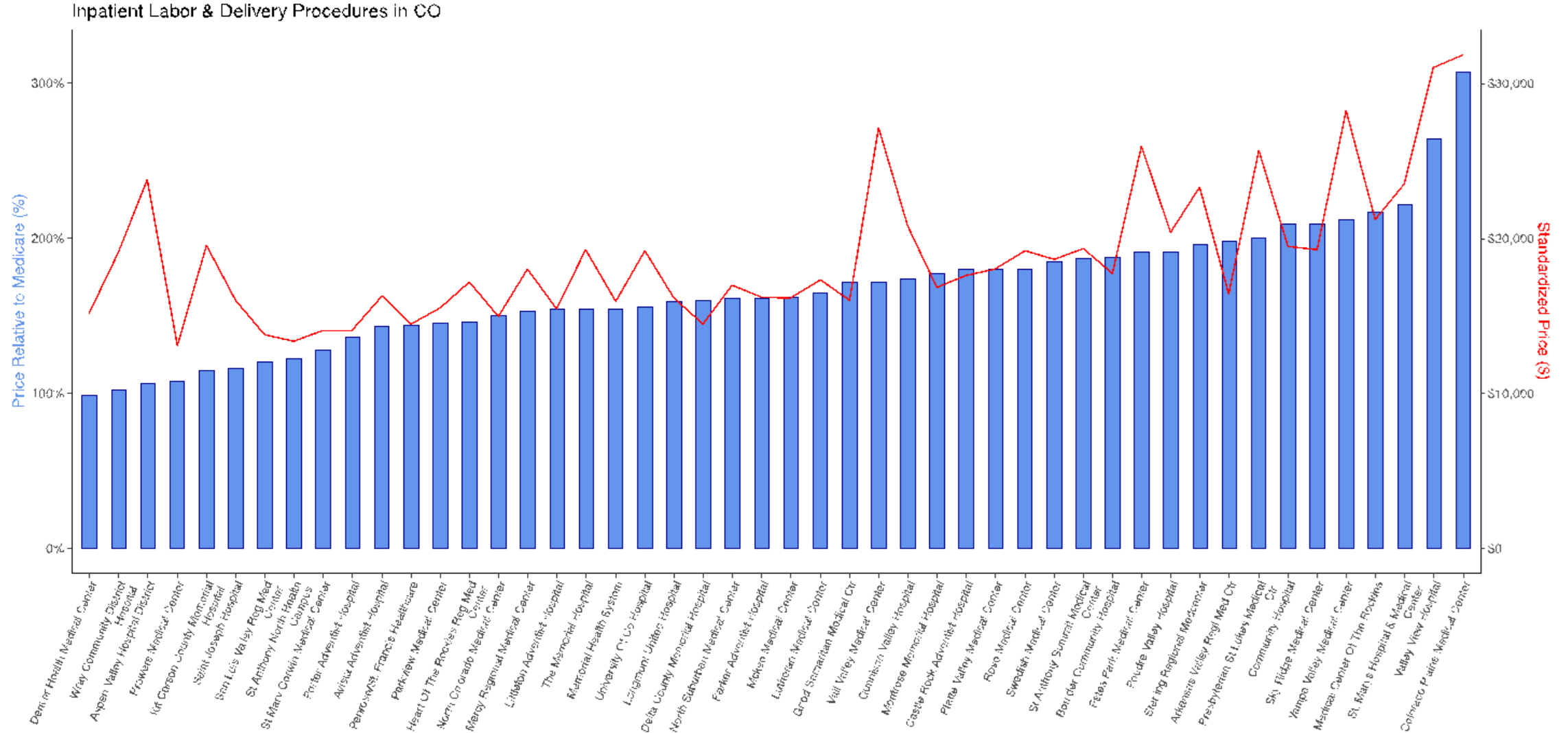
Colorado hospital system prices: inpatient + outpatient



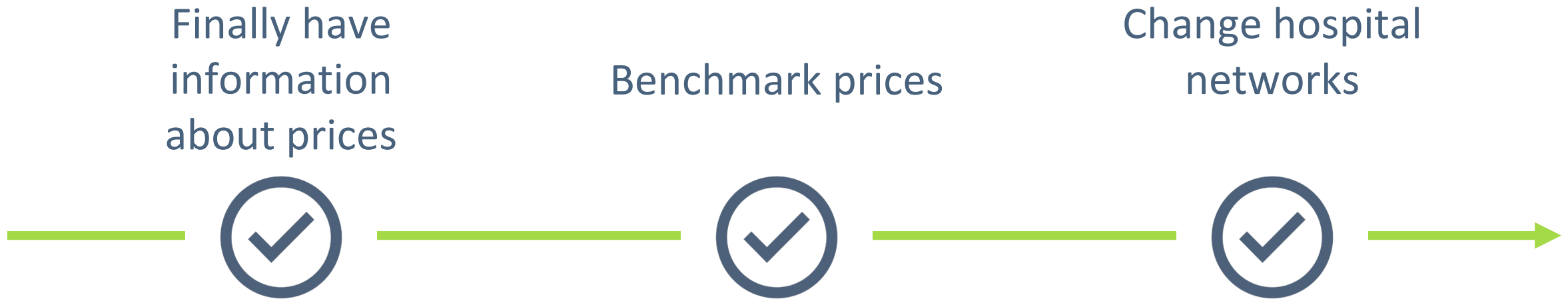
Colorado hospital prices: inpatient orthopedic



Colorado hospital prices: labor and delivery



How can employers and policy makers use price transparency?



Employers are collecting information about prices

- The Colorado Business Group on Health used RAND 2.0 data to produce a report on value of Colorado hospitals
- The report proposed options for Colorado employers to address prices in their specific markets

The image shows the cover of a report titled "Colorado Hospital Value Report". The title is in a large, bold, dark blue font. Below the title is a thin orange horizontal line. Underneath the line, the subtitle "Benchmarking Pricing & Quality Reliability for Inpatient Care Across Acute Care Hospitals" is written in a smaller, dark blue font. At the bottom, the date "SUMMER 2019" is displayed in a bold, dark blue font. The background of the cover is light gray with a faint, abstract orange and white geometric pattern.

Colorado Hospital Value Report

Benchmarking Pricing & Quality Reliability for
Inpatient Care Across Acute Care Hospitals

SUMMER 2019

Employers are using data to benchmark prices

Anthem's home state innovation

A similar **RAND study** commissioned by self-insured employers in Indiana spurred action when researchers concluded that Hoosier companies paid hospitals an average of 272% of Medicare rates from 2013 to 2016.

In response, 12 self-insured companies asked Anthem Blue Cross and Blue Shield to develop new health plan options that would steer members to lower-cost, high-quality providers, as alternatives to their traditional PPOs with wide-open networks. Up to that point, Indiana employers had been reluctant to limit their workers' provider choices for fear of backlash, said Gloria Sachdev, CEO of the Employers' Forum of Indiana.

Harris Meyer (2020) "Self-insured employers go looking for value-based deals" Modern Healthcare

Role for state and federal policymakers

Market structure limits ability for employer innovation

- many markets have limited provider options
- 70% of U.S. markets are concentrated (HCCI, 2019)

Employers can also push for regulatory reforms

- all-payer claims databases
- policies that promote competition and eliminate gag clauses
- limits on out-of-network charges
- all-payer or global budget programs

Conclusions

- Rising health care costs place pressure on employers and worker wages—especially during the COVID-19 pandemic
- The wide variation in hospital prices presents a potential savings opportunity for employers
- Employers need to demand transparent information on the prices they—and their employees—are paying
- Employers need to use transparency to inform benefit strategy

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