

Public Option Brief Overview

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Key Aspects of the State Option Proposal

- Projected to save 9-18%+ on Individual premiums - Individual market entry first (Jan 1, 2022). Then Small Group Market entry.
- Builds on ACA with plans administered by carriers, while Connect for Health enables federal subsidies. (Not administered by HCPF/Gov't). Gov is NOT competing with industry.
- Low start-up costs and no financial risk to the state or taxpayers.
- An Advisory Board will be established to maximize stakeholder collaboration
- Reimbursements will be set by the state at a level that protects rural hospitals and allows for profitable care delivery

Savings Drivers of the State Option Proposal

- Reimbursements will be set by the state, with an emerging formula (to be modeled and refined in collaboration with hospitals), based upon:
 - Type of hospital (CAH, rural, urban independent, system member)
 - Payer mix (Medicaid, Medicare patient volume/revenue)
 - Margins, Admin
 - Other? Deter problem behaviors, reward affordability behaviors and access solutions??
 - Early Feb due date - enabling reimbursement formula refinement, collaboration
- Adjusts Insurance Carrier MLR to 85%
- Rx Manufacturer compensation to carriers fully passed through
- Value-based payments to carriers and providers
- **3rd party impact estimates to date are based on conjecture - NOT the actual plan, which was just released on Friday, Nov 15th.**

Add'l Concurrent, Collaborative Savings Drivers

- Rx Report - release 1st wk. of Dec., to include opportunities:
 - Prescriber Tool
 - Upper Payment Limits on Rx
 - Best Practices for Prescribers (voluntary)
 - Pricing Transparency
 - Rebate Pass Through to Employers
- TeleHealth/TeleMedicine
- Prometheus
- Centers of Excellence
- Entire Affordability Roadmap Work (25+ tactics)
- Alliance Work to negotiate better pricing for employers
- Reinsurance
- Hospital transparency - financials and community investments



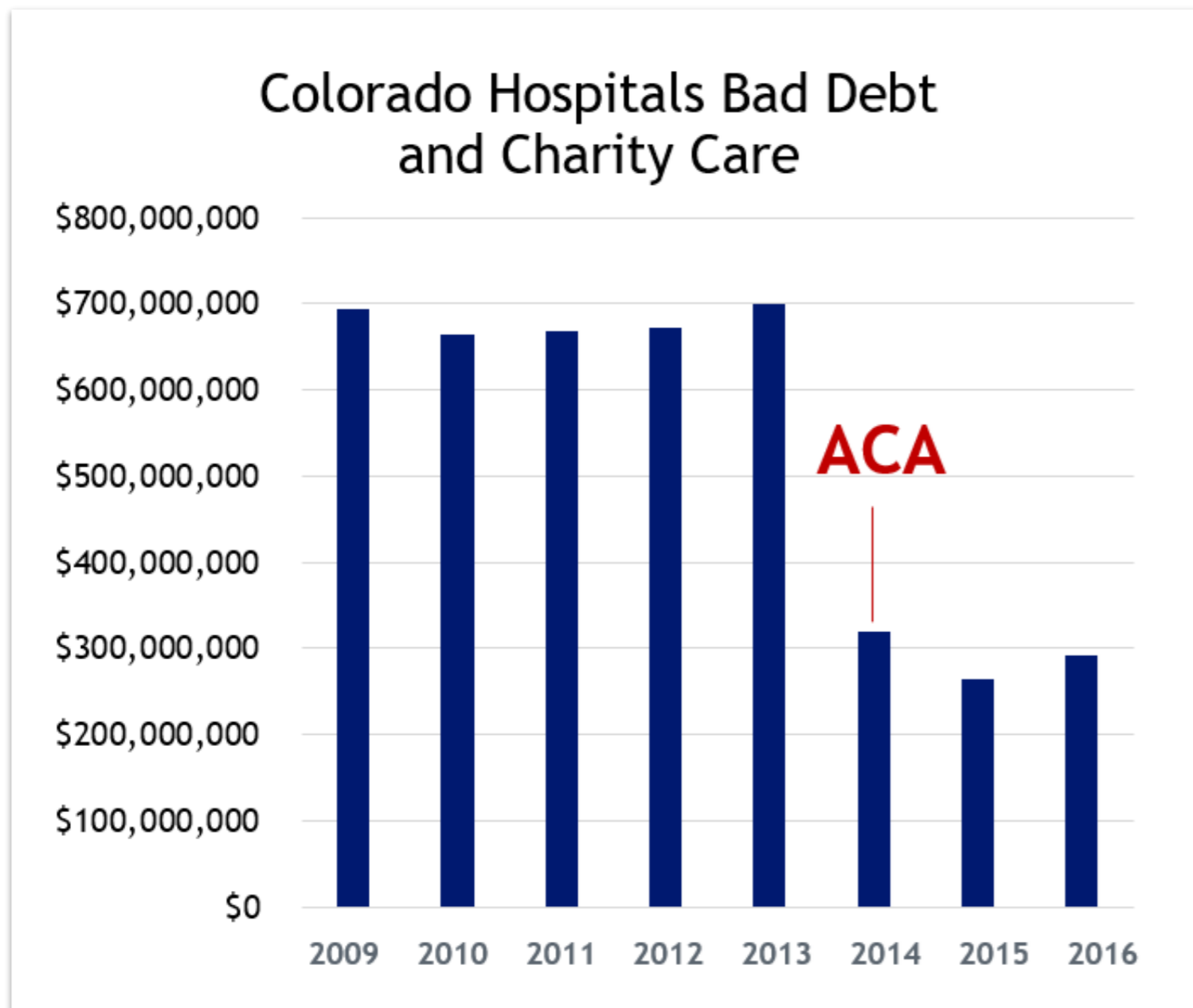
These savings initiatives are not in the bill, because they don't have to be!

Why Set Hospital Reimbursements?

- Price variations of >400% across CO for the same services
- As hospitals have merged, negotiating leverage has increased prices
- Denver area hospital profits grew by more than 50% btw 2016-2018, while 18.1% of Coloradans reported problems paying medical bills
- CO Hospitals: 2nd highest profits; 2nd highest construction; 4th least efficient admin costs; admin growing at twice the national rate; 8th highest prices
- Rural hospitals struggle, while Mt. Resort, front range mega systems have highest profits in the nation.

Good News: The ACA Reduced Bad Debt and Charity Care

Bad News: This Hasn't Resulted in Lower Costs



Despite charity care going down:

- CO Hospitals' admin costs are increasing at 2x the national rate
- CO ranked in the top three nationally in hospital construction
- Hospital revenues are up 76%
- Hospital margins increased 250%+

Source: CHASE 2017 Report, CHA DATABANK

According to the Hospital Cost Shift Report, based on the Colorado Hospital Association's Databank, reflecting 2009 to 2017.

From the Medicare Cost Report filed by CO Hospitals Colorado & Nation - Income Statement Per Adjusted Discharge

A triple opportunity to better manage:

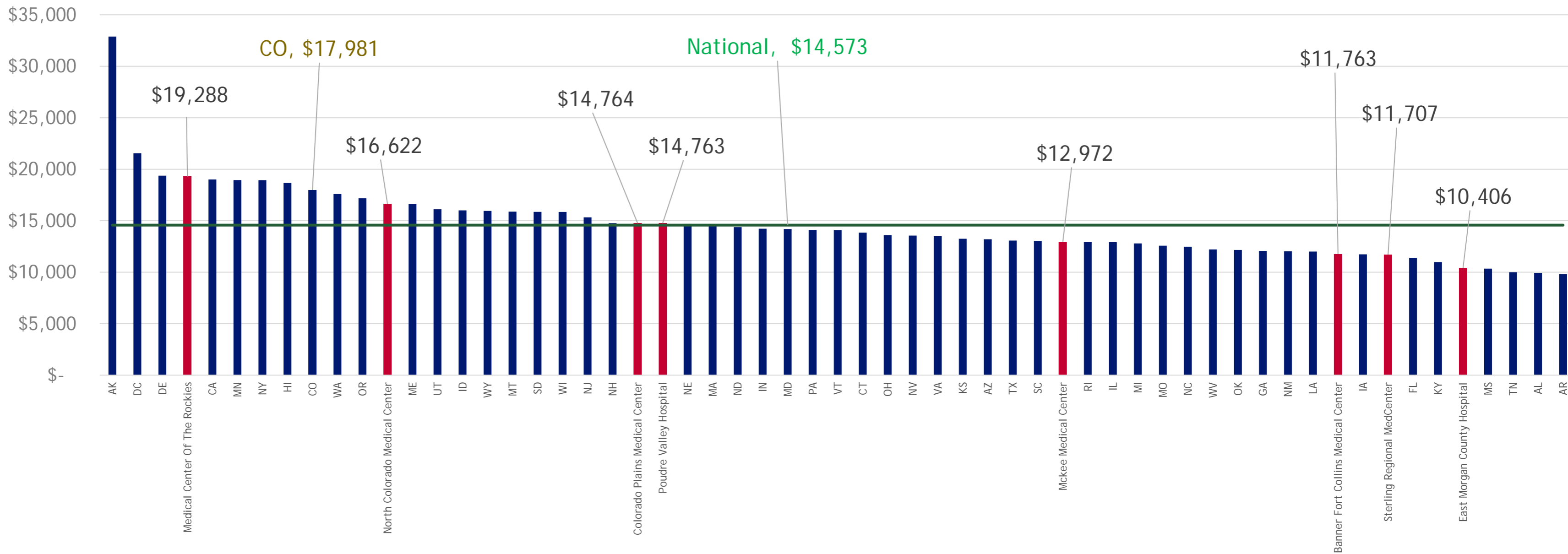
Hospital prices, costs, margins

	Income Statement	2017 National	2017 Colorado	2017 Colorado Rank	2017 Colorado Rank Cost of Living Adjustment
	Net patient revenue	\$14,573	\$17,981	8	5
-	Total operating cost	\$14,704	\$17,086	10	8
=	Patient service margin	-\$130	\$895	4	
	Total margin	\$1,178	\$2,738	2	

From the Medicare Cost Report

Colorado & Nation - Price Proxy (Net Patient Revenue)

2017 Net Patient Revenue per Adjusted Discharge

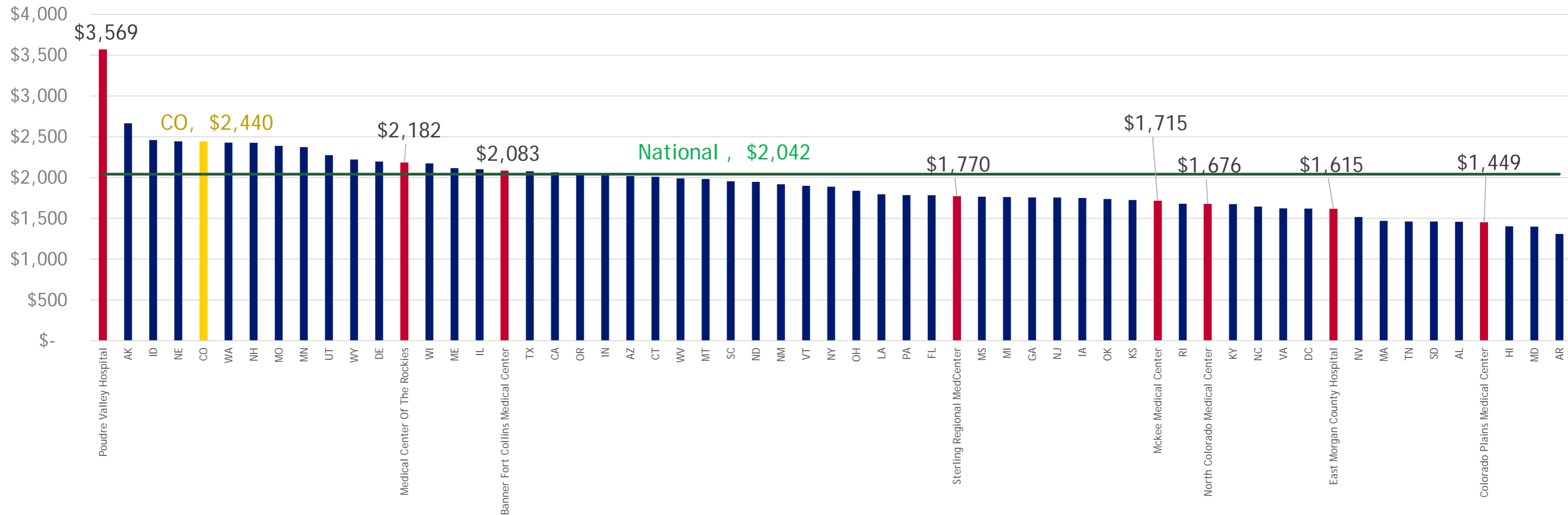


Data extracted fall 2019

From the Medicare Cost Report

Colorado & Nation - Administrative Cost

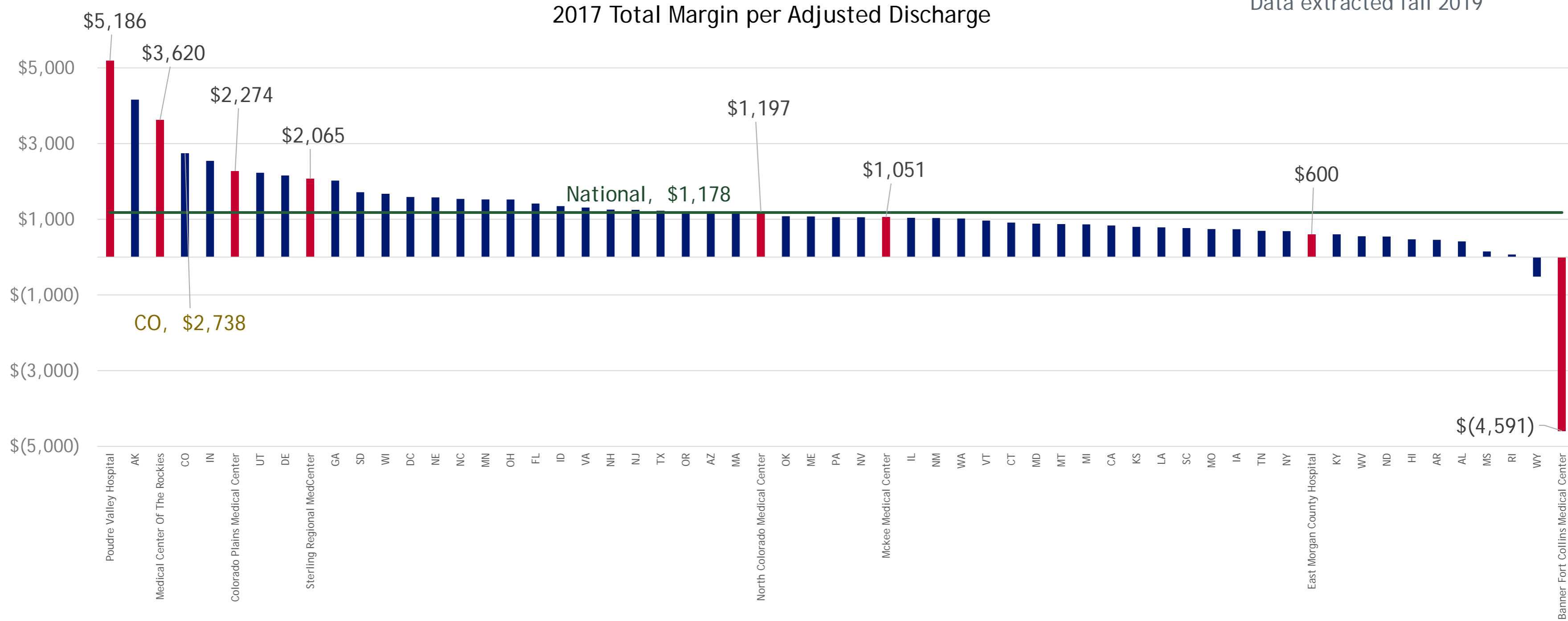
2017 Administrative Cost per Adjusted Discharge - Adjusted for Cost of Living



Data extracted fall 2019

From the Medicare Cost Report Colorado & Nation - Total Margins

Data extracted fall 2019



Other Publications

RAND Medicare Relative Price

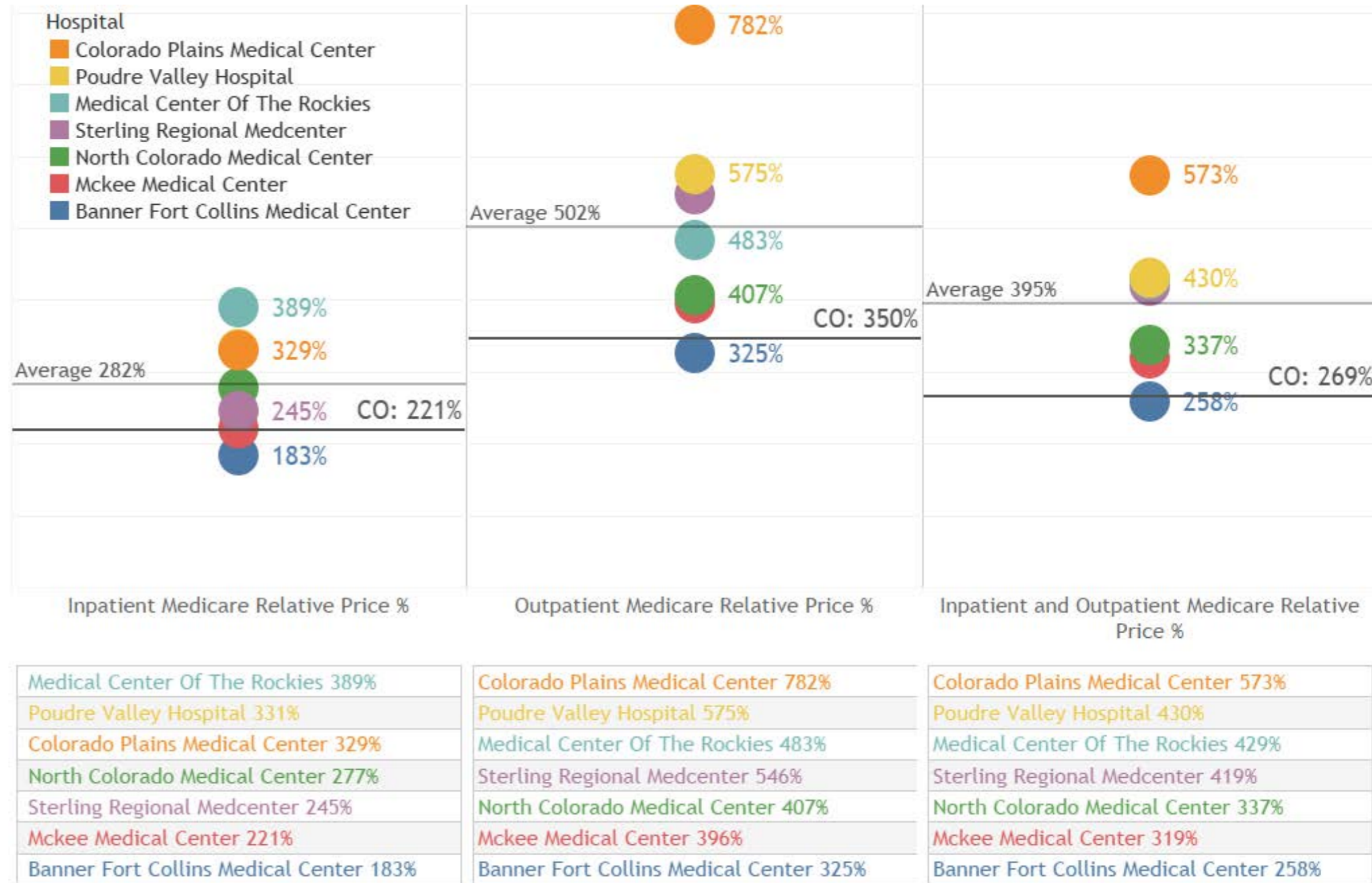
How much would commercial insurance paid for the same claim had it been a Medicare claim?

North Colorado Review

- Most hospitals above CO

<https://www.rand.org/health-care/projects/price-transparency/hospital-pricing.html>

RAND Medicare Relative Price for North Colorado Hospitals



Other Publications

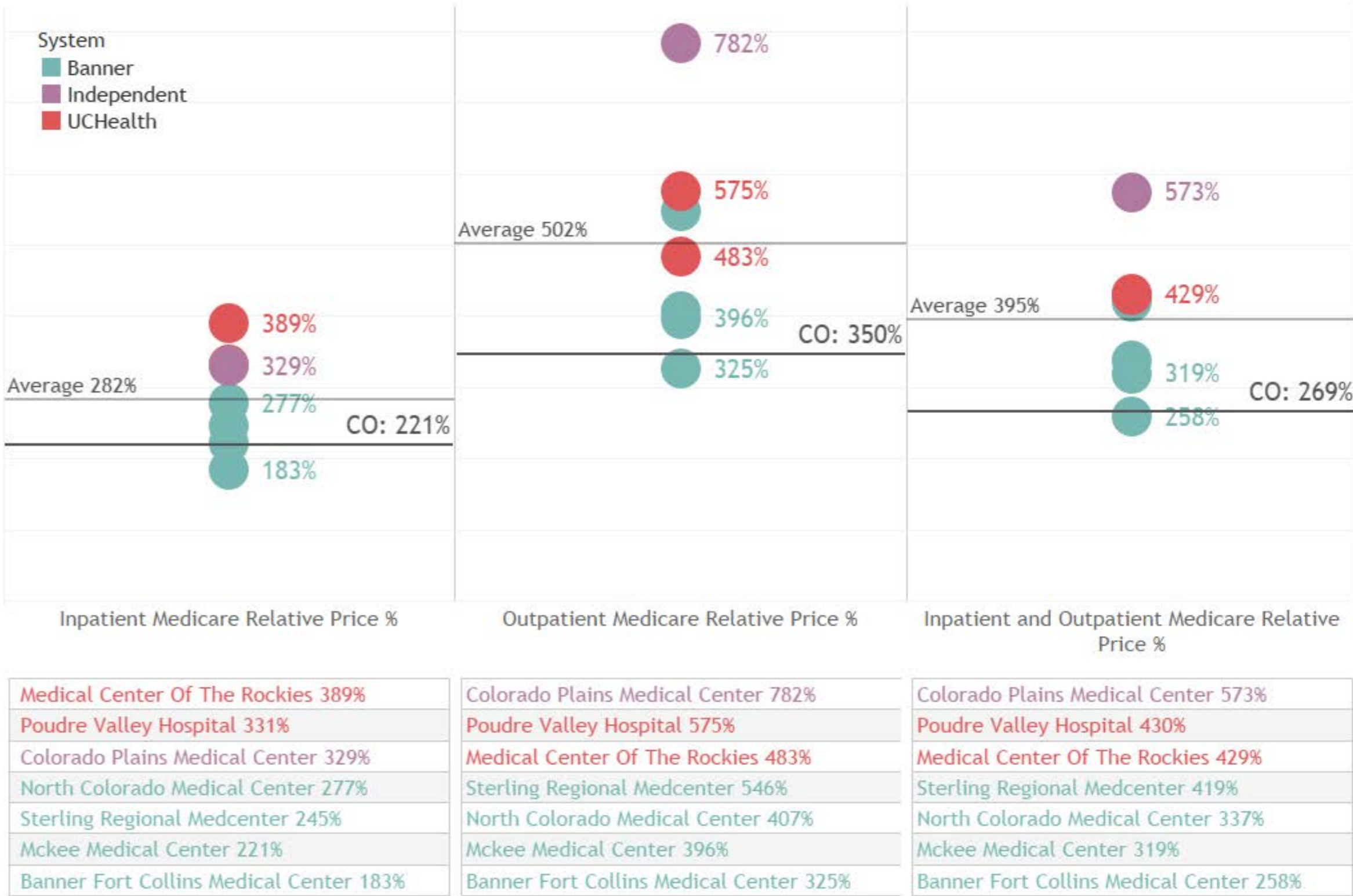
RAND Medicare Relative Price

How much would commercial insurance paid for the same claim had it been a Medicare claim?

North Colorado Review

- Most hospitals above CO
- Most Banner Health hospitals below regional average

<https://www.rand.org/health-care/projects/price-transparency/hospital-pricing.html>



Public Option Helps Rural Hospitals Thrive

Medicaid - Public Option to help rural hospitals thrive

- Changing EAPG Outpatient Payment Model
- HTP - \$12M Rural Support Fund
- Clinical Pathways - other rural communities
- Clinical Pathways - front range high quality, lower cost
- Centers of Excellence rural strategic planning
- Value Based Payments via Public Option



Protecting Employers from Cost Shifting

- The Public Option IS FOR Sm Group employers.
- As the Public Option lowers hospital reimbursements (prices to Individuals and then Sm Group Employers), carriers have more power to drive other rates closer to the Public Option rates, IMPROVING rates and therefore savings for all other employers
- Public Option reimbursements will be published to enable the Alliances (CBGH - Bob Smith from the panel) to negotiate for those same rates lower rates for all other employers
- Industry Accountability: Hospitals can choose not to cost shift. If they don't, carriers can do their job and not contract the cost shift.
- Primary Care bill (HB19-1233) empowers the DOI to impede the cost shift. This is new, protective legislation!