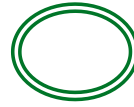




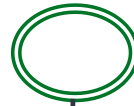
**NASHP's Hospital Cost Tool
Employers' Forum of Indiana
November 13, 2020**

NASHP Hospital Cost Tool



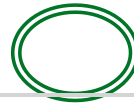
- Developed by the National Academy for State Health Policy (NASHP) with support from Arnold Ventures:
 - Help purchasers and regulators better understand hospital *costs*
 - Can be used as a complement to recent findings reported in RAND Corp.'s *Nationwide Evaluation of Health Care Prices Paid by Private Health Plans*
- Officials from several states have reviewed the tool and expressed interest in leveraging its analysis of their hospitals in different ways:
 - Pursuing a more robust insurance rate review;
 - Including results in analysis of hospital mergers;
 - Further informing hospital global budget parameters;
 - Analysis of Hospital Community Benefit and Charity Care costs; and
 - Negotiating hospital reimbursement as a reference to Medicare rates.

Employers Using NASHP Hospital Cost Tool



- Data Entry from Hospital Medicare Cost Report
 - The only national, public source of hospital costs
 - Submitted to CMS by all hospitals serving Medicare patients – hospital level data
 - <https://www.nashp.org/hospital-cost-tool>
- Working with Employee Health Plans
 - Information that has not been available to healthcare purchasers
 - Starting point for hospital discussions and rate negotiations, instead of discount off charge master
 - RAND 3.0 comparisons
 - Hospital quality or efficiency measures not included in tool
- Collaboration with RICE University
 - Link Hospital Cost Tool to HCRIS data
 - National, State, Regional, Hospital Type comparisons and benchmarking

Data Entry



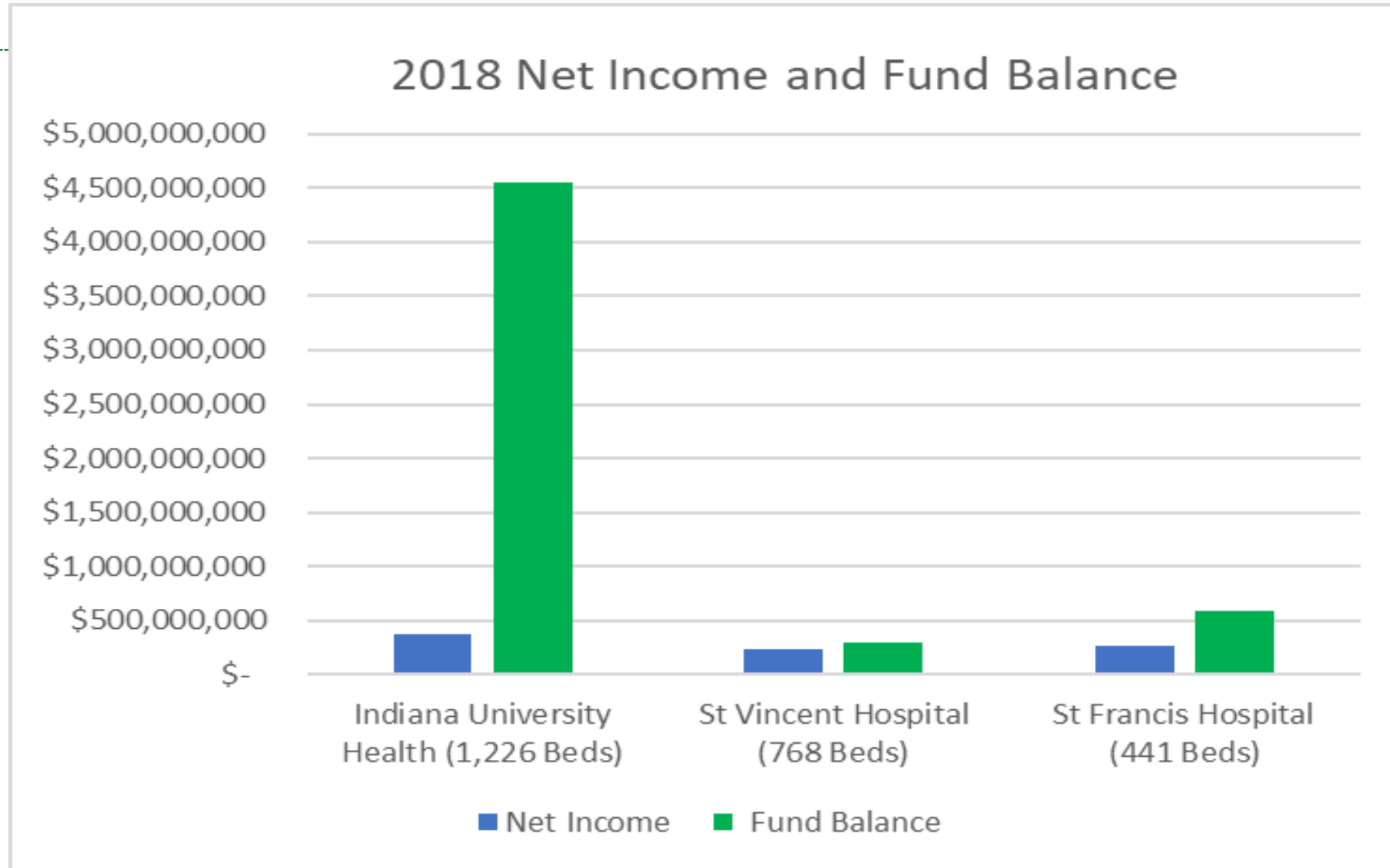
2) Reserves, Revenue and Net Income

Financial Statement Items		Source (Medicare Cost Report)
Reserves	\$ 296,685,967	Worksheet G-1, Columns 2, 4, 6, 8, Line 19
Patient Revenues (Charge Master Rates)	\$ 4,244,641,231	Worksheet G-3, Column 1, Line 1
Net Patient Revenue reported on MCR	\$ 1,301,504,495	Worksheet G-3, Column 1, Line 3
Total Operating Costs per MCR	\$ 1,141,577,835	Worksheet G-3, Column 1, Line 4
Other Income	\$ 80,008,148	Worksheet G-3, Column 1, Line 25
Other Expense	\$ -	Worksheet G-3, Column 1, Line 28
Net Income Reported on MCR	\$ 239,934,808	Worksheet G-3, Column 1, Line 29
Total Hospital Costs for CCR	\$ 839,905,763	Worksheet C, Part I, Column 5, Row 202
Total Hospital Charges for CCR	\$ 4,034,289,911	Worksheet C, Part I, Column 8, Row 202

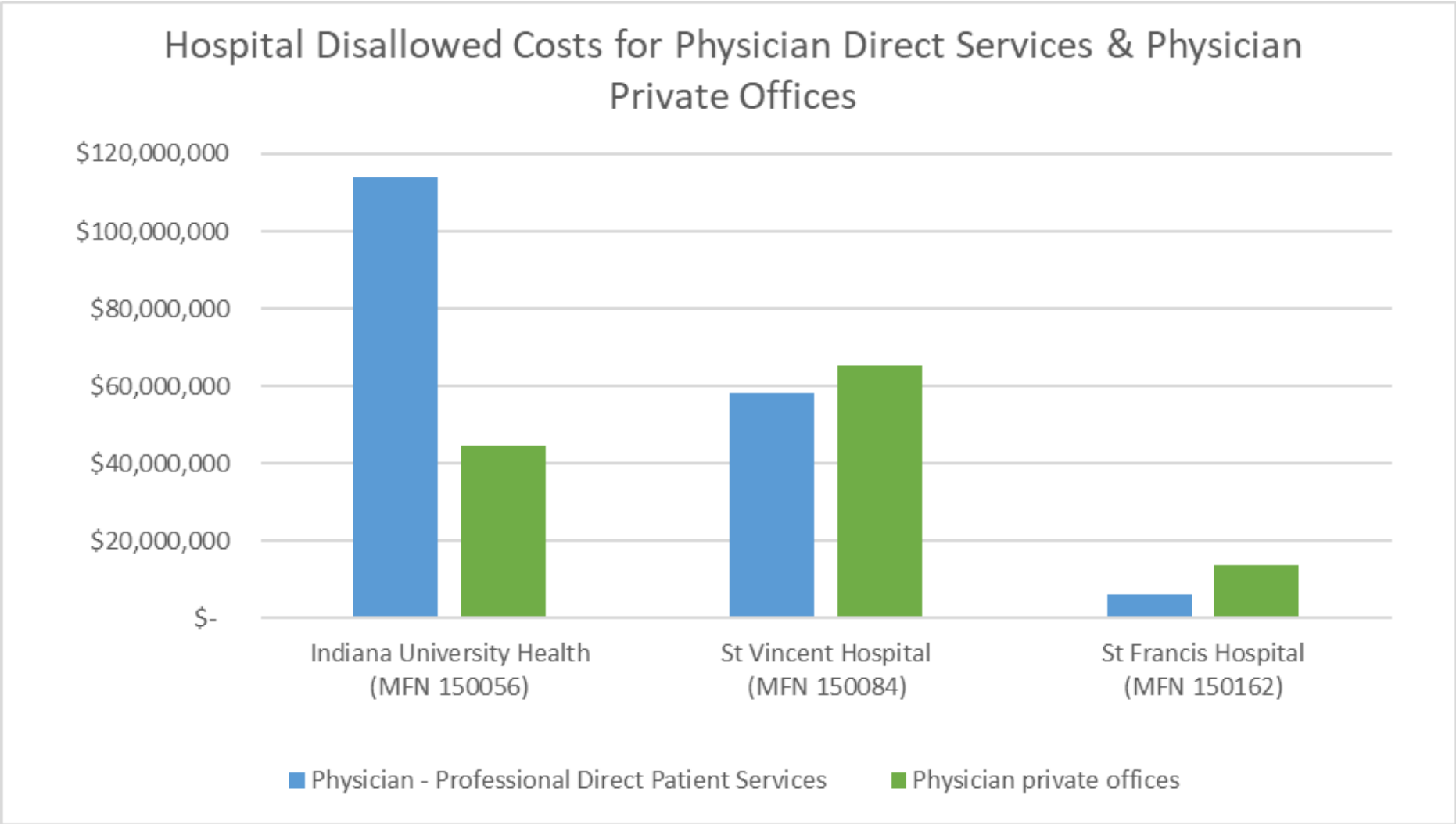
MCR = Medicare Cost Report

CCR = Cost to Charge Ratio

Three Not for Profit Indianapolis Hospitals



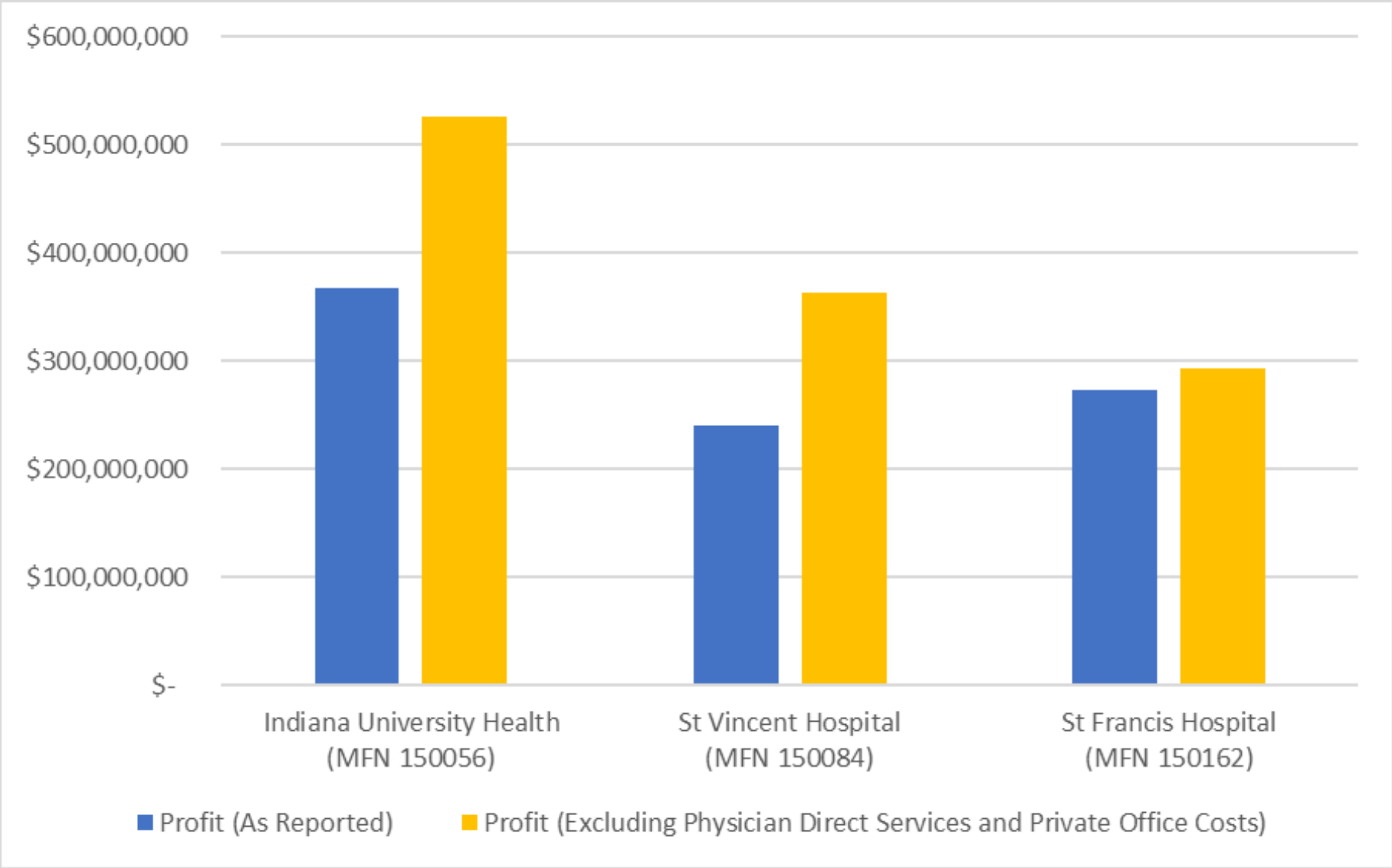
Excluded Physician Costs (2018)



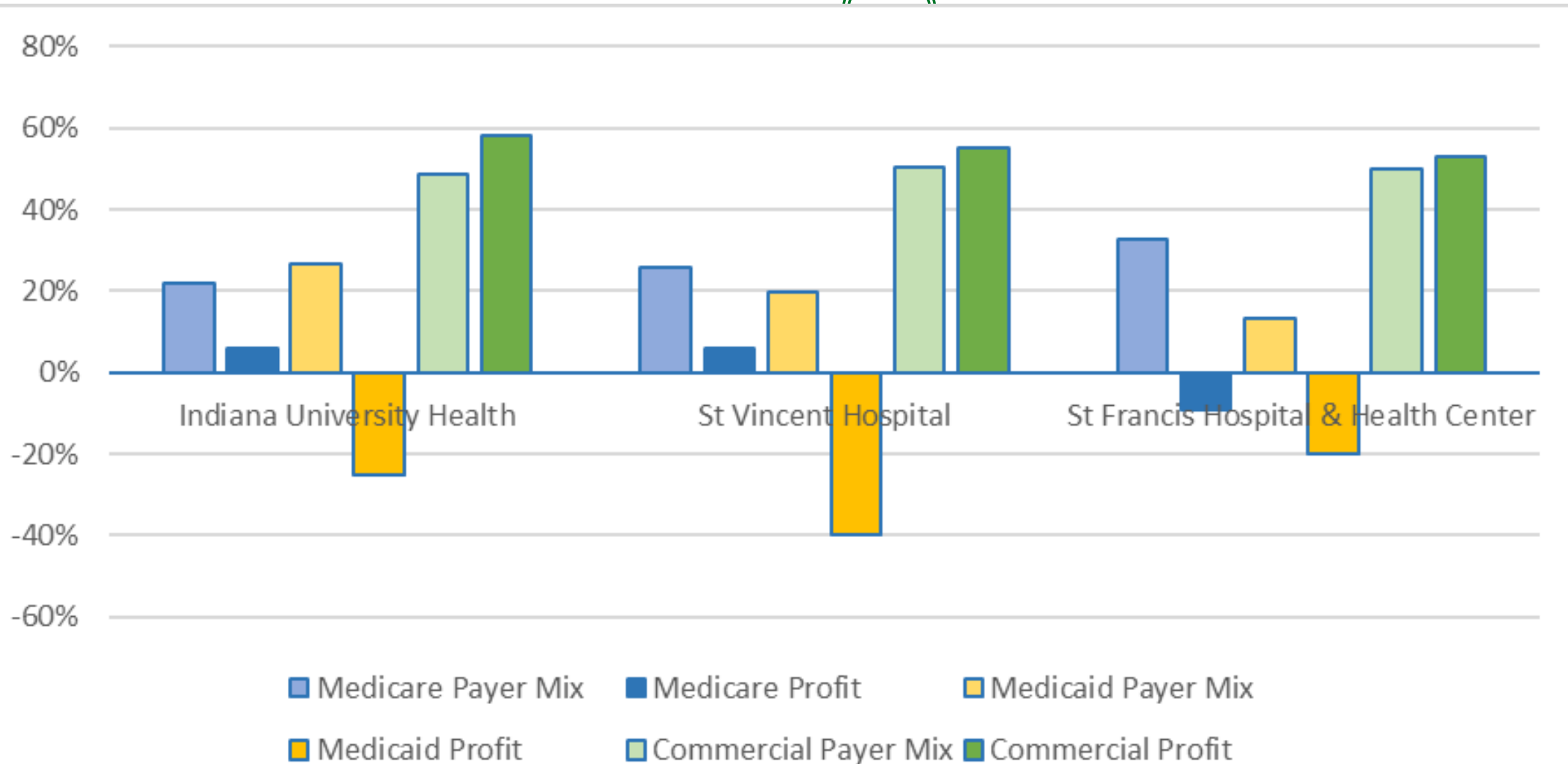
MFN = Medicare Facility Number



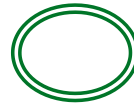
Hospital Profits (2018)



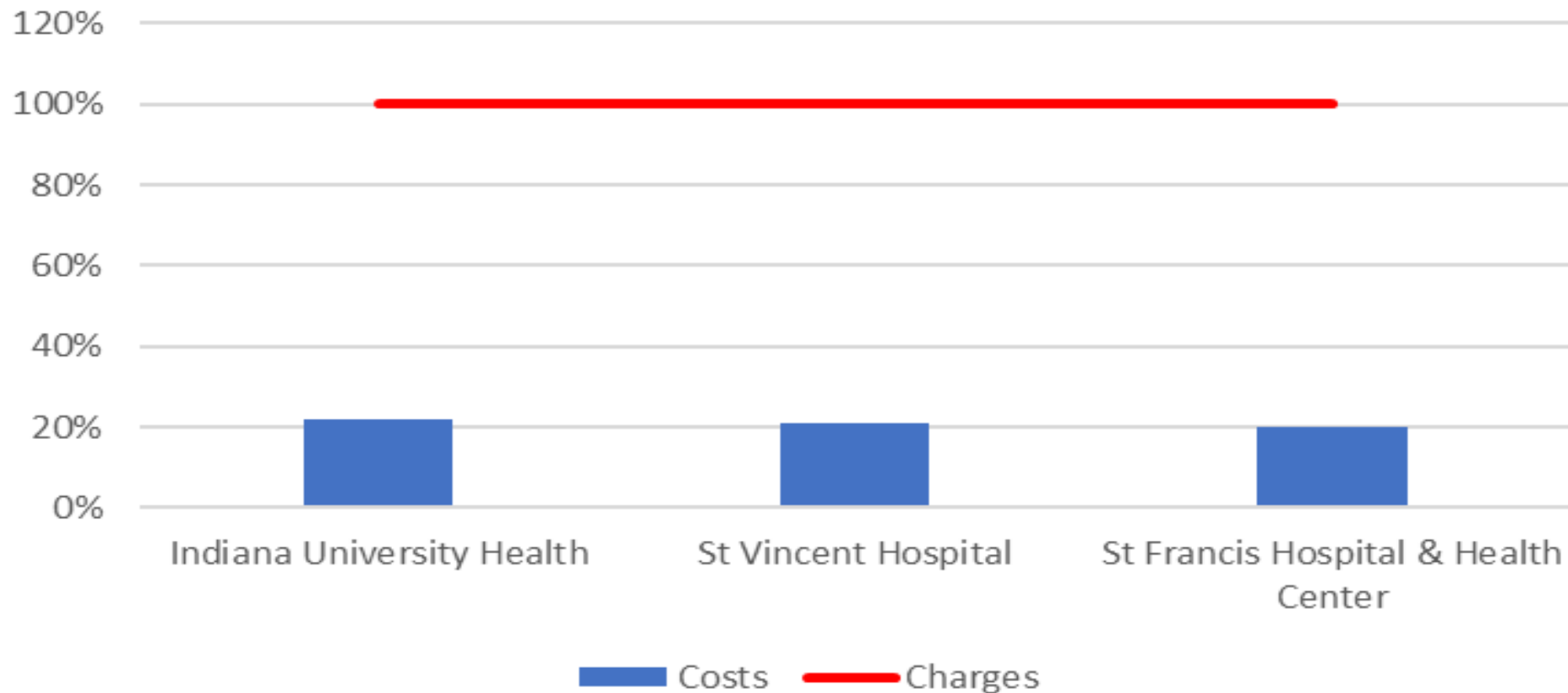
Profit (Loss) by Payer Mix (2018)



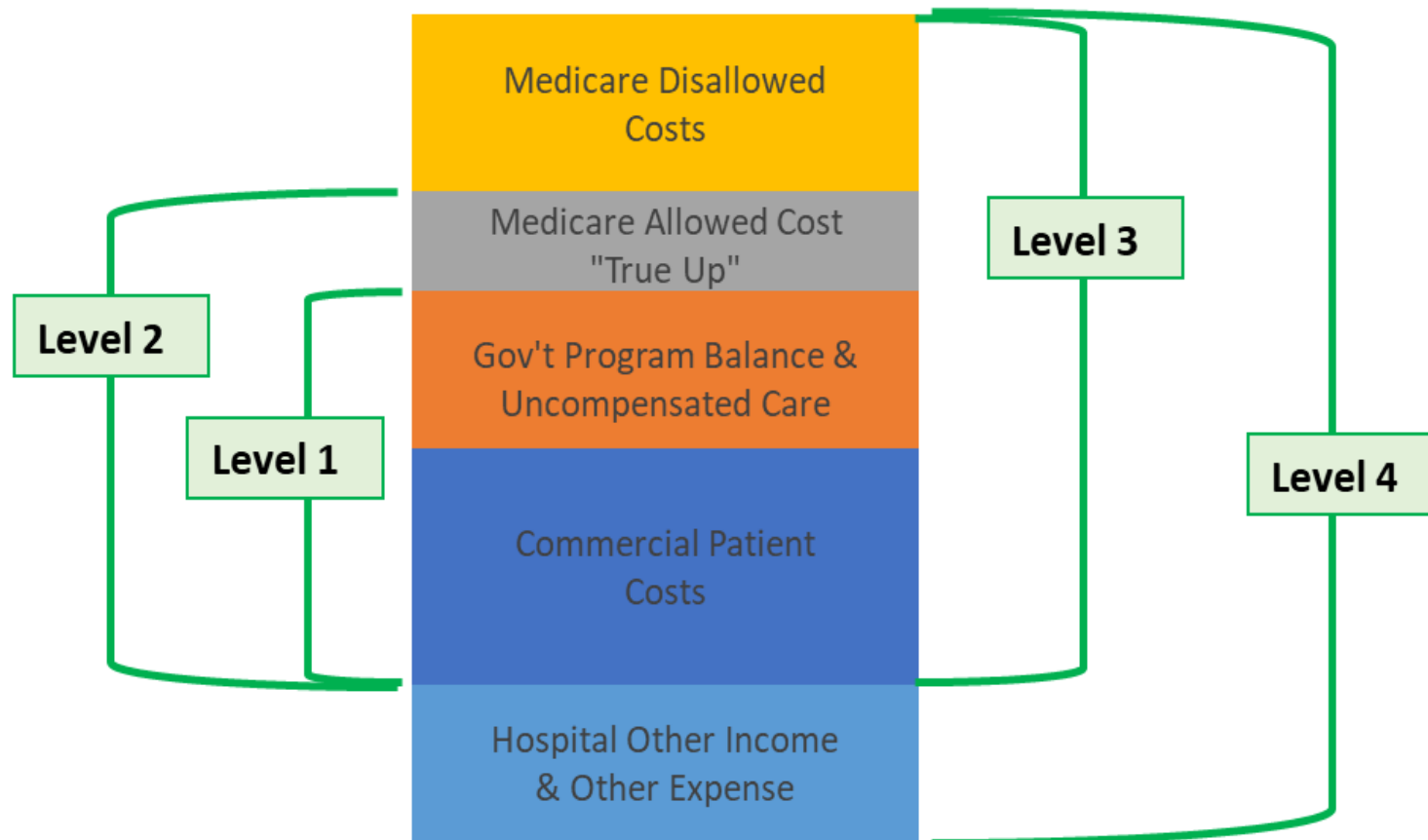
Cost to Charge Ratio (2018)



Hospital Costs Compared to Charges

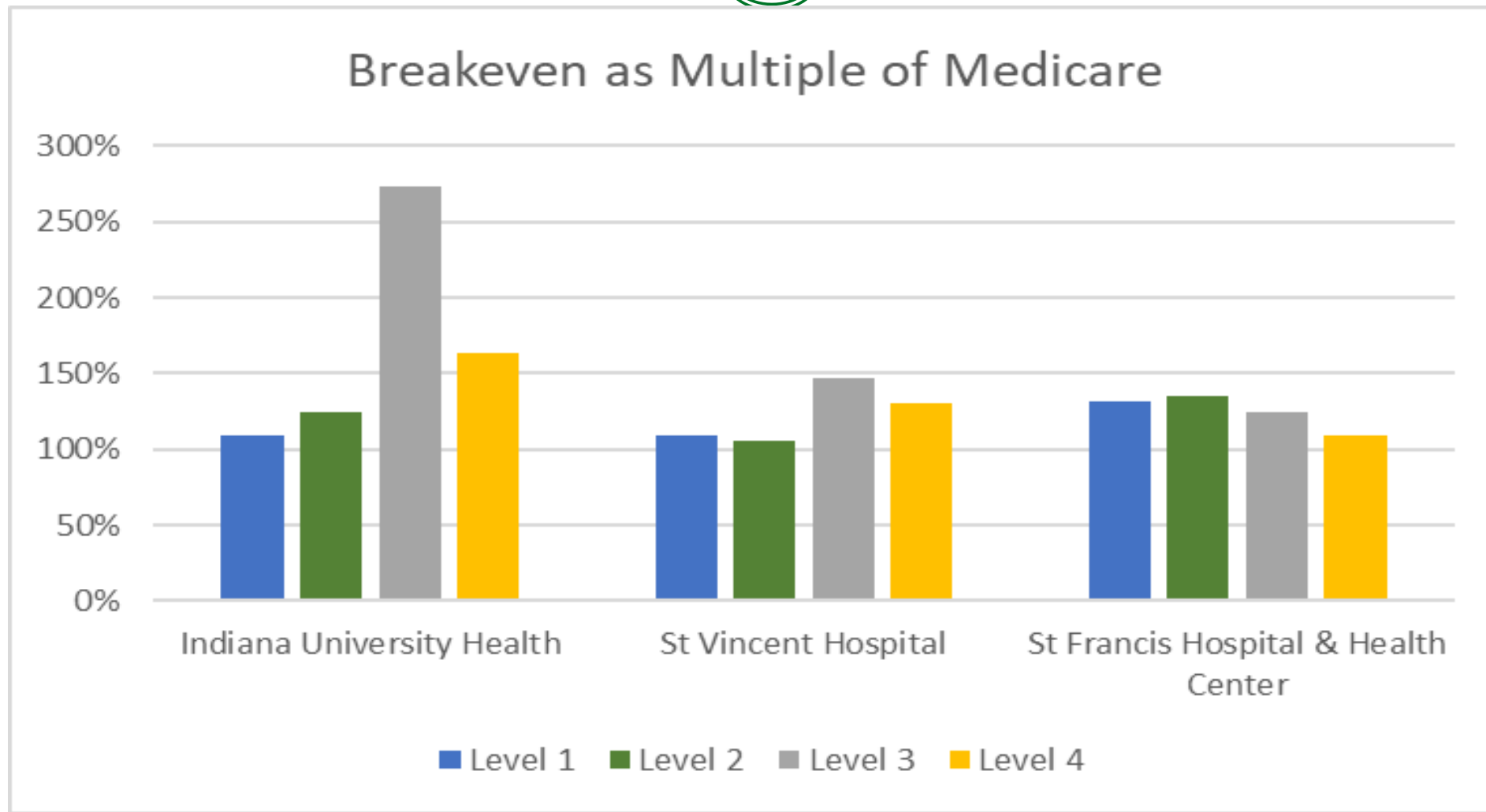


Four Levels of Hospital Breakeven



- Points where Revenue = Expense
- What should Commercial Payers Cover?
- Negotiations – Where do we start?

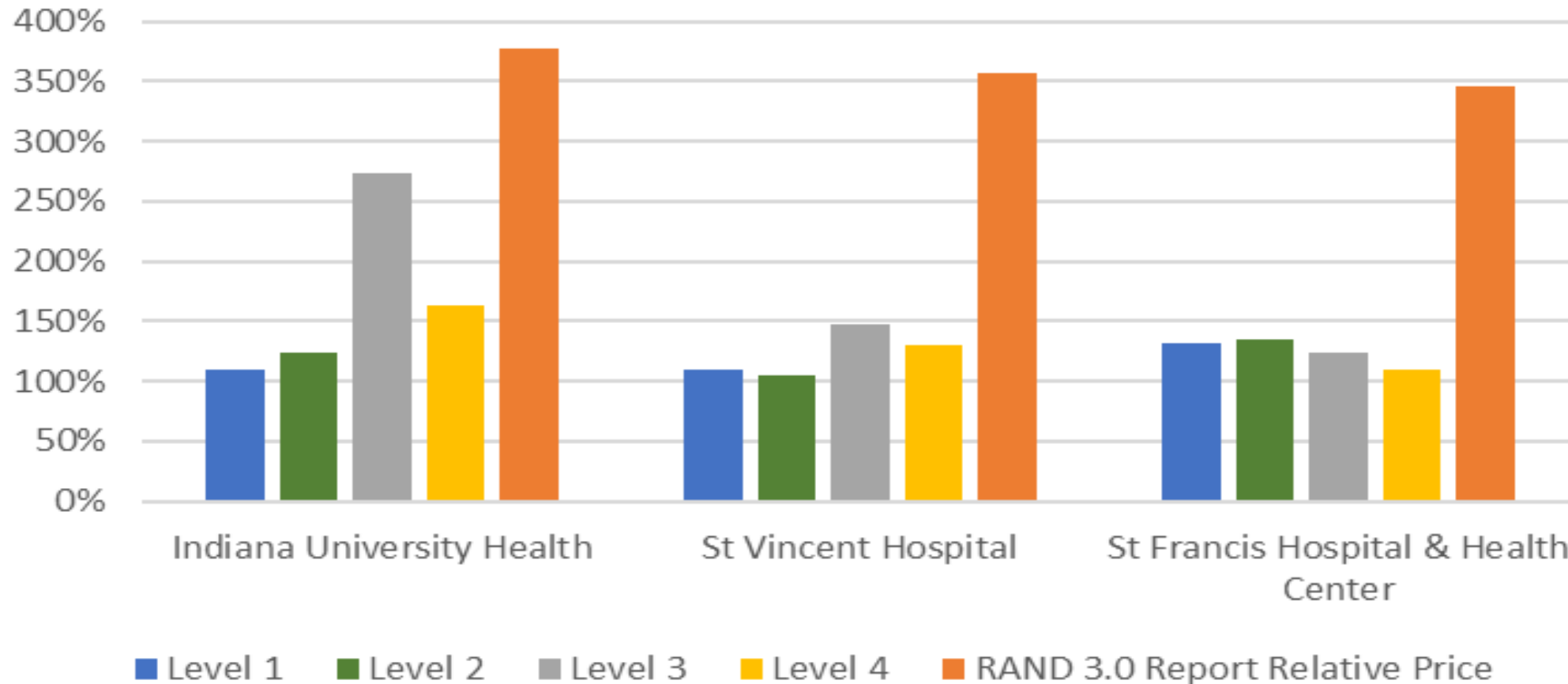
Breakeven Points (2018)



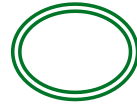
Comparison to RAND 3.0 (2018)



Breakeven as Multiple of Medicare



Moving Forward



- NASHP working with stakeholders on quality and efficiency measures
- Employer Forums and Purchasing Coalitions – Quality Metrics, Hospital Cost Tool, and RAND 3.0
- Rice University data base - opportunities

Thank You

<https://www.nashp.org/hospital-cost-tool/>