# Healthcare Cost Drivers Forum

Gregory Shangold, MD, FACEP

Past-President CSMS

February 3rd, 2023

# Introduction

- Past President Connecticut State Medical Society
  - Representing 4000 CT Physicians and Physicians in training
- Practicing Emergency Medicine in CT for 20+ years
- President Northeast Emergency Medicine Specialists
  - Seeing 160,000 patients per year – 12% of CT's ED patients
  - Independent Group – 68 Physicians and APPs

# Healthcare Drivers

- Medical Liability Reform
- Medicaid Rate Adjustments
- Independent Practice of Medicine Preservation

# Why Need Medical Liability Reform

## Defensive Cost of Emergency Medicine

- $46 Billion to $300 Billion
- 3% of Healthcare - $129 Billion
- Healthcare 2021 - $4.3 Trillion, GDP 18.3%

## Premium Cost

## Desirable State to Practice

## Willingness to treat complex patients

# Malpractice Statistics

85,000 cases filed each year

1 in 3 clinicians sued during lifetime

Claims between 2016-2018

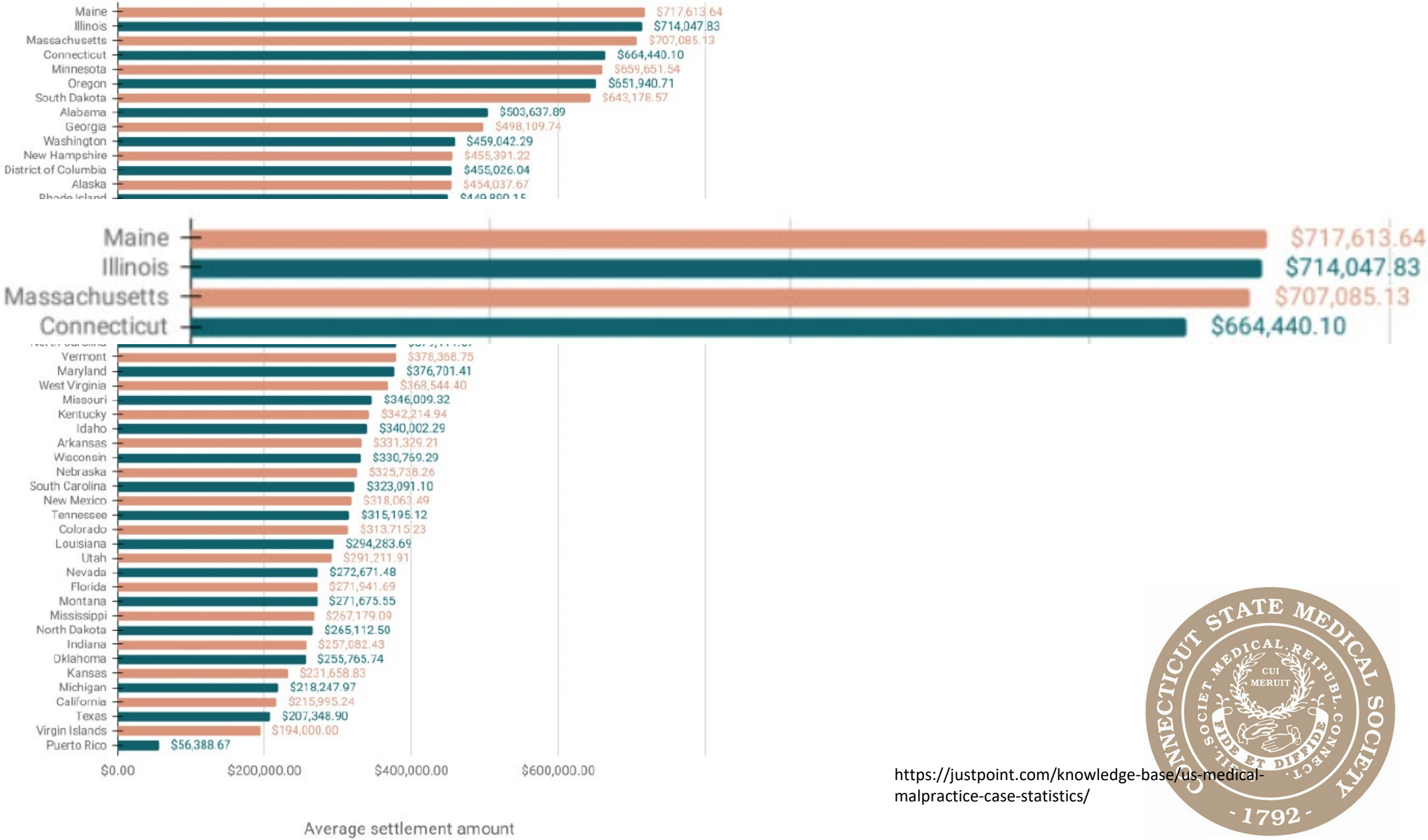
- 65% claims dropped, dismissed or withdrawn
- 29% settle
- 6% to trial – 89% won by defendant

From 2010–2019 - $42 Billion paid to malpractice claims

# Defensive Cost of Medicine

- Avoid being named in a lawsuit
- Defensive medicine is the standard of care
- Patients demand that everything possible be done
- Fear of missing something
- Peer pressure

# Average settlement amount per state (2017-2021)




https://justpoint.com/knowledge-base/us-medical-malpractice-case-statistics/

# CT Medical Malpractice Report

**To**
Insurance and Real Estate Committee

**Presented by**
Connecticut Insurance Department
Andrew N. Mais, Commissioner

June 3, 2022

# CT Specific – 5 years ending 12/31/2021 (2 years of Covid)

- Average Indemnity $890,333
- 47% claims no payment ($234 Million Defense costs, $124K/claim)
- Total Payment - $1.2 Billion
- Trend of increasing amounts > $3 Million
- Written premiums increased from 2015 -2021

# Knowing Malpractice Reform is Crucial to Healthcare

- Covid-19 Emergency Declared 3/10/2020
- Executive Order 7u – 4/5/2020
- Executive Order 7v – 4/7/2020

# Solutions

1

Decrease Cost

2

Improve Patient Healthcare Access

3

Develop a better process for patients, patient families and physicians

# Caps on Damages

- Large Body of research shows caps improve access, lower premiums and lower healthcare costs
- Congressional Budget Office 2019 federal cap $250K would decrease total healthcare spending by 0.5%
- Caps Non-economic damage – 24 States
- Caps total damages – 6 states

# Other Solutions

- Health Courts
- Liability Safe Harbors for practicing evidence-based medicine
- Early Disclosure and Compensation Models
- Expert Witness Guidelines
- Reform linked to EMTALA care
  - Health Care Safety Net Enhancement Act of 2015
  - Passed 2012 in 112th Congress
- Align interest rates to actual current interest rates

# Adjusting Medicaid

# Does Medicaid Rates Affect Access to Care

- Alexander and Schnell – National Bureau of Economic Research – 2019
  - Closing the gap in payments between Medicaid and private insurers would reduce more than two-thirds of disparities in access among adults and would eliminate such disparities entirely among children
  - Drive access to care and have important implications for patient health.
  - a $45 increase in Medicaid payments for the median state — would close over two-thirds of disparities in access for adults and would eliminate such disparities among children.
- Medicaid and CHIP Payment and Access Commission – June 2021
  - Physicians were significantly less likely to accept new patients covered by Medicaid than those with Medicare or private insurance
- KFF – ACA Medicaid Expansion showed increase access to care

# How Does Access to Care Affect Healthcare

- Cancer screening and management of chronic disease occurs with access to healthcare
- Management of disease states early on is less expensive then
- Improving access to healthcare important step towards reducing health disparities

# CT Medicaid Rates

- Kaiser Family Foundation – Medicaid-to Medicare Fee Index

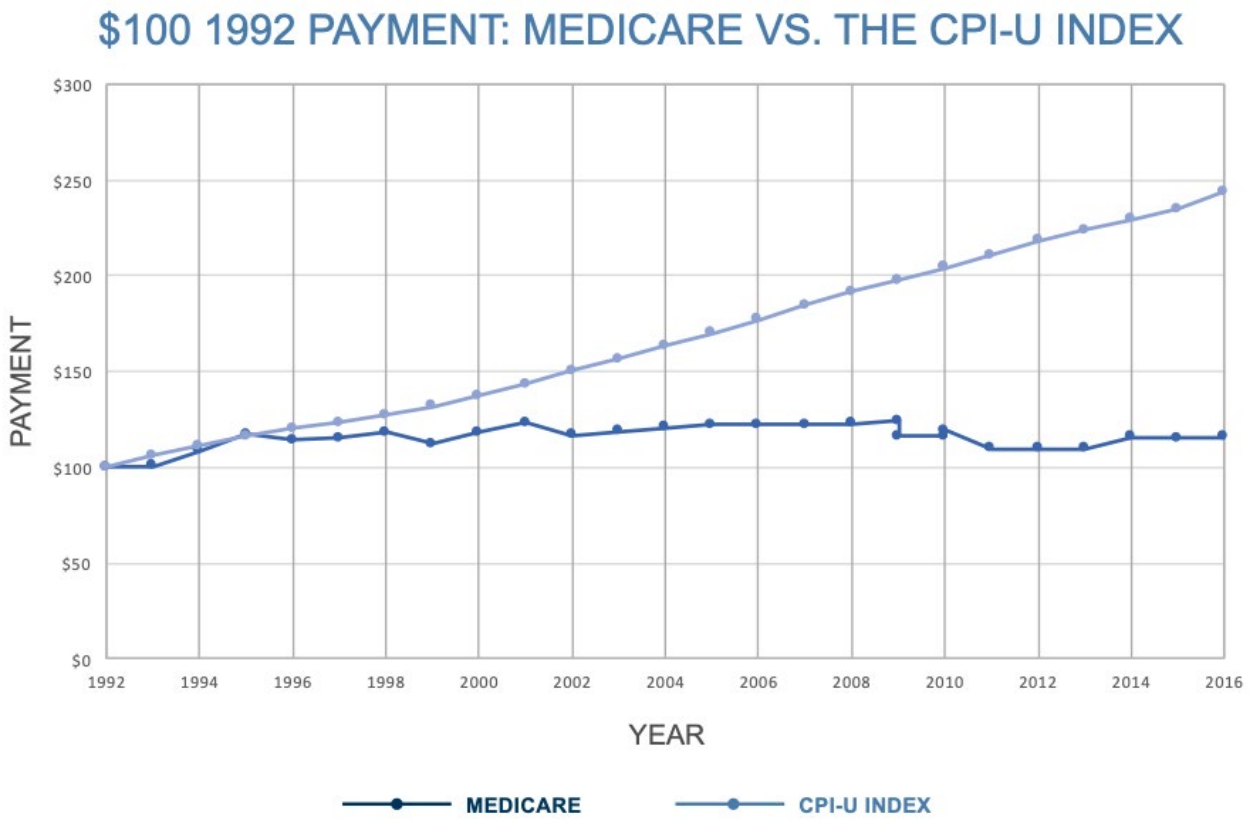
| ALL SERVICES | | PRIMARY CARE | OB/GYN | OTHER |
|---|---|---|---|---|
| Best | DE - 1.18 | AK - 1.10 | SC – 1.36 | DE – 1.61 |
| Average | 0.72 | 0.67 | 0.80 | 0.78 |
| CT | #30 @ 0.75 | #22 @0.75 | #30 @ 0.82 | #42 @ 0.69 |

The Medicaid-to-Medicare fee index measures each state's physician fees relative to Medicare fees in each state.

# CT Medicaid Rates

- Emergency Medicine Flat since 2011
  - $100 Payment in 2011 is still $100 in 2023
  - $100 Payment in Jan 2011 would need to be $134.77 Dec 2022
- Orthopedics Flat since 2008
- Many other specialties minimal changes

# Inflation

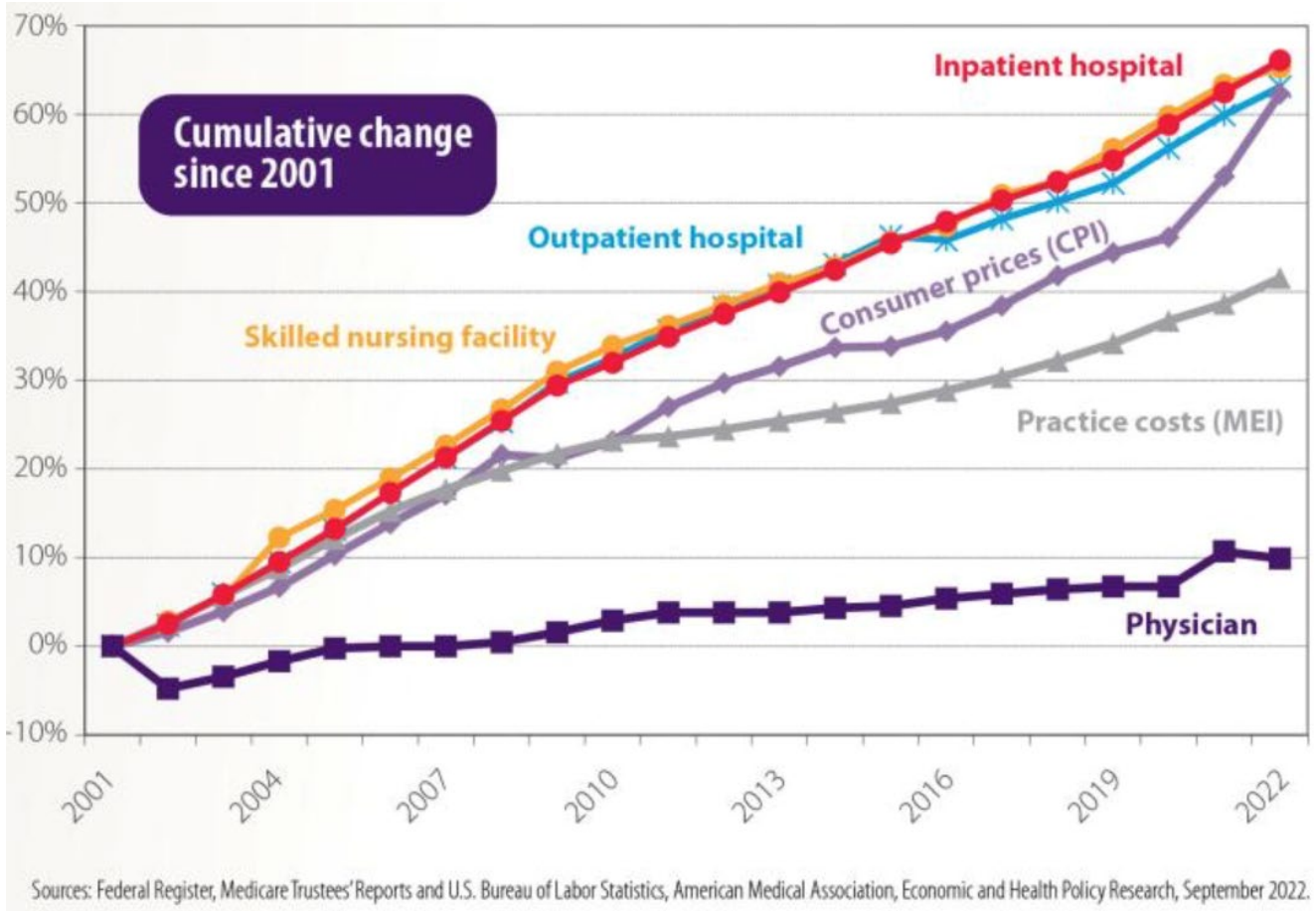



- **53%** Reduction from 1992 to 2016

  (7 years ago)

| Year | Medicare Payment | CPI-U |
|---|---|---|
| 1992 | $100 | $100 |
| 2016 | $115.49 | $243.87 |

# Inflation




- Practice Administrative Cost increased 39% 2001-2021
- This graph shows the covid increase of 2021 but does not show 2023 – 2% Medicare Cut

# Cost Shift

- CT is competing with other states to retain and attract physicians
- Cost of running an office has increased substantially
- Medicaid and Medicare do not cover the Cost of providing services
- Revenue must come from the commercial market
- Decrease Actual Revenue due to HDHPs

# Healthcare - Essential Community Service

Education costs > $500K

Workforce during Covid

# Solution

Increase CT Medicaid Rates to Medicare

Develop a system independent of Medicare to match inflation

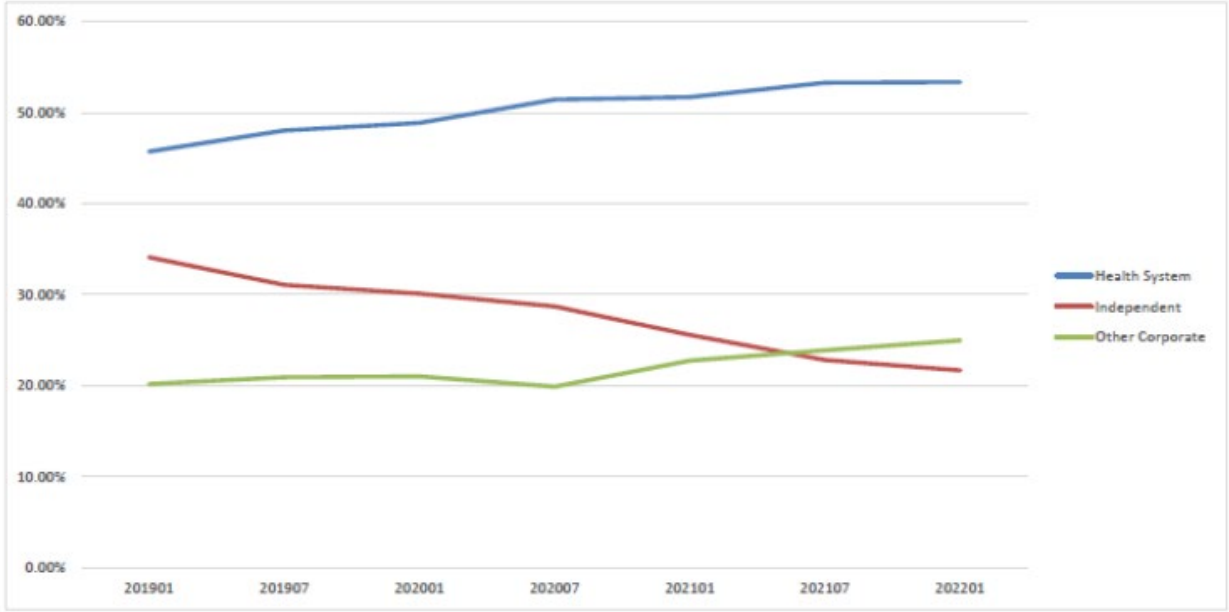
# Preserve Independent Practice of Medicine

# Connecticut: Independent Practice of Medicine

- 2022 study conducted by the Physician's Advocacy Institute and Avalere Consulting evaluated the practice landscape of Connecticut
- January of 2019: 34.1% of Connecticut practices were independent
- January of 2022: 21.7% of Connecticut practices were independent

# Private Practices Disappearing

Note: “Corporate” includes private equity and insurer-owned practices



# Why are independent practices disappearing?

- Multitude of reasons
- According to a 2018 study conducted by the Physician's Foundation, nearly 40% of physicians express that regulatory burdens, such as prior authorization, are one of the least satisfying aspects of practicing medicine and in 2018 it was estimated to cost physicians over $82,000 a year to deal with regulatory burdens.
- Regulatory burdens create limitations on physicians and force them out of private practice. These burdens include:
  - reduce efficiencies
  - increase compliance costs
  - affect the ability to deliver high-quality care
  - Becoming bill collector for HDHPs

# What is Being Done in Other States?

Push to reform prior authorization

January 27, 2023 article by Axios reported that at least 40 states are expected to introduce legislation to reduce the burden of prior authorization

Reducing regulatory burdens on physicians will help keep physicians independent as well as lower the overall costs of healthcare

# Prior Authorizations: Overall cost to healthcare industry

- The 2019 index released by the Council for Affordable Quality Healthcare (CAQH), concluded that the health care industry as a whole can save $13.3 billion on administrative waste, including prior authorizations.
- The industry could realize a potential annual savings of $454 million by transitioning to automated electronic prior authorizations.
- The CAQH index concluded in 2019 it cost physicians $10.92 to manually generate a prior authorization; while the cost to the payers was $3.32 (total industry cost of $14.24 per manual prior auth)
- The cost for providers to generate an electronic prior authorization was $1.88 in 2019 and $.05 for payers (total industry cost of $1.93)

# Solution

Reform Prior Authorization

Eliminate Physicians exposure to HDHPs

Make CT the Most Desirable State to Practice

# DISCUSSION

# Sources


- Giancola P.  4/5/2017. https://www.swlaw.com/blog/health-law-checkup/2017/04/05/does-defensive-medicine-impact-the-cost-of-healthcare/
- American Medical Association, MLR Now!-2022 Update
- https://www.kff.org/medicaid/state-indicator/medicaid-to-medicare-fee-index/?currentTimeframe=0&selectedDistributions=other-services&sortModel=%7B%22colId%22:%22Other%20Services%22,%22sort%22:%22desc%22%7D
- https://www.nber.org/system/files/working_papers/w26095/w26095.pdf