



Joint Commission on Health Care

Health Insurance Affordability in the Individual Market - Study Breakout Session

May 18, 2021

Julie Dime & Brent Rawlings
Virginia Hospital & Healthcare Association

Overview

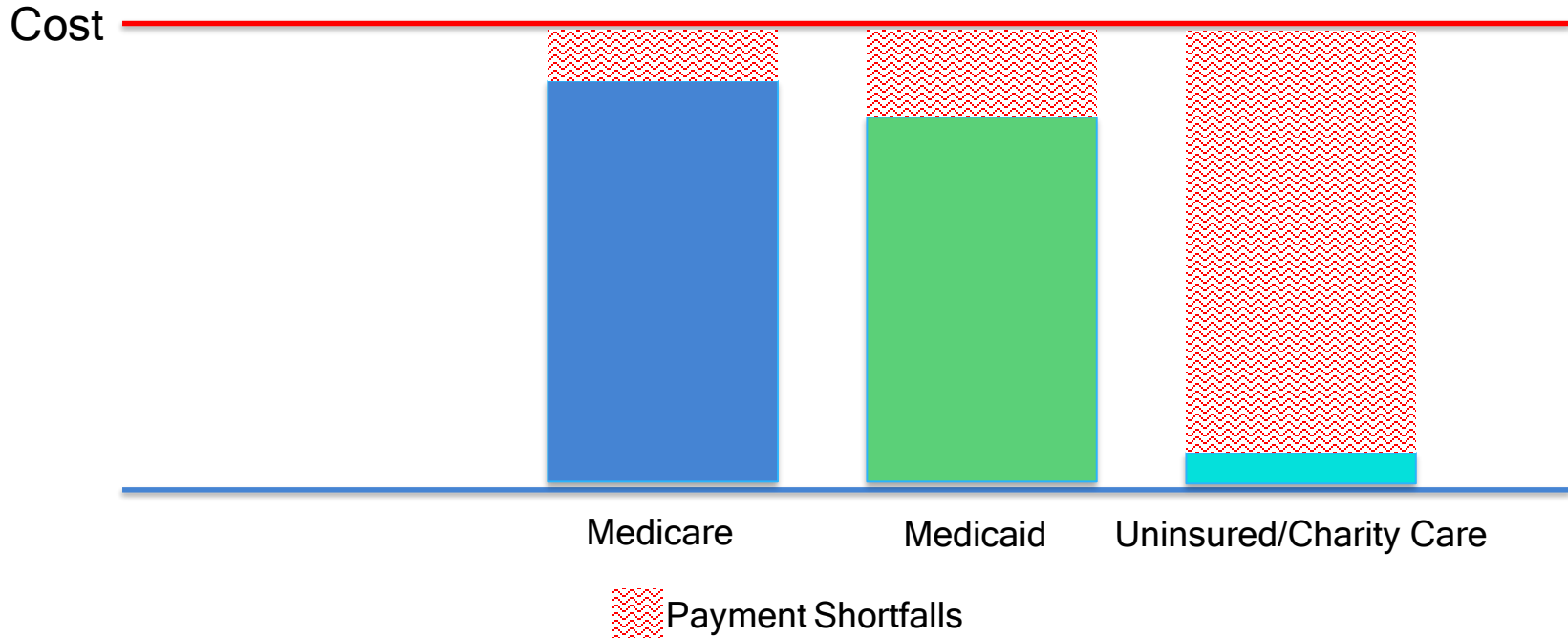


- ✓ **Adequacy of reimbursements** to hospitals, and what it means for health insurance affordability
- ✓ **Rising consumer costs**, and impact on hospital finance
- ✓ **Consumer affordability**, and what hospitals are doing to help

Reimbursement Inadequacy



Public payer reimbursements are insufficient to cover costs



... and care is provided to uninsured and indigent at near total loss

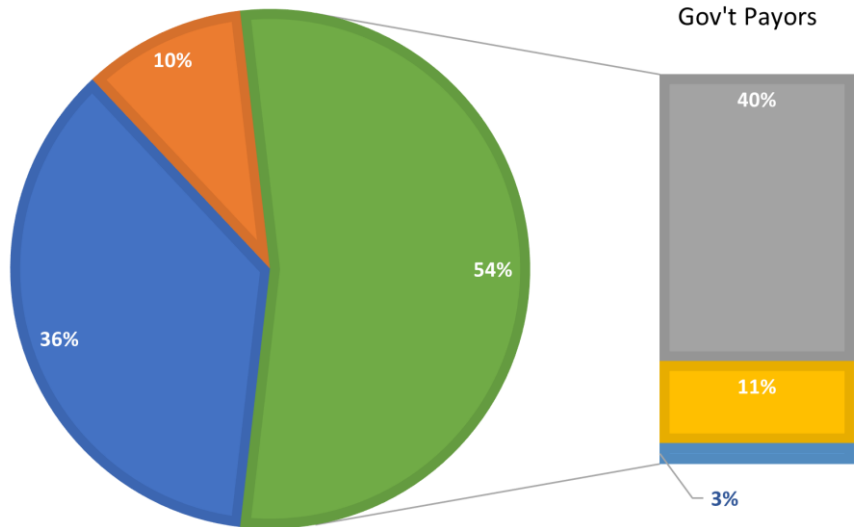
Reimbursement Inadequacy: Payor Mix



Almost 2/3 of hospital costs are not fully reimbursed

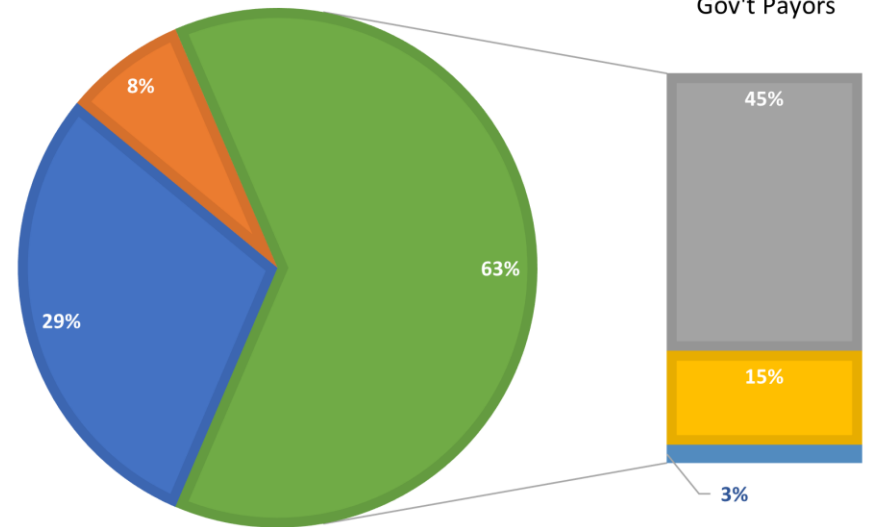
Payor Mix - Virginia Hospitals 2010

■ Commercial ■ Other ■ Medicare ■ Medicaid ■ Other Gov't



Payor Mix - Virginia Hospitals 2019

■ Commercial ■ Other ■ Medicare ■ Medicaid ■ Other Gov't



... and percentage of Medicare and Medicaid is increasing

Source: Virginia Health Information



Uncompensated Care

A critical factor in hospital reimbursement

Uncompensated Care

- Excludes* payment shortfalls from Medicare and Medicaid
- Expressed in terms of *costs*, not charges



Bad Debt

Services for which hospitals anticipated, but did not receive payment



Charity Care

Services for which hospitals neither received nor expected to receive payment due to patient's inability to pay

Sources of Bad Debt

A critical factor in assessing affordability



Commercial

Individuals with high-deductible plans are more likely to report difficulties paying medical bills.

Of patients who are privately insured but cannot pay medical bills, **75% say they cannot afford their insurance copays, deductibles, or coinsurance.**

- **This is true of patients with high-deductible (83%) and low-deductible (76%) plans.**

Source: Kaiser Family Foundation

Medicare

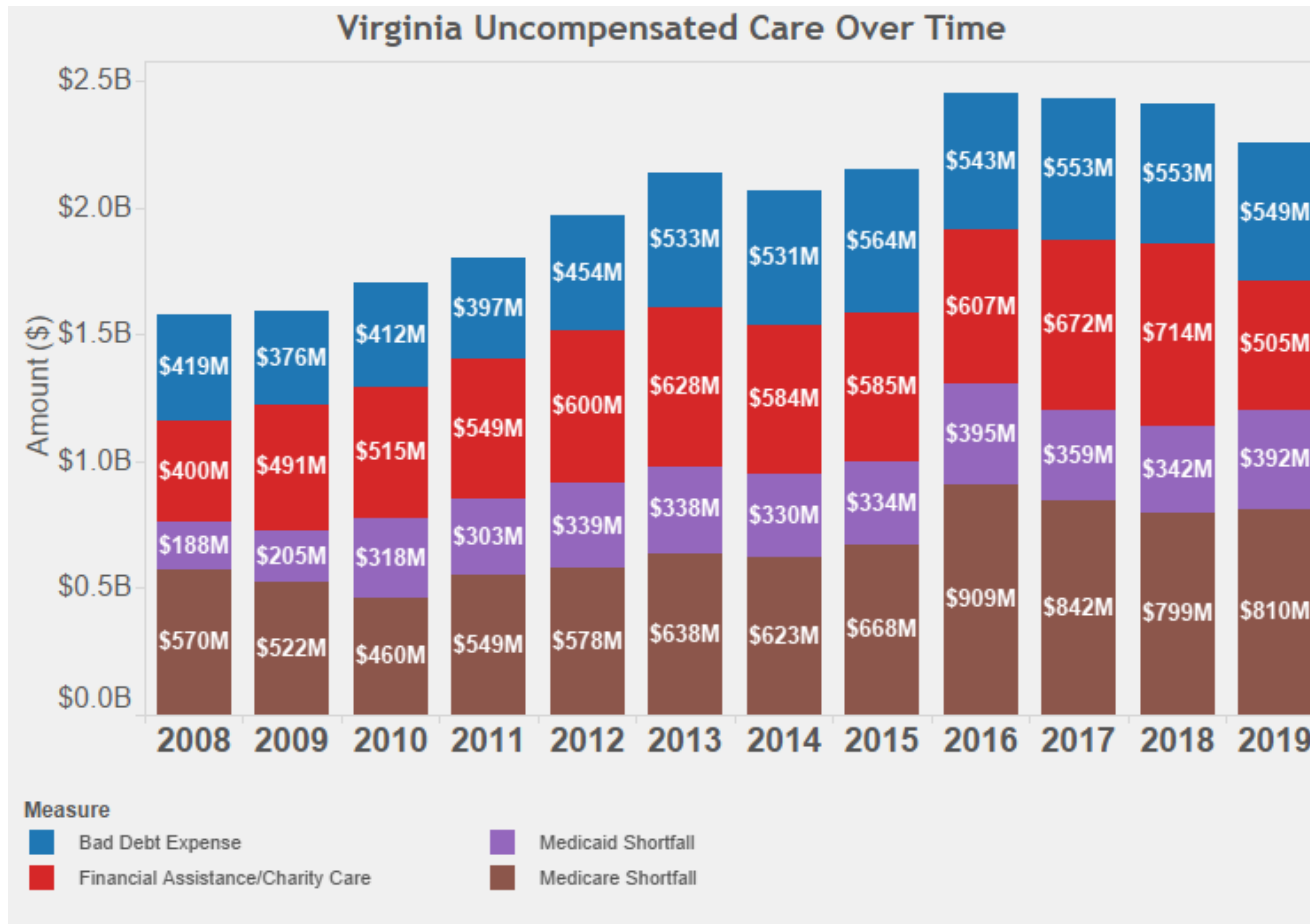
Medicare requires beneficiaries to pay a portion of their cost of care through inpatient hospital deductible of \$1k+ and outpatient hospital coinsurance of 20%

- **Many low-income beneficiaries cannot pay, resulting in bad debt.**
- Medicare will reimburse up to 65% of beneficiary debts, but *CMS requires* hospitals to first make reasonable collection efforts.

Source: American Hospital Assoc.

Reimbursement Inadequacy & Uncompensated Care

Putting it all together



Source: VHHA
Community
Benefit Report

Note: This graphic does not include the coverage assessment that funds Medicaid expansion. (Coverage assessment for last 6 months of SFY 19 was \$ 87,293,314, and for all SFY 20 was \$ 287,535,241)

... the combined effect totaled almost \$2.3 B in 2019

Reimbursement Inadequacy & Uncompensated Care

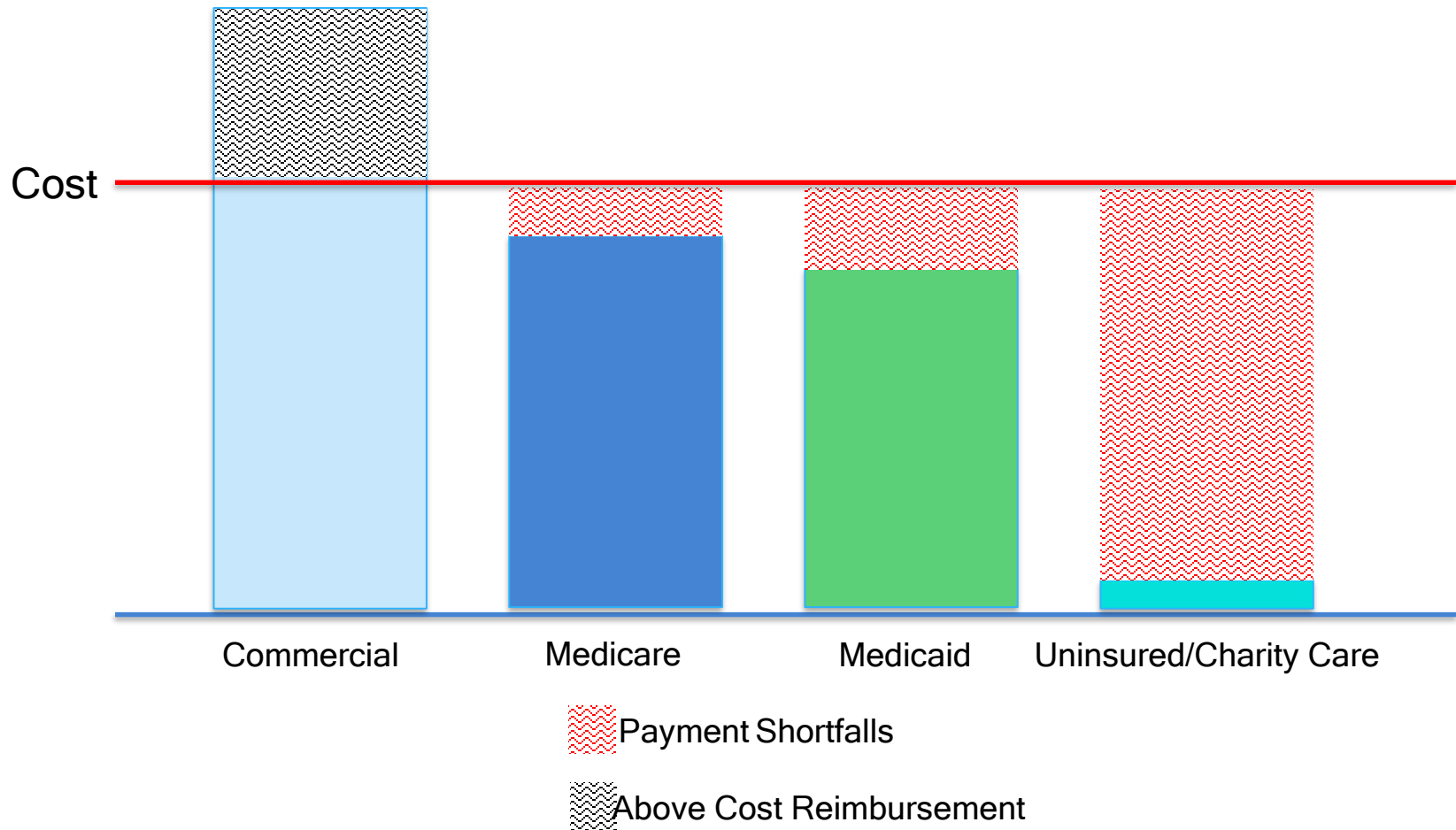
Impact on affordability - why it matters



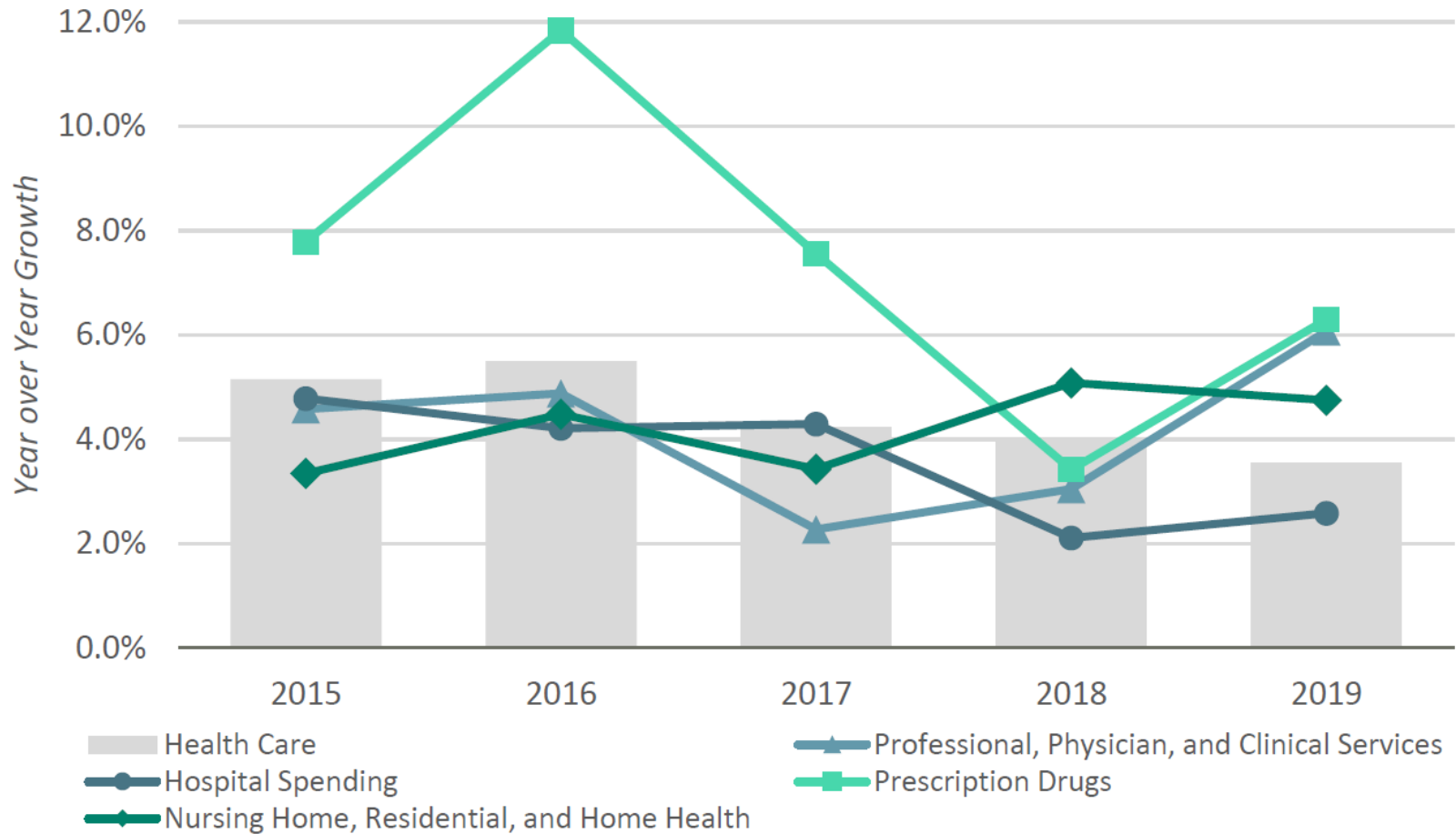
- Hospitals must balance their finances to continue to provide full services.
- To sustain operations and cover the financial losses from inadequate reimbursements and uncompensated care, hospitals must make up for the payment gaps through other sources, including payments from commercially insured.
- This in turn affects premium rates and affordability.

Reimbursement Adequacy & Uncompensated Care

Impact on affordability - why it matters

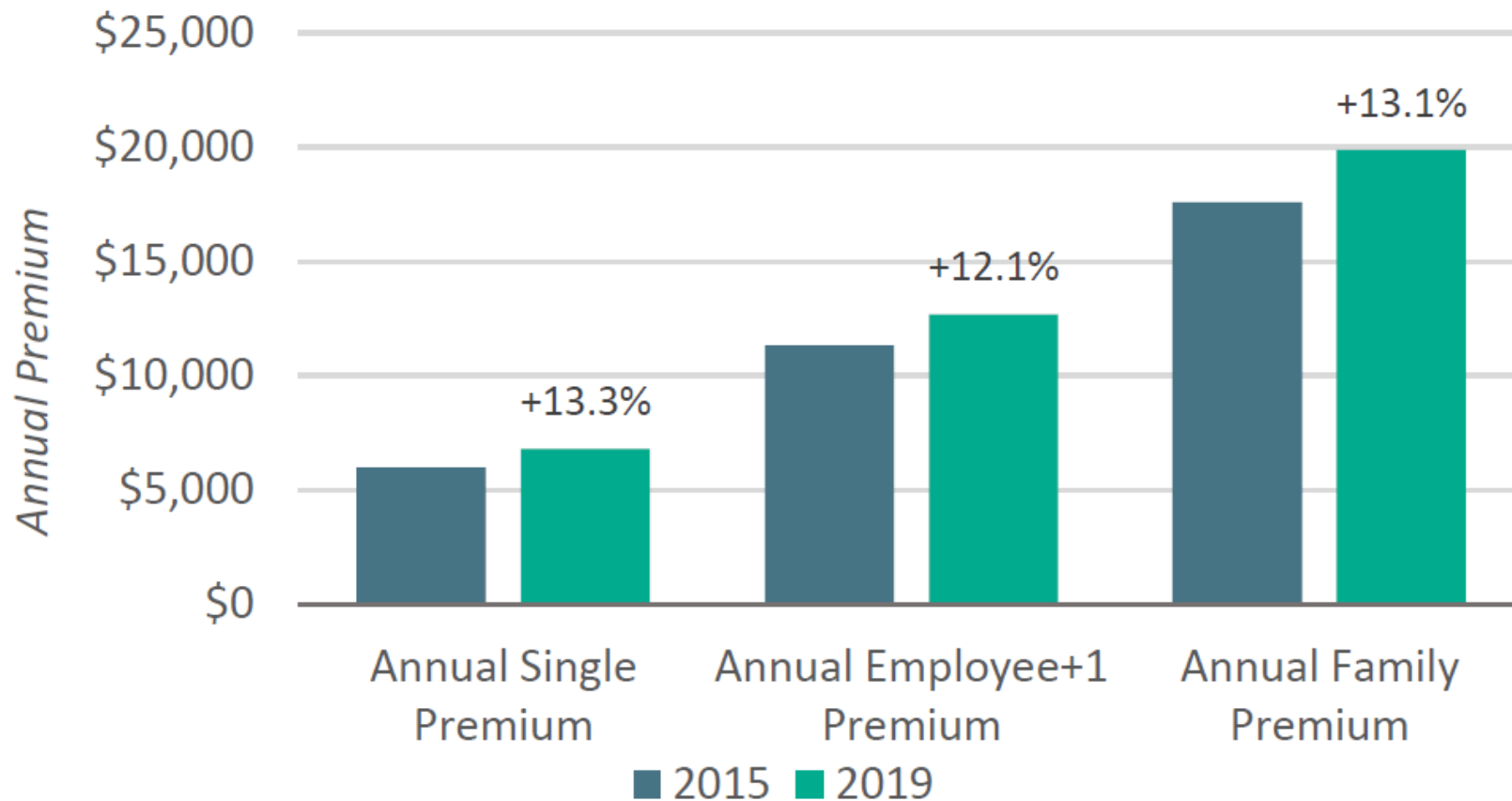


Despite Realities of “Cost-Shift,” Hospital Spending Is Stable



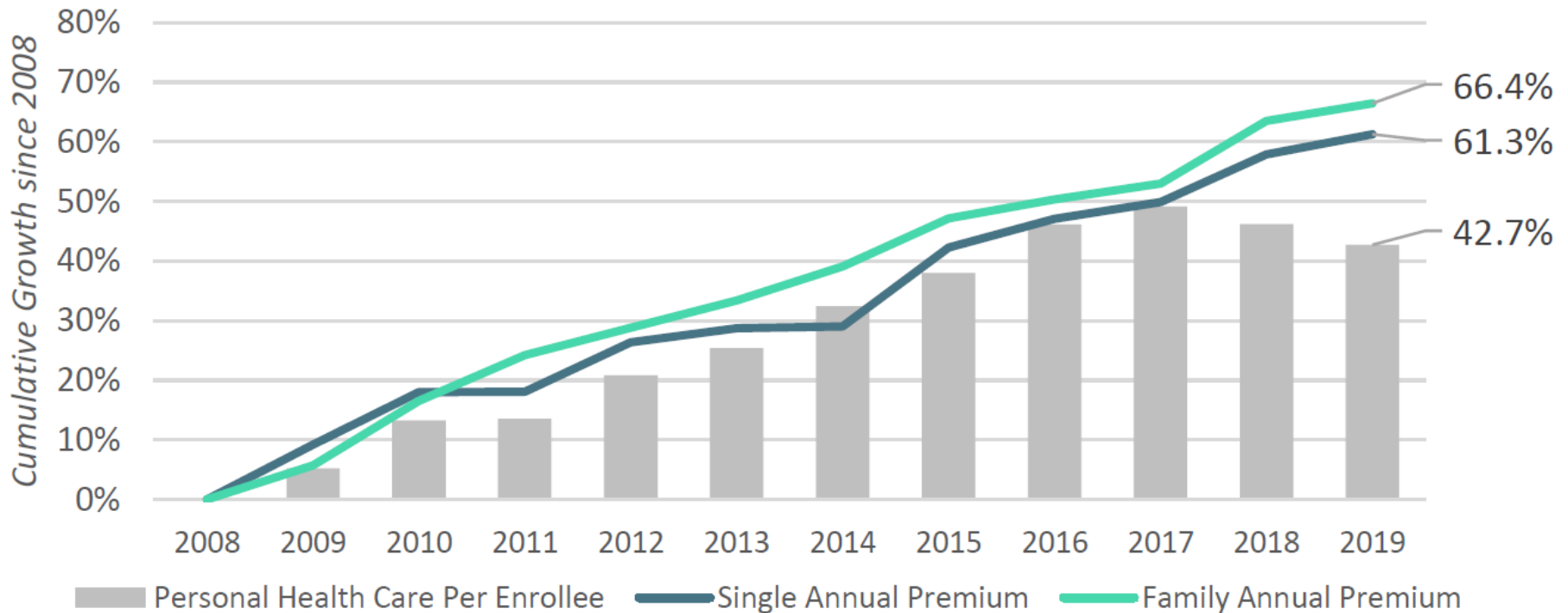
Source: Altarum Institute, *Tracking Virginia's Health Care Sector through 2019*

Premiums Are Outpacing Hospital Spending in Growth Rate



Source: Altarum Institute, *Tracking Virginia's Health Care Sector through 2019*

Premiums Are Outpacing Hospital Spending in Growth Rate



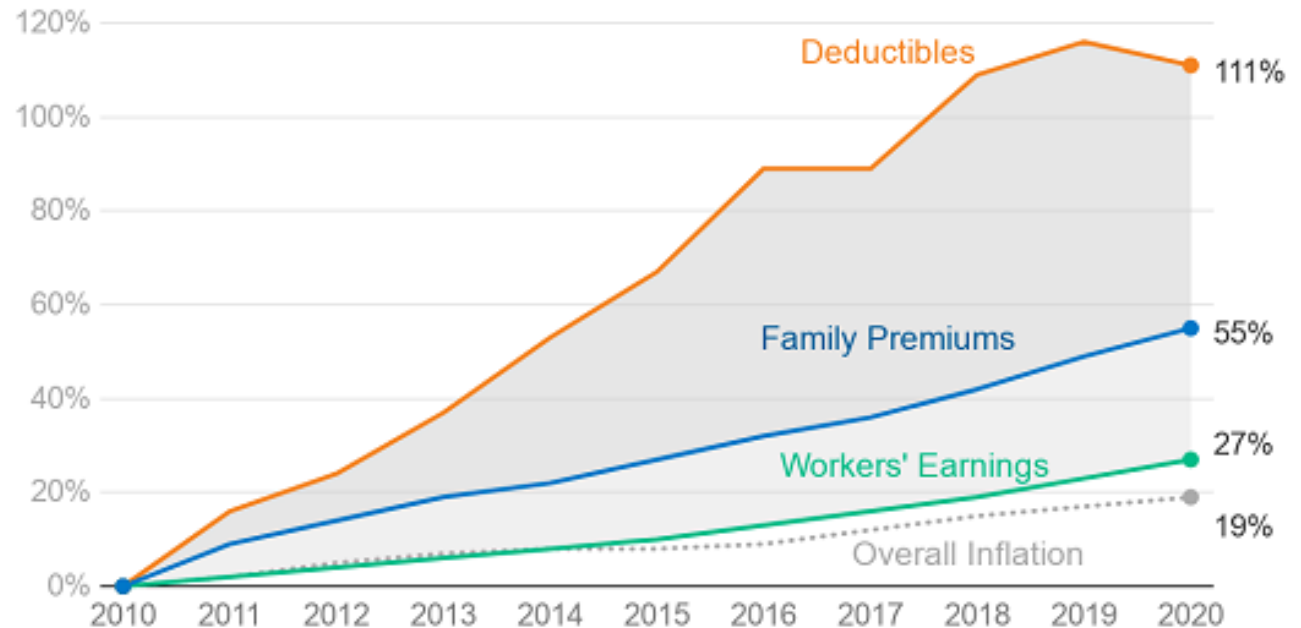
Source: Altarum Institute, *Tracking Virginia's Health Care Sector through 2019*



Both Premiums *and* Deductibles Are Increasing

The cost of care has become unaffordable for patients covered by high- and low-deductible plans.

Employer Premiums and Deductibles Have Risen Much Faster than Wages Since 2010



NOTE: Average general annual deductibles are for single coverage and are among all covered workers. Workers in plans without a general annual deductible for in-network services are assigned a value of zero.

Hospital Strategies to Address Consumer Affordability

Financial Assistance



Transparency and Awareness

- Hospitals post visible signs on premises, provide info on their websites, consult with patients and conduct charity eligibility screenings, and include explanations on billing statements.
- Hospitals post health care cost info online, provide good-faith medical procedure cost estimates to patients, and support the publicly accessible Virginia PricePoint website containing up-to-date comparative charge information on common procedures and other transparency tools.

Charity Care and Payment Plans

- Virginia hospitals provide a charity care write-off to any patient who falls under 200% of the Federal Poverty Level (FPL). Most offer financial support and sliding fee scales for those above 200%.
- Patients who have difficulty paying medical bills are often eligible for lenient, interest-free payment plans that can be extended for a multi-year term as needed.

Hospital Strategies to Address Consumer Affordability

Lowering Cost of Care



Effective & Efficient Patient Care

- Coordinating care through evidence-based practices and integrated information systems to improve clinical performance and eliminate unnecessary care, duplication of services, and preventable admissions.

Better Access

- Investing in outpatient facilities, expanding access to primary care, and offering effective case management and disease management through digital health platforms to ensure patients receive the right care at the right time.

Population Health

- Partnering with local organizations, serving as a safety net provider and connecting patients with community wrap-around services, and ongoing community education to improve the health of communities.
- Addressing the social determinants of health.

Conclusion



- ✓ The increase in publicly insured patients and uncompensated care (including bad debt) results in significant unreimbursed costs to hospitals, *impacting affordability for everyone.*
- ✓ Increases in premiums and deductibles have placed an even greater strain on consumer affordability, further negatively impacting hospitals' finances through an *increase in bad debt and uncompensated care.*
- ✓ *Hospital spending has remained stable*, and Virginia hospitals are investing in proven strategies to further reduce overall costs of care.
- ✓ *Better data and greater transparency is needed* to understand dramatic increases in consumer costs for premiums and out-of-pocket expenditures.



Questions?

VHHA - About Us



Vision

Through the power of collaboration, the Association will be a recognized driving force behind making Virginia the healthiest state in the nation.

Mission

Working with our members and other stakeholders, the Association will transform Virginia's health care system to achieve top-tier performance in safety, quality, value, service and population health. The Association's leadership is focused on: improving access to care; continuing to improve health care safety, quality, and service; promoting a vibrant, high-value health care system; and, advancing population health to promote health and economic opportunity for all Virginians.

Virginia Hospital & Healthcare Association - 501(c)(6) Founded in 1926

Affiliates

VHHA Foundation (501(c)(3)) - VHHA Shared Services (for-profit) - HOSPAC (state PAC)

Headquartered in Glen Allen, Virginia

26 Hospital and Health Systems Members

55 Associate Members

30 VHHA Staff Members



VHHA - Our members



Key Stats

110 community, psychiatric, rehabilitation and specialty hospitals

18,881 hospital beds

17 designated trauma centers

49% are rural hospitals

51% are urban hospitals

77% of Virginia hospitals are not-for-profit