



Getting to a Fair Price in Hospital Care

November 1, 2022

All Employer Member Meeting

Agenda



- Setting the Stage
- Hospital Value Dashboard (Sage Transparency) and the Fair Price Playbook
- Review data found in Sage for the main markets in Florida – example hospitals
- Talk through the proposed “Getting to a Fair Price” Methodology from the playbook and what that would look like in Florida
- Review draft talking points that employers can use in discussions with their leadership
- Identify which healthcare systems we want to meet with in the coming months
- Share an update on educating elected officials in Washington, DC and in Tallahassee on hospital pricing
- Discuss RAND 5.0 Hospital Price Transparency Study participation

Setting the Stage



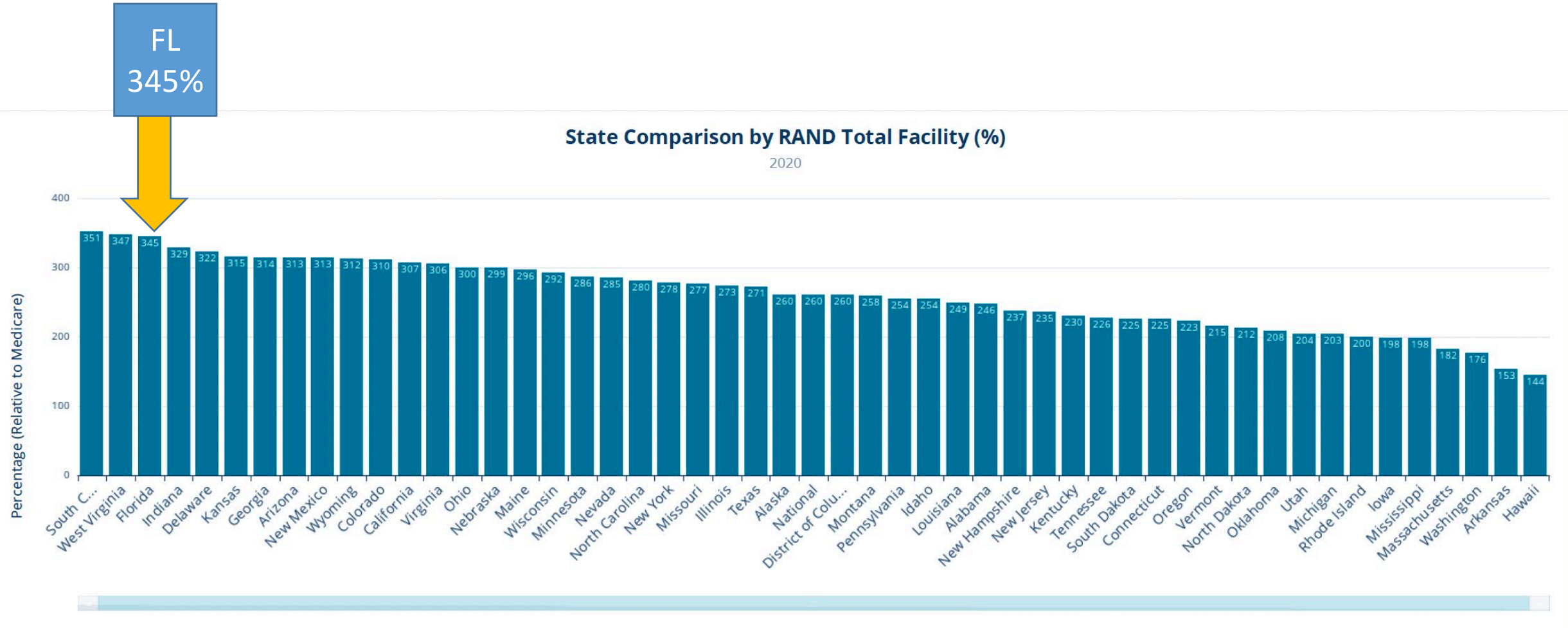
- Largest medical expenditure for employers is hospital services
- How does hospital price relate to hospital cost?
- Employers have a fiduciary responsibility to ensure they are paying a fair price
- Up until now, lack of transparency has limited the ability for employers to develop/implement high value programs and contracts

Three New Tools

- National Academy for State Health Policy – **Hospital Cost Tool** – released in April 2022
- **RAND 4.0 Hospital Price Transparency Study** – released in May 2022
- **Sage Transparency** – Hospital Value Dashboard – released in May 2022



3rd Highest Price State - Total Facility



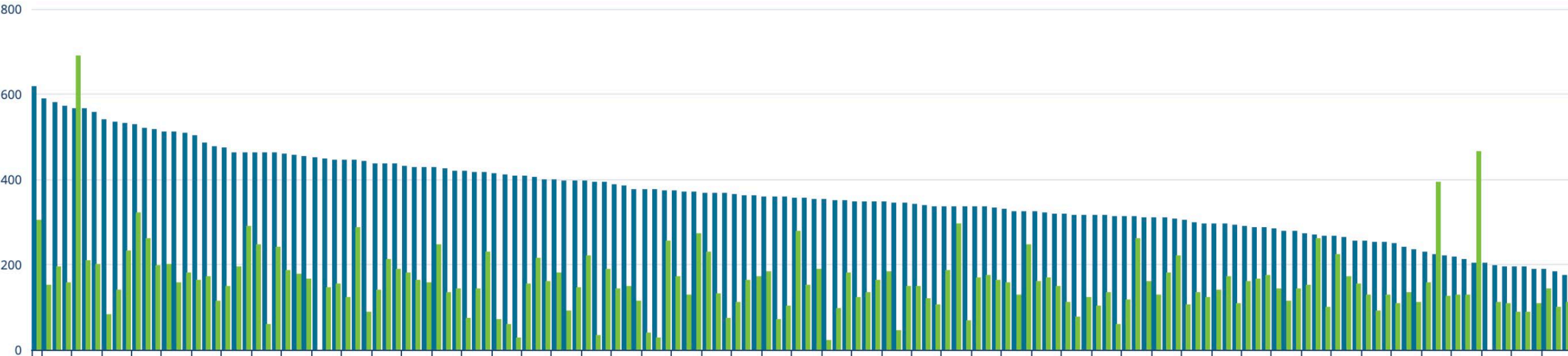
Price and Cost Difference in a Sampling of FL Hospitals



RAND Total Facility Relative Price (%) (2018 - 2020) Compared to NASHP Breakeven Price (%) (2019)

The difference between what is paid (blue) vs breakeven price (green) is the potential opportunity for payers to negotiate with hospitals to help contain prices.

■ Total Facility ■ NASHP Breakeven Price



The litany of excuses for relentless hospital cost inflation....



- Trial lawyers have caused a litigious environment that necessitates defensive and unnecessary medicine
- New technology, which drives costs down in most industries, drives up costs in health care
- Medicare and Medicaid under-pay providers, who are then forced to shift costs to commercial payers
- Shortages of medical professionals drive up wages (e.g., travel nurses)
- Hospital systems are required to provide charity care
- And so on....

Sage Transparency Data Sources

PUBLIC

RAND 4.0

Prices paid by employers & insurers

Claims data from employers, insurers, and APCDs

NASHP Hospital Cost Tool

Commercial breakeven price

Federal government data submitted by hospital

CMS Hospital Star Rating

Quality ratings

Posted by the federal government

PROPRIETARY

Turquoise Health

Prices posted by payer

Hospitals' own websites aggregated by Turquoise Health into clinical categories

Quantros/Healthcare Bluebook

Quality ratings

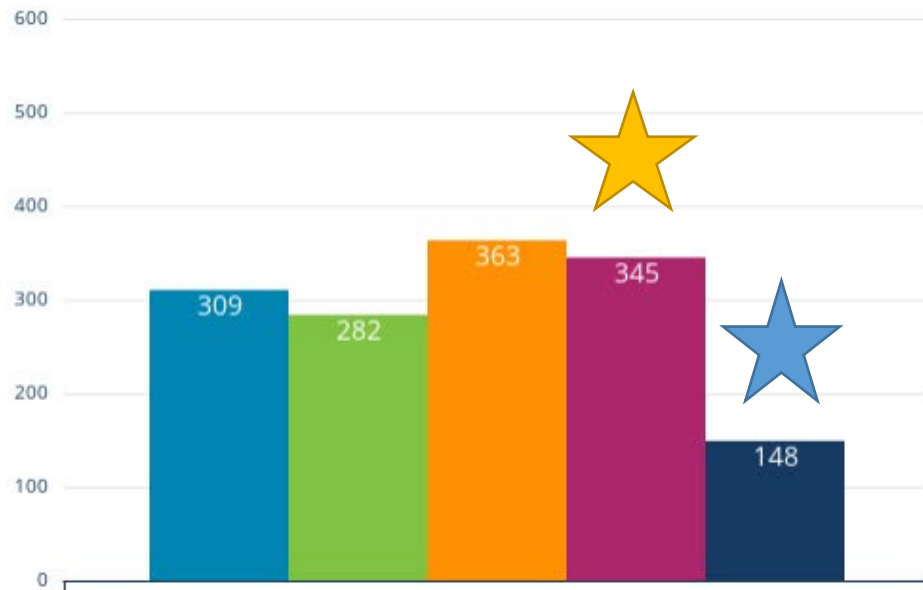
Determined by Quantros



Compare Total Facility Price Paid by Employers (RAND) ★ to Commercial Breakeven – Cost “Plus” (NASHP) ★

State Benchmarks: Florida

RAND Relative Prices (%) from 2020; NASHP from 2019



■ Total Facility Plus Physician ■ Inpatient Facility Plus Physician
■ Outpatient Facility Plus Physician ■ Total Facility ■ NASHP Breakeven Price

National Benchmarks: Median of all States

RAND Relative Prices (%) from 2020; NASHP from 2019



■ Total Facility Plus Physician ■ Inpatient Facility Plus Physician
■ Outpatient Facility Plus Physician ■ Total Facility ■ NASHP Breakeven Price

Employer Playbook - How to Get to Fair Price

- Fiduciary Rights & Responsibilities
- Introduction to Sage Transparency
 - How to get to Fair Price
 - Market & Policy Options
 - Appendices

Beyond Hospital Transparency

GETTING TO FAIR PRICE



A Playbook for Employers/Purchasers and Regional Business Coalitions on Health

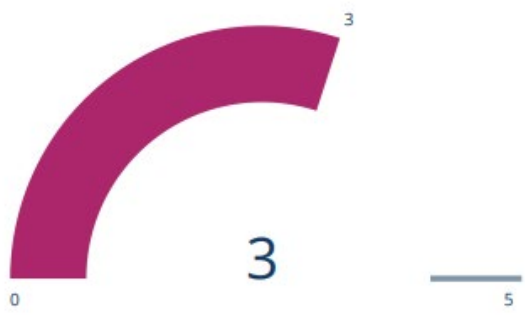
Tampa General - Quality



CMS Patient Experience Star Rating

2020 Q4 - 2021 Q3

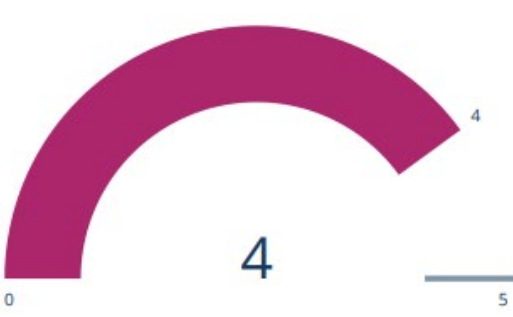
1 represents lowest score; 5 represents highest score



CMS Overall Star Rating

2020 Q4 - 2021 Q3

1 represents lowest score; 5 represents highest score



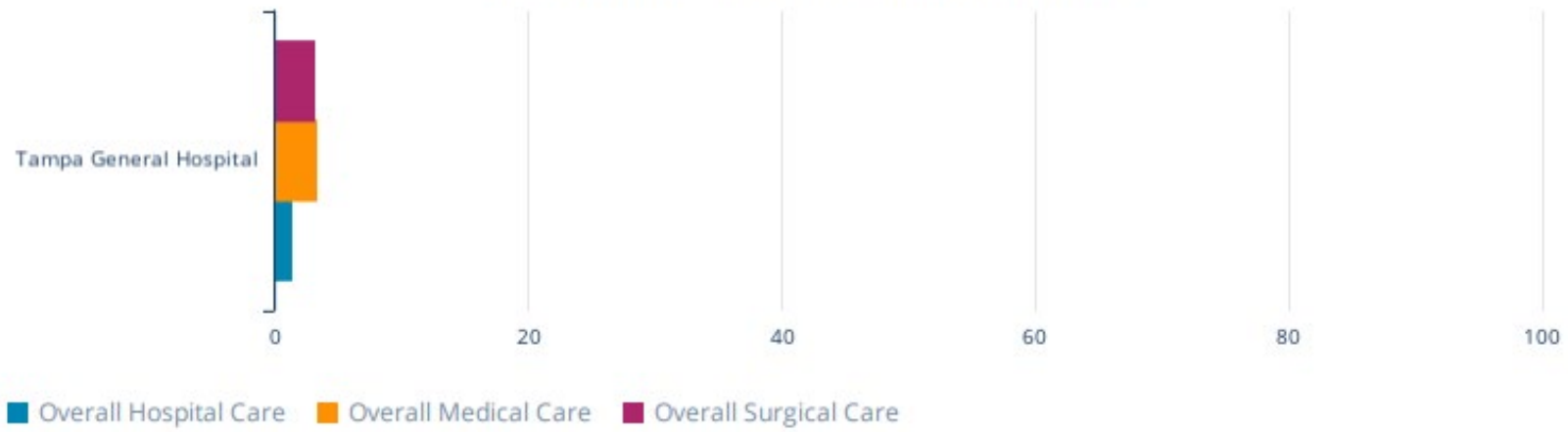
**Spring 2022
Hospital Safety
Grade – Leapfrog**

**Overall Hospital
Care = 1.2/100**

Quantros Quality Scores

2019 Q1 - 2021 Q4

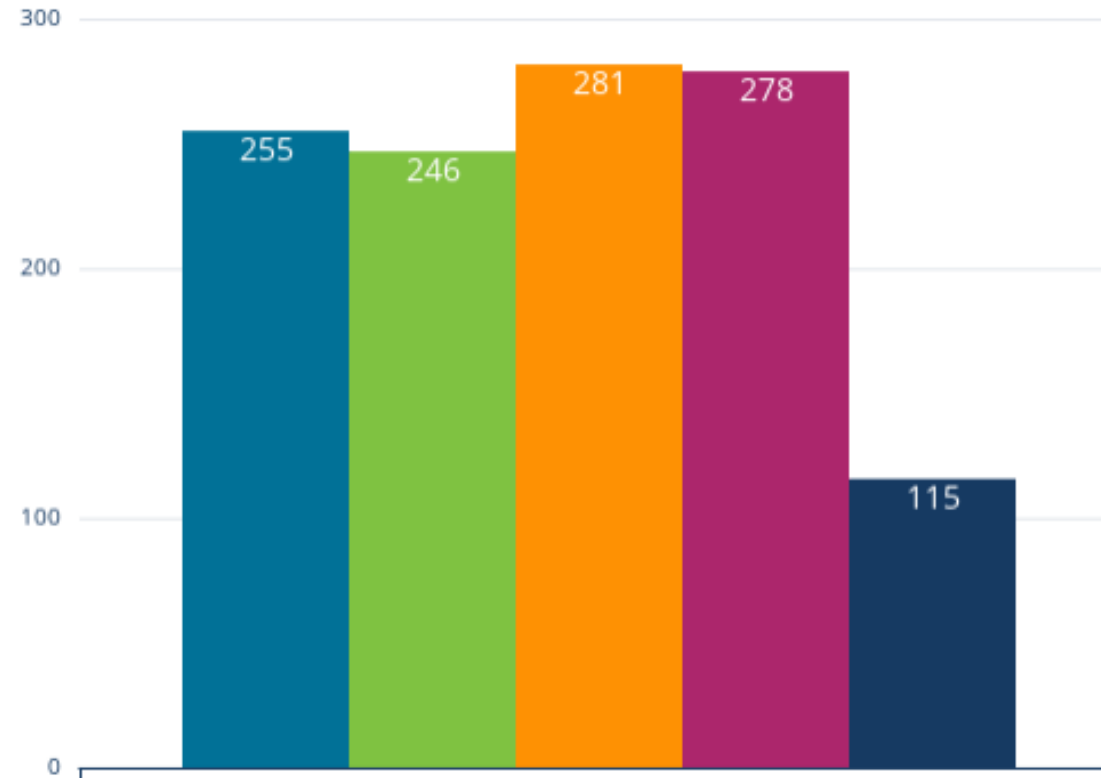
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Tampa General - Price/Cost

Hospital Metrics: Tampa General Hospital

RAND Relative Prices (%) from 2018 - 2020; NASHP from 2019



**Total Facility Price Paid =
278% of Medicare**

**Commercial Breakeven =
115% of Medicare**

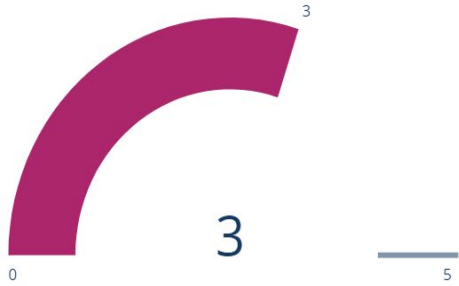
**Note:
Net Profit Margin = 6%**

Holmes Regional (Melbourne)- Quality

CMS Patient Experience Star Rating

2020 Q4 - 2021 Q3

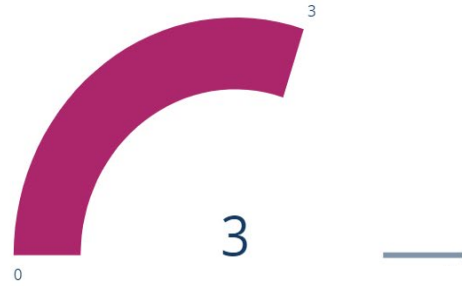
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CMS Overall Star Rating

2020 Q4 - 2021 Q3

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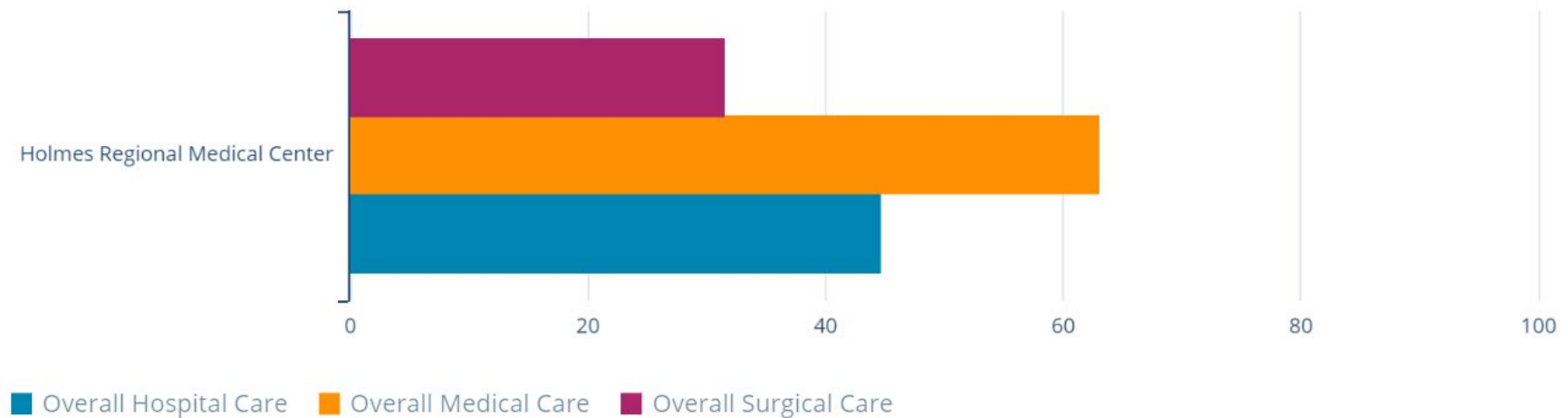


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Quantros Quality Scores

2019 Q1 - 2021 Q4

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Holmes Regional - Price/Cost

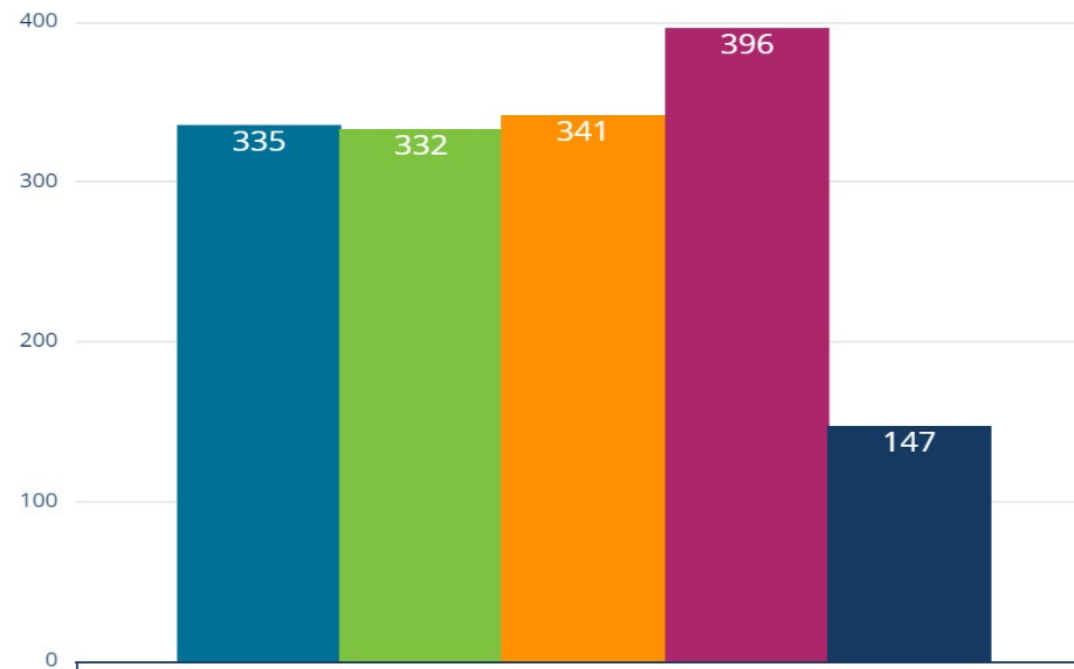
Total Facility Price Paid
= 396% of Medicare

Commercial Breakeven
= 147% Medicare

Note:
Net Profit Margin = 11%

Hospital Metrics: Holmes Regional Medical Center

RAND Relative Prices (%) from 2018 - 2020; NASHP from 2019



■ Total Facility Plus Physician ■ Inpatient Facility Plus Physician
■ Outpatient Facility Plus Physician ■ Total Facility ■ NASHP Breakeven Ratio

JFK Medical Center (West Palm) - Quality



CMS Patient Experience Star Rating

2020 Q4 - 2021 Q3

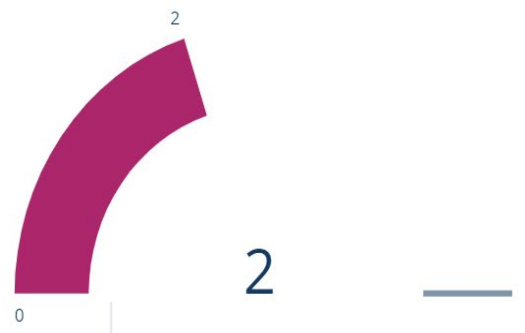
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CMS Overall Star Rating

2020 Q4 - 2021 Q3

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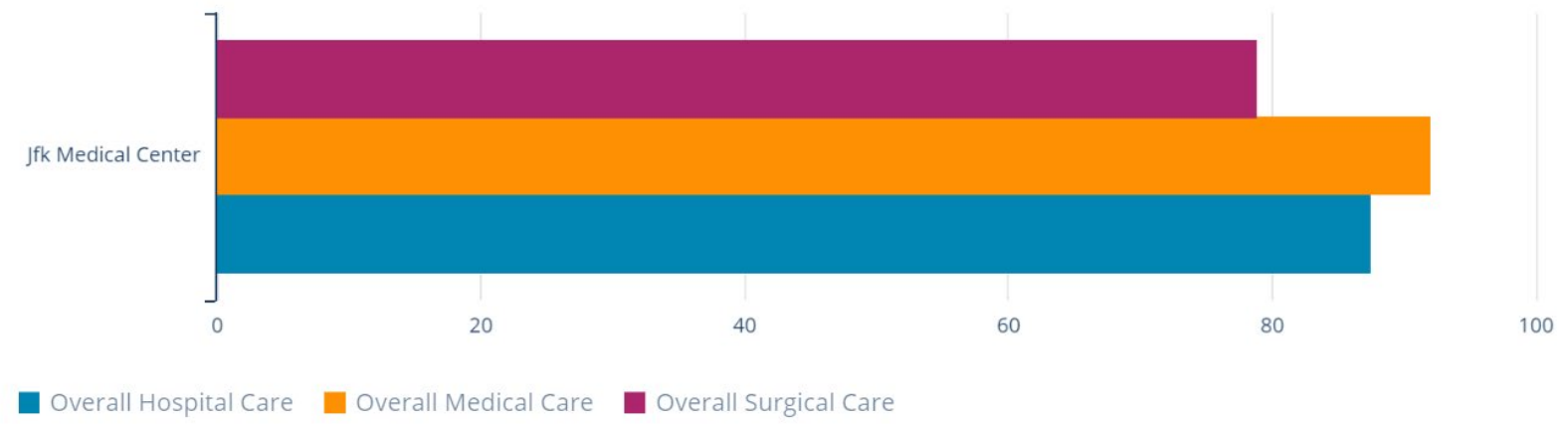


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Quantros Quality Scores

2019 Q1 - 2021 Q4

0 represents lowest score; 100 represents highest score

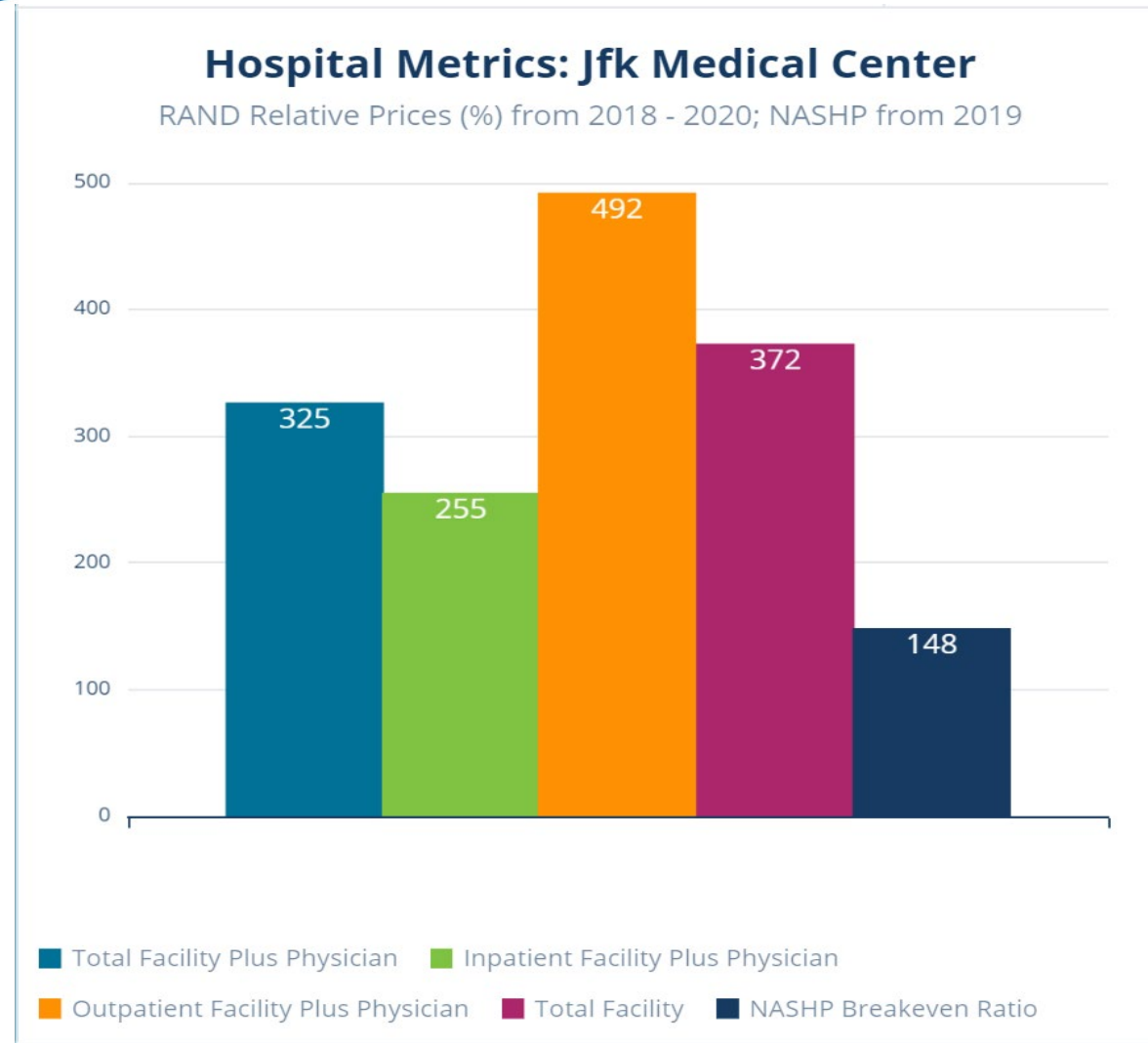


JFK Medical Center - Price/Cost

Total Facility Price Paid =
372% of Medicare

Commercial Breakeven =
148% of Medicare

Note:
Net Profit Margin = 13%



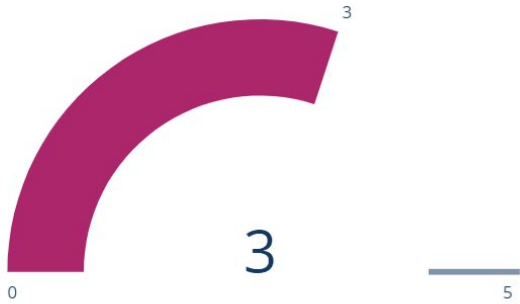
AdventHealth Orlando - Quality



CMS Patient Experience Star Rating

2020 Q4 - 2021 Q3

1 represents lowest score; 5 represents highest score



CMS Overall Star Rating

2020 Q4 - 2021 Q3

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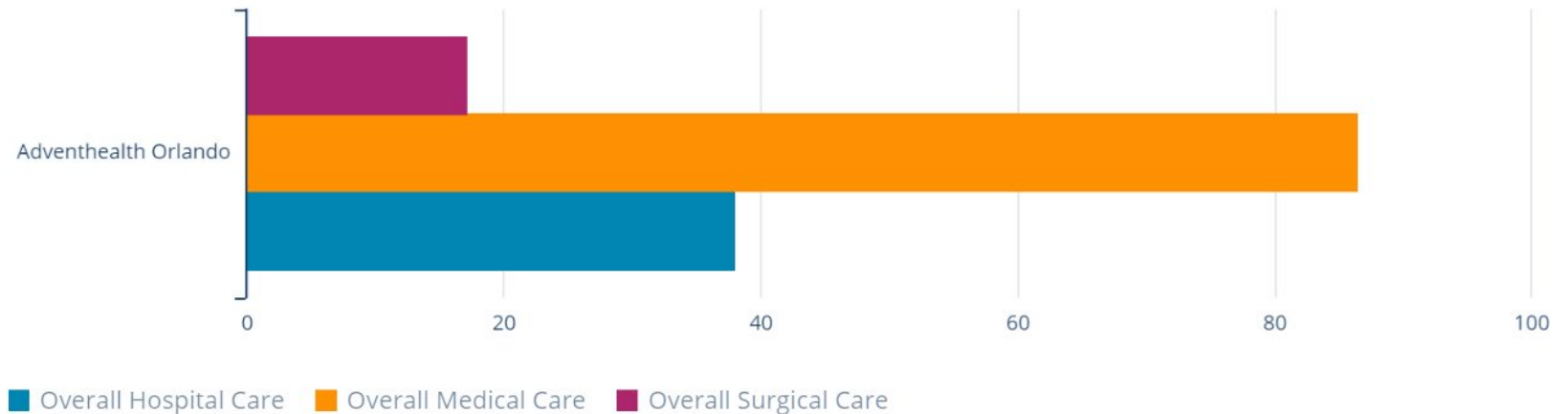


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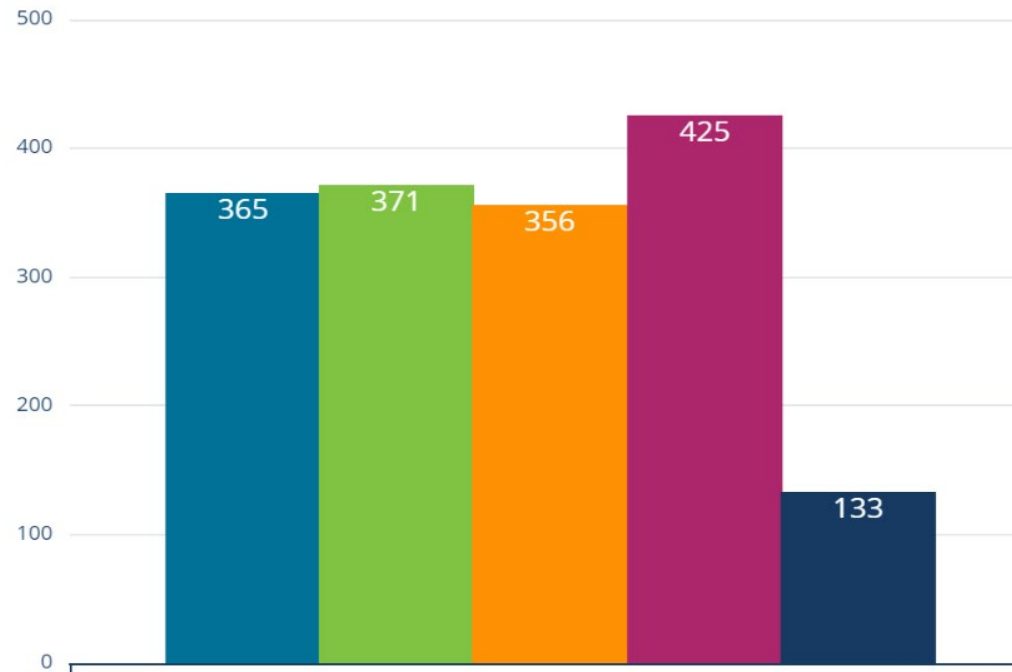


AdventHealth Orlando - Price/Cost



Hospital Metrics: Adventhealth Orlando

RAND Relative Prices (%) from 2018 - 2020; NASHP from 2019



Total Facility Price Paid =
425% of Medicare

Commercial Breakeven =
133% of Medicare

Note:
Net Profit Margin = 24%

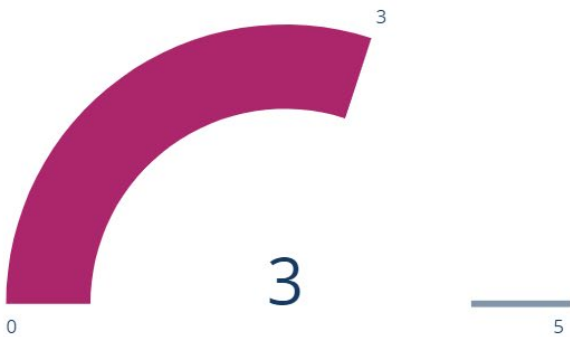
■ Total Facility Plus Physician ■ Inpatient Facility Plus Physician
■ Outpatient Facility Plus Physician ■ Total Facility ■ NASHP Breakeven Ratio

Baptist – Miami - Quality



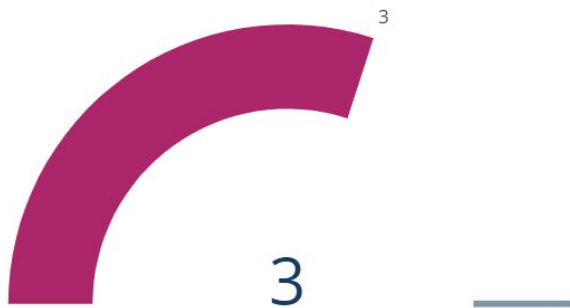
CMS Patient Experience Star Rating

2020 Q4 - 2021 Q3
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CMS Overall Star Rating

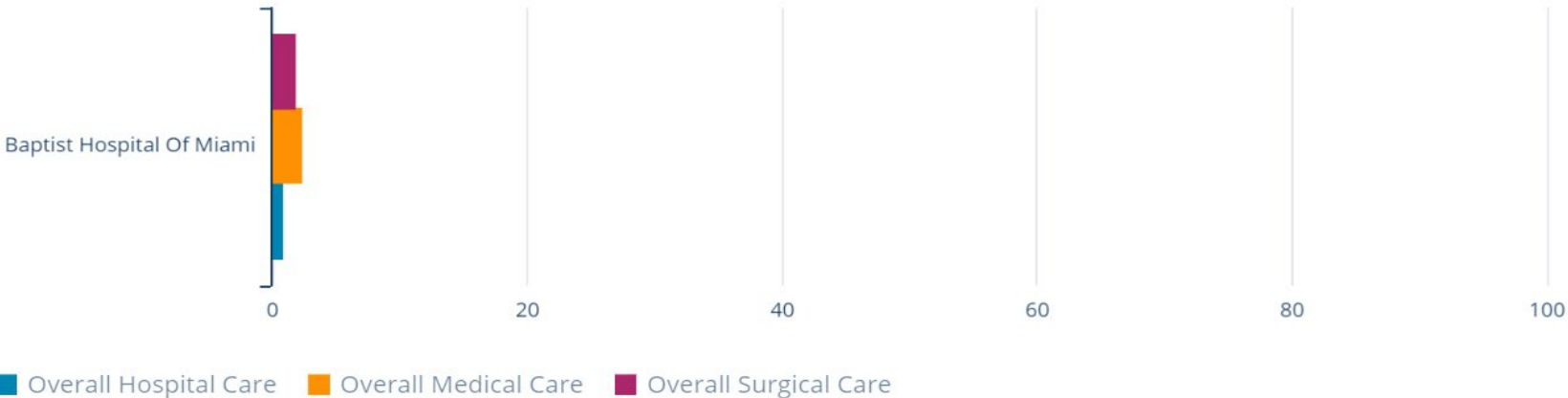
2020 Q4 - 2021 Q3
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Quantros Quality Scores

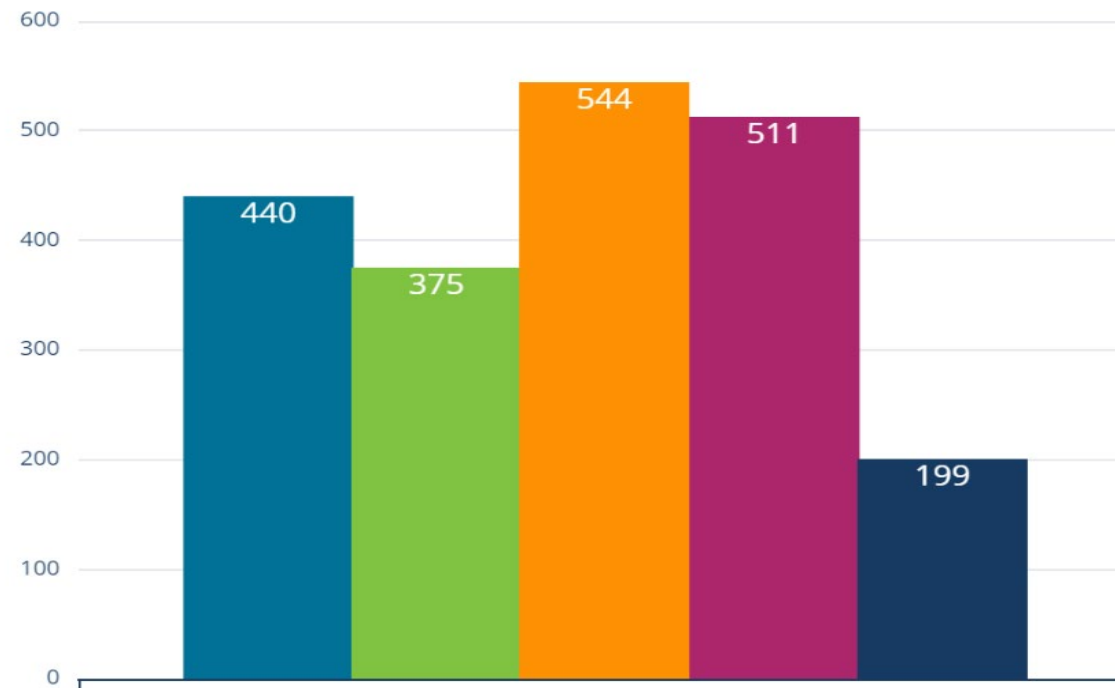
2019 Q1 - 2021 Q4
0 represents lowest score; 100 represents highest score



Baptist – Miami - Price/Cost

Hospital Metrics: Baptist Hospital Of Miami

RAND Relative Prices (%) from 2018 - 2020; NASHP from 2019



Total Facility Price Paid =
511% of Medicare

Commercial Breakeven
= 199% of Medicare

Note:
Net Profit Margin = 20%

■ Total Facility Plus Physician ■ Inpatient Facility Plus Physician
■ Outpatient Facility Plus Physician ■ Total Facility ■ NASHP Breakeven Ratio

Take Charge of Your Spend!

Use the “Golden Rule” –

He/she who has the gold -- rules!

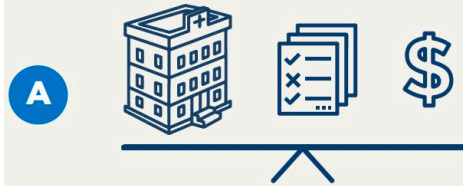
*Credit to John Torinus, Jr.,
CEO of Serigraph
Author, The Company That Solved Health Care*



Fair Price Methodology

- Cost plus Margin
- Comparison to Peers
- Other considerations
 - Are Costs Very High?
 - Are Peers Very Costly?

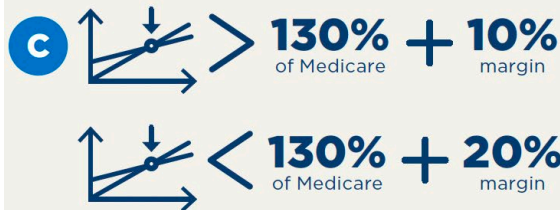
1 Comparison to costs



Determine what the hospital needs to charge commercial customers to break even overall using the NASHP commercial breakeven calculation (considering all other incomes and expenses)



If hospital(s) commercial breakeven is greater than 130% of Medicare it's likely the hospital operating overall materially above Medicare cost levels. MedPAC indicate that relatively efficient run hospitals can operate at or near Medicare cost levels

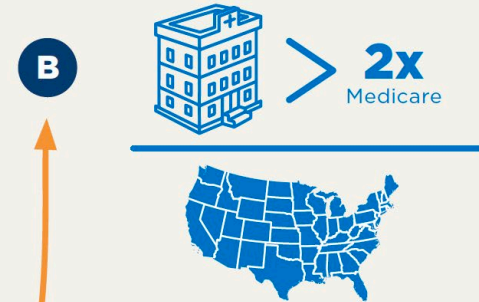


If commercial breakeven is over 130% add 10% margin and assume that's reasonable; If it's under 130% of Medicare add 20% and assume that's reasonable

2 Comparison to peers



Determine how hospital charges compare to similar (peer group) hospitals charge. Consider hospitals whose services are comparable, and quality is at least as good as the comparison hospital.



If peer group hospitals in your market are more than two times Medicare, compare hospitals in your state to other states, and if higher, assume the national average to see if your state is an outlier.

3 Fair market price

It's reasonable to assume the fair market price is in the range between 1C and 2B

Getting to a Fair Price

Page 13 of Playbook



Commercial Breakeven % of Medicare x the Playbook Fair Price Multiplier (if Breakeven > 130% use 1.1 Multiplier and if Breakeven < 130% use 1.2 Multiplier) to get to a “Fair Price”:

- Tampa General: 115% Medicare x 1.2 = **138%**
- Holmes Regional: 147% Medicare x 1.1 = **162%**
- JFK Medical Center: 148% Medicare x 1.2 = **163%**
- AdventHealth Orlando: 133% Medicare x 1.1 = **146%**
- Baptist Miami: 199% of Medicare x 1.1 = **219%**



Talking Points



- Employers in the US expect medical plan costs per employee to rise 5.6% on average in 2023 (SHRM survey data). **In Florida, we are already hearing about “double digit” increases for next year**
- **Florida is the #3 highest price paid state for hospital care in the US by employers (RAND)**
- Because self-funded employers typically have multiyear contracts, **the full effect of hospital price inflation has not been felt yet** -- the effect of higher prices on plan costs will be phased in over the next few years as contracts come up for renewal and providers negotiate higher reimbursement levels
- **Employers have a small window of opportunity to get out in front of sharper increases coming in 2024**
- We now have data in hand that can be used to **negotiate a fair price**

Market Based Strategies to get to Fair Price

- Reference-Based Pricing
- Direct Contracts
- Rebasing Contracts to a Percentage of Medicare, Performance Guarantees
- Tiered Networks, Centers of Excellence, Episodes of Care
- Advanced Primary Care, Site of Care, Unaffiliated Providers
- Health System Engagement
- Transparency

Health Systems in Florida



- AdventHealth
- Ascension Health
- Baptist Health Care
- Baptist Health South Florida
- Baptist Medical Center Jacksonville
- BayCare Health System (Trinity Health)
- Cleveland Clinic
- Halifax Health
- HCA
- Jackson Health System/University of Miami
- Lee Health
- Memorial Healthcare System
- Orlando Health
- Steward Health Care
- Tallahassee Memorial Healthcare
- Tampa General Hospital
- Tenet Health
- UF Health

FL Alliance Affiliate Members in this Space



- **Cedar Gate** – bundled payments
- **Centivo** – nontraditional TPA with advanced primary care, curated network
- **eHome Counseling Group** – tele-behavioral health
- **Embold Health** – high value providers
- **Global 1** – bundled payments
- **Goldfinch** – surgical navigation/narrow network
- **Health Plans, Inc.** – nontraditional TPA
- **Hinge Health** – virtual care for back pain
- **Imagine Health** – reference-based pricing
- **Marathon Health** – shared site clinics
- **PeopleOne Health** – near site clinics
- **SurgeryPlus/Employer Direct Healthcare** – surgical navigation/narrow network

Policy Based Strategies to get to Fair Price

- Rate Regulation
- Global Budgets
- Healthcare Cost Growth Caps
- Public Option
- Anti-Competitive Practices/Anti-Trust Enforcement
- Surprise Billing

Expanding FL Alliance Influence in State Health Policy



- Develop and implement a program that will build **brand awareness for the FL Alliance and educate members of the legislature as well as allied organizations** (FL Chamber of Commerce, Associated Industries of FL, FL Association of Counties, FL League of Cities, etc.), of the burden that has been placed on the backs of FL employers/businesses due to high hospital prices
- During initial stages of engagement, will not push for policy change; however, needed changes may organically occur because of educating elected officials – best to let leaders react to what they are learning and see what policy recommendation they may develop
- Investigating the establishment of a 501c4 organization to avoid losing tax exempt status as a 501c3 and investigating how to work with employer members' lobbyists
- Investigating policy funding from Arnold Ventures
- Hiring consultants

Next Steps for the FL Alliance



- **C-Suite Meeting(s)** – when, where (hybrid?) – invite Marilyn Bartlett from NASHP to speak
- **Build policy and advocacy capacity** and educate elected officials and employers' lobbyists and potentially establish a separate lobbying organization
- **Seek funding** from Arnold Ventures
- Schedule, prep, and facilitate **hospital meetings**
- Assist employers in participating in **RAND 5.0** Hospital Price Transparency Study
- Continue to bring **more employer members** into the FL Alliance

