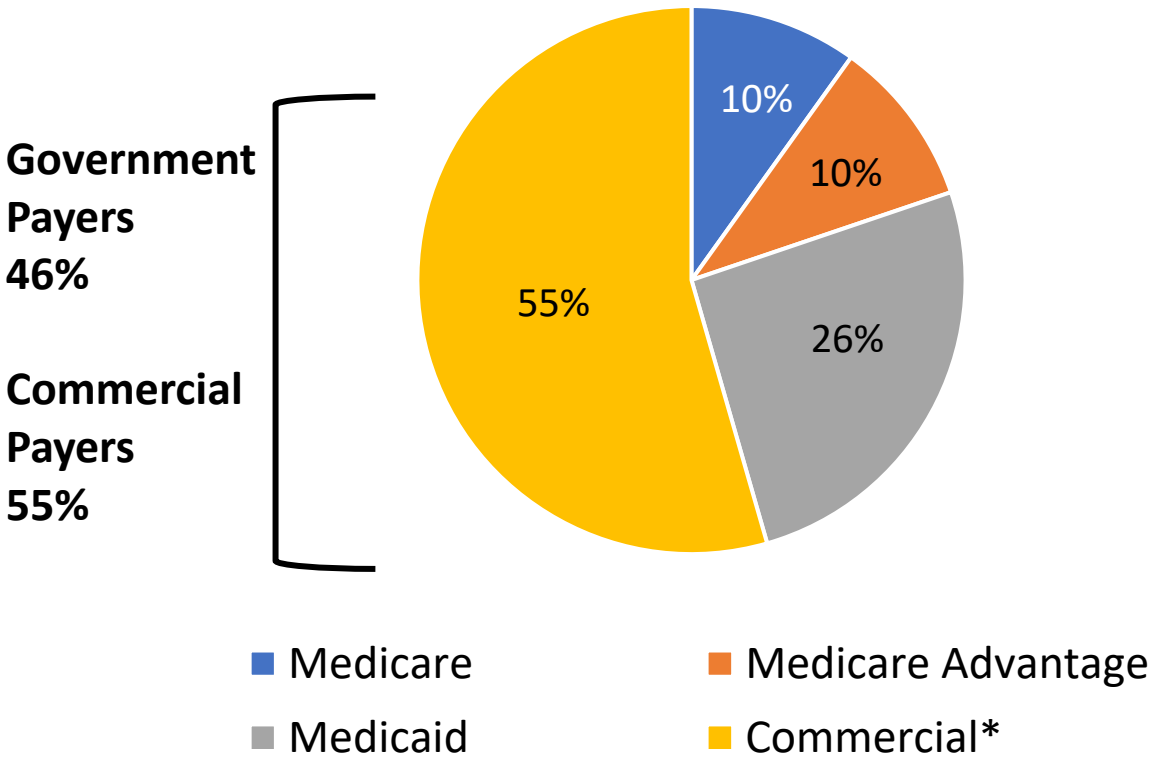
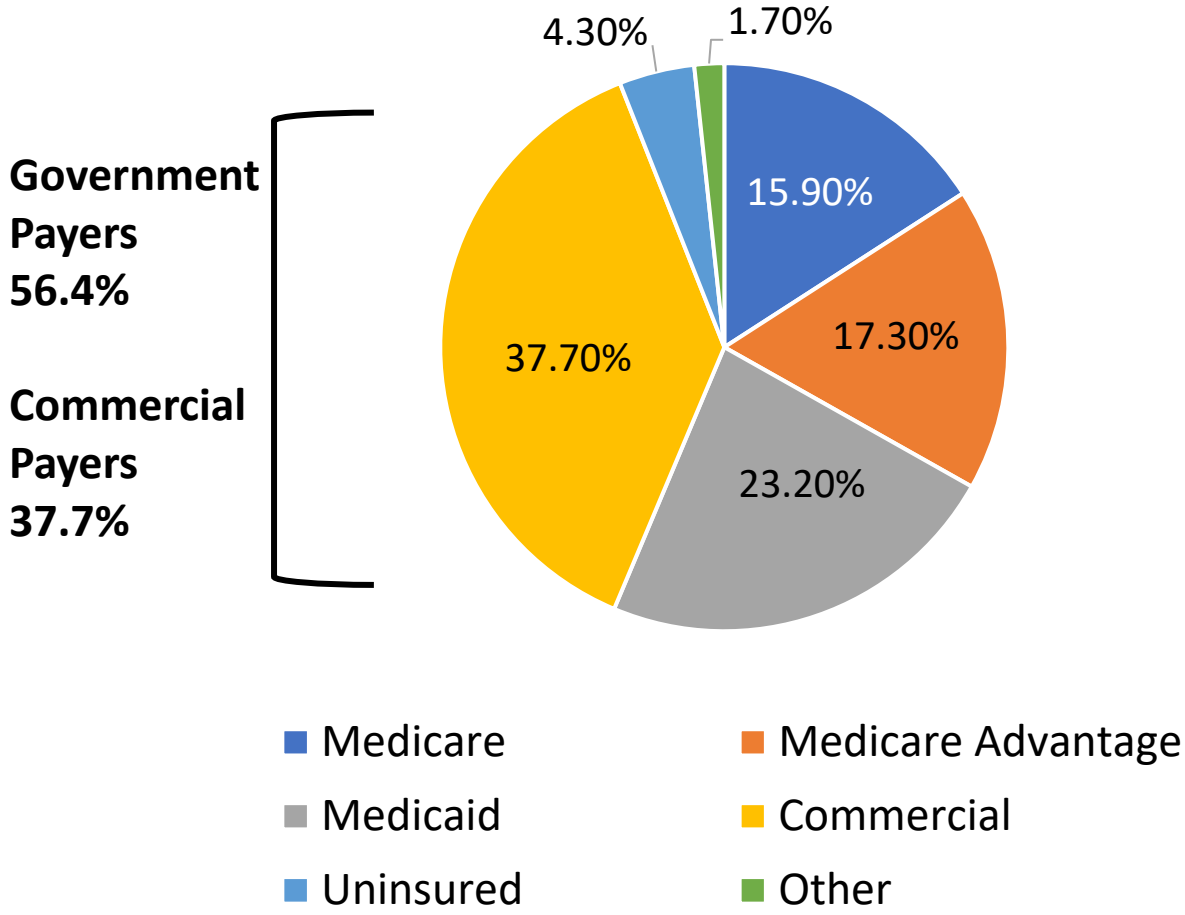
Healthcare Cost Drivers Forum
December 1, 2022

A Growing "Cost Shift" Resulting in the Need for Higher Commercial Payment Rates

Payer Mix by Enrollment



Payer Mix by Hospital Encounters



Understand the Rapid Increase in Hospital Operating Cost

National Expense Results

EXPENSES % CHANGE	Year-Over-Year	Year-Over-Year 2020
Total Expense	7 .6%	13 .9%
Total Labor Expense	8 .9%	16 .4%
Total Non-Labor Expense	4 .2%	10 .3%
Supply Expense	-0 .8%	5 .5%
Drugs Expense	-3 .3%	4 .6%
Purchased Service Expense	6 .3%	11 .0%
Total Expense per Adjusted Discharge	10 .8%	9 .1%
Labor Expense per Adjusted Discharge	13 .5%	17 .0%
FTEs per AOB	1 .2%	-4 .6%
Non-Labor Expense per Adjusted Discharge	6 .4%	4 .9%
Supply Expense per Adjusted Discharge	0 .4%	2 .4%
Drug Expense per Adjusted Discharge	2 .5%	1 .6%
Purchased Service Expense per Adjusted Discharge	6 .2%	11 .9%

Unless noted, figures are actuals and medians are expressed as percentage change

AMERICA'S HOSPITALS AND HEALTH SYSTEMS

November 14, 2022

The Honorable Charles E. Schumer
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Republican Leader
U.S. Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, DC 20515

Dear Leader Schumer, Speaker Pelosi, Leader McConnell and Leader McCarthy:

As representatives of our nation's hospitals and health systems, we are writing to ask you to prevent the Statutory Pay-As-You-Go (PAYGO) sequester from taking effect.

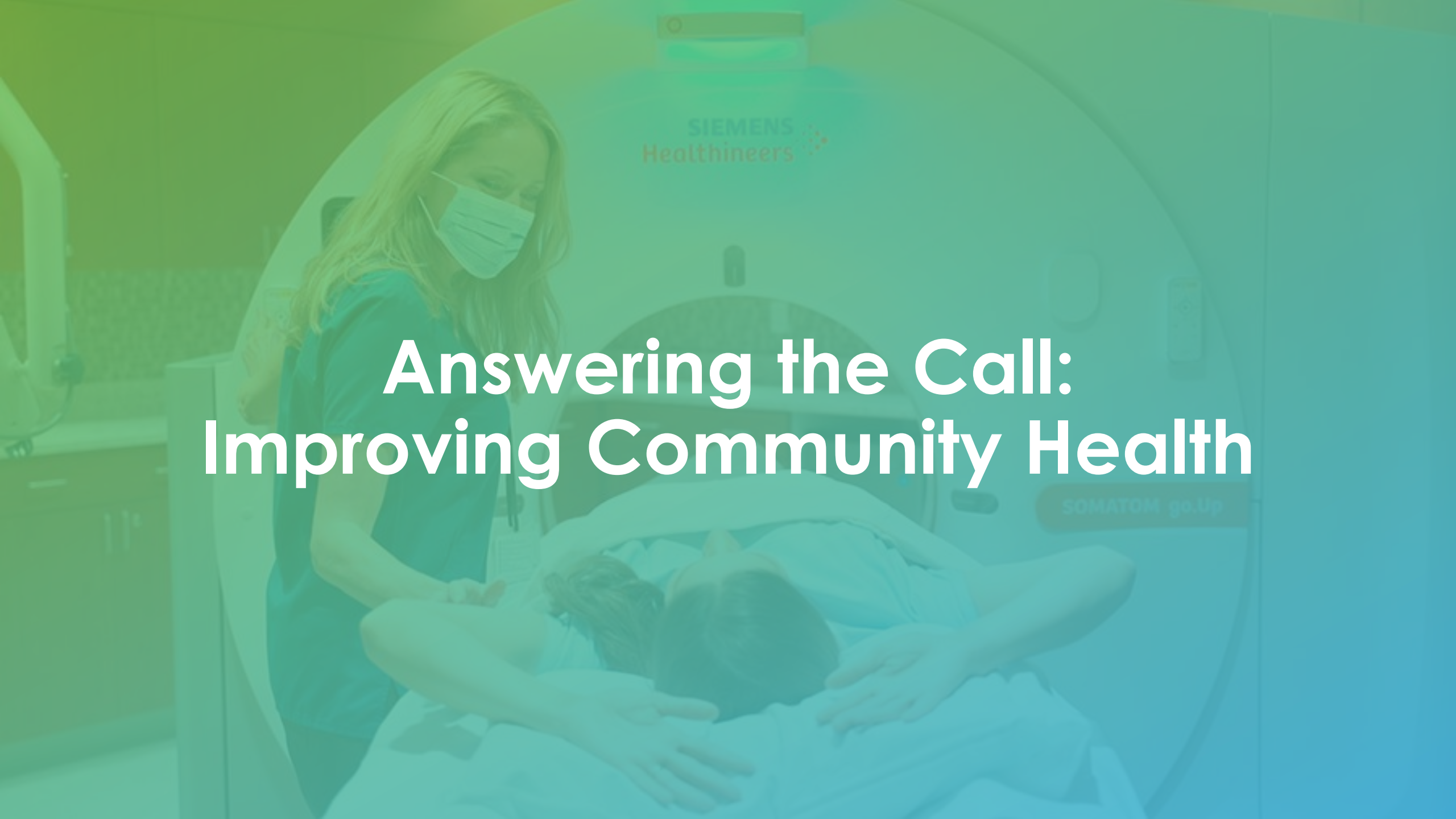
Our members are facing a challenging environment in which they are dealing with the continuation of COVID-19 cases, an increase in seasonal respiratory and flu cases, as well as greater patient acuity and longer lengths of stay. They also are subject to high inflation and significant increases in costs for workforce, drugs, equipment and supplies that jeopardize their financial stability and their ability to provide their communities and patients with access to high-quality health care services. Many of our hospitals and health systems are experiencing their worst financial situation since the COVID-19 pandemic began.

We are concerned about additional reductions in hospital payments that would be required by imposition of the Statutory PAYGO sequester, which requires that mandatory spending and revenue legislation not increase the federal budget deficit over a 5- or 10-year period. The failure to waive Statutory PAYGO would result in damaging cuts to hospital providers in fee-for-service Medicare next year - nearly $10 billion by some estimates. And this would be on top of the 2% Medicare sequester cuts, which had been waived for part of the pandemic, but are back in full effect as of July 1, 2022. We appreciate that Congress has never allowed Statutory PAYGO cuts to go into effect, and we urge Congress to again act before the end of this year to prevent the reductions from occurring. **Additional Medicare reductions to providers are not sustainable and put at risk our members' ability to care for their patients.**

Thank you for your consideration of this important request to address the impending PAYGO cuts to the Medicare program.

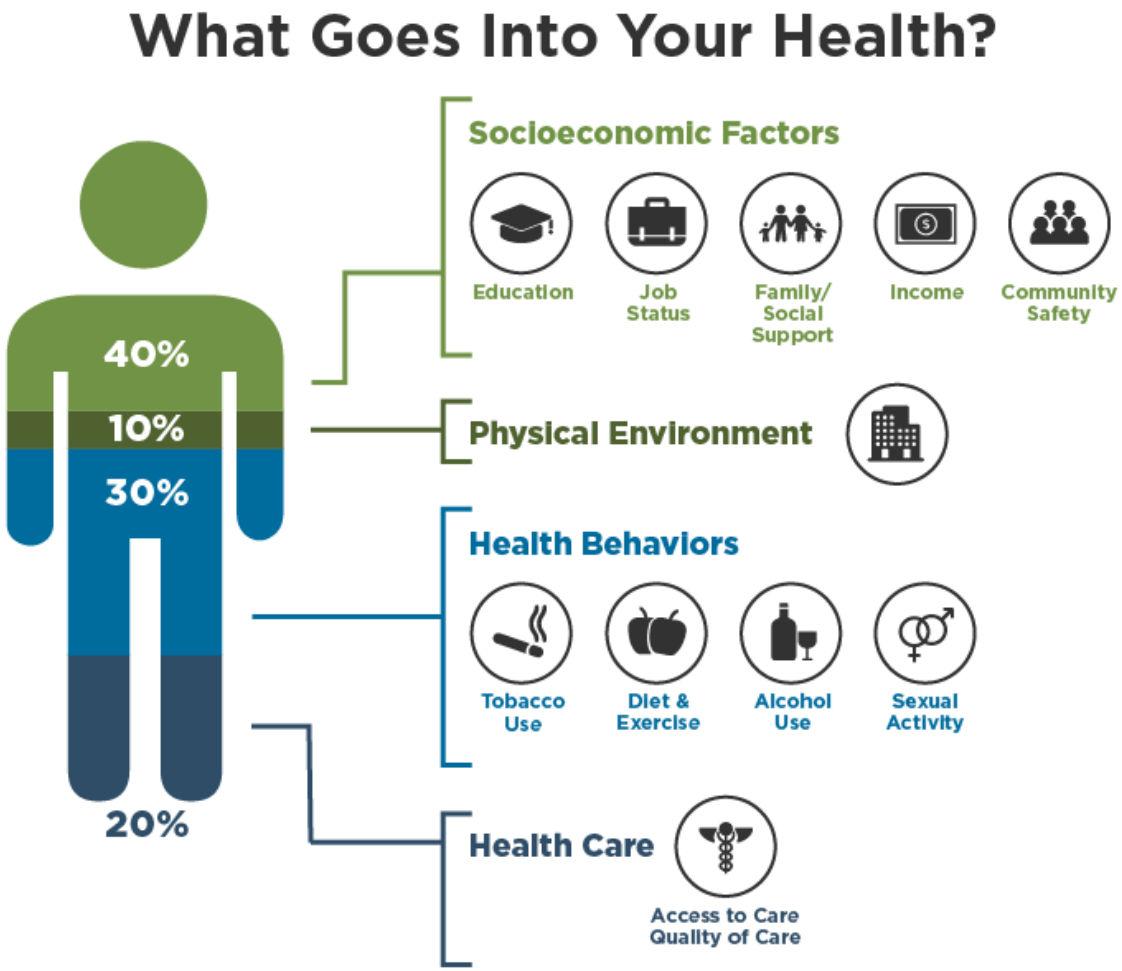
Sincerely,

America's Essential Hospitals
American Hospital Association
Association of American Medical Colleges
Catholic Health Association of the United States
Federation of American Hospitals
National Association for Behavioral Healthcare
Premier healthcare alliance
Vizient, Inc.



Answering the Call: Improving Community Health

Addressing Underlying Barriers to Health



Source: Institute for Clinical Systems Improvement, Going Beyond Clinical Walls: Solving Complex Problems (October 2014)

Adapted from The Bridgespan Group

SDoH Impact

20% of a person' health and wellbeing is related to **access to care and quality of services**

The **physical environment, social determinants and behavioral factors** drive **80%** of health outcomes

SOCIAL DETERMINANTS OF HEALTH

We need to consider each factor to address the social determinants of health.

Housing

Food

Education

Transportation

Violence

Social Support

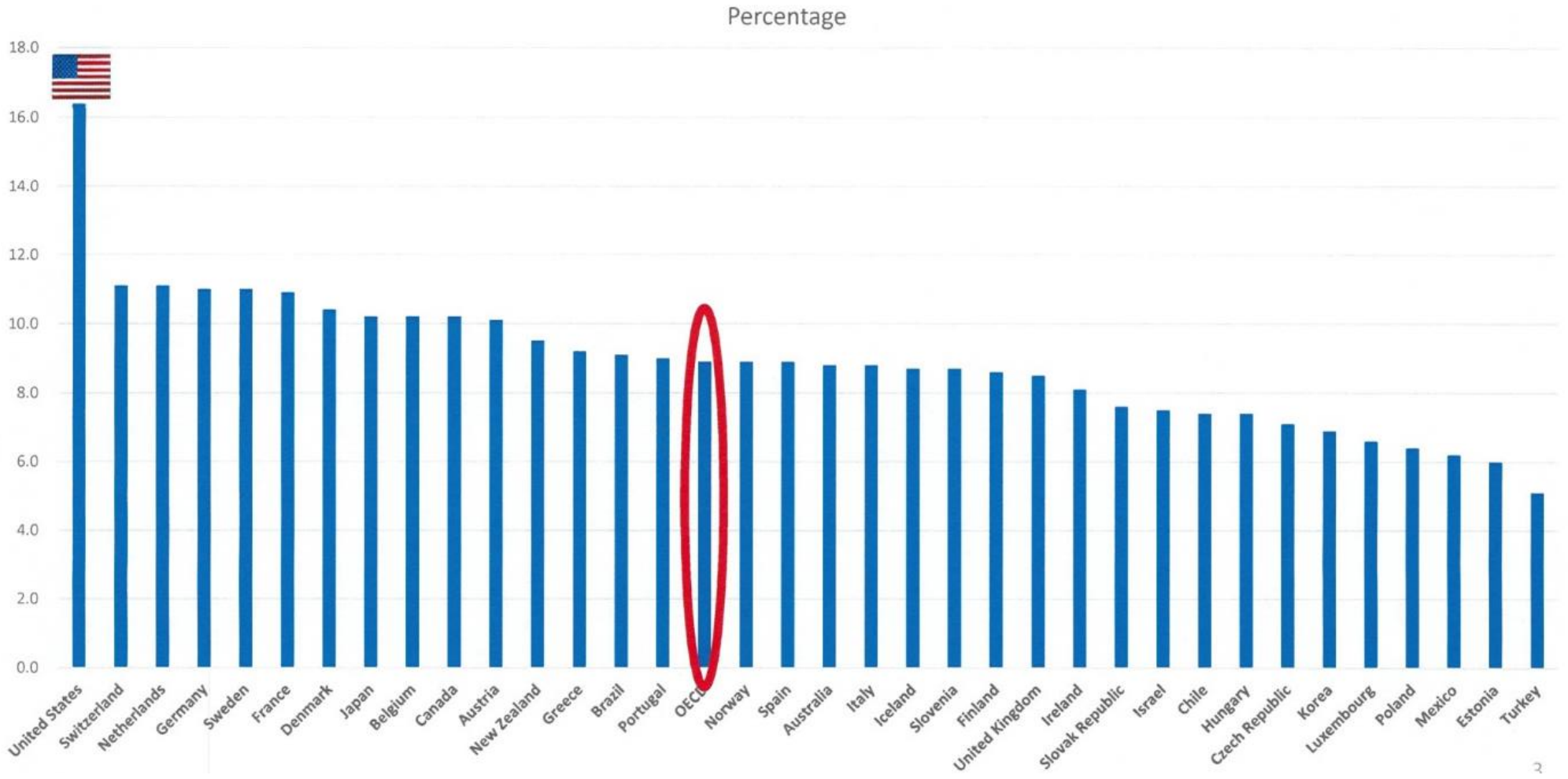
Employment

Health Behaviors

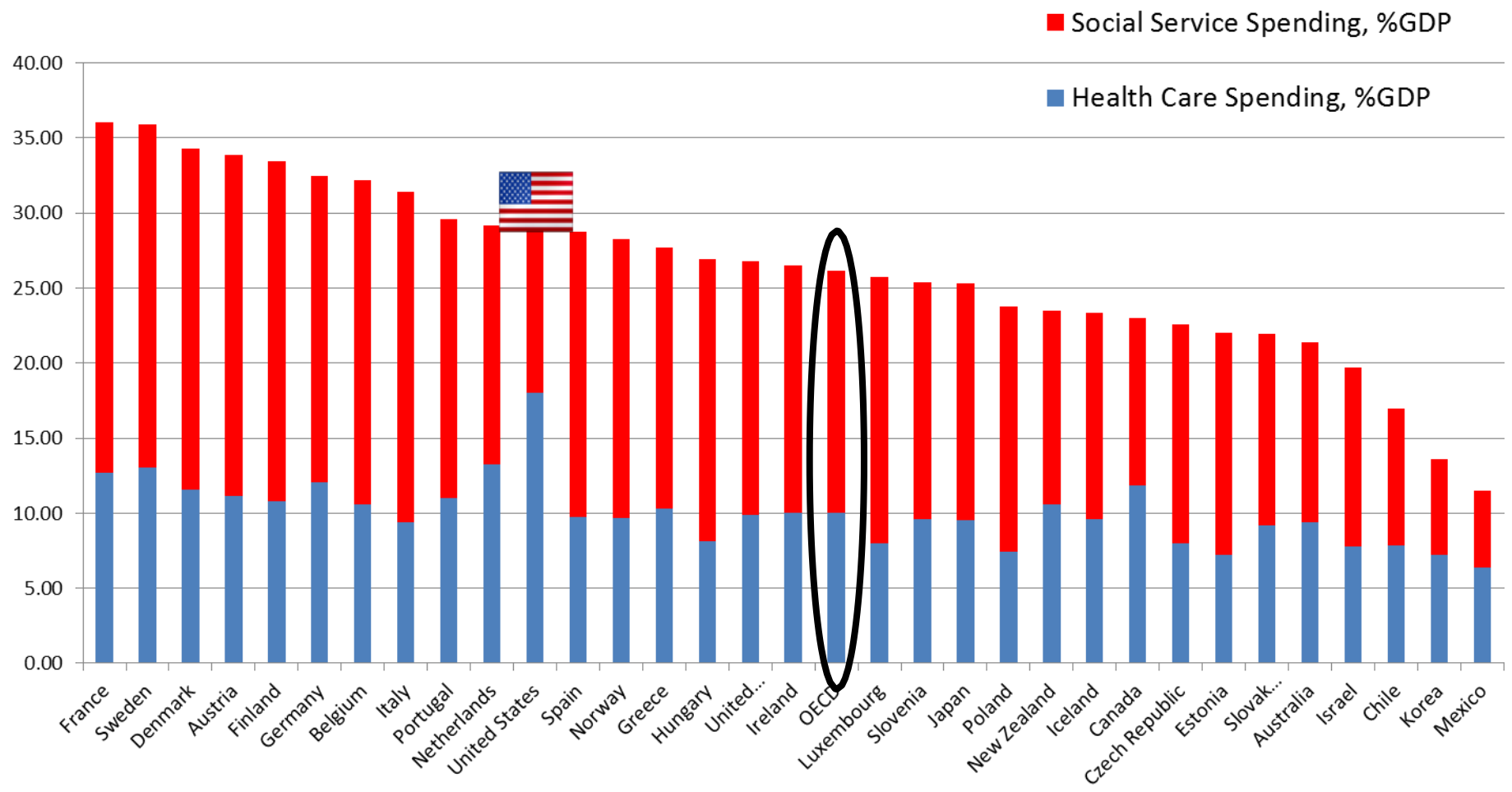
Alice & Poverty Households
Valley Towns

	Household		Alice & Poverty Percent of Household	Alice and Poverty Households
Ansonia	7,240	X	53%	3,837
Derby	4,972	X	51%	2,536
Seymour	6,090	X	39%	2,375
Oxford	4,411	X	23%	1,015
Shelton	15,186	X	37%	5,619
Beacon Falls	2,334	X	25%	584
Valley	40,233		**40%**	16,093
State of CT			**38%**	

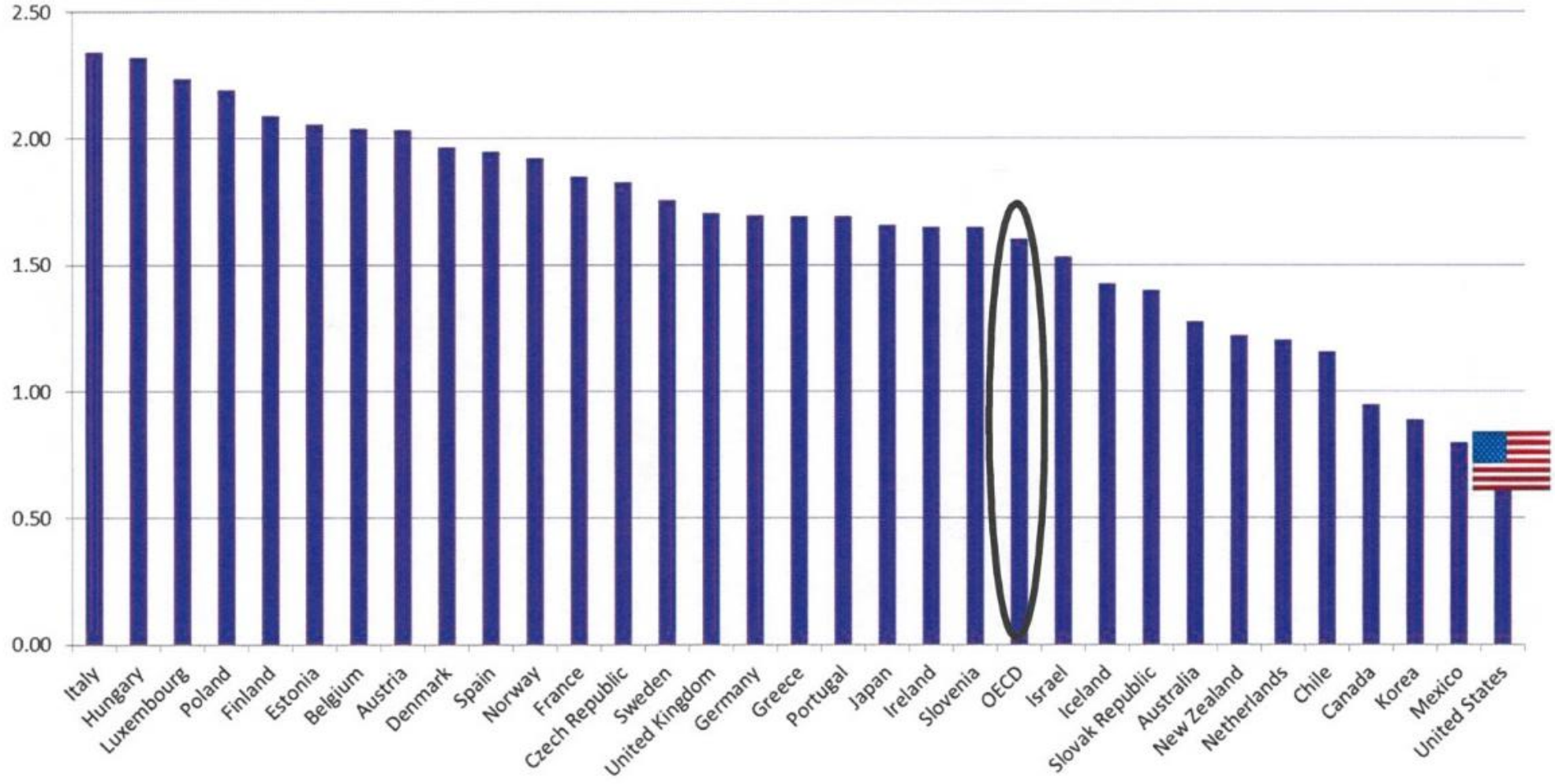
Health Expenditures as % of GDP



Total Investment in Health as a % of GDP



Ratio of Social Service to Health Care Spending



*Switzerland and Turkey are missing data for 2009

State Rankings of Medicaid Hospital Revenue/Payments as a Percent of Cost

2019

Rank	State	Year	Medicaid Revenue to Cost Ratio
1	Mississippi	2019	1.44
2	District of Colu	2019	1.41
3	Texas	2019	1.34
4	Utah	2019	1.33
5	Maryland	2019	1.32
6	Alabama	2019	1.31
7	Montana	2019	1.17
8	Kentucky	2019	1.14
9	Oklahoma	2019	1.13
10	Louisiana	2019	1.12
11	Missouri	2019	1.10
12	New Mexico	2019	1.10
13	Kansas	2019	1.09
14	Alaska	2019	1.08
15	North Carolina	2019	1.05
16	Delaware	2019	1.04
17	Virginia	2019	1.02
18	North Dakota	2019	1.00
19	Georgia	2019	1.00
20	Arkansas	2019	0.98
21	Idaho	2019	0.95
22	Indiana	2019	0.92
23	Pennsylvania	2019	0.91
24	California	2019	0.90
25	Iowa	2019	0.90
26	Hawaii	2019	0.89

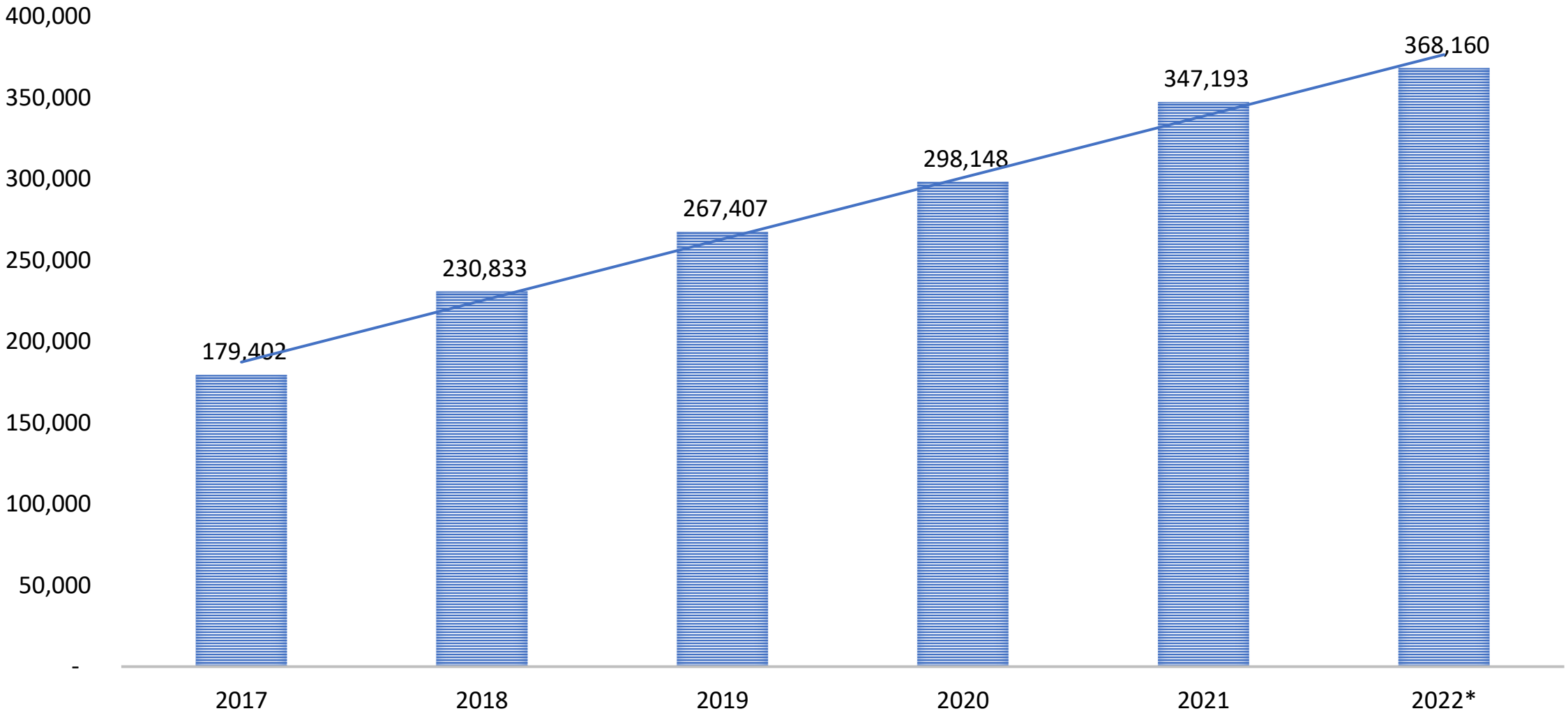
Rank	State	Year	Medicaid Revenue to Cost Ratio
27	Tennessee	2019	0.89
28	Maine	2019	0.89
29	New Jersey	2019	0.88
30	Massachusetts	2019	0.88
31	Illinois	2019	0.87
32	South Carolina	2019	0.87
33	Michigan	2019	0.85
34	Rhode Island	2019	0.85
35	Minnesota	2019	0.82
36	West Virginia	2019	0.80
37	New York	2019	0.79
38	South Dakota	2019	0.79
39	Wyoming	2019	0.78
40	Colorado	2019	0.77
41	Nebraska	2019	0.76
42	Washington	2019	0.75
43	Connecticut	2019	0.74
44	Arizona	2019	0.72
45	Oregon	2019	0.72
46	Wisconsin	2019	0.71
47	Ohio	2019	0.71
48	New Hampshir	2019	0.68
49	Florida	2019	0.66
50	Nevada	2019	0.66
51	Vermont	2019	0.59

State Rankings of Medicaid Hospital Revenue/Payments as a Percent of Cost

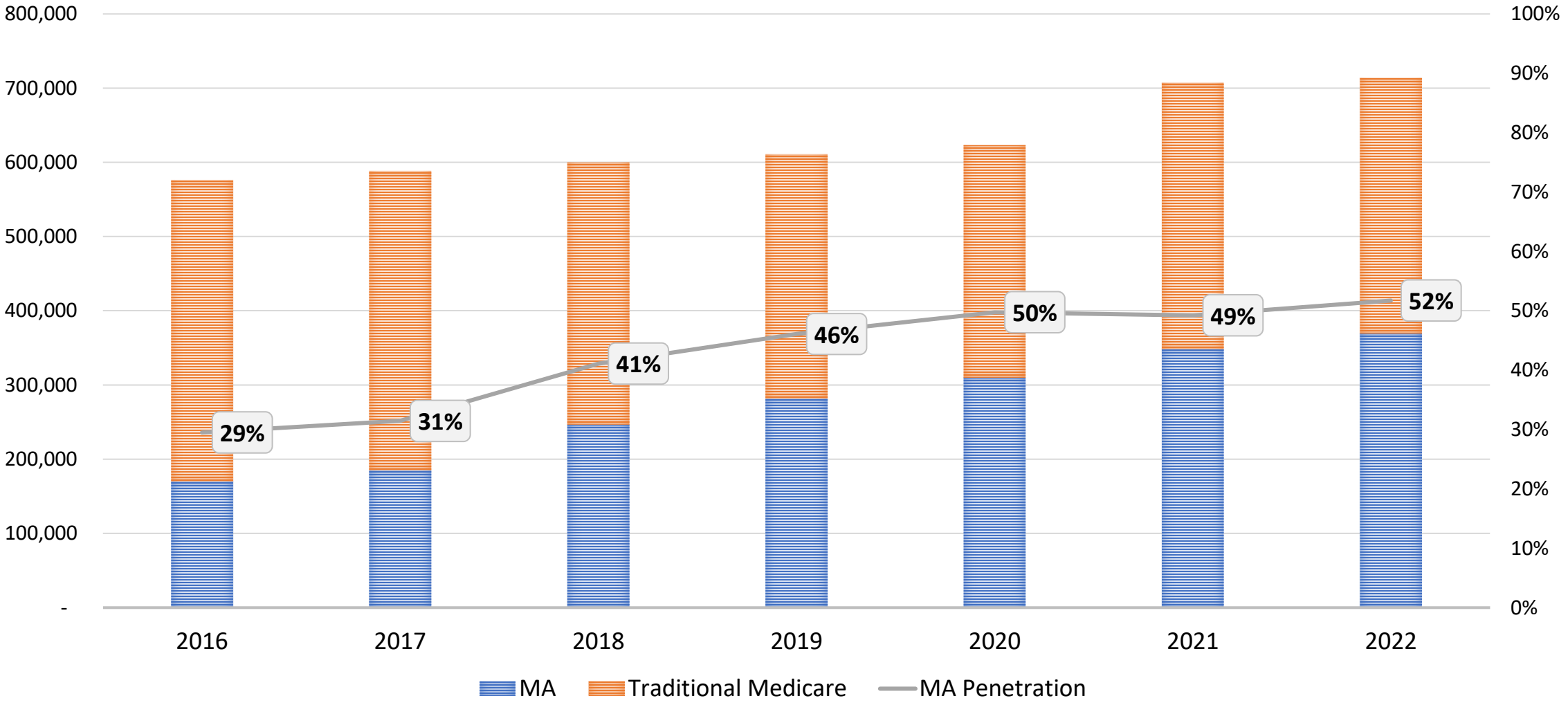
2020

Rank	State	Year	Medicaid Revenue to Cost Ratio
1	Alabama	2020	2.75
2	Maryland	2020	1.45
3	Mississippi	2020	1.45
4	Texas	2020	1.43
5	Utah	2020	1.33
6	Kentucky	2020	1.22
7	Oklahoma	2020	1.18
8	Arkansas	2020	1.15
9	New Mexico	2020	1.13
10	Georgia	2020	1.13
11	Montana	2020	1.12
12	Missouri	2020	1.11
13	District of Col	2020	1.10
14	North Carolin	2020	1.07
15	North Dakota	2020	1.06
16	Louisiana	2020	1.05
17	Kansas	2020	1.03
18	Virginia	2020	1.03
19	South Carolin	2020	1.02
20	Tennessee	2020	0.99
21	Alaska	2020	0.98
22	South Dakota	2020	0.98
23	Pennsylvania	2020	0.91
24	Iowa	2020	0.91
25	Michigan	2020	0.87
26	Delaware	2020	0.87
27	Illinois	2020	0.87
28	Hawaii	2020	0.86
29	California	2020	0.84
30	Massachusett	2020	0.84
31	Nebraska	2020	0.83
32	Idaho	2020	0.82
33	Indiana	2020	0.81
34	Maine	2020	0.81
35	Rhode Island	2020	0.79
36	Ohio	2020	0.78
37	New Jersey	2020	0.78
38	Minnesota	2020	0.76
39	Washington	2020	0.75
40	New York	2020	0.75
41	Colorado	2020	0.73
42	West Virginia	2020	0.72
43	Oregon	2020	0.72
44	Wisconsin	2020	0.72
45	Wyoming	2020	0.72
46	Arizona	2020	0.71
47	Nevada	2020	0.69
48	Connecticut	2020	0.68
49	Florida	2020	0.66
50	New Hampsh	2020	0.66
51	Vermont	2020	0.52

TOTAL MA ENROLLMENT IN CT



MA ENROLLMENT AND PENETRATION



Medicare Advantage Plan Admission Denials Creating Larger Cost Shift

	DRG	Geometric Length of Stay	Griffin Specific Medicare Rate	Griffin Specific Observation Rate	Inpatient Rates vs Outpatient Rates as %
Urinary Tract Infection	689	2.8	7,438.54	2,669.37	-64.11%
Syncope	312	2.3	7,972.40	2,669.37	-66.52%
Chest Pain	313	1.7	6,763.50	2,669.37	-60.53%
Chronic Obstructive Pulmonary Disease	191	2.9	8,267.85	2,669.37	-67.71%
Heart Failure	292	3	8,073.38	2,669.37	-66.94%

Price Transparency Facilitating the Drive Toward Value

The requirements are meant to help patients become true consumers of healthcare "so that they can lead the drive toward value," as stated in the initial CMS regulations on hospital price transparency

- requirements for hospitals were drafted by CMS during the Trump administration and went into effect Jan. 1, 2021.

- health plans were set to begin a year later, but the Biden administration delayed enforcement until July 2022 to allow for more time to comply.

Price Transparency Facilitating the Drive Toward Value

Hospitals must post their standard charges in two ways:

1. **A single machine-readable digital file** containing the following information for all items and services: gross charges, discounted cash prices, payer-specific negotiated charges and de-identified minimum and maximum negotiated charges.

2. **A display of prices for at least 300 shoppable services** (or as many as the hospital provides if less than 300) that can be scheduled in advance. The shoppable-services requirement can be waived if the hospital maintains an online price estimator tool that meets certain criteria.

Price Transparency Facilitating the Drive Toward Value

Hospitals compliance to date:

Turquoise Health evaluated 60 different aspects of hospitals' machine-readable files. Of 5,000 hospitals, 70% have files that received a four- or five-star rating for completeness. They include service rates as negotiated with each of their health plans. And even hospitals that received two or three stars are contributing to transparency.

According to an August 2022 report from PatientRightsAdvocate.org, only 16% of 2,000 surveyed hospitals were in full compliance with the regulations.

Price Transparency Facilitating the Drive Toward Value

Health plan price transparency requirements are being implemented in three phases:

1. As of July 1, health plans must be posting machine-readable files containing rates for all covered items and services as negotiated with in-network providers; and allowed amounts for, and billed charges from, out-of-network providers.

2. For plan years beginning on or after Jan. 1, 2023, health plans must provide an Internet-based price comparison tool allowing individuals to receive an estimate of their cost-sharing responsibility for at least 500 items and services as delivered by any provider or providers.

3. For plan years beginning on or after Jan. 1, 2024, the requirement expands to include all items and services.

Price Transparency Facilitating the Drive Toward Value

The sheer volume of data makes the payer files unwieldy. Sifting through all that data to compare rates could drain IT resources even for large companies.

Nate Maslak, CEO and cofounder of Ribbon Health, a healthcare data company, thinks the data provided is far too complex for patients to understand and says the data is filled with mismatched and outdated numbers.

“Price transparency regulation on its own won’t give patients access to more affordable care decisions unless these insights are delivered to patients in a consumer-friendly fashion,” Maslak said.

Humana’s listing of in-network rates comprises more than 455,000 JSON-format files that, combined, include an estimated 400 billion prices for individual services as negotiated with individual providers.