NASHP Hospital Cost Tool

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What is NASHP’s Hospital Cost Tool?

• Online tool health purchasers, including state officials, can use to better understand and address hospital costs

• Identifies financial data and benchmarks using Medicare Cost Reports
  • Hospital specific
  • 10 years of data – 4,600 hospitals
  • MCRs provide hospital level data and are the only national, public source of hospital costs

• Developed by the National Academy for State Health Policy (NASHP) alongside Rice University, with support from Arnold Ventures. Dashboard by Mathematica.

https://d3g6lgu1zfs2l4.cloudfront.net/
State Level – Operating Profit

- Median Operating Profit per Adjusted Discharge
- 119 Hospitals (2019)
- Acute Care and CAH
- Can compare to other states

Source: NASHP Hospital Cost Tool
State Level – Comparing by Bed Size

- Median Operating Profit per Adjusted Discharge (2019)
  - 0-25 Beds (39)
  - 26-100 Beds (33)
  - 101-250 Beds (31)
  - 251+ Beds (16)

- Can compare to other states

Source: NASHP Hospital Cost Tool
Compare Hospitals – 251+ Beds, NFP Hospitals

Operating profit (loss) per adjusted patient discharge for each selected hospital

Median Operating Profit per Adj Discharge (2019)

- National Median = $2,500 (610 hospitals)
- Indiana Median = $5,100 (14 hospitals)
View a Hospital – IU Health Indianapolis

- 2011-2019 Trend
- Adjusted Discharge (Outpatient + Inpatient)
- Net Patient Revenue minus Operating Costs = Operating Profit

Source: NASHP Hospital Cost Tool
View a Hospital – IU Health Indianapolis

Compare charity care cost and uninsured & bad debt cost as % of net patient revenue over time

Source: NASHP Hospital Cost Tool
View a Hospital – IU Health Indianapolis (2019)

Payer mix for the selected year

- Charity Care
- Commercial
- Medicaid
- Medicare
- Medicare...
- SCHIP and...
- Uninsured

100% TOTAL

Operating profit margin by payer type for the selected year

Source: NASHP Hospital Cost Tool
View a Hospital – IU Health Indianapolis

Lowering the Cost to Charge Ratio?

Source: NASHP Hospital Cost Tool
Breakeven Analysis

• NASHP’s Hospital Cost Tool calculates a hospital’s breakeven point: Revenue = Expenses

• NASHP Commercial Breakeven – how much a hospital needs to be reimbursed by commercial payers in order to cover commercial patient hospital costs, losses from other payers, charity care, uninsured, all Medicare disallowed costs, and other income/other expense.

• RAND 3.0 Commercial Price – how much a hospital was reimbursed by commercial payers in aggregate from 2016 to 2018 for inpatient and outpatient hospital services. Calculated using data from the RAND Corporation’s Nationwide Evaluation of Health Care Prices Paid by Private Health Plans

• Breakeven and Price expressed as multiples of the individual hospital’s Medicare rates for comparability purchases

Source: NASHP Hospital Cost Tool; RAND 3.0, 2016-2018 Data
View a Hospital – IU Health Indianapolis

Compare commercial breakeven & RAND 3.0 price over time

Inpatient & Outpatient

% of Medicare Rates

Source: NASHP Hospital Cost Tool
Factors That May Impact Breakeven

- **Medicare Payment rate** – A hospital’s Breakeven is based on its own Medicare reimbursement rates. If a hospital makes a profit on Medicare patients, Breakeven would be lower.

- **Hospital Other Income** – If a hospital receives significant other income (e.g., return on investments, federal relief payments), Breakeven would be lower.

- **Reimbursement from Other Payers** – Profits and losses from other payers (Medicaid, Medicare, CHIP and other local/state programs, Medicare Advantage) are reflected in the commercial payer Breakeven calculation.

- **Reporting Error** – Medicare Cost Reports are completed by the hospital or their contractor and may contain reporting errors, impacting Breakeven calculations.
Hospital Cost Tool as a Resource

Employer Coalitions and Employer Self-Funded Health Plans

States

- Health Policy
- State Agencies – As regulator and purchaser
- Legislatures
- Pre and Post Mergers, Acquisitions, COPAs

Researchers

Education
Release 2.0 – October 2022

- Updated with 2020 Medicare Cost Report Data and Rand 4.0
- Enhancements

Supporting State Policy Efforts

- Capping Out of Network Billing
- Community Benefit
- Medicare reference pricing
- Cost Growth and Global Budgeting

Next Steps...
Thank you!

Hospital Cost Tool and Calculator

https://www.nashp.org/policy/health-system-costs

https://d3g6lgu1zfs2l4.cloudfront.net/

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