

HEALTH POLICY ACADEMY 2023

Health Care Costs, Drivers and Implications

Session 4



ALLIANCE
FOR HEALTH POLICY



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HEALTH CARE
COST INSTITUTE

Health Policy Academy 2023: Health Care Costs Drivers and Implications

Katie Martin
President and CEO
April 14, 2023

Who we are, what we do



HCCI is a mission-driven, independent, non-profit organization at the nexus of data, analytics, and action.

Founded in 2011 to leverage unique, high-quality data and extraordinary expertise in research and policy to give decisionmakers the tools they need to lower health care costs and increase value in the health care system.



Data Aggregation, Governance, Licensing

Academic and policy researchers use our data for their projects.



Thought Leadership and Original Research

HCCI conducts impactful, relevant research using our dataset and government data sources.



Government Data Analytics

HCCI works with clients to analyze Medicare and Medicaid data. HCCI is also a national Qualified Entity.



Multi-Payer Datasets and Transparency Tools

Guroo.org is HCCI's consumer-facing price transparency tool. HCCI also operates Florida's All Payer Claims Database

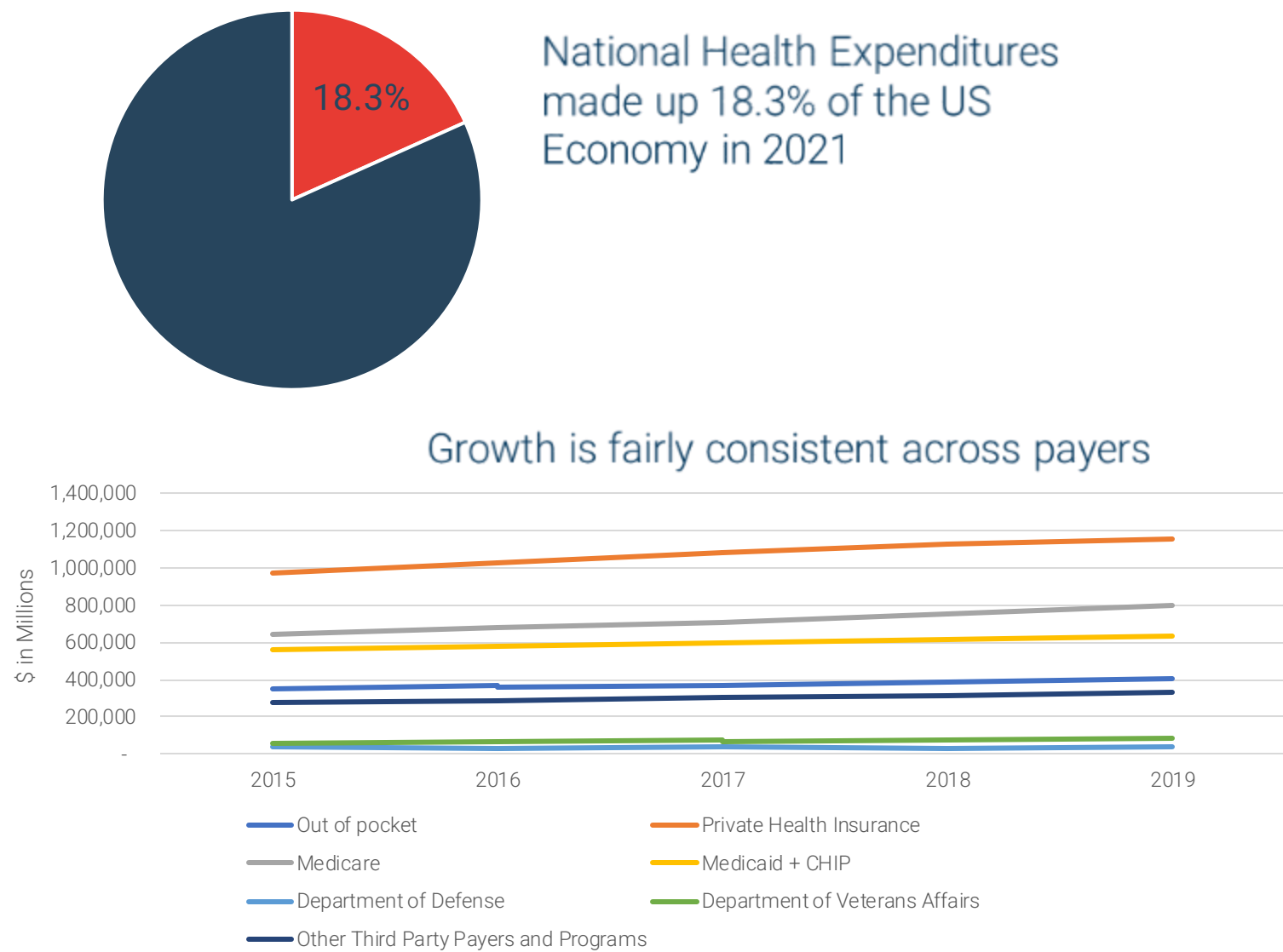


Key Take Aways

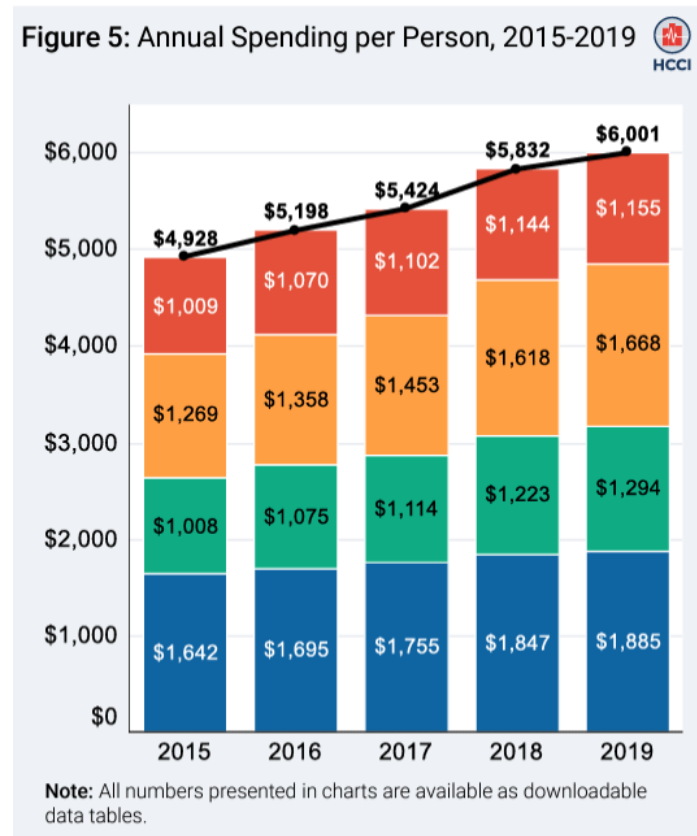
1. Health care costs are high and growing no matter how you look at it.
2. Precision matters in how you define the problem and identify solutions.
3. Follow the money – system spending flows from financial incentives.
4. It's the prices.
5. There are plenty of opportunities to change the trajectory of health spending.



Health care costs are high and growing no matter how you look at it.



Per person spending grew by more than 20% from 2015-2019. Consistent across sectors.



- Total
- Professional Services
- Prescription Drugs
- Outpatient
- Inpatient

Precision matters in how you define the problem and identify solutions

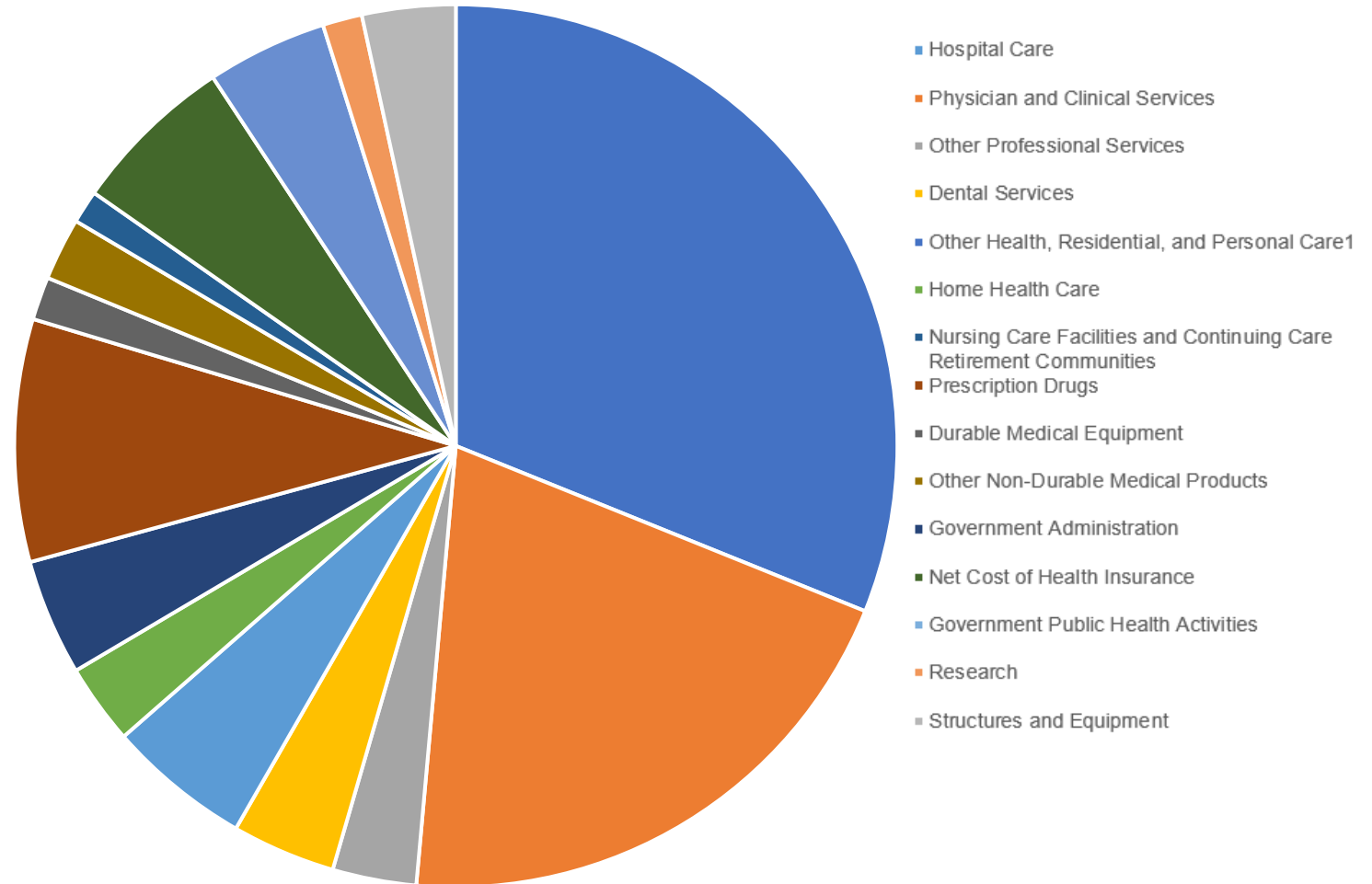
Problem	Illustrative Interventions
Economy-Wide Health Care Spending is Too High	Lower prices Lower utilization Reduce overall health care costs
People are paying too much in premiums	Change benefit design Adjust networks Subsidize premiums Reduce overall health care costs
People pay too much at the point of care	Change benefit design Subsidize cost sharing Reduce overall health care costs
Employers/State Government/Federal Government are spending too much on health care	Shift costs from employers to employees Shift costs from state government to federal government Reduce overall health care costs

Follow the money – system spending comes from financial incentives

Every expenditure in this pie chart represents income to someone.

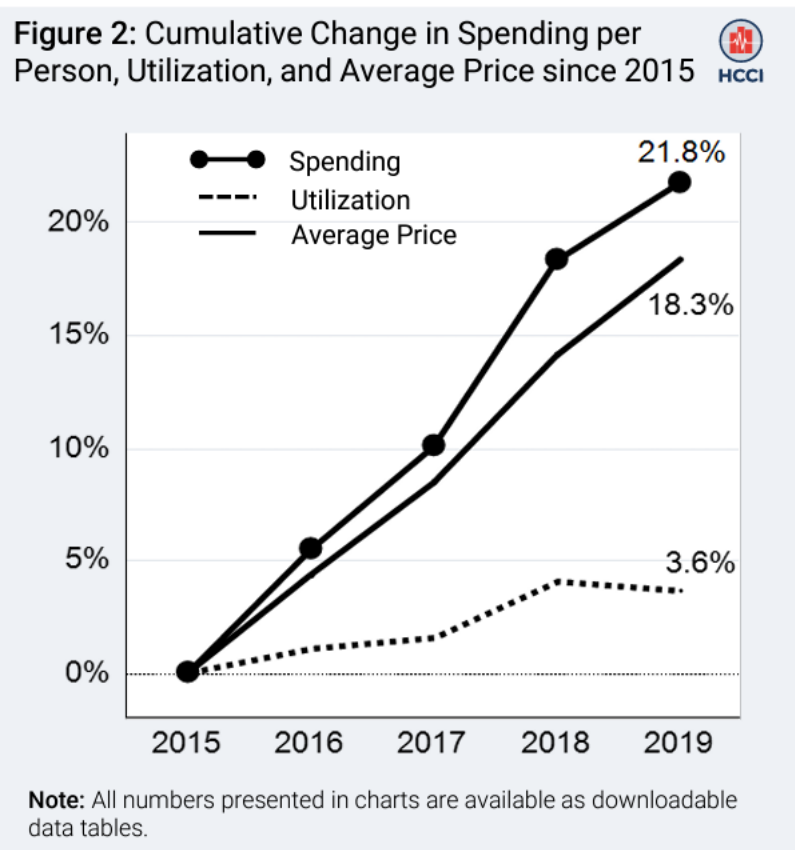
Creates financial incentives to protect or grow their piece

Very few incentives to shrink the pie overall

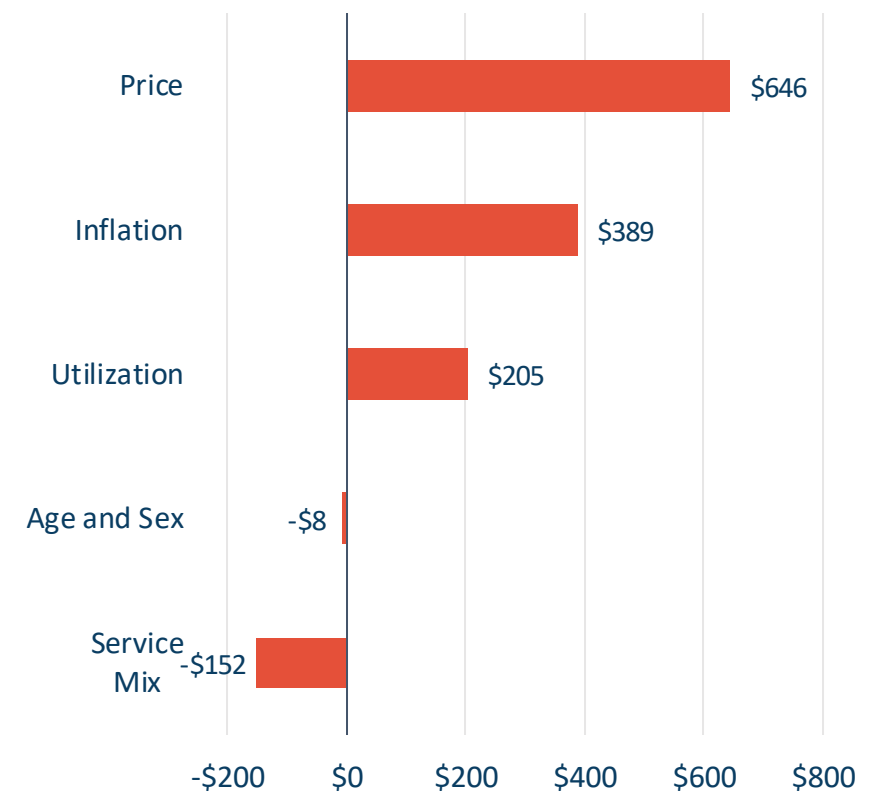


NHE by type of expenditure, 2021

It's the prices

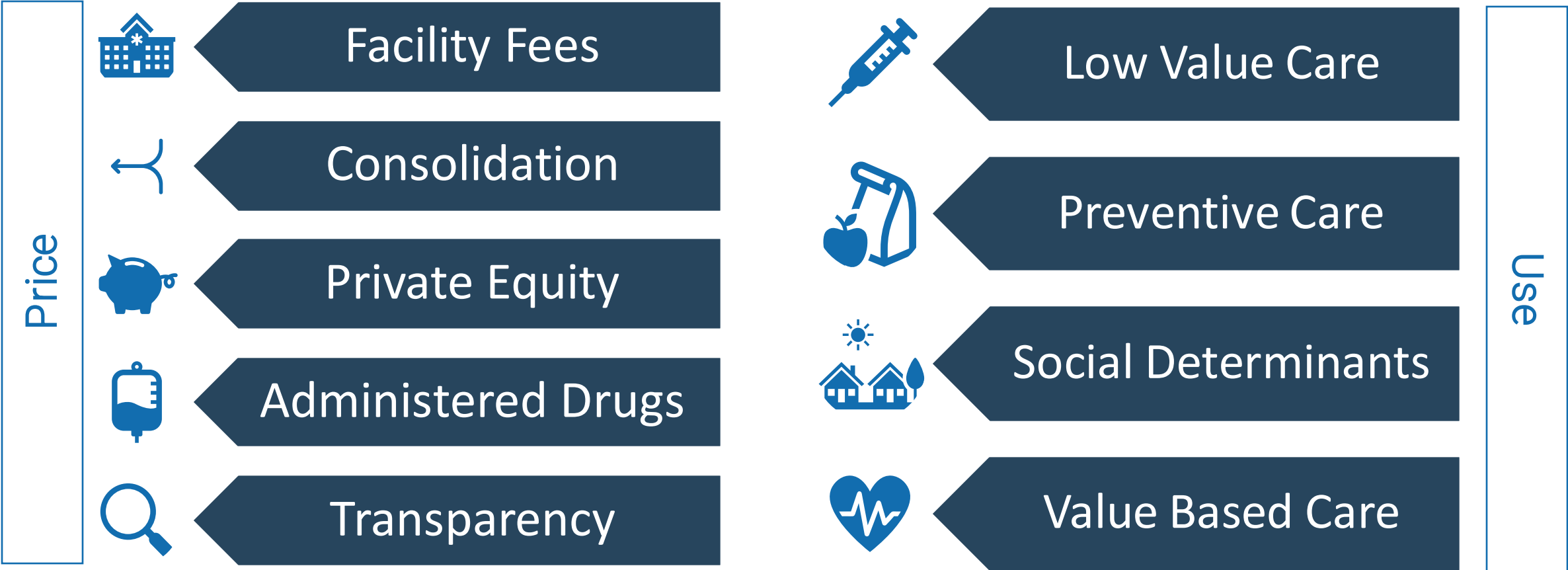


Change in overall health care spending per person by factor, 2015-19
(Total change in spending = \$1,079)



From 2015 to 2019, spending grew 22% ~2/3 was due to growth in service prices

There are plenty of opportunities to change the trajectory of health spending.



Thank you!

Learn more

 www.healthcostinstitute.org

 @HealthCostInst

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HCCI



Fahad Tahir, MPH, MBA

President & CEO

Ascension Saint Thomas

Ascension is a faith-based healthcare organization that delivers personalized, compassionate care to all, especially to those who are poor and vulnerable.

- In FY22, Ascension provided **\$2.3 billion** for care of persons living in poverty and community benefit.
- Our Mission-driven work is carried out through a number of services and subsidiaries dedicated to providing healthcare services and delivery to support personalized care.

Health Care Cost Drivers and Implications: Provider Perspective

Fahad Tahir, MAS, MBA, FACHE
President & CEO, Ascension Saint Thomas
Ministry Market Executive, Ascension Tennessee

Ascension At a Glance

Size and scale

ACUTE CARE

19,000
Beds

144
Hospitals

CLINICAL ENTERPRISE

8,300
Employed
providers

48,000
Nurses

36,000
Affiliated
providers

AMBULATORY

1,435
Ascension Medical
Group locations

73
Ambulatory Surgery
Centers

185
Imaging locations

302
Physical Therapy
Outpatient Clinics
(Owned & partnered)

POST-ACUTE

6,000
Beds

40
Senior living
facilities

FINANCIAL

\$44.1 billion
Total assets
\$28 billion
Operating revenue

Volumes

\$2.3 billion

in care of persons living in poverty and
other community benefit programs

16.1 million
office and
clinic visits

1.1 million
virtual provider
office visits

1.5 million
equivalent
discharges

3 million
emergency room
visits

586,000
surgery visits

527,000
urgent care visits

726,000
discharges

79,000
births

5.9 million
Unique lives served

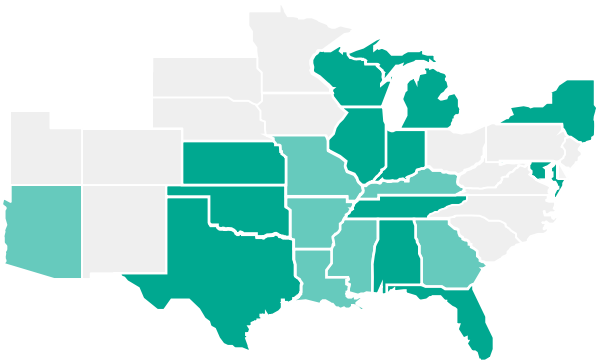
283,000
Observation days

Geographic spread

Ascension is one of the largest
Catholic healthcare organizations
in the country, with associates and
providers working as one to
connect care and deliver services to
individuals and communities.

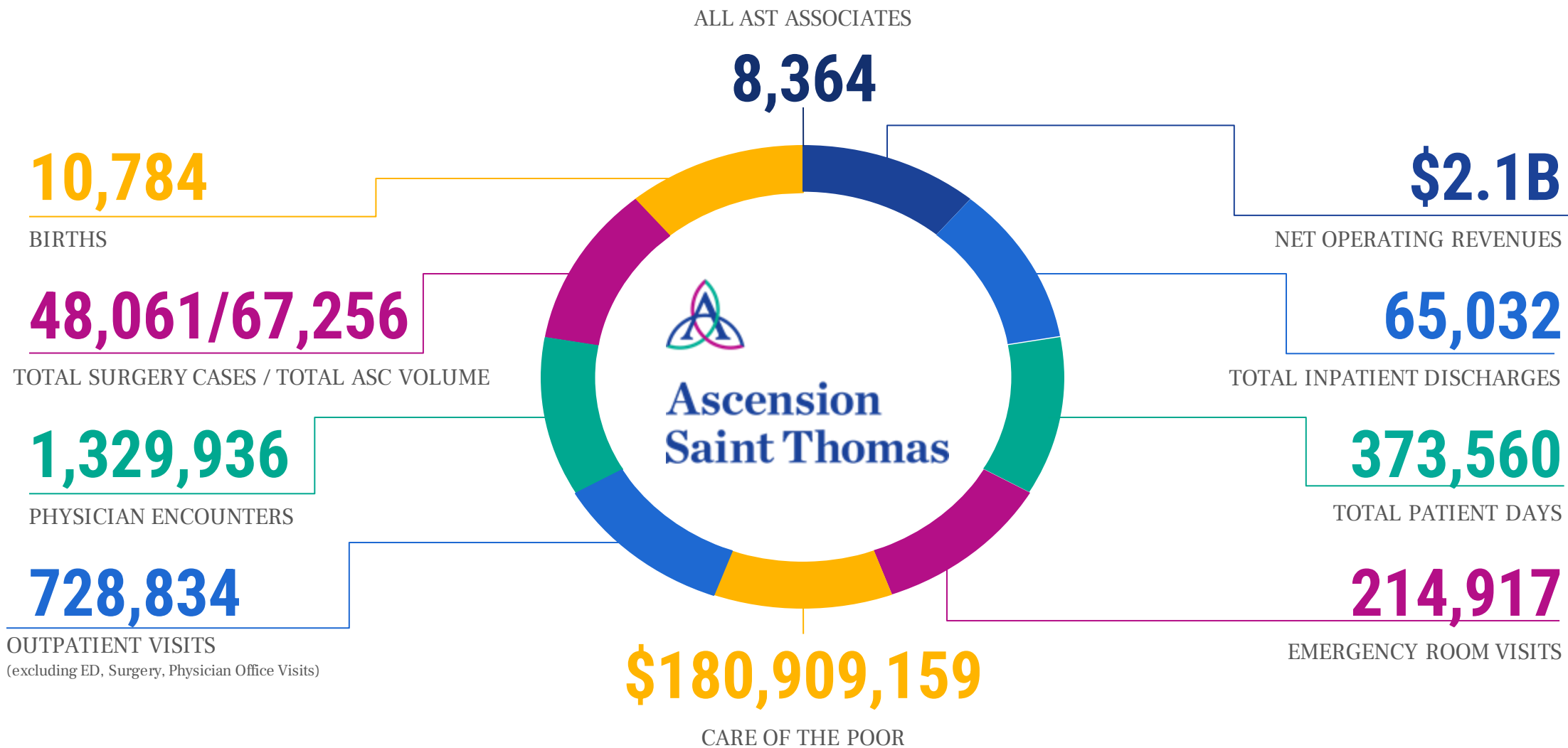
2,600+

sites of care in **19 states** and
the **District of Columbia**



Market
Other presence

Ascension Saint Thomas | Network Reach



Hospital Cost Drivers - Follow the patient journey

Health systems and providers are Facing Dynamic Challenges

Mayo Clinic income slumps as expenses climb in Q3

Published Nov. 21, 2022

Kaiser Permanente reports \$1.55B net loss, red operations in Q3 2022

By Dave Muolo • Nov 7, 2022 10:50am

Hospitals to end year with negative margins, Kaufman Hall reports

Published Nov. 30, 2022

Trinity Health posts \$1.4 billion net loss in 2022 as contract labor costs hit 'unprecedented highs'

Published Oct. 4, 2022

JPM23: Ascension Health details \$2.5B economic recovery plan to rebound from financial, operational headwinds

By Heather Landi • Jan 11, 2023 08:10am

Beaumont-Spectrum to cut 400 jobs amid 'significant' financial pressure

Published Sept. 13, 2022

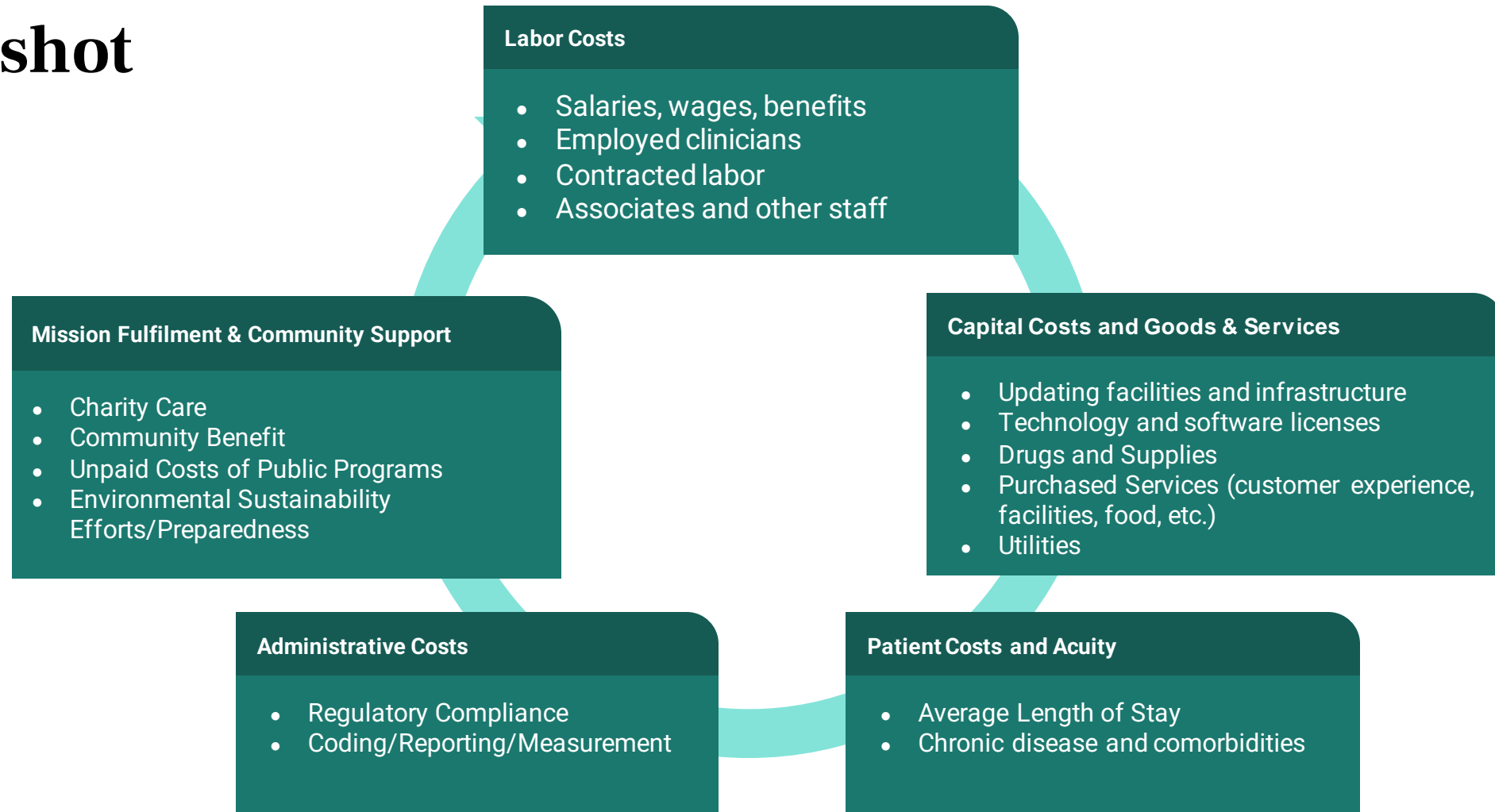
Labor shortage, inflation drove Mass General Brigham to \$432M annual operating loss

Published Dec. 19, 2022

Report: 2022 worst financial year for hospitals since start of pandemic

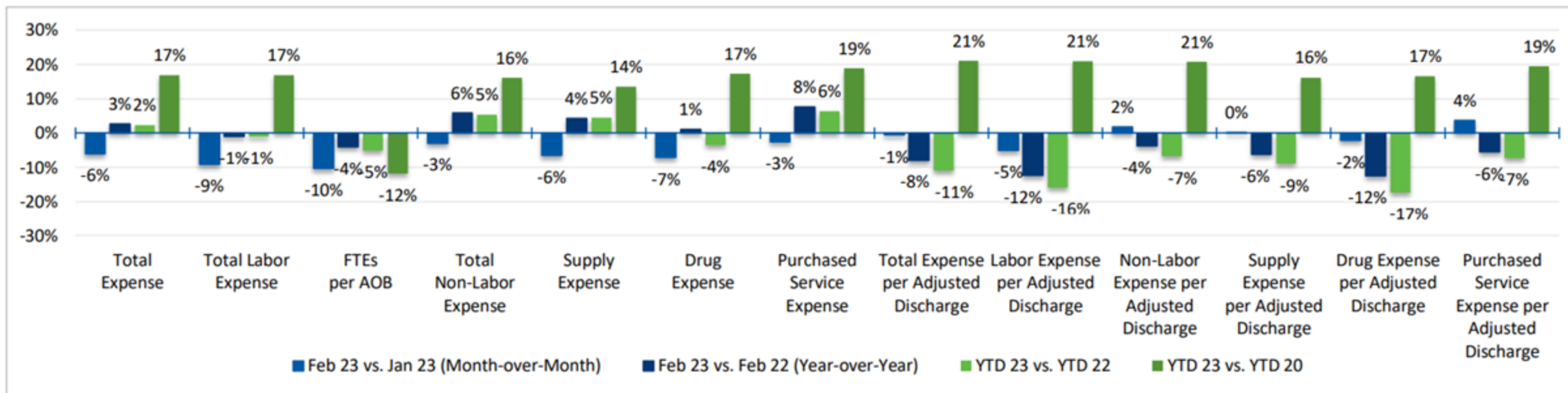
Health Care Cost Drivers and Implications: Provider Perspective

Snapshot



Health Care Cost Drivers and Implications: Provider Perspective

Hospital Cost Drivers: Trends



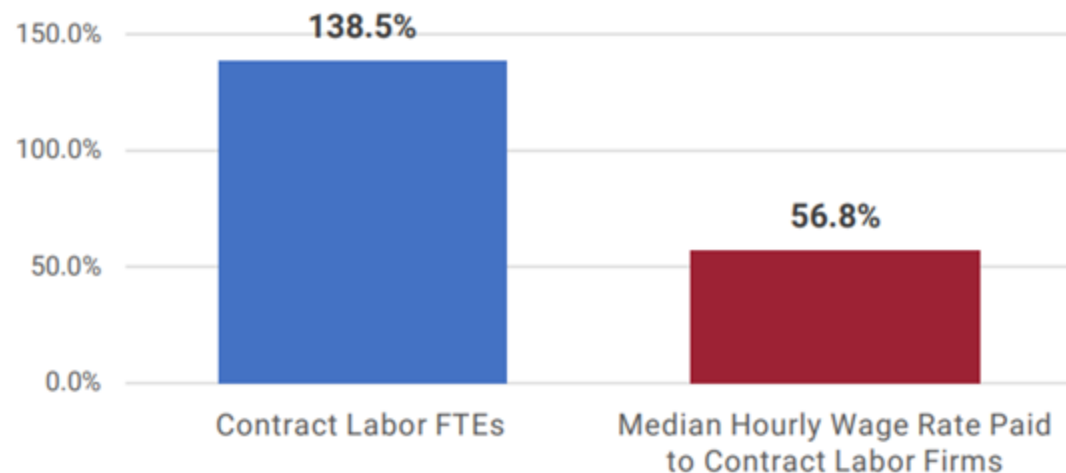
Source: March 2023 Kaufman Hall National Hospital Flash Report

Health Care Cost Drivers and Implications: Provider Perspective

Labor Related Expenses

Contract Labor Demand, Costs Rise Amid Workforce Shortages

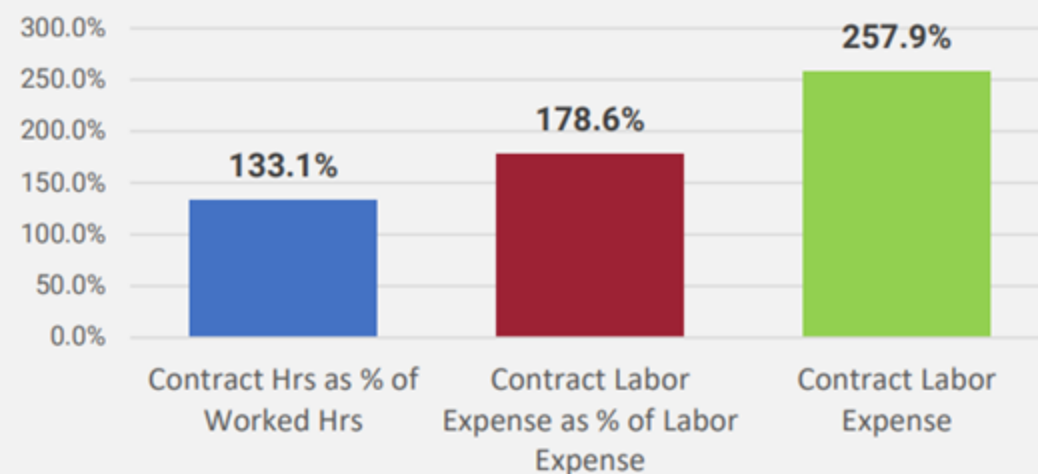
Contract Labor FTEs and Rates Paid to Contracting Firms Rose
% change from 2019 to 2022



Source: Syntellis Performance Solutions, 2023.

Contract Hours and Expenses Increased Significantly from Pre-Pandemic Levels

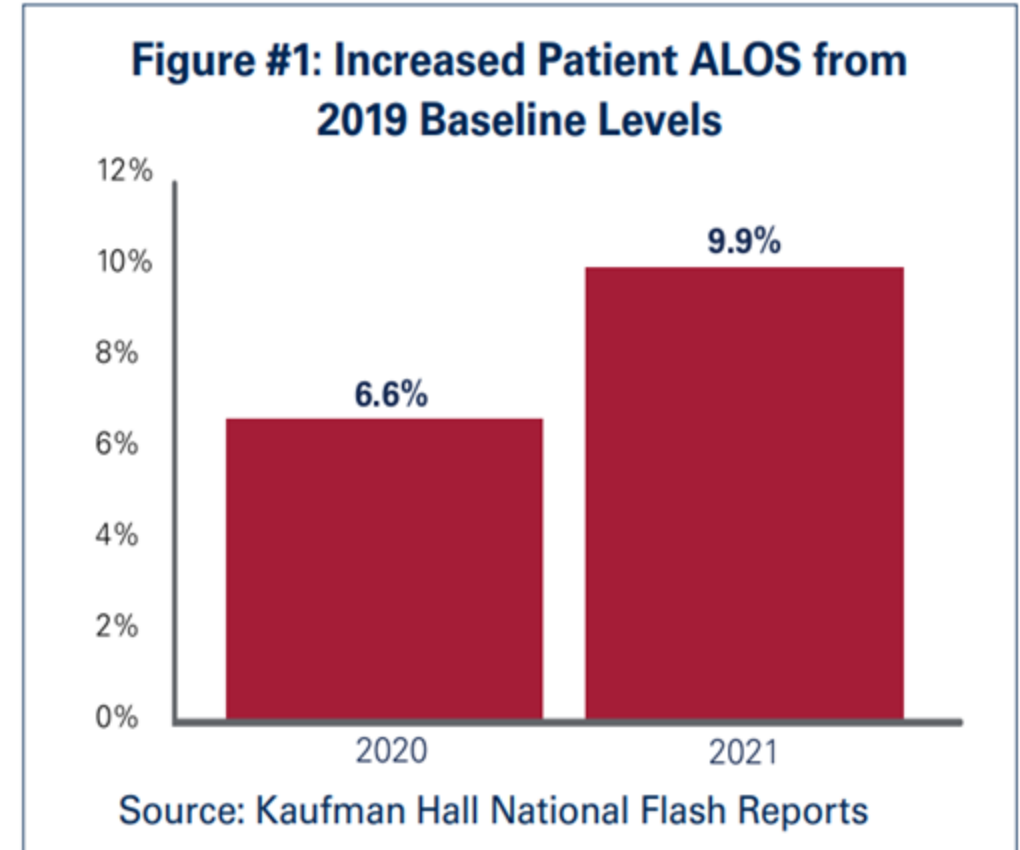
% change from 2019 to 2022



Source: Syntellis Performance Solutions, 2023.

Patient-related Expenses

- More patients delaying non-emergent care has resulted in higher levels of patient acuity in hospitals.
- According to an American Hospital Association report, average length of stay (ALOS) at the end of 2021 was up 10% compared to pre-pandemic levels.
- Ascension has experienced similar and often higher levels of patient acuity and ALOS; for all Ascension inpatients, ALOS was **up nearly 13% in 2021** as compared to 2019.



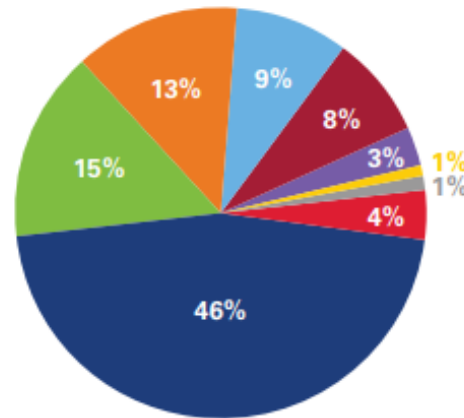
Health Care Cost Drivers and Implications: Provider Perspective

Regulatory Burden

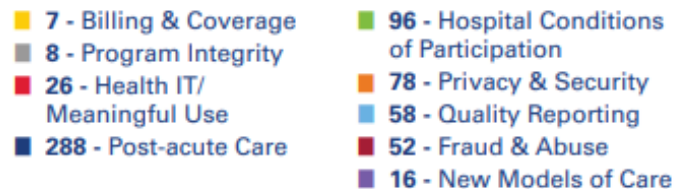
- A 2017 report from the American Hospital Association (AHA) identified more than 600 regulatory requirements that providers must comply with—majority holds true today and does not capture commercial insurer requirements (e.g., quality measurement)

629 mandatory regulatory requirements

- Hospitals have to comply with 341 mandatory regulatory requirements.
- Post-acute care providers have an additional 288 requirements.



Percent & Number of Regulations, by Domain



\$7.6 MILLION
per community hospital
spent annually to comply

- This figure rises to \$9 million for those hospitals with post-acute care.
- For the largest hospitals, costs can exceed \$19 million annually.
- The average hospital also spends almost \$760,000 annually on the information technology investments needed for compliance.

Implications

Health Care Cost Drivers and Implications: Provider Perspective

- Hospitals continue to face operating expense, workforce, and supply chain frictions that have increased costs and created financial headwinds across the sector.
- Labor expenses alone increased by an estimated 8.9% year over year.**
- And hospitals nationwide experienced an **estimated 7.6% year over year increase in total expenses in 2022, while net IPPS reimbursement increased by only 2.3%** after accounting for key applicable updates.

The Final FY 2023 IPPS Adjustment Falls Short of Total Year Over Year Growth in Hospitals Expenses

Net FY 2023 IPPS Update

• Market Basket Update	4.1%
• Productivity Adjustment	-0.3%
• MACRA-required Update	0.5%
• Outlier Threshold Increase	-1.7%
• DSH Payment Cut	-0.3%

Total Non-Labor Expense Growth YOY	4.2%
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Total Labor Expense Growth YOY	8.9%
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Total Expense Growth YOY	7.6%
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Source: AHA; Kaufman Hall Flash Update, August 2022

Implications

- Payors/Health plans overall can be more responsive to spikes in costs; we alone cannot cover unexpected cost increases – we are partners in responding to and driving down costs
- Workforce support and growth will continue to be paramount
- Government program reimbursements, in particular, should aim to cover costs associated with patient care
- Addressing SDOH and providing whole person care can improve patient health and well-being, in turn keep costs down
- Burden reduction is critical – and opportunities abound
- **Special attention should be paid to protecting the safety net** and in particular the misalignment of reimbursements that exacerbate cost increases over time





David Merritt

Senior Vice President, Policy and Advocacy
Blue Cross Blue Shield Association



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Director of Healthcare Strategy
National Alliance of Healthcare Purchaser
Coalitions

National Alliance of Healthcare Purchaser Coalitions

Healthcare Costs & Drivers: The Employer Perspective

April 14, 2023

National Alliance of Healthcare Purchaser Coalitions

Over 40 Employer/Purchaser coalitions across the country

- Represent 45 million Americans
- Healthcare spend exceeding \$400 billion annually

Cross-section of purchasers

- Private Sector including 60% Fortune 100
- Public Sector including states, cities, school districts and the federal government
- Union organizations



The only nonprofit, purchaser-aligned organization with a national and regional structure dedicated to driving health and healthcare value

Why Employers Are Important to the Conversation

Fast Facts

2nd

Largest payer of healthcare services

159M

Number of individuals covered by employer sponsored health coverage

60%

Employees who elect to receive coverage from their employer

60%

Employees ranked health insurance #1 as the most important benefit while 40% had it within the Top 3

122K

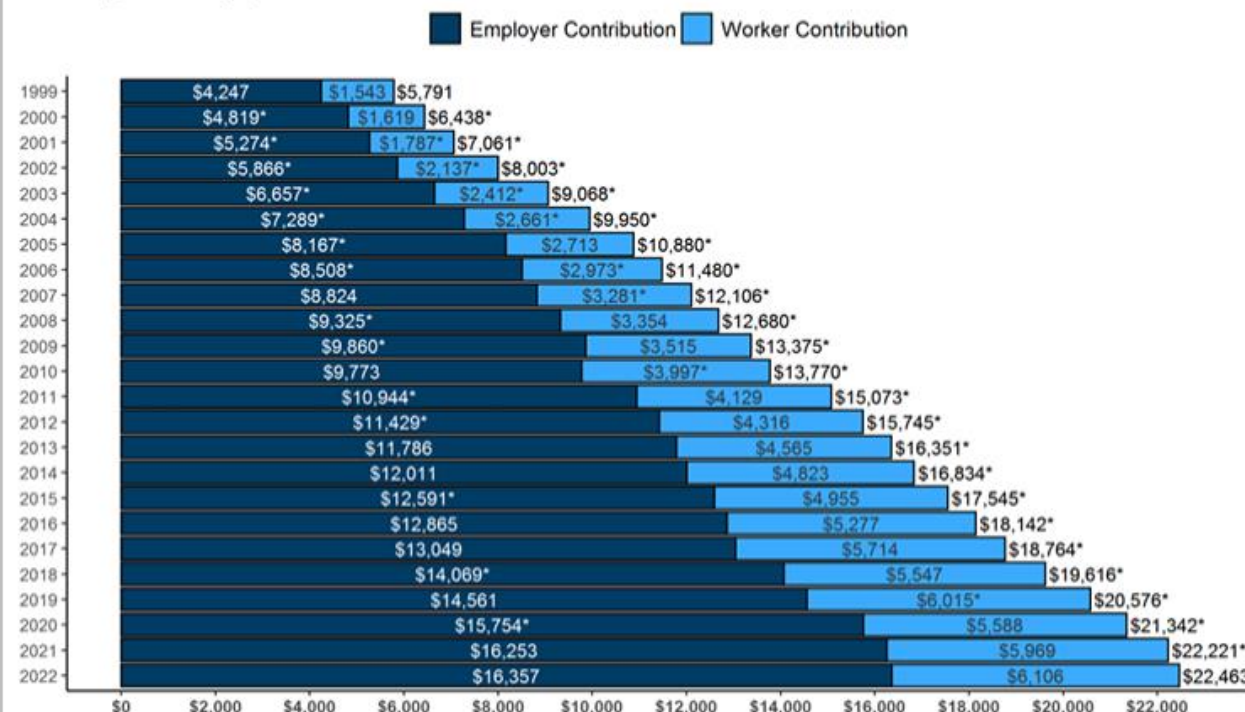
Average annual cost employers pay for a patient with acute conditions

Wellmark Blue Cross and Blue Shield, What's your end-to-end approach to high-cost claimants,
<https://www.wellmark.com/blue-at-work/insights/managing-high-cost-claimants>



Figure 6.5

Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Family Coverage, 1999-2022



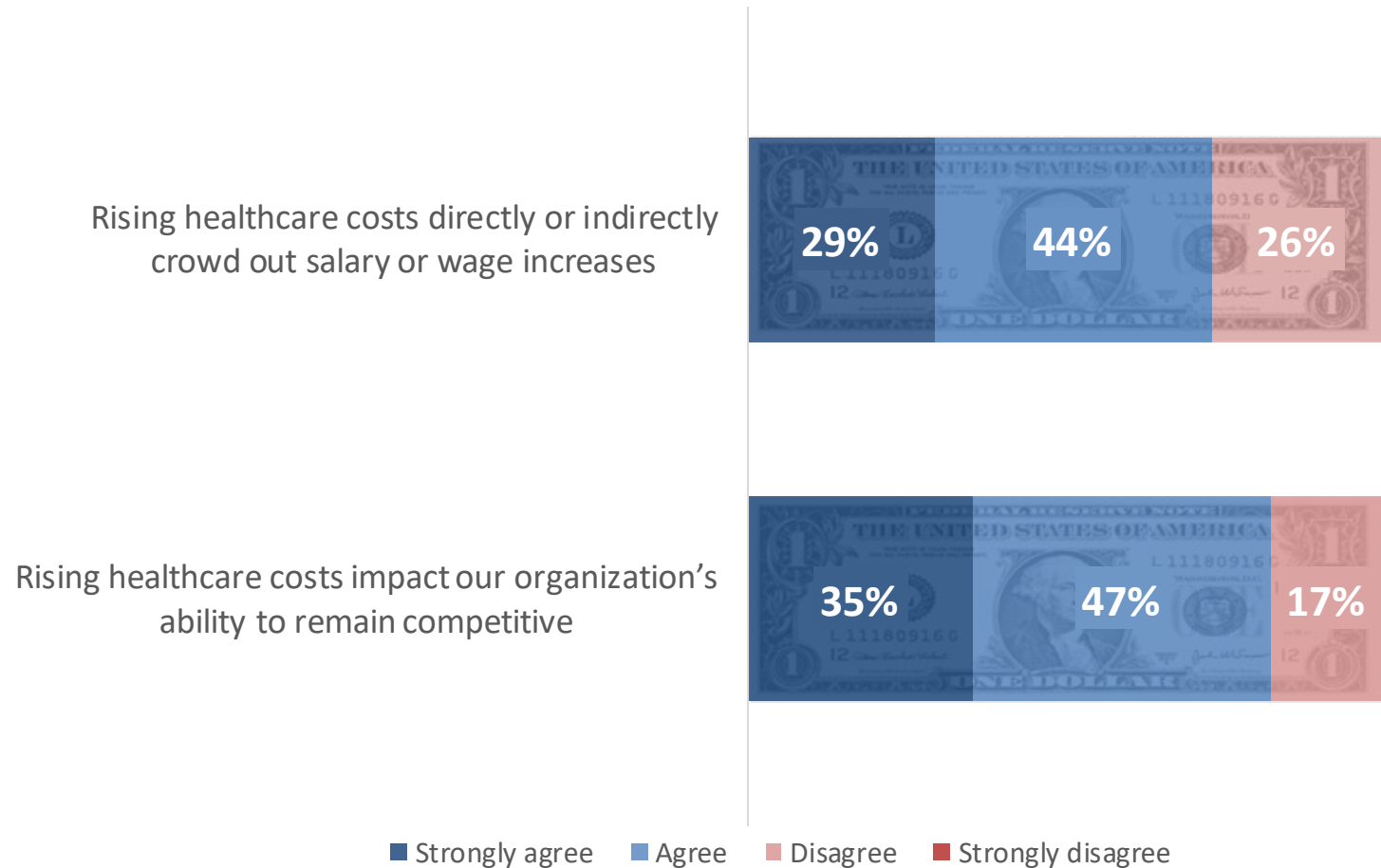
* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

SOURCE: KFF Employer Health Benefits Survey, 2018-2022; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

Family premiums increased to **\$22,463** annually. Median household income in **\$70,181**.

Employer/Purchaser Healthcare Perspectives

Rising healthcare costs impact employers' ability to remain competitive and increase wages for retention



78% of employers strongly agree that attracting and retaining talent is a top priority, but rising healthcare costs prove to be a significant challenge

- Costs directly or indirectly crowd out salary or wage increases (**73%** agree)
- Costs impact our organization's ability to remain competitive (**82%** agree)

Health Care Cost Drivers



High-Cost Claims (94%)



Drug Pricing & Management (94%)



Hospital Price Transparency (91%)



Whole Person Health (90%)

Employer Action



- Precision Medicine for cancer treatment,
- Centers of Excellence (COE),
- Negotiate and Audit Hospital Prices,
- case management



- Clinical Management,
- Pharmaceutical Drug Transparency,
- Specialty Generics Filled at Retail,
- Biosimilar Adoption



- Steerage to Improve Quality,
- Site of Care Strategies,
- Centers of Excellence



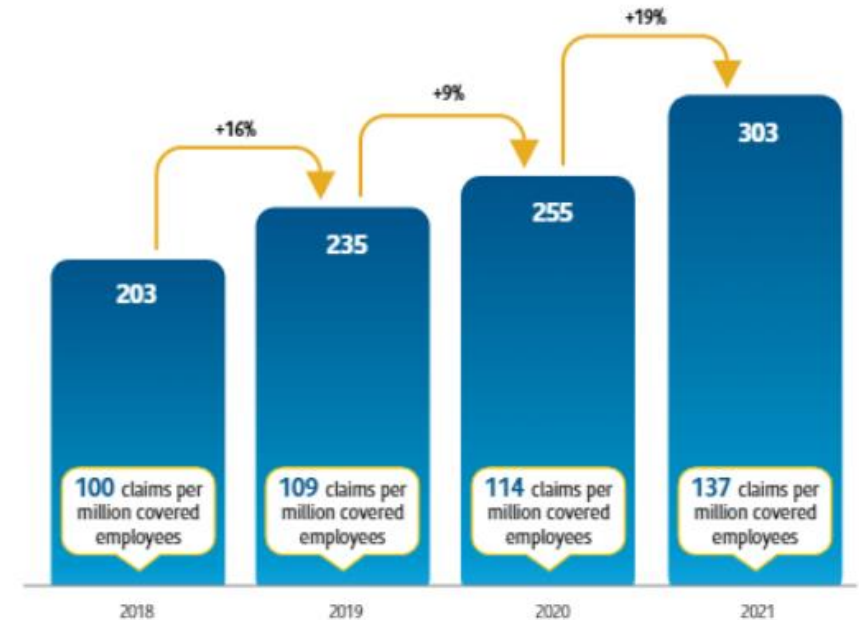
- Integration of health equity,
- On-site Clinics,
- Partnering with Community Organizations

Addressing High-Cost Claims

Actionable Insights and Next Steps

- Take a deeper dive into **understanding cost drivers** associated with high-cost claims
- **Identifying potential high-cost claims earlier is key**; Don't wait for the hospital bills –
- **Look for clinical and utilization patterns** by reviewing provider claims as well as FMLA to get ahead of what's happening
- **Better understand your data - audit claims** to look for billing, coding and claims processing accuracy as well as waste, and abuse

Total million dollar claims by year



Case Example: Walmart evolves and expands financial incentives to ensure COE use

Offers zero cost-sharing for use of a center of excellence (COE) for heart, hip and knee, and spinal procedures

Mandates use of a COE location for spine surgery; raises cost-sharing for use of non-certified imaging centers

Raises employee cost-sharing to 50% for use of non-COE locations for spine surgery

Curates network to high-quality physicians (eight specialties)

Retail corporation with 1.5M employees; Bentonville, AR

Source: Sun Life 2022 High-cost claims and injectable drug trends analysis; Evans M. "Walmart, other employers get choosier about workers' doctors," *The Wall Street Journal*, April 4, 2019; Galewitz P, "Walmart charts new course by steering workers to high-quality imaging centers," *Kaiser Health News*, May 15, 2019.

Whole Person Health

Case Example: How American Eagle Taken Steps to Address Health Inequity

Employees and families are significantly more diverse than the counties where the population resides
(nearly 8x higher % non-white)

Barriers Identified

- Highest % of households who speak **English less-than-well**
- Majority of non-white employees and families had **very low enrollment** and/or utilization of healthcare coverage
- **33% are not enrolled** in healthcare benefits
- **Limited access to bilingual providers** and reside in healthcare deserts

Actions AE has Taken

- **Offer ESL classes** through a local college
- **Salary tiered** healthcare benefits
- **Lowered/zeroed out deductible** plans
- In-process of **launching an on-site clinic** with \$0/flat copays for basic services
- Partnered with the **local health system to recruit** bilingual physicians, nurses, and staff into the region

Moderated Q & A

Learn More

Additional resources available online »

- Alliance for Health Policy Handbook
- Resource list
- Expert list
- Presentation slides
- Past Health Policy Academy Sessions

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www.allhealthpolicy.org



Thank You!

You will receive a survey soon via your email.

We would greatly appreciate your feedback on today's event!