

NASHP Hospital Cost Tool Analysis of Acute Care and Critical Access Hospitals in Connecticut

March 2022



NATIONAL ACADEMY
FOR STATE HEALTH POLICY

nashp.org

What is NASHP's Hospital Cost Tool?

- **A downloadable tool health purchasers, including state officials, can use to better understand and address hospital costs**
 - For example, the tool can help inform hospital rate negotiations or demonstrate hospital finances pre- and post-merger/ acquisition
- **The tool identifies costs using data that hospitals report annually to the federal government**
 - Each hospital that serves Medicare patients must annually submit, and verify the accuracy of, a Medicare Cost Report (MCR) to the Centers for Medicare & Medicaid Services (CMS)
 - MCRs provide hospital level data and are the only national, public source of hospital costs
- **The Hospital Cost Tool was developed by the National Academy for State Health Policy (NASHP) alongside Rice University, with support from Arnold Ventures**

1. View a hospital's Medicare Cost Report

STATEMENT OF REVENUES AND EXPENSES		Provider CCN:	PERIOD: FROM 07/01/2019 TO 06/30/2020	WORKSHEET G-3
Description				
1	Total patient revenues (from Worksheet G-2, Part I, column 3, line 28)		3,535,608,066	1
2	Less contractual allowances and discounts on patients' accounts		2,116,346,125	2
3	Net patient revenues (line 1 minus line 2)		1,419,261,941	3
4	Less total operating expenses (from Worksheet G-2, Part II, line 43)		1,593,635,778	4
5	Net income from service to patients (line 3 minus line 4)		-174,373,837	5

2. Input data from MCR into the Hospital Cost Tool

16	2.) Reserves, Revenue, and Net Income		
17	Financial Statement Items		Source (Medicare Cost Report)
18	Reserves	\$ 219,847,448	Worksheet G-1, Columns 2, 4, 6, 8, Line 19
19	Patient Revenues (Chargemaster Rates)	\$ 3,535,608,066	Worksheet G-3, Column 1, Line 1
20	Net Patient Revenue reported on MCR	\$ 1,419,261,941	Worksheet G-3, Column 1, Line 3
21	Total Operating Costs per MCR	\$ 1,593,635,778	Worksheet G-3, Column 1, Line 4
22	Operating Income	\$ (174,373,837)	Worksheet G-3, Column 1, Line 5
23	Other Income	\$ 194,483,302	Worksheet G-3, Column 1, Line 25
24	Other Expense	\$ (15,686,982)	Worksheet G-3, Column 1, Line 28
25	Net Income Reported on MCR	\$ 35,796,447	Worksheet G-3, Column 1, Line 29
26	Total Hospital Costs for CCR	\$ 1,108,427,850	Worksheet C, Part I, Column 5, Row 202, Hospital Consolidated
27	Total Hospital Charges for CCR	\$ 3,390,650,308	Worksheet C, Part I, Column 8, Row 202, Hospital Consolidated

3. Receive calculated results tailored for states/ health plans

	A	B	C	D	E	F	G	H	I
1	Hospital Cost Tool								
2	4/5/20								
3	Hospital Name		0000000						
4	Medicare Cost Report (MCR) Year		07/01/2019 TO 06/30/2020						
5									
6									
7									
8									
9	1.) Government Programs, Payments and Operating Costs								
10		Program Patient Revenue	CMS and State Supplemental Payments	Total Payments	Hospital Operating Costs	Hospital Profit (Loss)	Payment as % of Costs	Payer Mix	Profit Margin
11	Medicare Program	\$ 264,009,938	\$ 27,819,832	\$ 291,829,770	\$ (262,251,705)	\$ 1,758,233	101%	24.6%	1%
12	Medicaid Program	\$ 142,415,505	\$ -	\$ 142,415,505	\$ (177,513,862)	\$ (7,278,525)	96%	16.0%	-4%
13	SCHIP and Other State & Local Low Income Programs	\$ -	\$ -	\$ -	\$ -	\$ -	0%	0.0%	0%
14	Total Government Programs	\$ 406,425,443	\$ 27,819,832	\$ 434,245,275	\$ (439,765,567)	\$ (5,520,292)	99%	40.7%	-1%



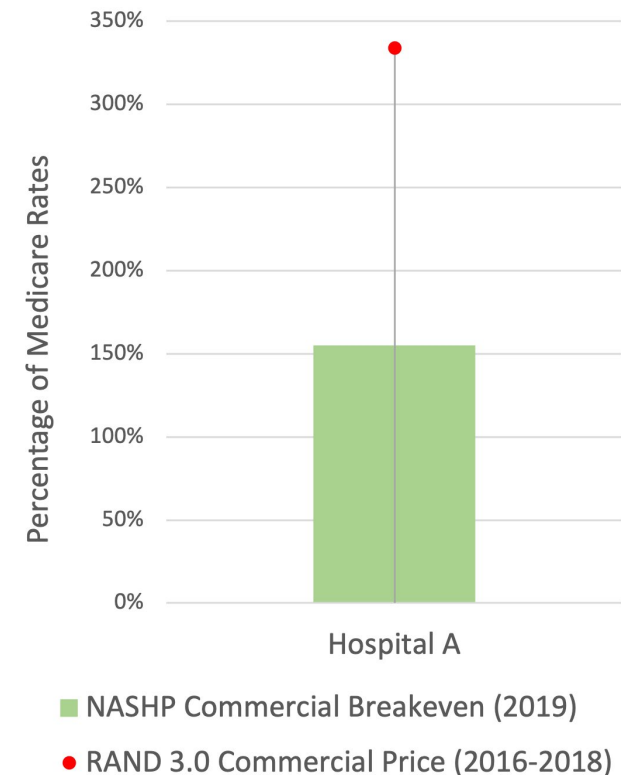
How to Use NASHP's Hospital Cost Tool

- For more information, and to access the tool, visit <https://www.nashp.org/hospital-cost-tool/>
- **Coming in April 2022:** an interactive dashboard and national database of hospital costs

Breakeven Analysis

- **NASHP's Hospital Cost Tool** calculates a hospital's breakeven point: **Revenue = Expenses**
 - Revenue includes payments from all sources. Expenses include hospital operations, administration, ancillary services, & non-operating expenses.
- **NASHP Commercial Breakeven** – how much a hospital needs to be reimbursed by commercial payers in order to cover its expenses
- **RAND 3.0 Commercial Price** – how much a hospital was reimbursed by commercial payers in aggregate from 2016 to 2018
 - 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

Example: Hospital A could afford a commercial price of **155 percent** of Medicare. However, in 2018, its commercial price was **334 percent** of Medicare.

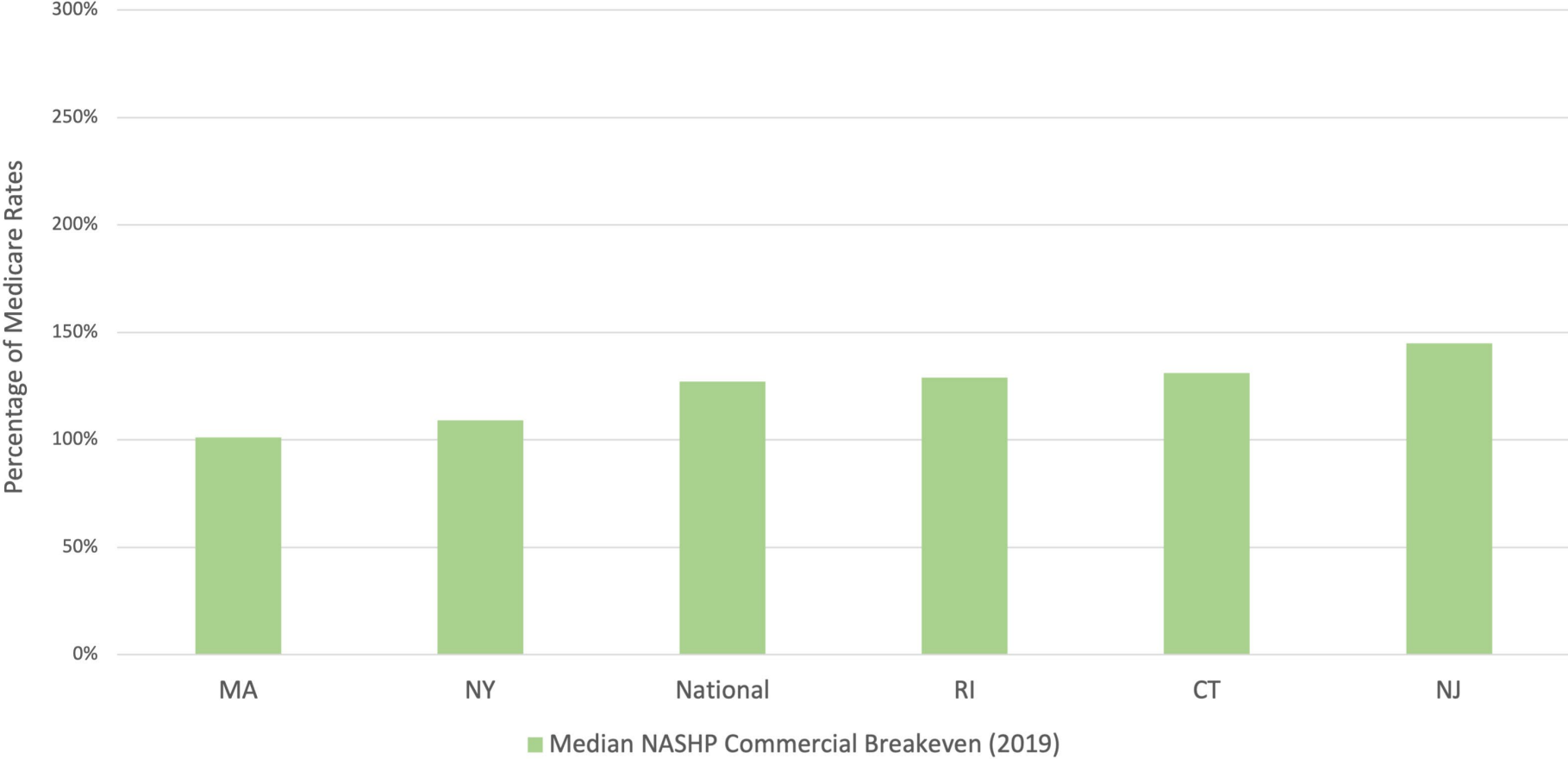


Factors That May Impact Breakeven

- **Medicare Payment rate** – A hospital's Breakeven is based on its own Medicare reimbursement rates. If a hospital is paid by Medicare in excess of its Medicare-related expenses, Breakeven would be lower.
- **Hospital Other Income** – If a hospital receives significant other income (e.g., return on investments, federal relief payments), the payment required from a commercial payer to Breakeven would be lower.
- **Reimbursement from Other Payers** – The hospital payer mix adjusted 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.

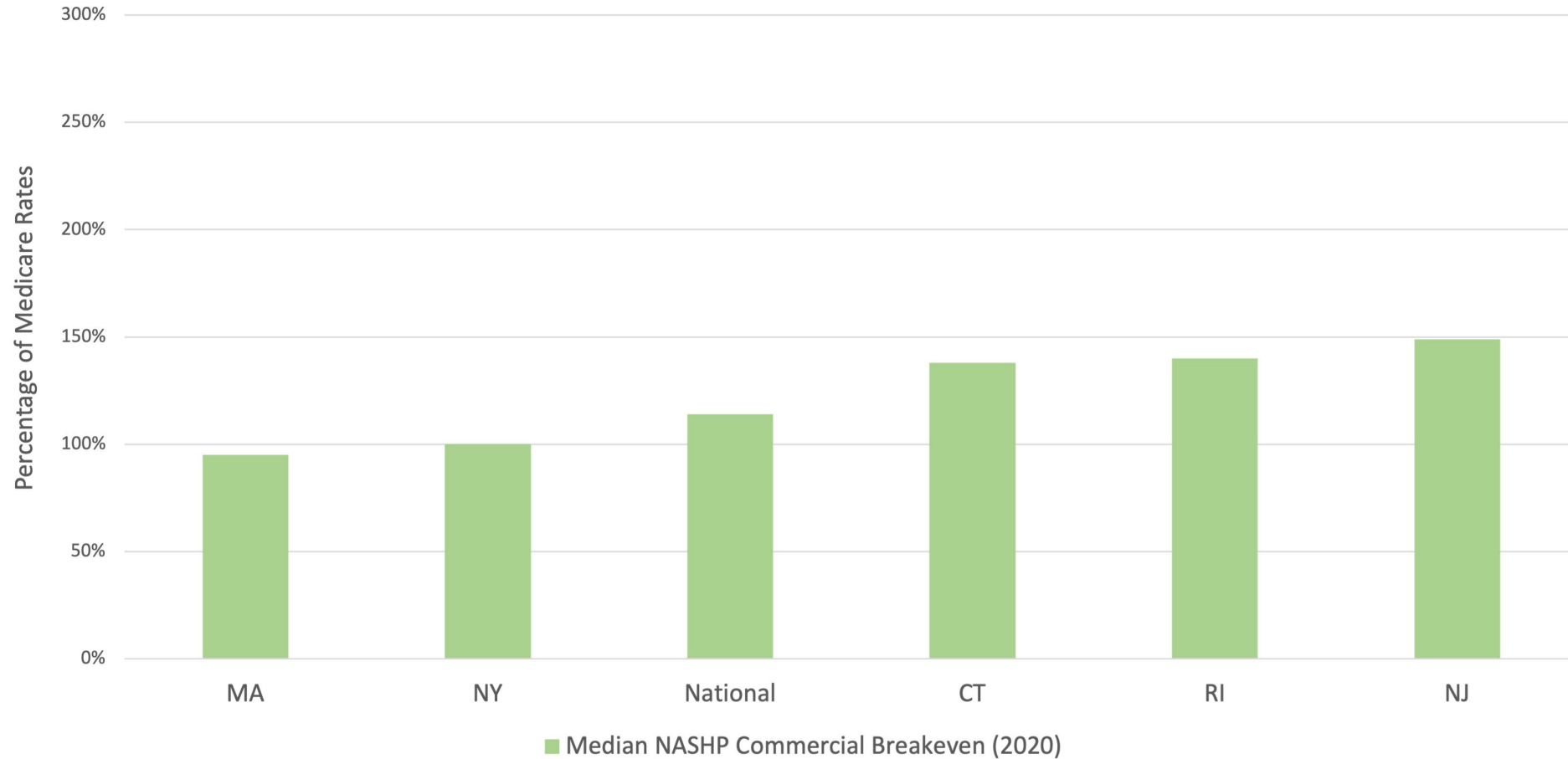
Connecticut and Neighboring States, 2019

Breakevens of Hospitals in Connecticut, Neighboring States, and the Nation; 2019



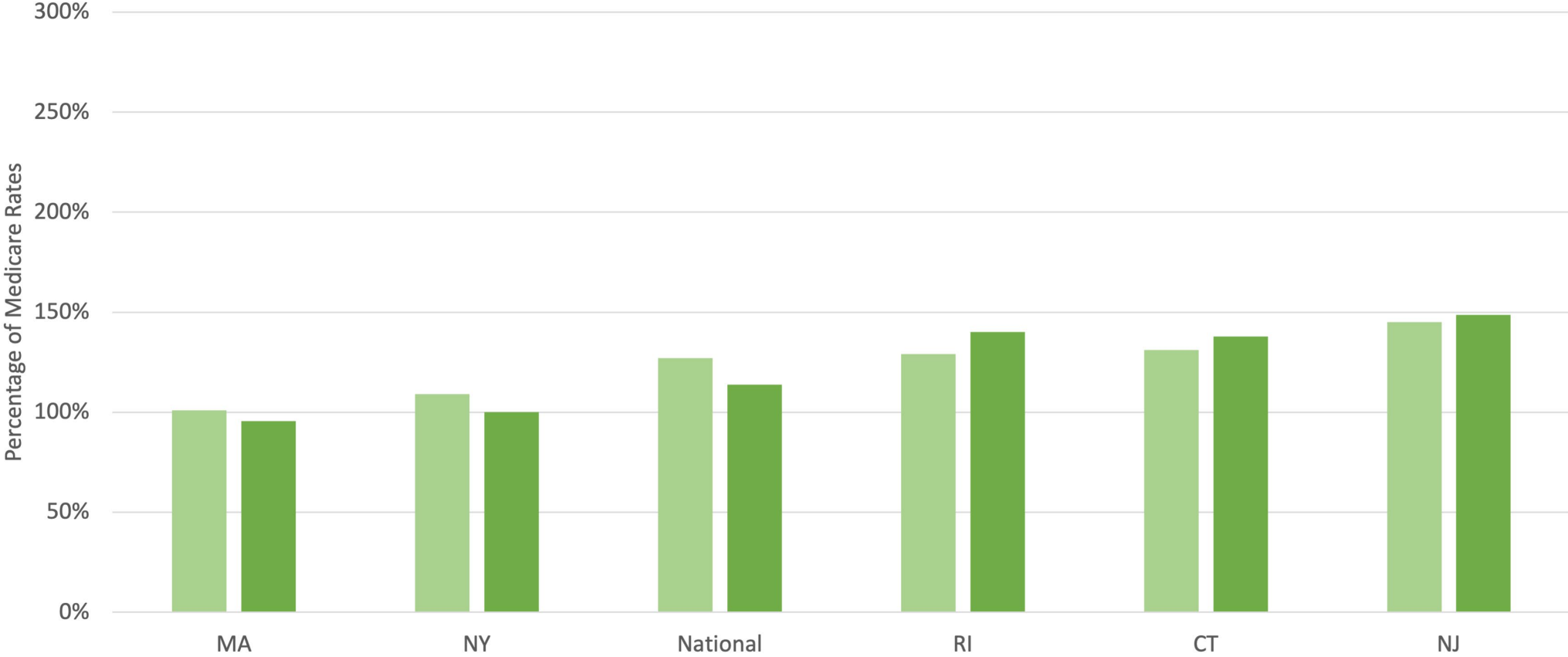
Connecticut and Neighboring States, 2020

Breakevens of Hospitals in Connecticut, Neighboring States, and the Nation; 2020



Connecticut and Neighboring States, 2019 vs 2020

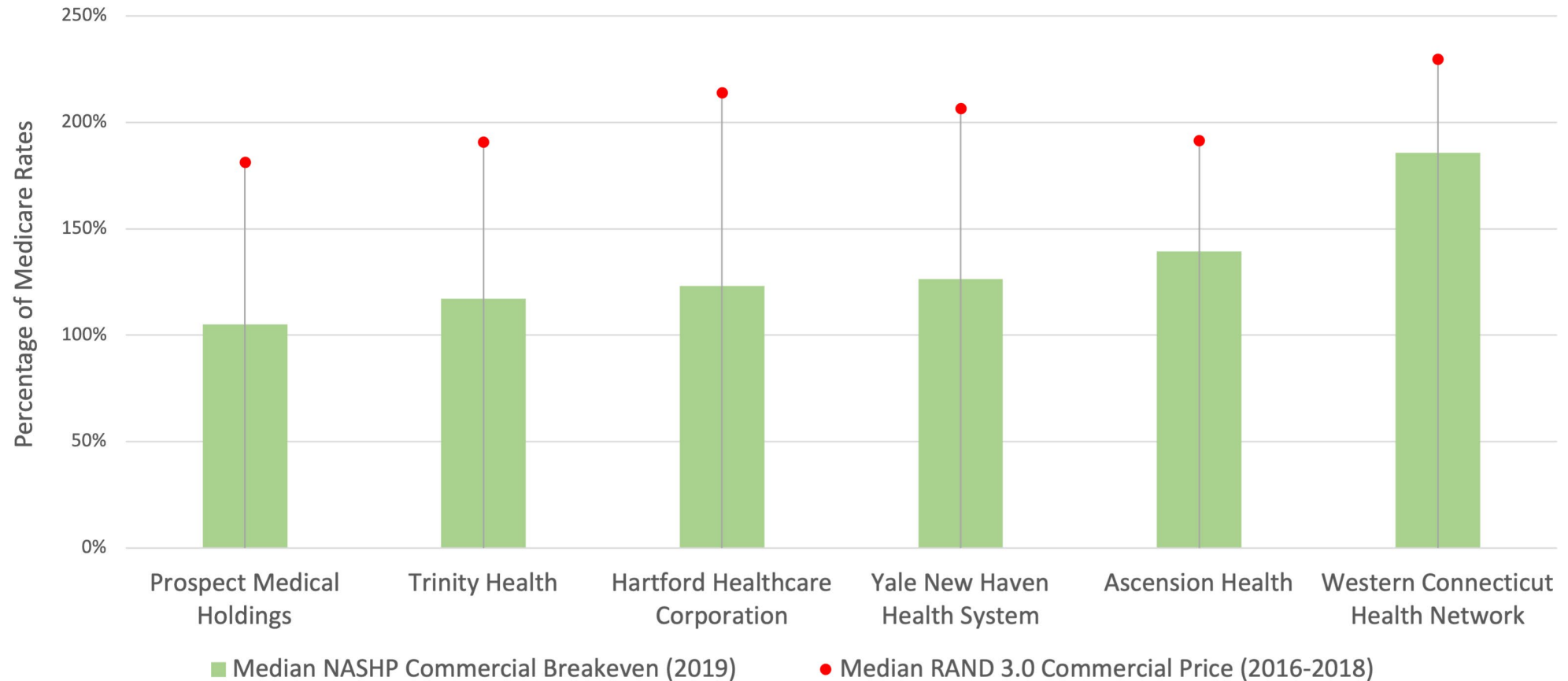
Breakevens of Hospitals in Connecticut, Neighboring States, and the Nation; 2019 - 2020



■ Median NASHP Commercial Breakeven (2019) ■ Median NASHP Commercial Breakeven (2020)

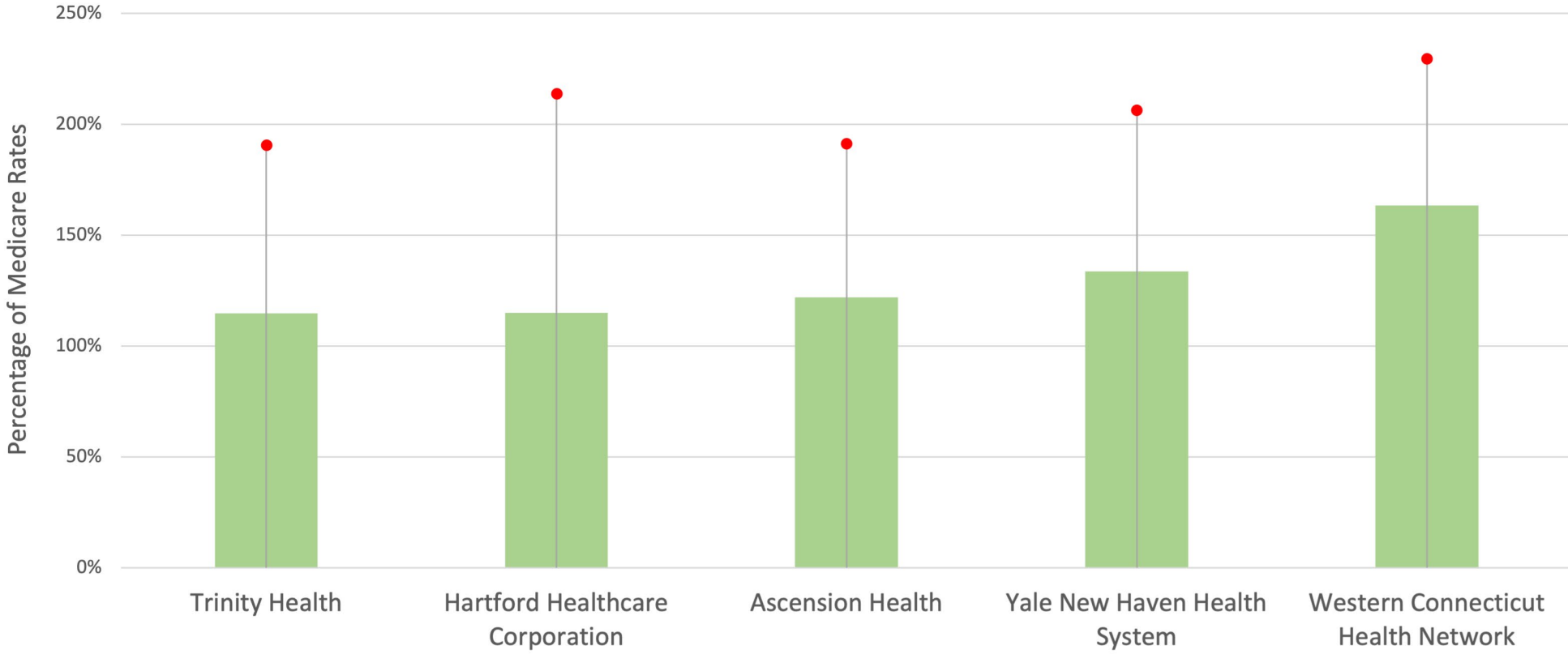
Connecticut Health Systems, 2019

Median Breakevens and Prices of Major Health Systems* in Connecticut
(*systems with two or more hospitals operating in the state)



Connecticut Health Systems, 2020

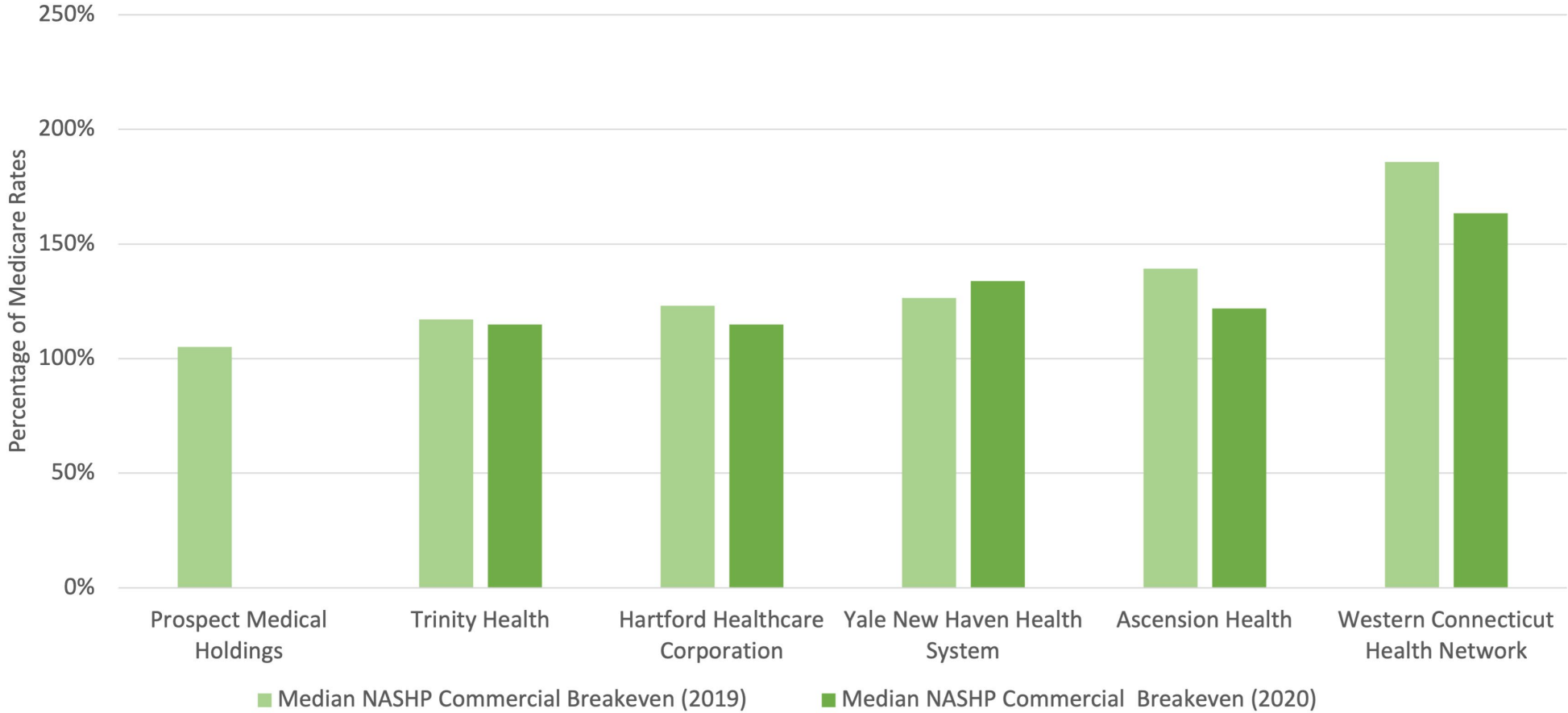
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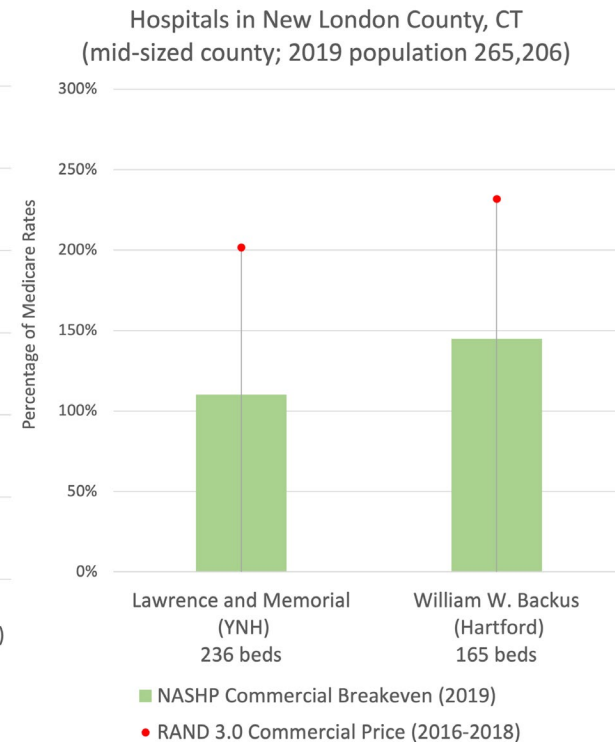
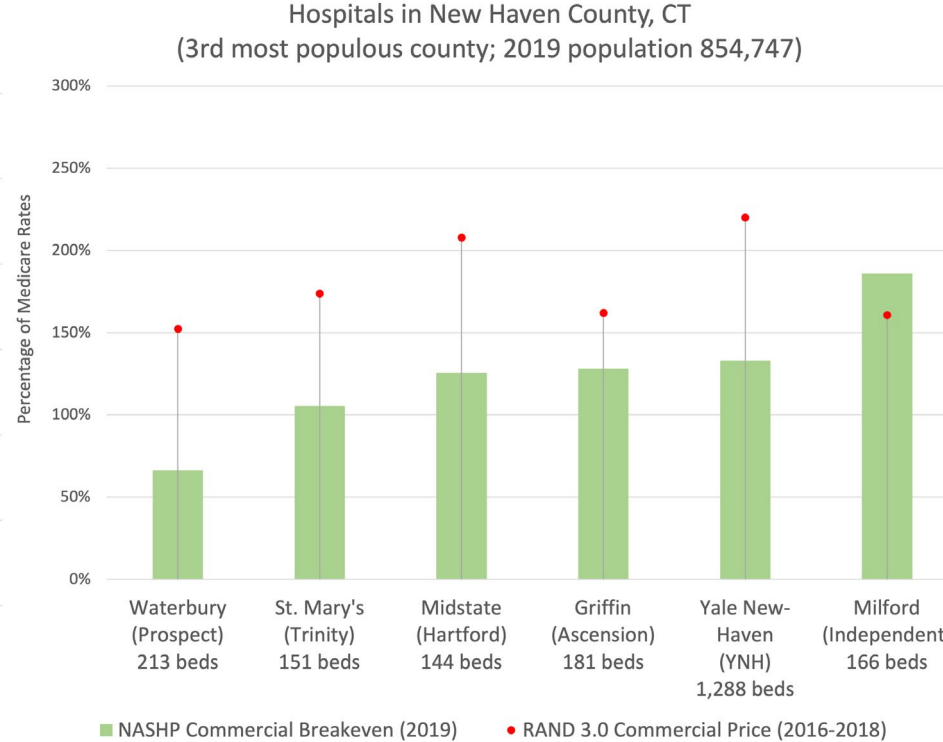
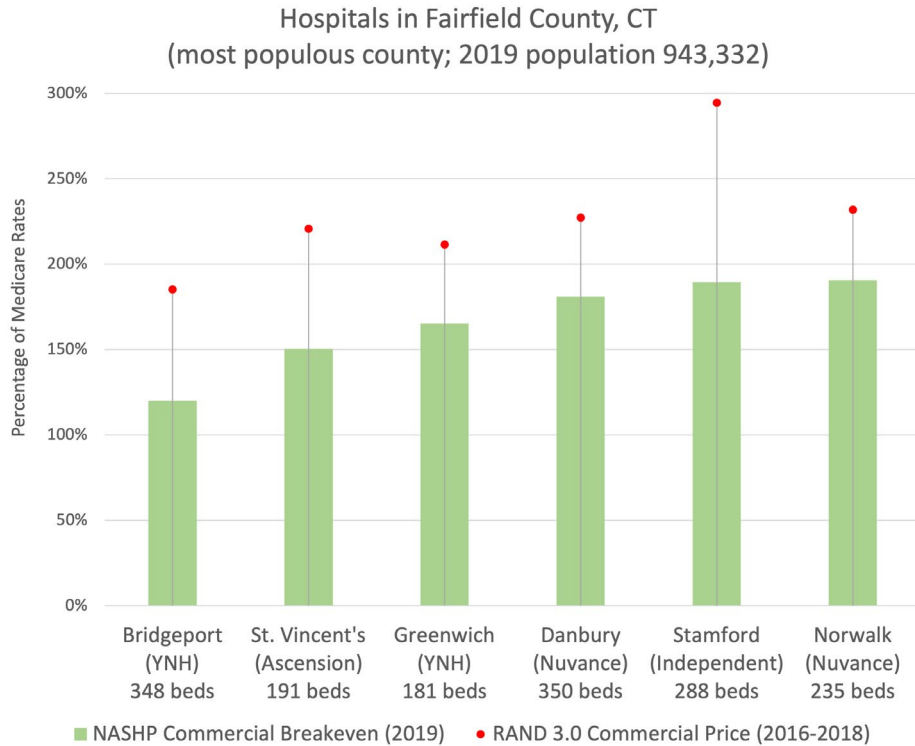
■ Median NASHP Commercial Breakeven (2020) ● Median RAND 3.0 Commercial Price (2016-2018)

Connecticut Health Systems, 2019 vs 2020

Median Breakevens of Major Health Systems* in Connecticut, 2019 vs 2020
 (*systems with two or more hospitals operating in the state)

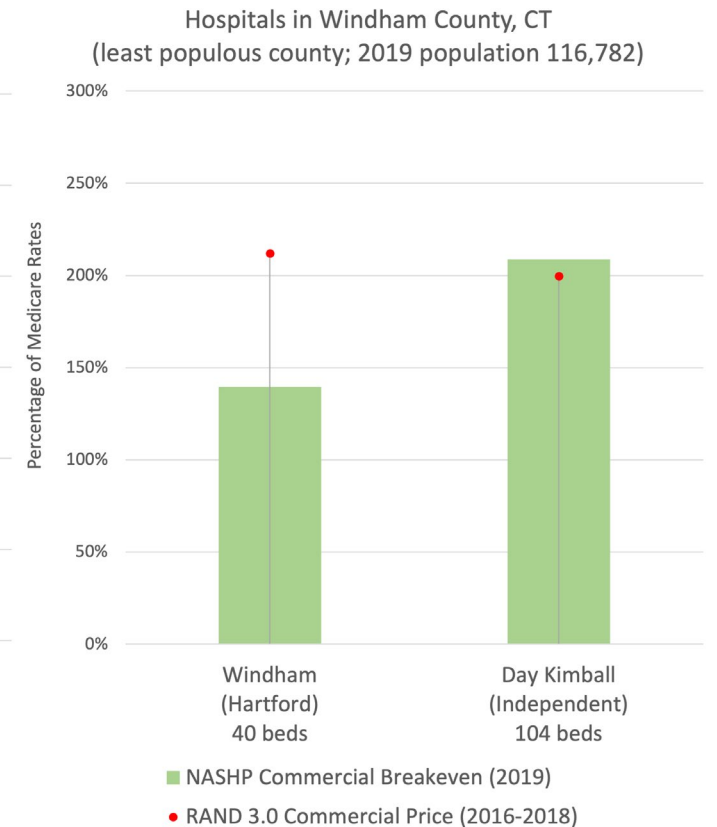
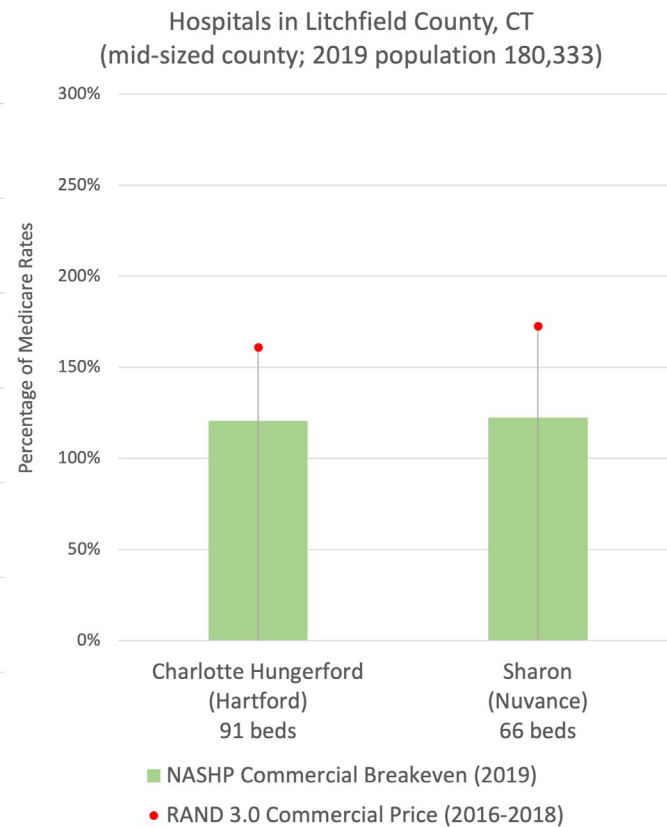
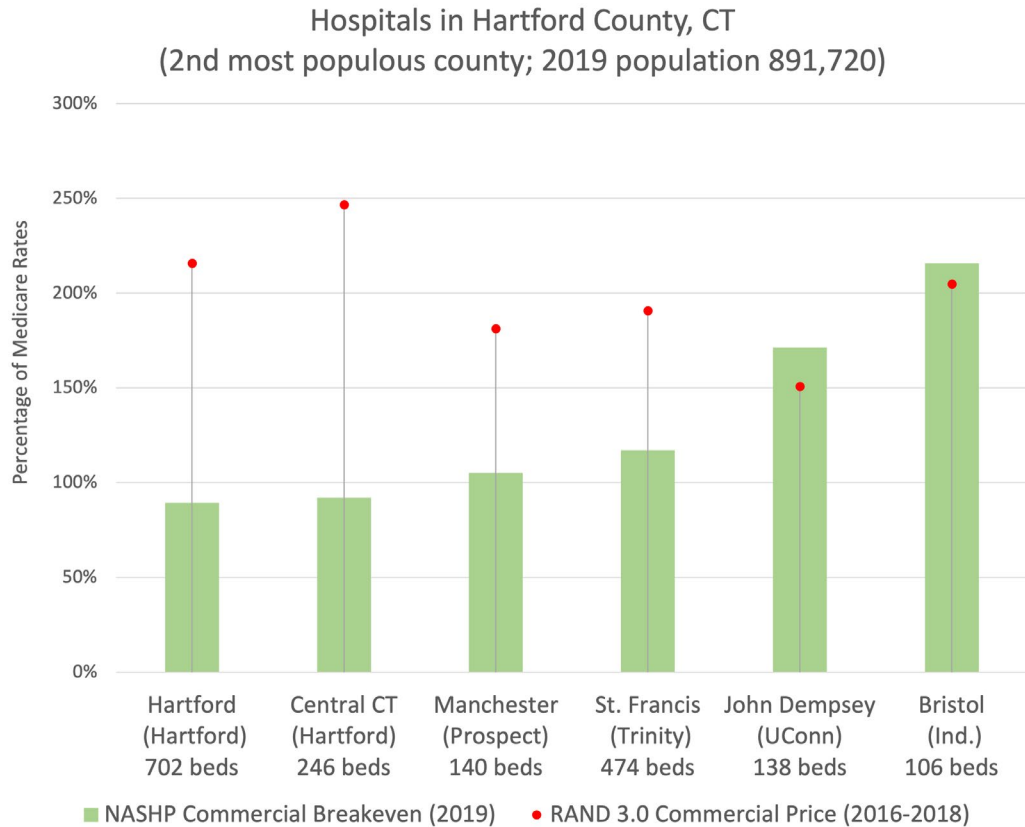


Counties With Many Yale-New Haven System Beds



- Hospitals' Commercial Prices do not appear to be based on their Commercial Breakevens, with both varying inconsistently
- Many of the hospitals with the highest Prices *and* Breakevens are in Fairfield County, closest to the New York metro area

Counties With Many Hartford System Beds



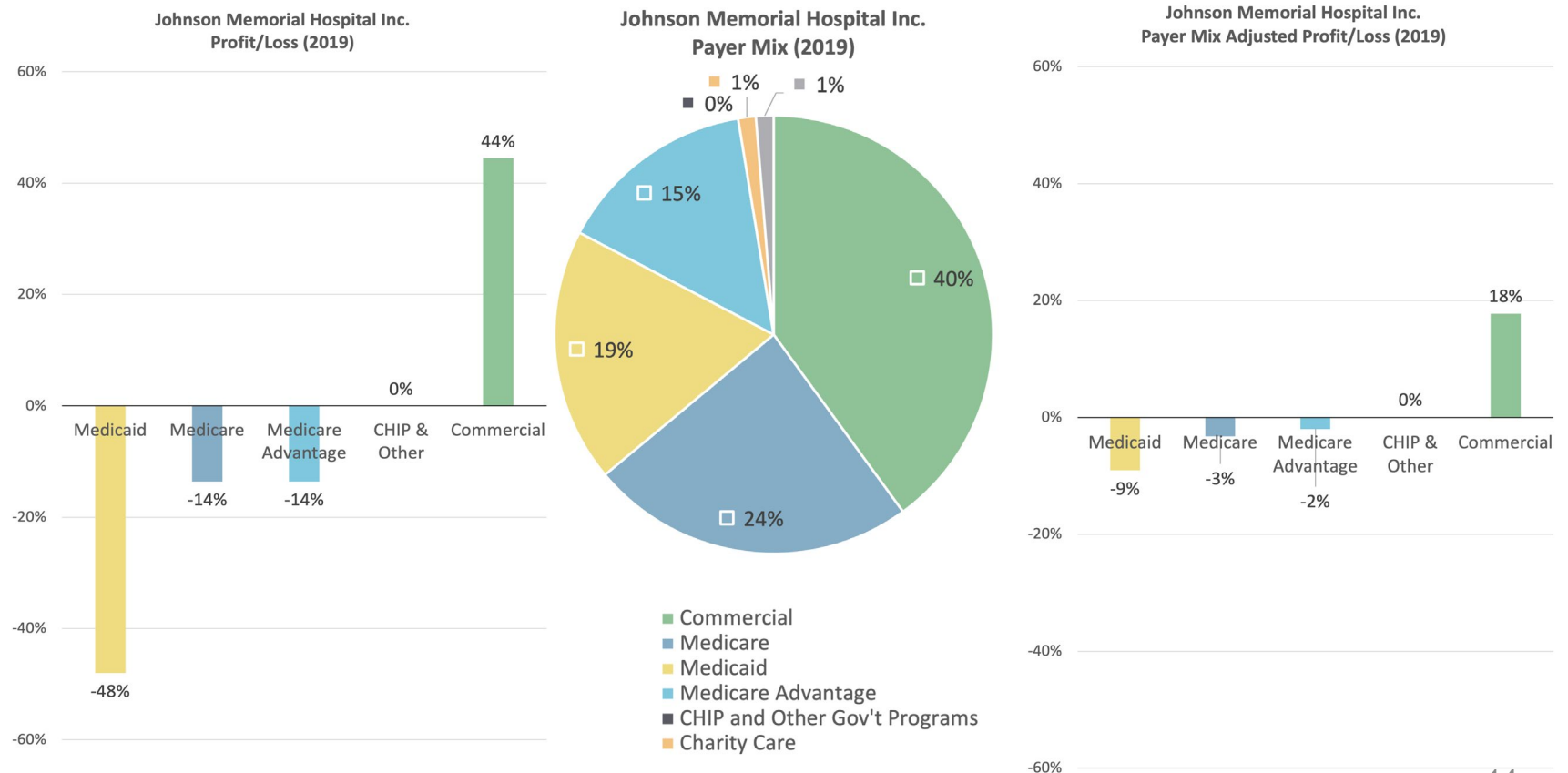
- Hartford Healthcare Corp. system has the largest Median Breakeven vs Median Price spread (91%)

Factoring Payer Mix into Hospital Reported Profit/ Loss

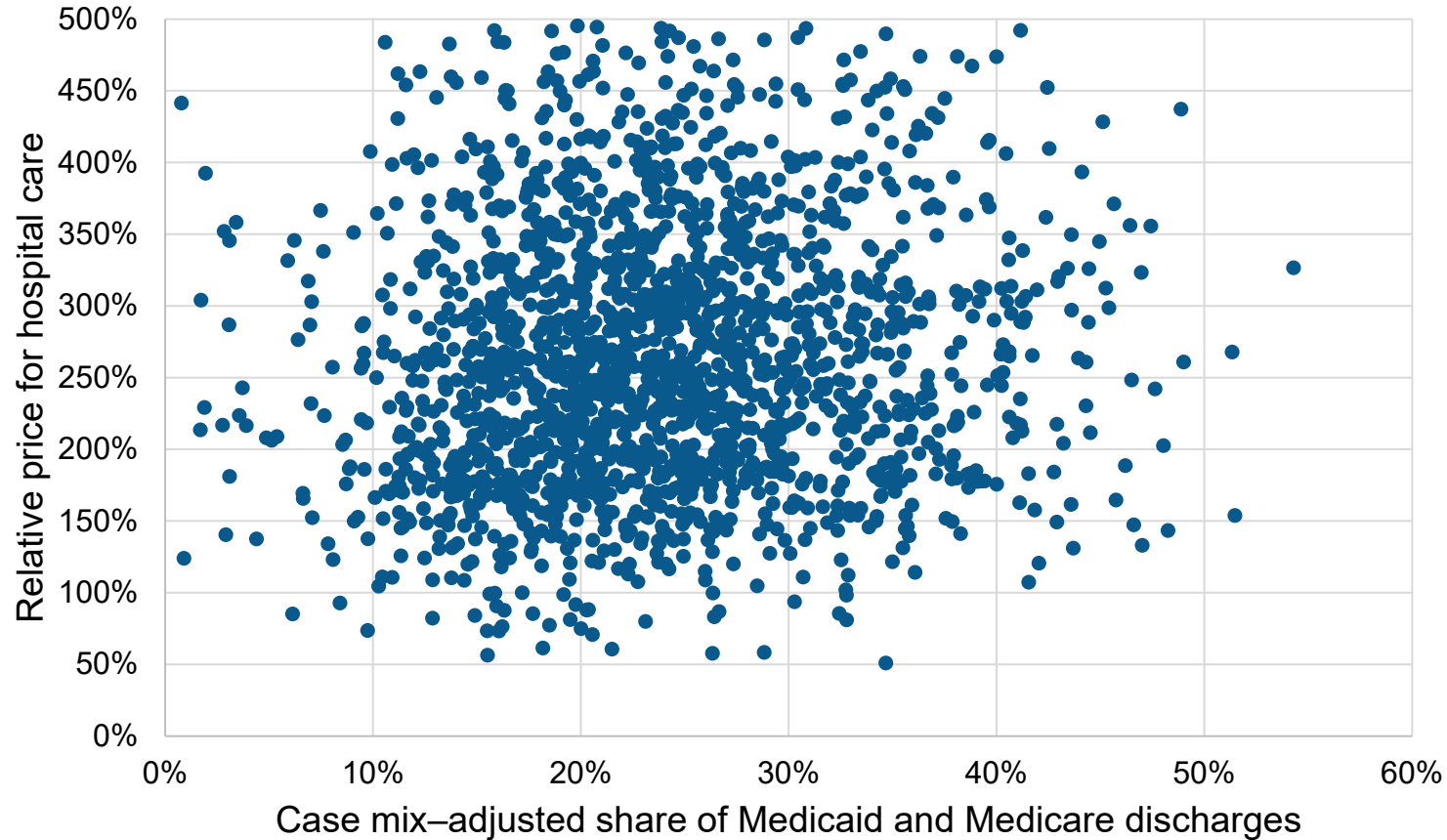
- A more complete picture of a hospital's profit/ loss on a payer can be seen by factoring payer mix into payer-specific profit/loss

- Johnson Memorial reported a loss of 48% on its Medicaid line
- Medicaid represents only 19% of its patient business
- So, Medicaid had an overall net impact of negative 9% on Johnson Memorial's Operating Income

Johnson Memorial NASHP Commercial Breakeven (2019): 131%
 Johnson Memorial RAND 3.0 Commercial Price (2016-2018): 213%



No correlation nationally between a hospital's public insurance reliance and its private insurance prices¹



- If the cost-shifting argument were true, one would expect a positive correlation between these two variables.
- Additionally, The National Bureau of Economic Research found that when hospitals received an unexpected 10 percent increase in Medicare payment rates, they did not reduce their private prices.²
- Instead, they:
 - Added new technology;
 - Increased nursing staff;
 - Increased payroll by one-third

Key Takeaways and Cost Considerations

- **Compared to hospitals in surrounding states, Connecticut hospitals have relatively high median Commercial Breakevens and relatively standard median Commercial Prices**
 - Connecticut's median RAND 3.0 Commercial Price (2016 - 2018) was 208 percent of Medicare rates
 - Range: 151% to 295% of Medicare rates (data unavailable for 3 independent hospitals)
 - Connecticut's median NASHP Commercial Breakeven (2019) was 131 percent of Medicare rates
 - Range: 58% to 253% of Medicare rates

Thank you!

NASHP's Health System Costs Resources:

- Written research and analysis & state legislative tracking
- Model legislation & regulation to address consolidation and more
- Hospital Cost Tool & hospital financial transparency reporting template
- Coming Soon! A Hospital Cost Searchable Database
- <https://www.nashp.org/policy/health-system-costs/>

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