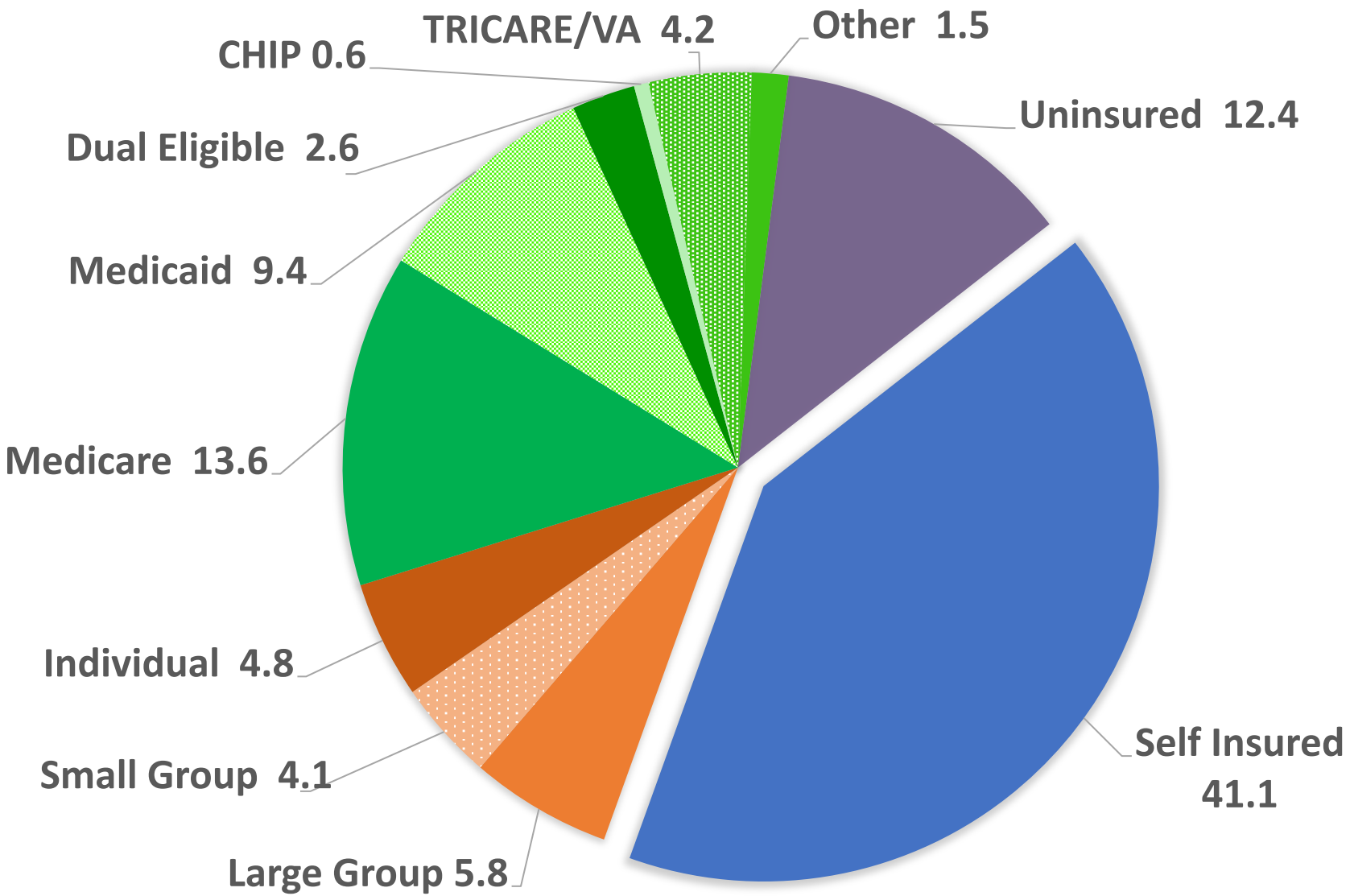
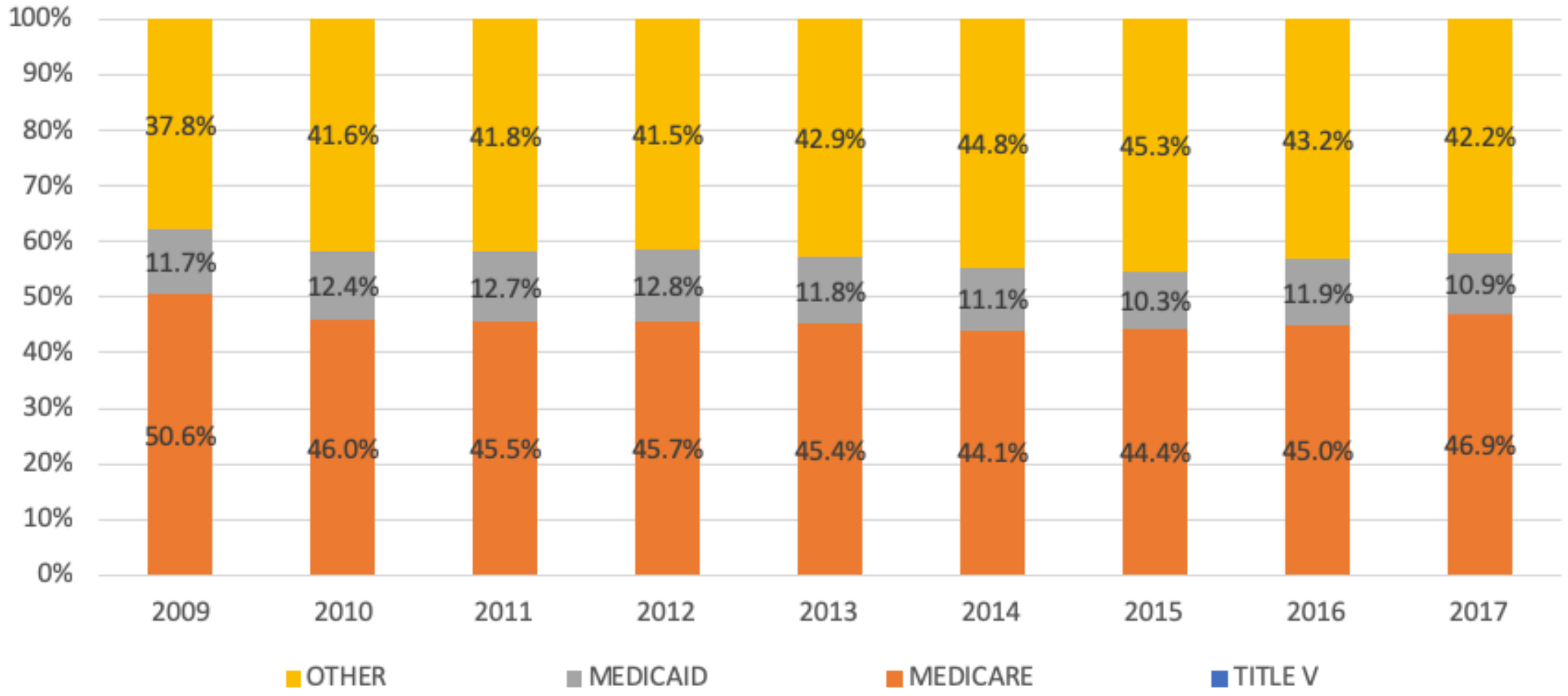

WYOMING
BUSINESS COALITION
ON HEALTH
What does the DATA
tell us about
WYOMING ?

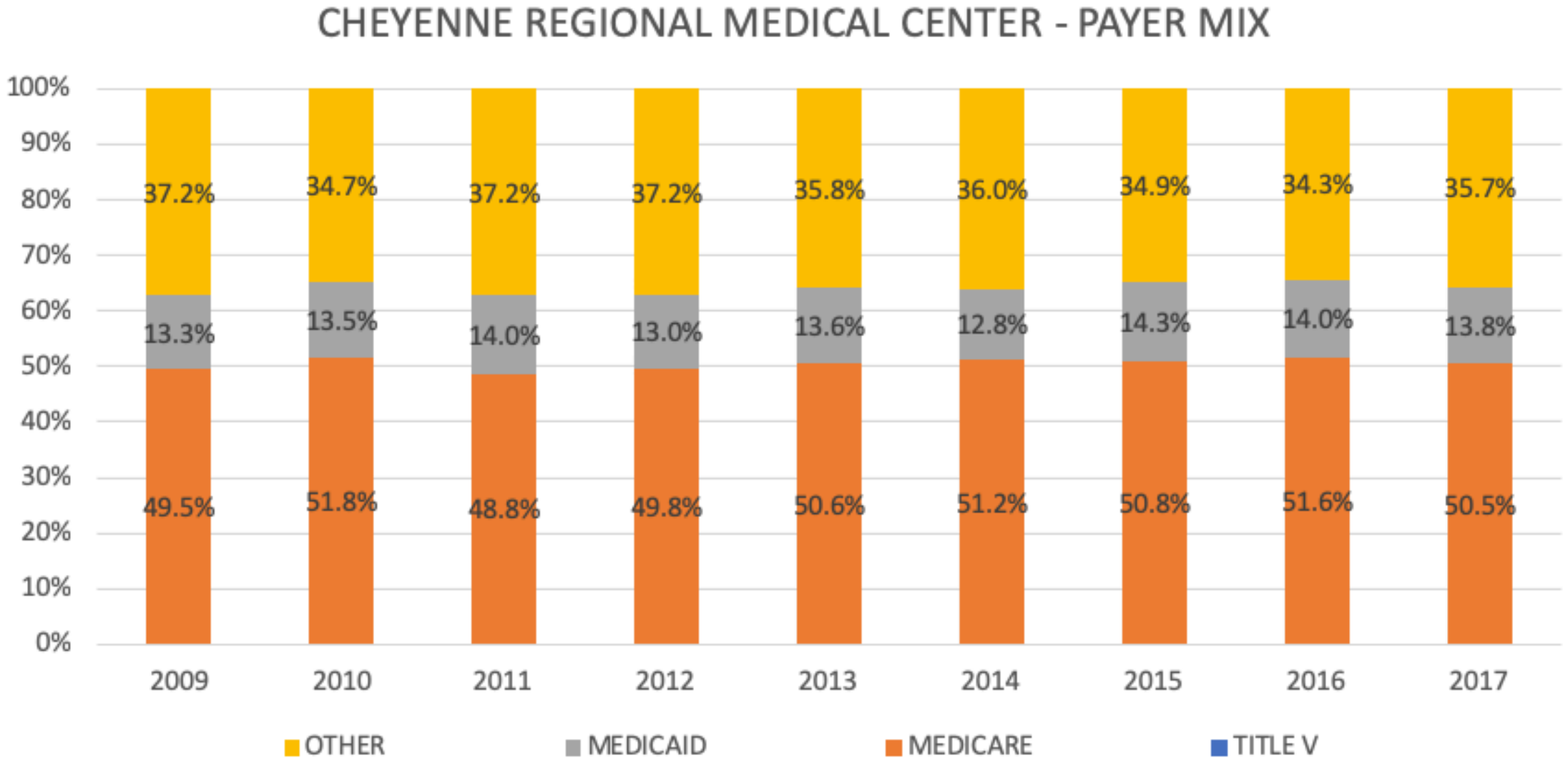
Wyoming Market Percentage



Source: Memorandum to JAC and LHSS from DOH 10/1/2016 “State Options for Increasing Value in Health Care” F-2016-548 page 42

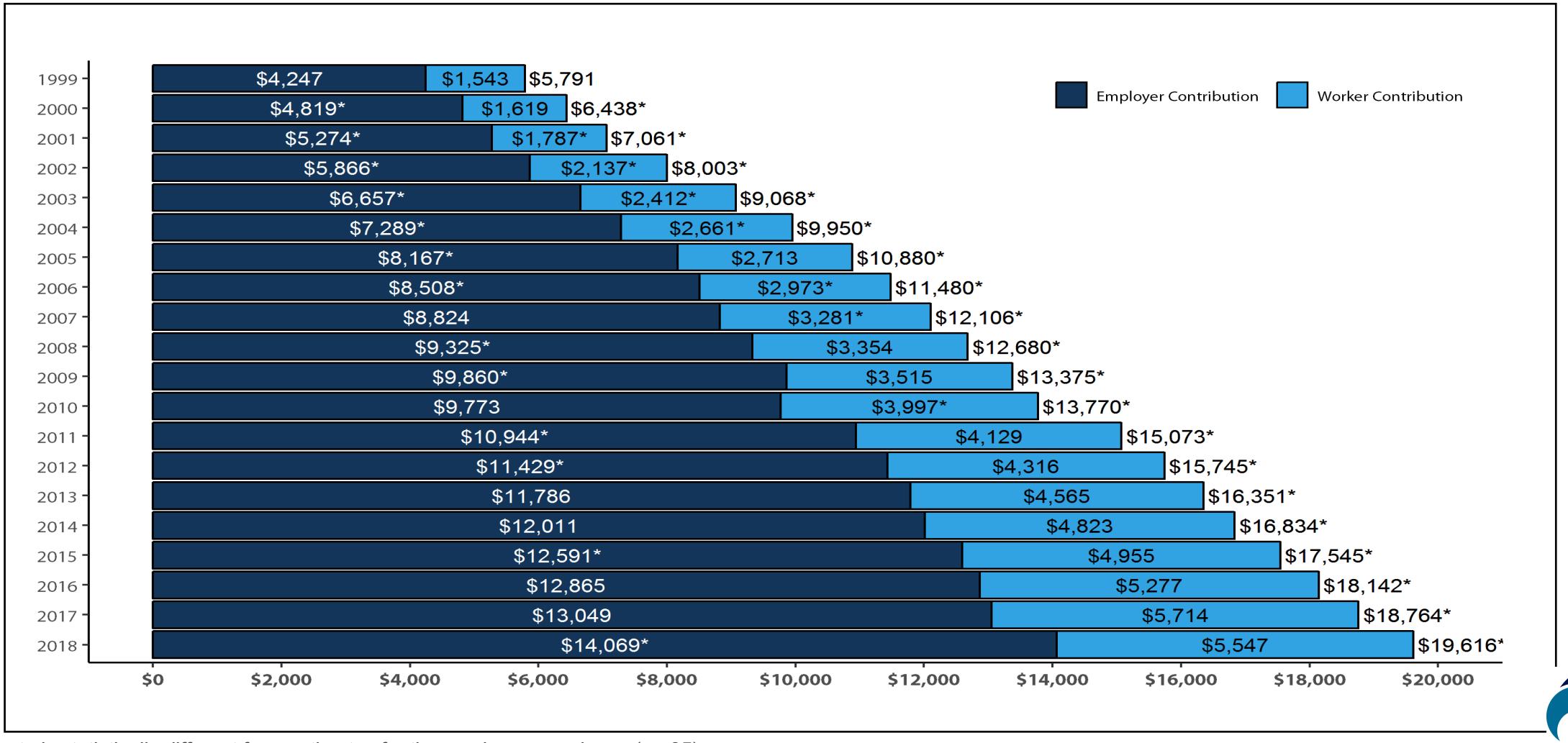


Source: Medicare Cost Report Analysis



Source: Medicare Cost Report Analysis

The Problem: Employer premiums have risen, and so have employee contributions.

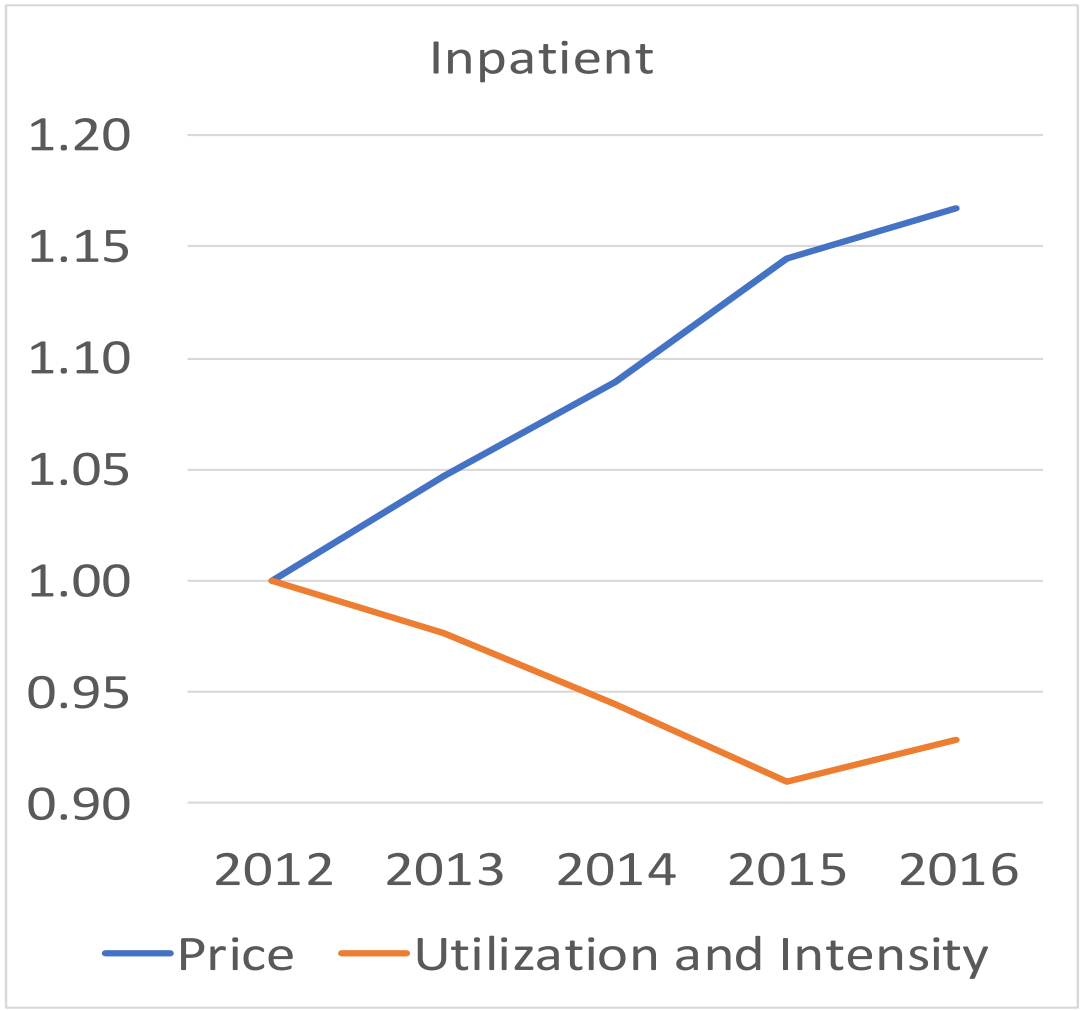


*Estimate is statistically different from estimates for the previous year shown (p<.05).

SOURCE: KFF Employer Health Benefits Survey, 2018; Kaiser/HRET Survey of Employer-Sponsored Health Benefits. 1999-2017

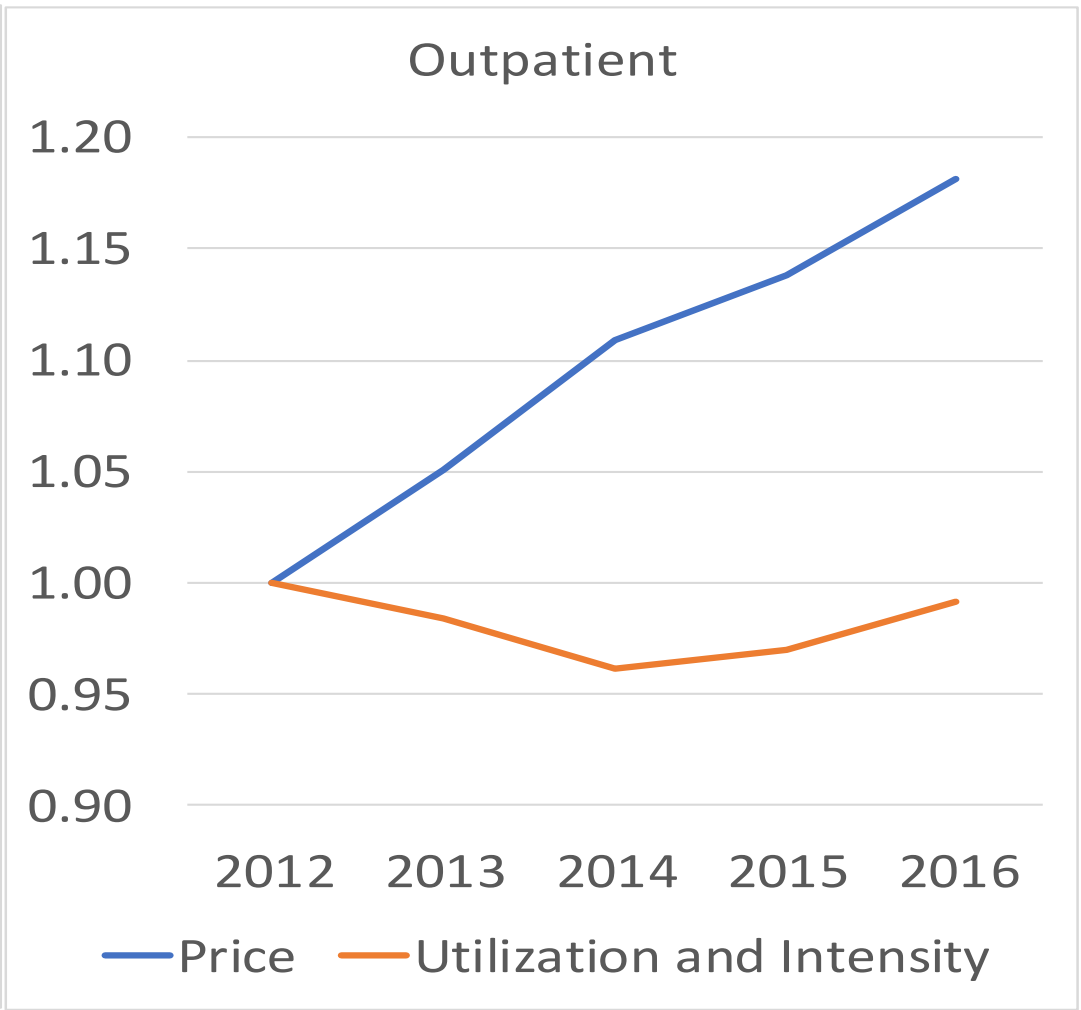
Inpatient Use Continued to Decline but Prices Rose Substantially

Use trending back to baseline.



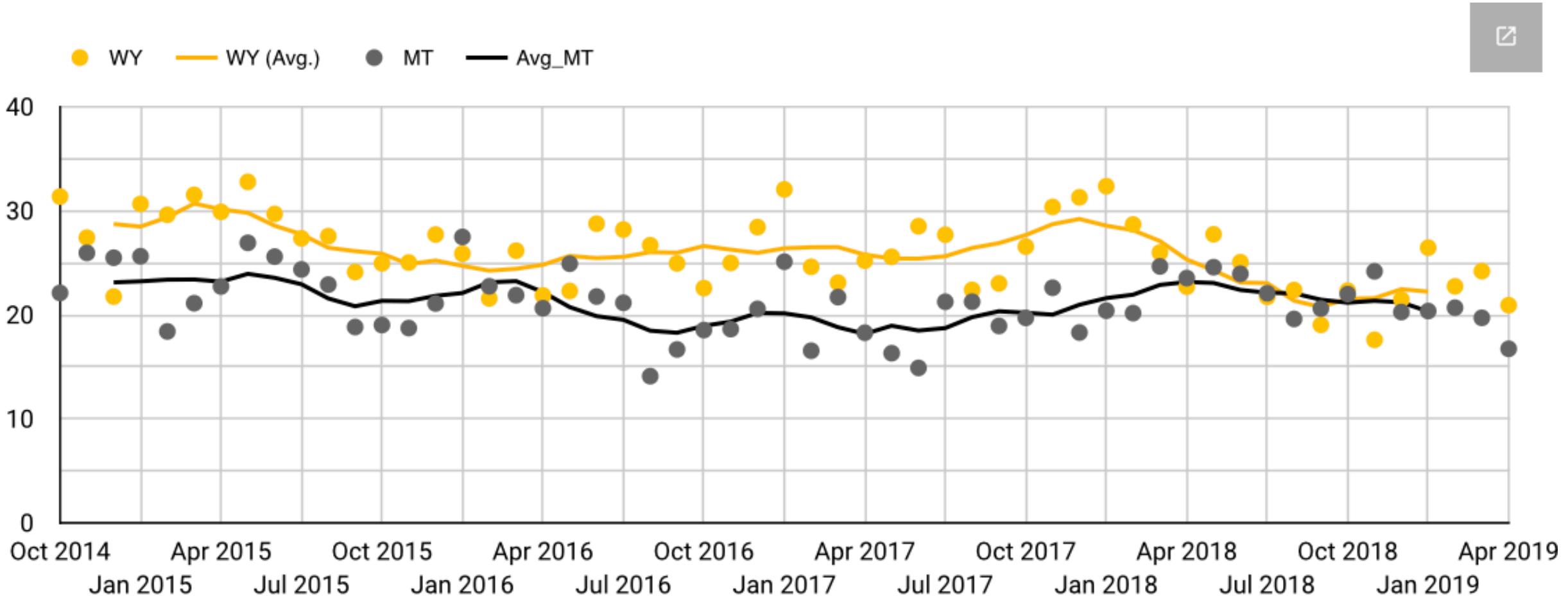
Outpatient Prices Drove Spending Growth

Use trending back to baseline.



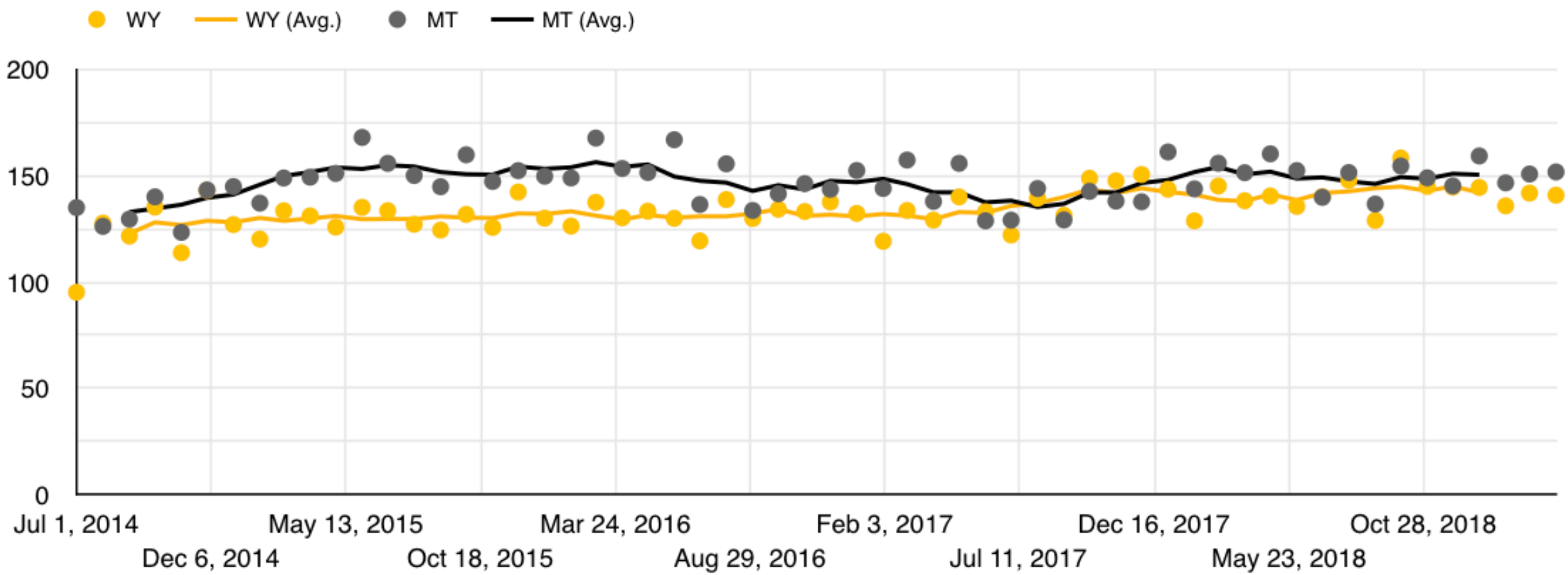
Health Care Cost Institute. (2018). *2016 Health Care Cost and Utilization Report. Retrieved from* http://www.healthcostinstitute.org/report/2016-health-care-cost-utilization-report/. Prices are from Appendix Table A3,, utilization and intensity is estimated by dividing spending (from Appendix Table A1) by prices.

Inpatient Days/1,000 member months



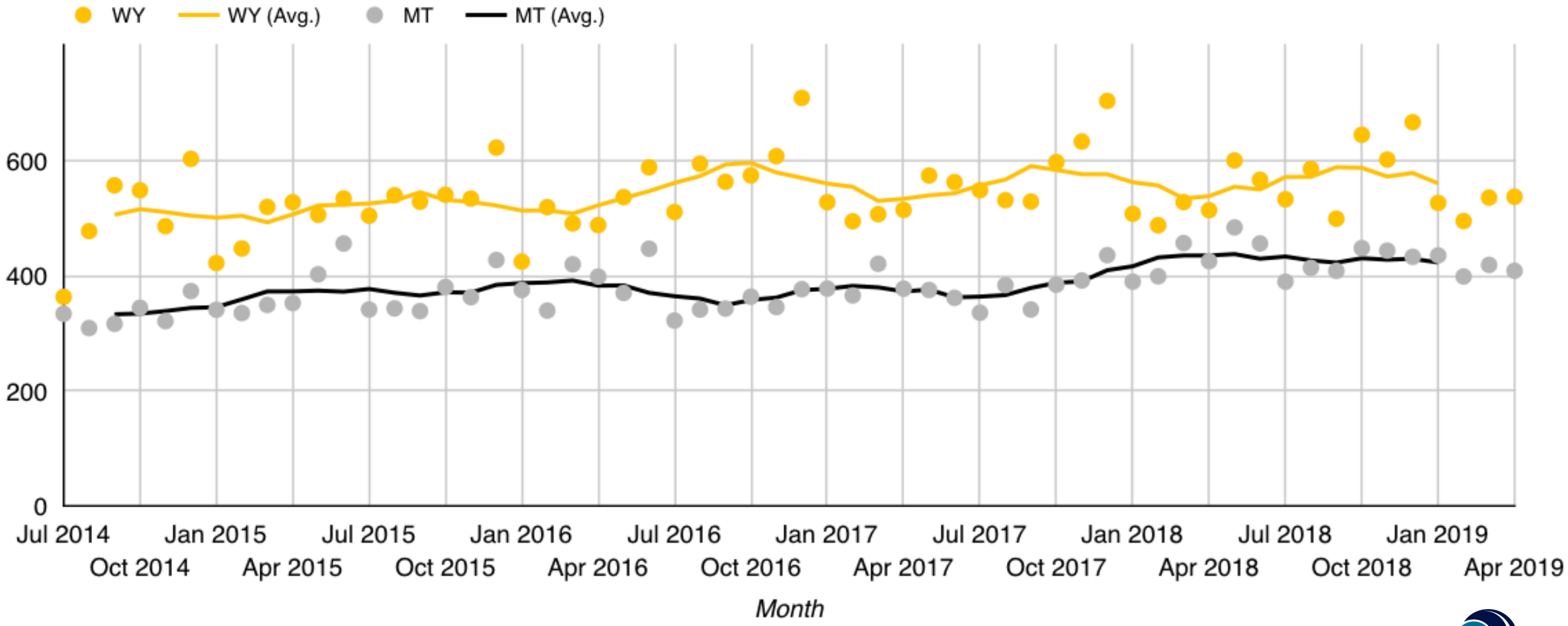
Source: Wyoming MPCD as of 9/17/2019

Outpatient Visits/1,000 member months



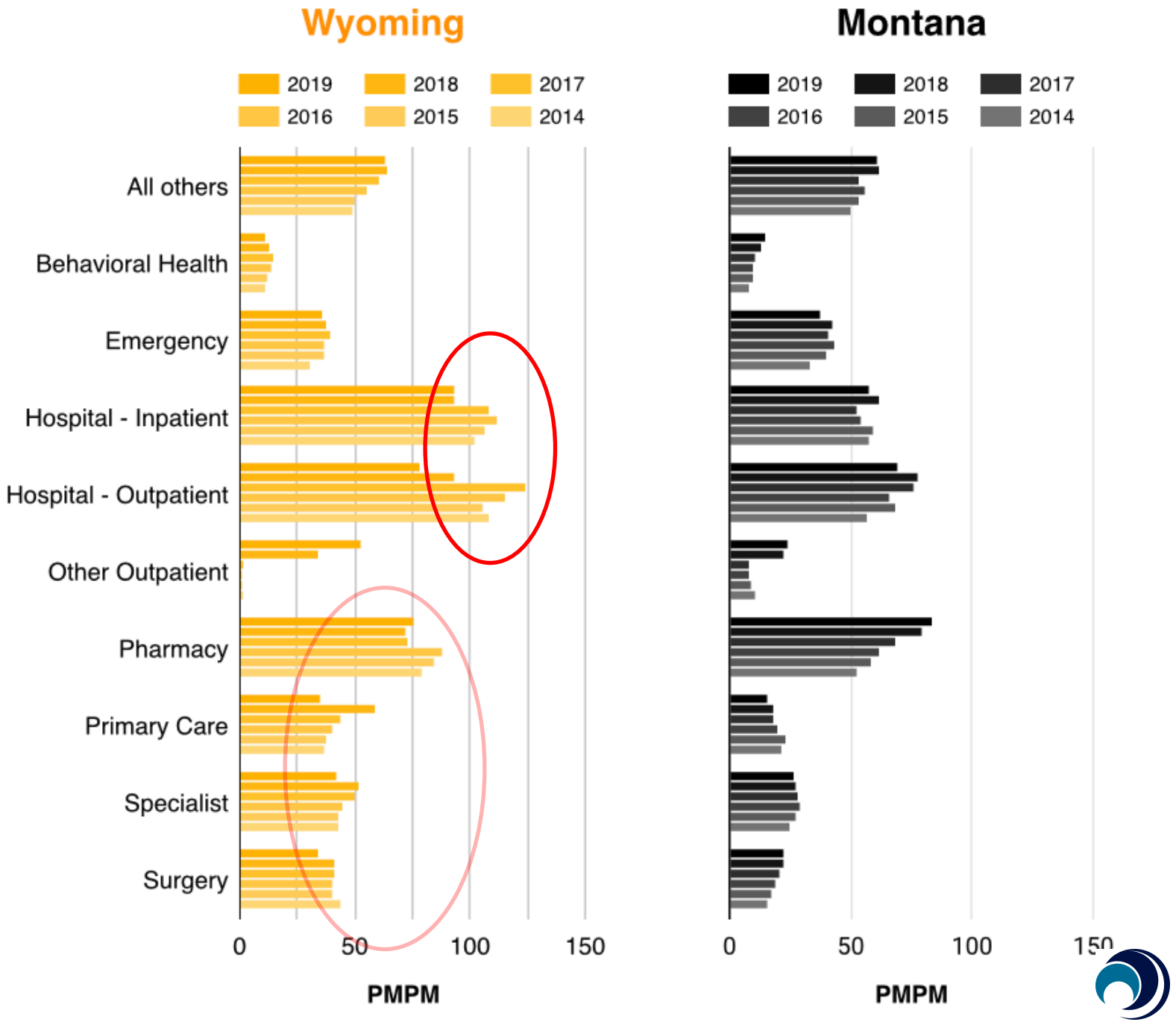
Source: Wyoming MPCD as of 9/17/2019

Overall PMPM Costs – WY v. MT



Source: Wyoming MPCD as of 9/17/2019

PMPM Costs by Service Type

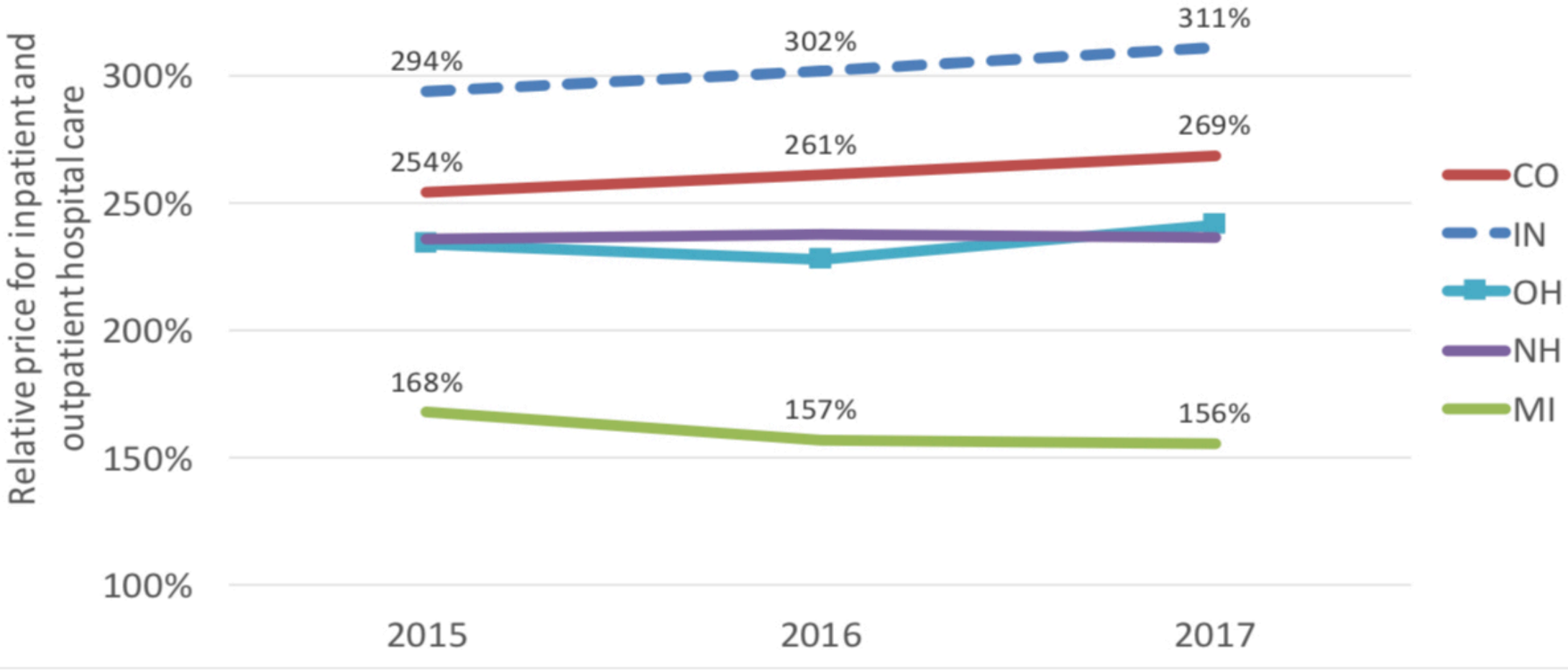


Source: Wyoming MPCD as of 9/17/2019

Provider Type	Wyoming PMPM	Montana PMPM	Wyoming Provider PMPM as a % of Total PMPM	Difference (Wyoming vs. Montana)	Wyoming % of Montana
All Others	$ 64.08	$ 62.13	11.44%	$ 1.95	3.14%
Behavioral Health	$ 13.28	$ 13.45	2.37%	$ (0.17)	-1.26%
Emergency	$ 38.13	$ 42.48	6.81%	$ (4.35)	-10.24%
Hospital Inpatient	$ 93.25	$ 62.01	16.64%	$ 31.24	50.38%
Hospital Outpatient	$ 93.17	$ 77.98	16.63%	$ 15.19	19.48%
Other Outpatient	$ 34.05	$ 22.93	6.08%	$ 11.12	48.50%
Pharmacy	$ 72.08	$ 79.28	12.87%	$ (7.20)	-9.08%
Primary Care	$ 58.69	$ 18.24	10.48%	$ 40.45	221.77%
Specalist	$ 51.86	$ 27.46	9.26%	$ 24.40	88.86%
Surgery	$ 41.66	$ 22.58	7.44%	$ 19.08	84.50%
PMPM Total	$ 560.25	$ 428.54	100.00%	$ 131.71	30.73%

Note: PMPM data in this chart is from year end 2018 - the last full year of data

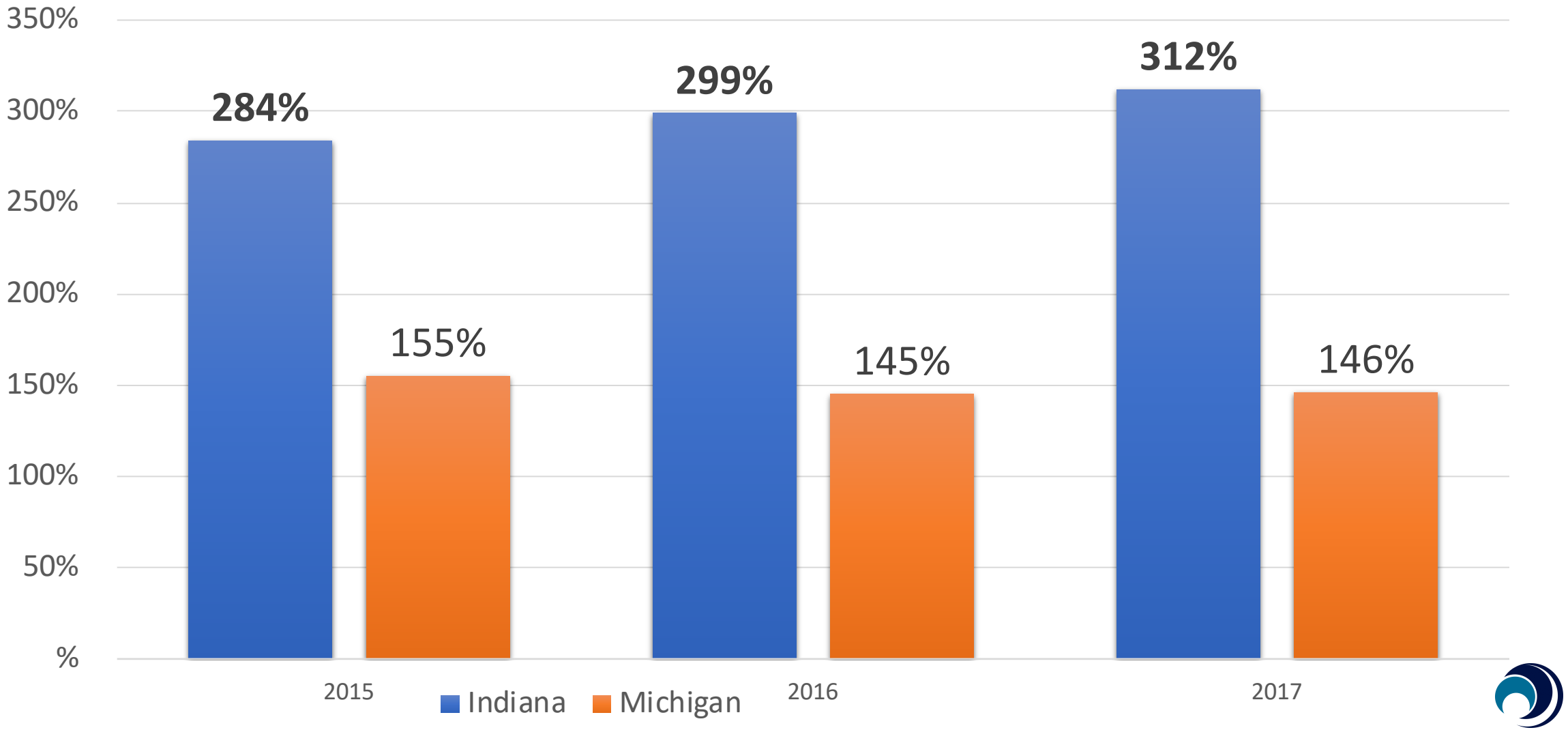
Commercial Relative Price TREND Varies at the State Level: Comparison of 5 States



Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative

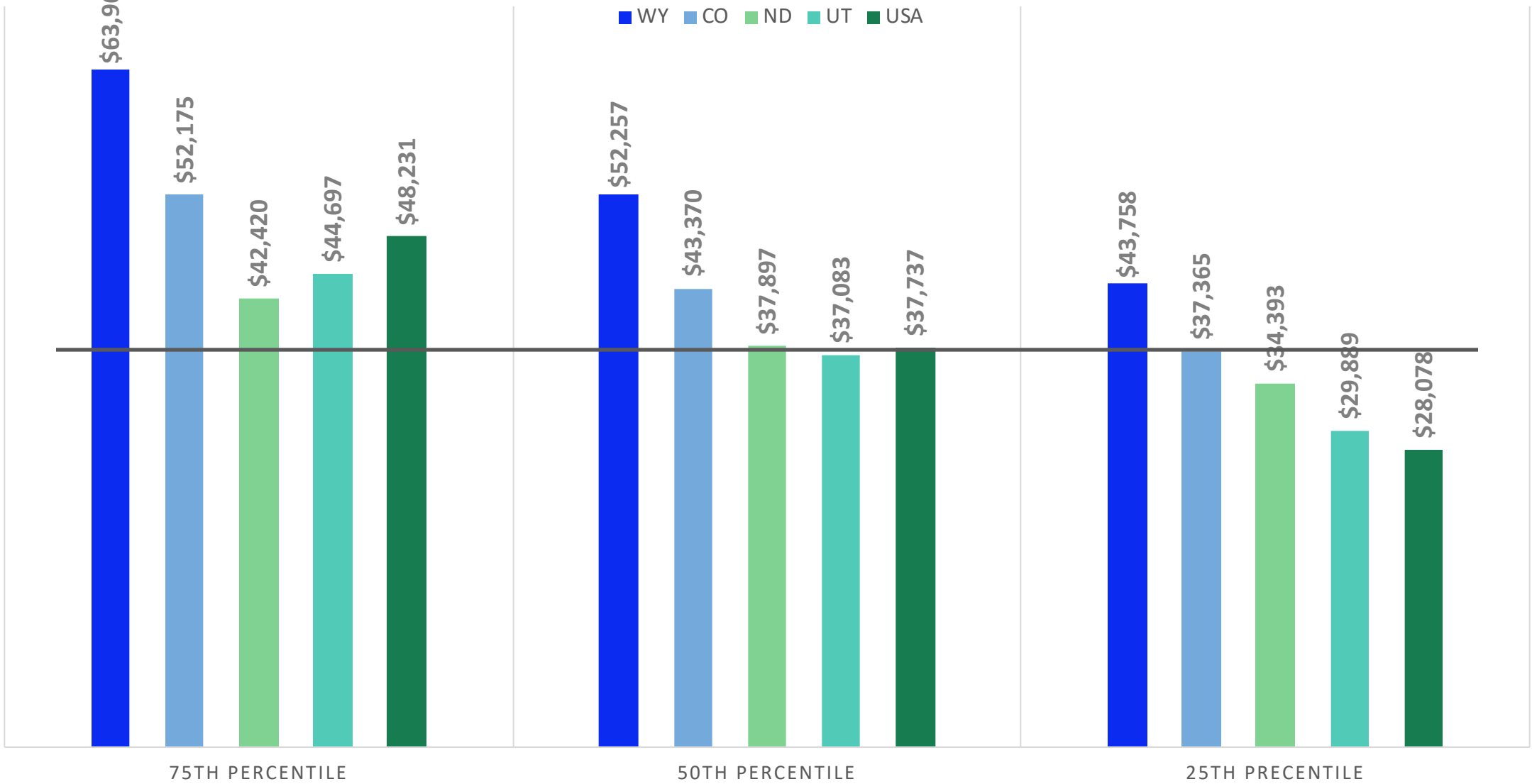
Single Health-System: Indiana vs. Michigan

TOTAL Relative Inpatient plus Outpatient Prices 2017



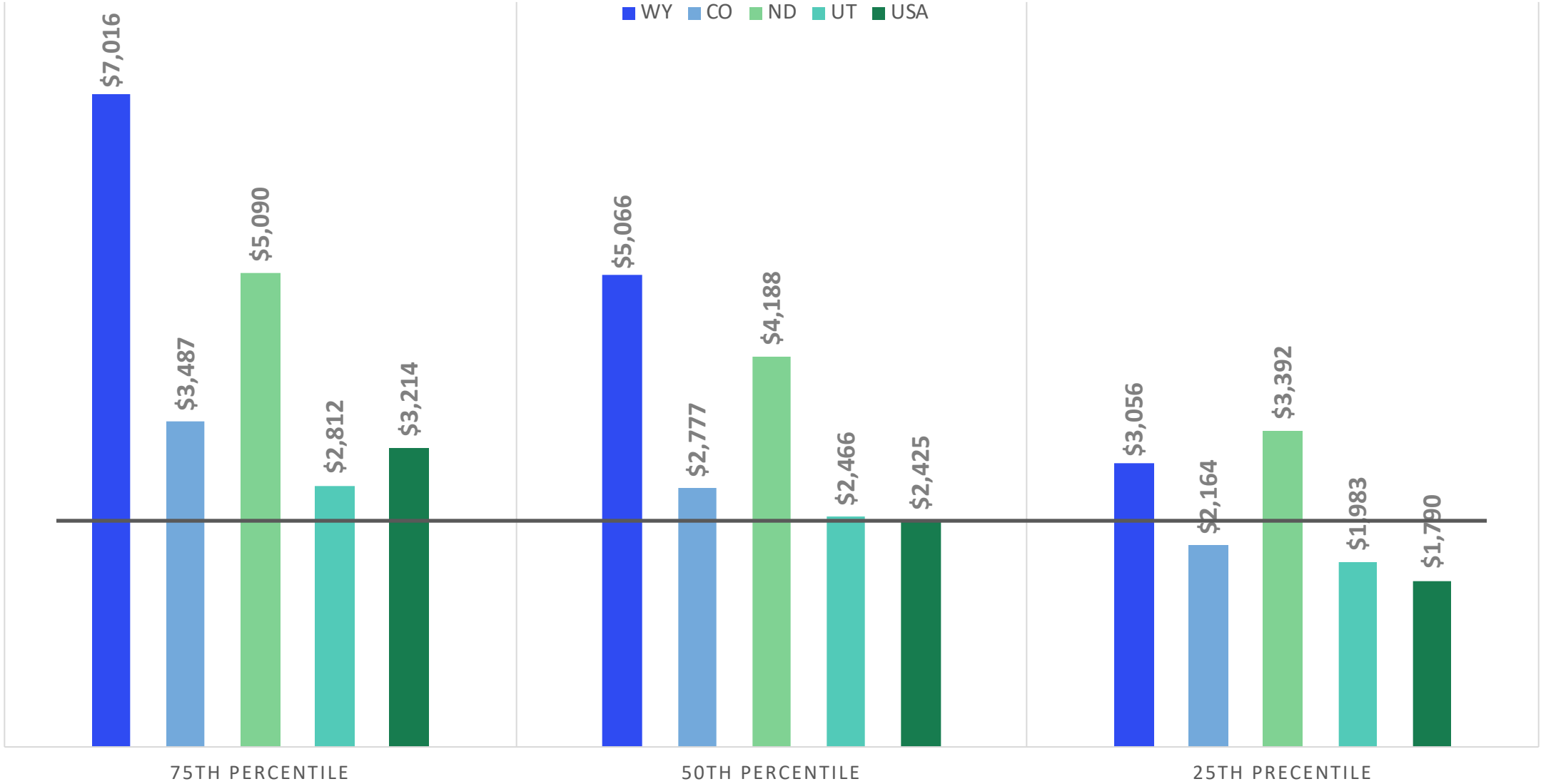
Source: Derived from Supplement, White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative

KNEE REPLACEMENT



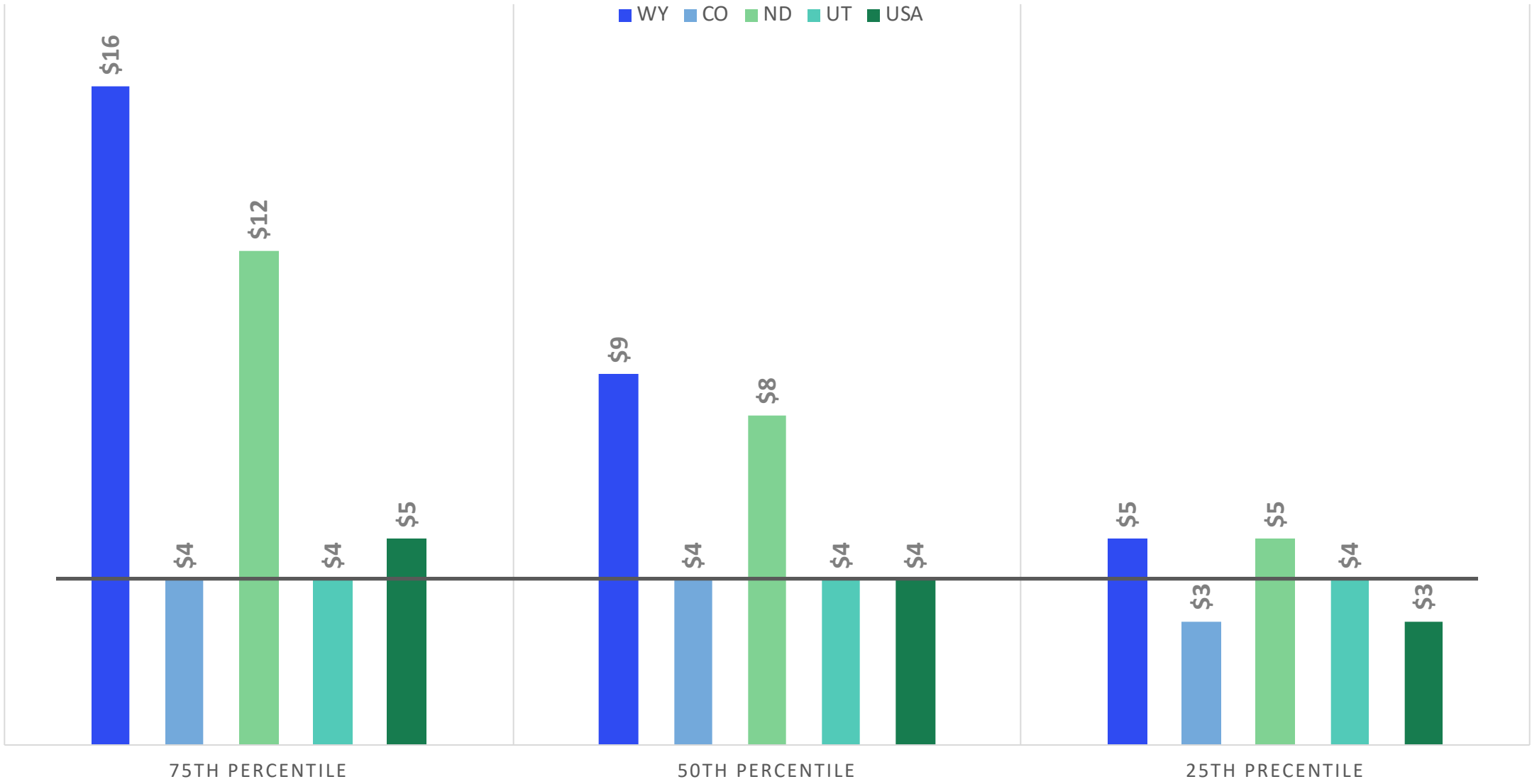
Source: WyBCH Multi-Payer Claims Database and HCCI found at: mpcd.wyo.gov

HEART STRESS TEST WITH ULTRASOUND



Source: WyBCH Multi-Payer Claims Database and HCCI found at: mpcd.wyo.gov

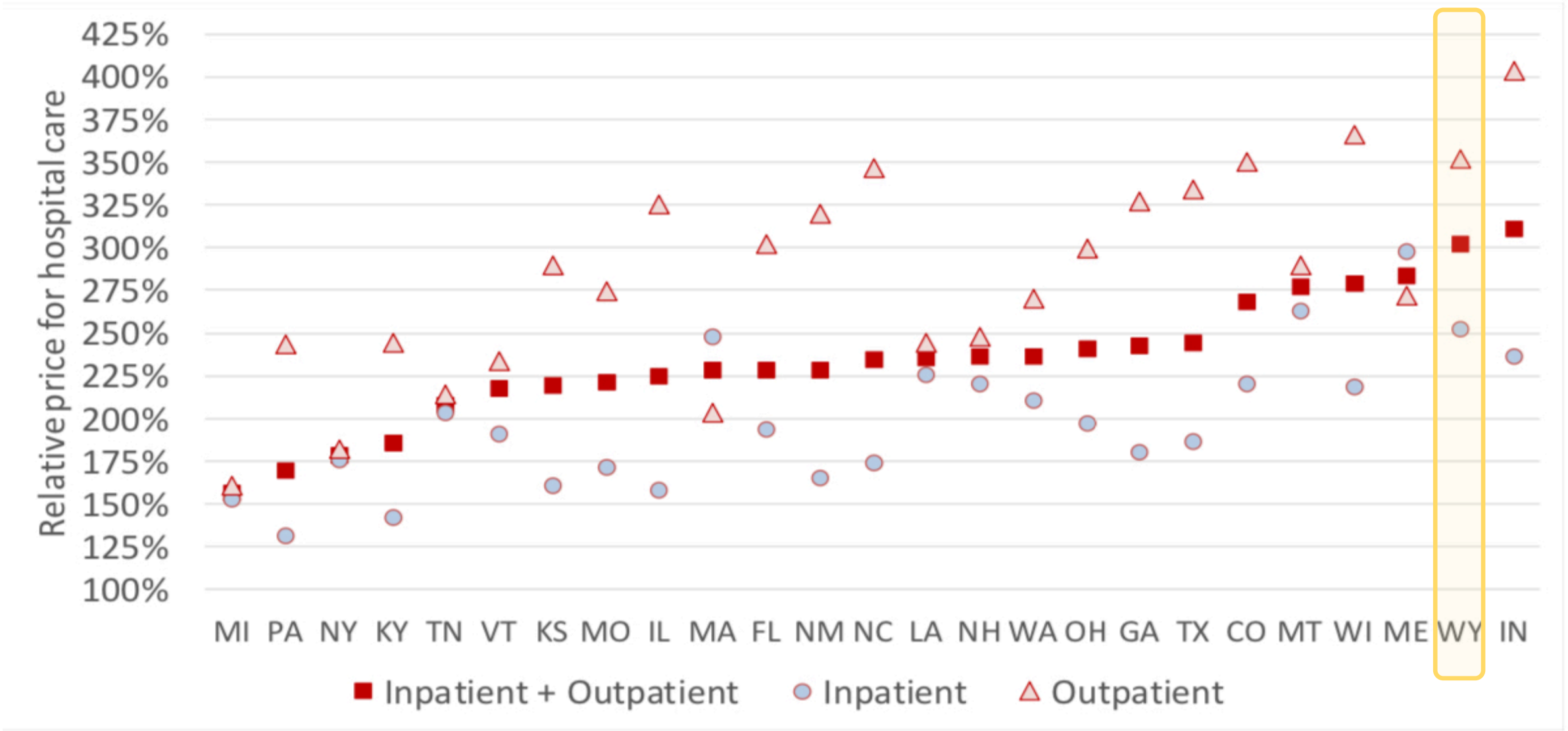
BLOOD DRAW



Source: WyBCH Multi-Payer Claims Database and HCCI found at: mpcd.wyo.gov

Across 25 States: Average Relative Hospital Prices, 2017

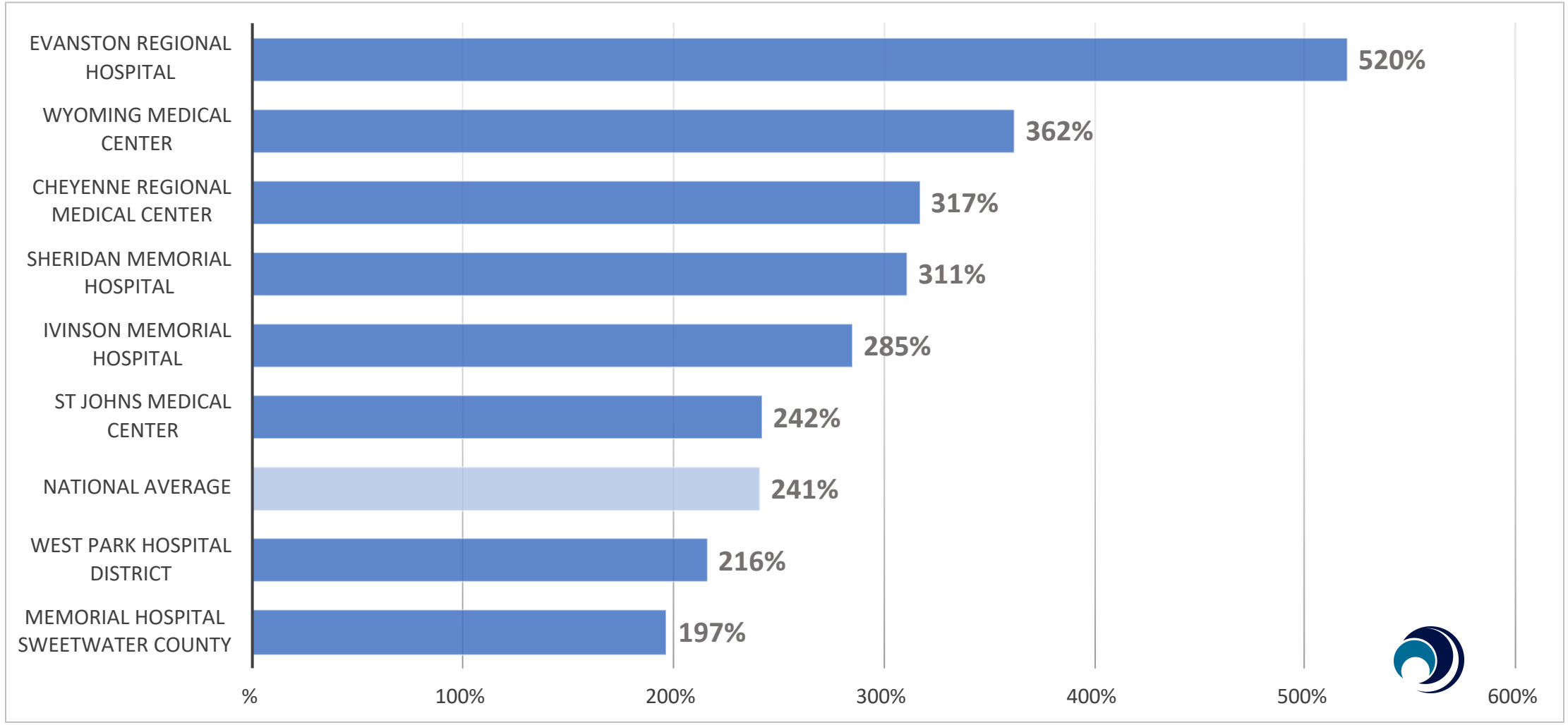
Percent Employer Health Plans Pay Hospitals Relative to What Medicare Would Pay



Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative

Wyoming: TOTAL Hospital Commercial Paid

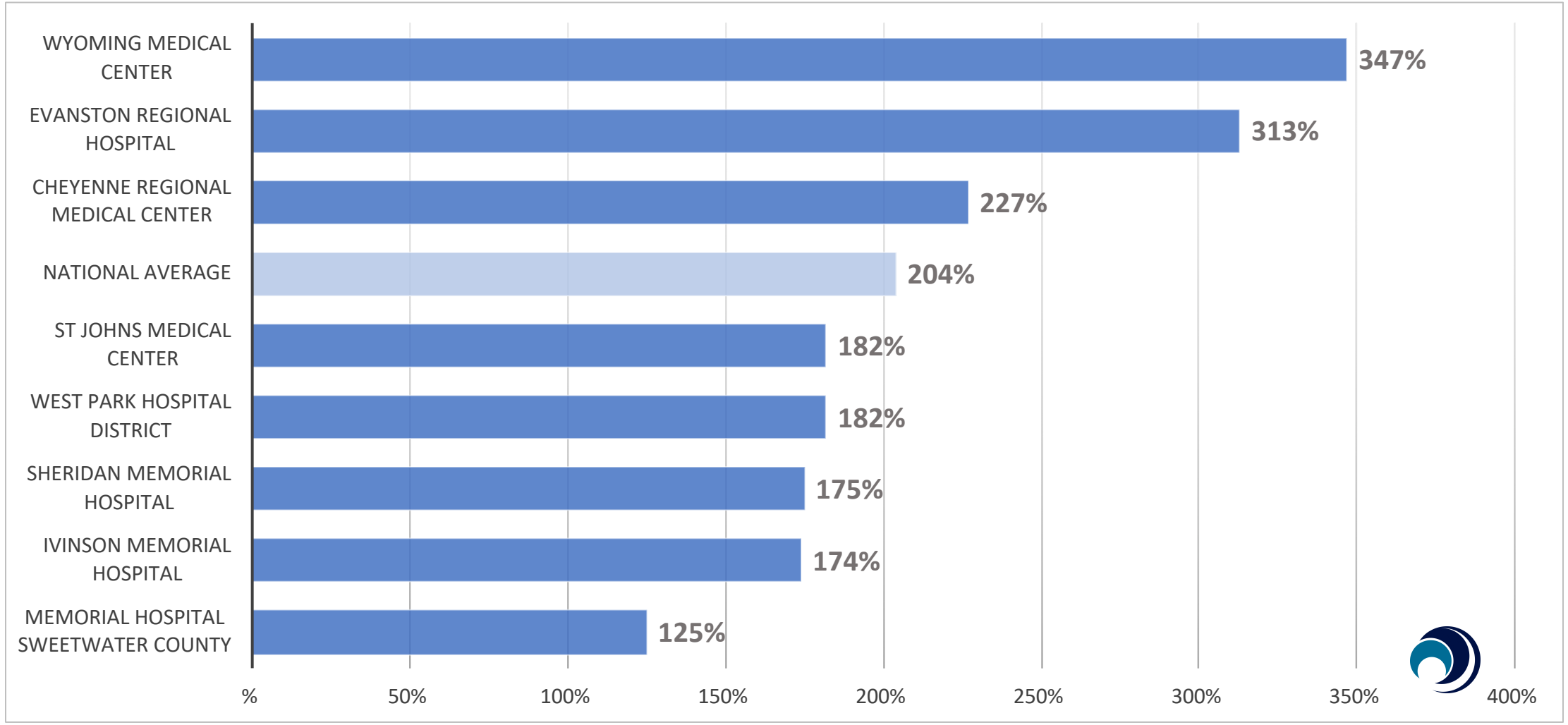
Relative to Medicare, 2017 - (inpatient plus outpatient)



Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative

Wyoming: INPATIENT Hospital Commercial Paid

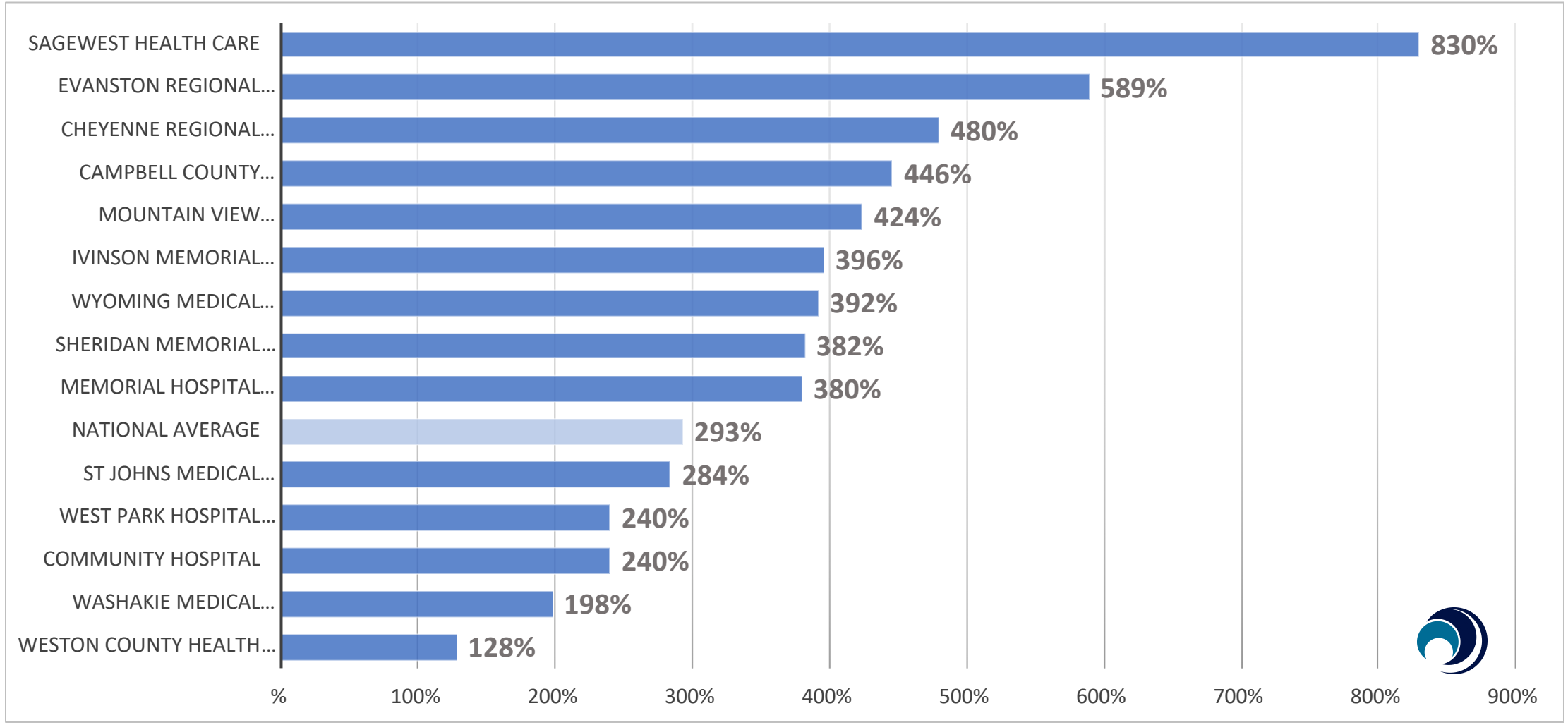
Relative to Medicare, 2017



Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative

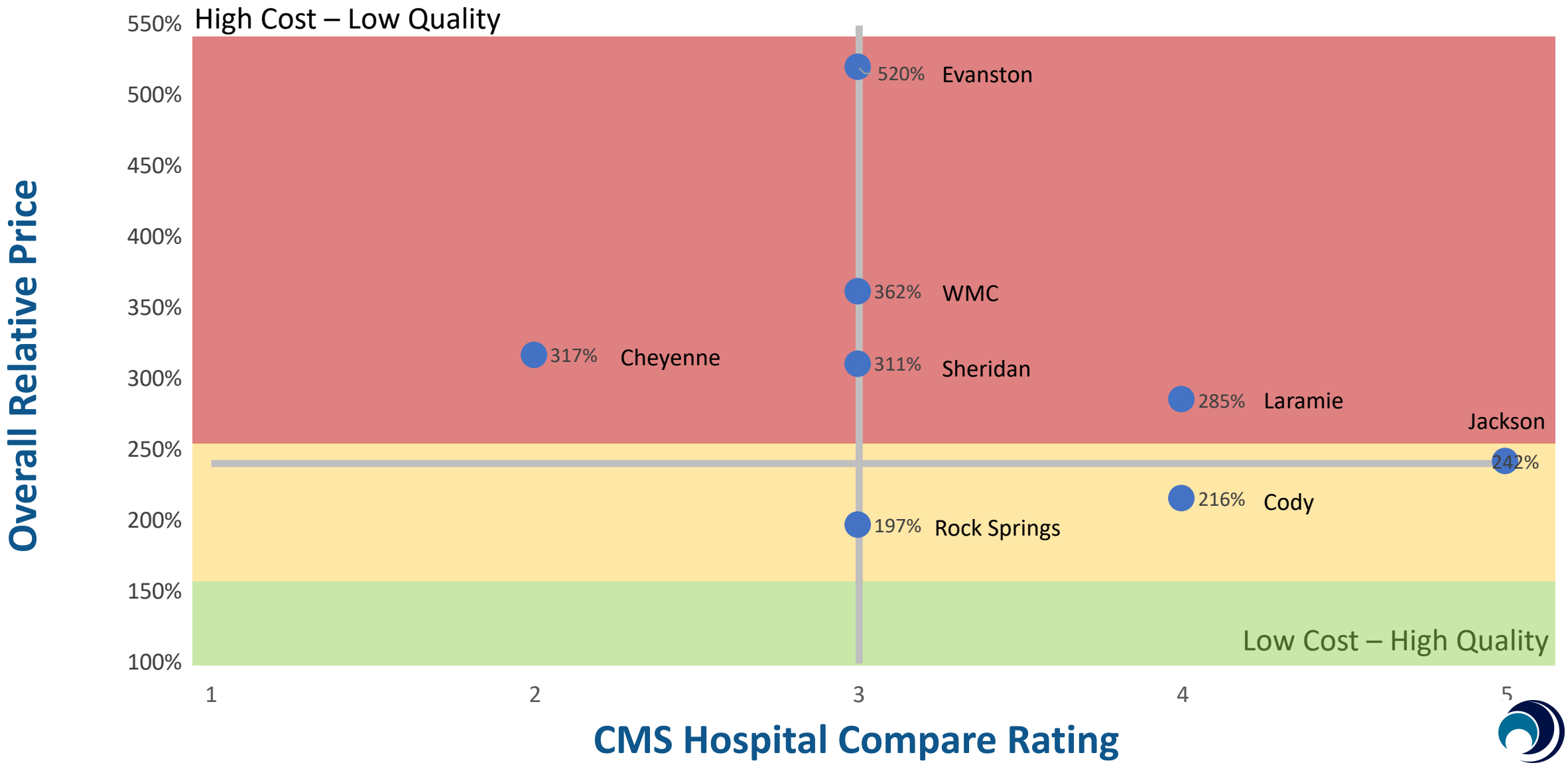
Wyoming: OUTPATIENT Hospital Commercial Paid

Relative to Medicare, 2017

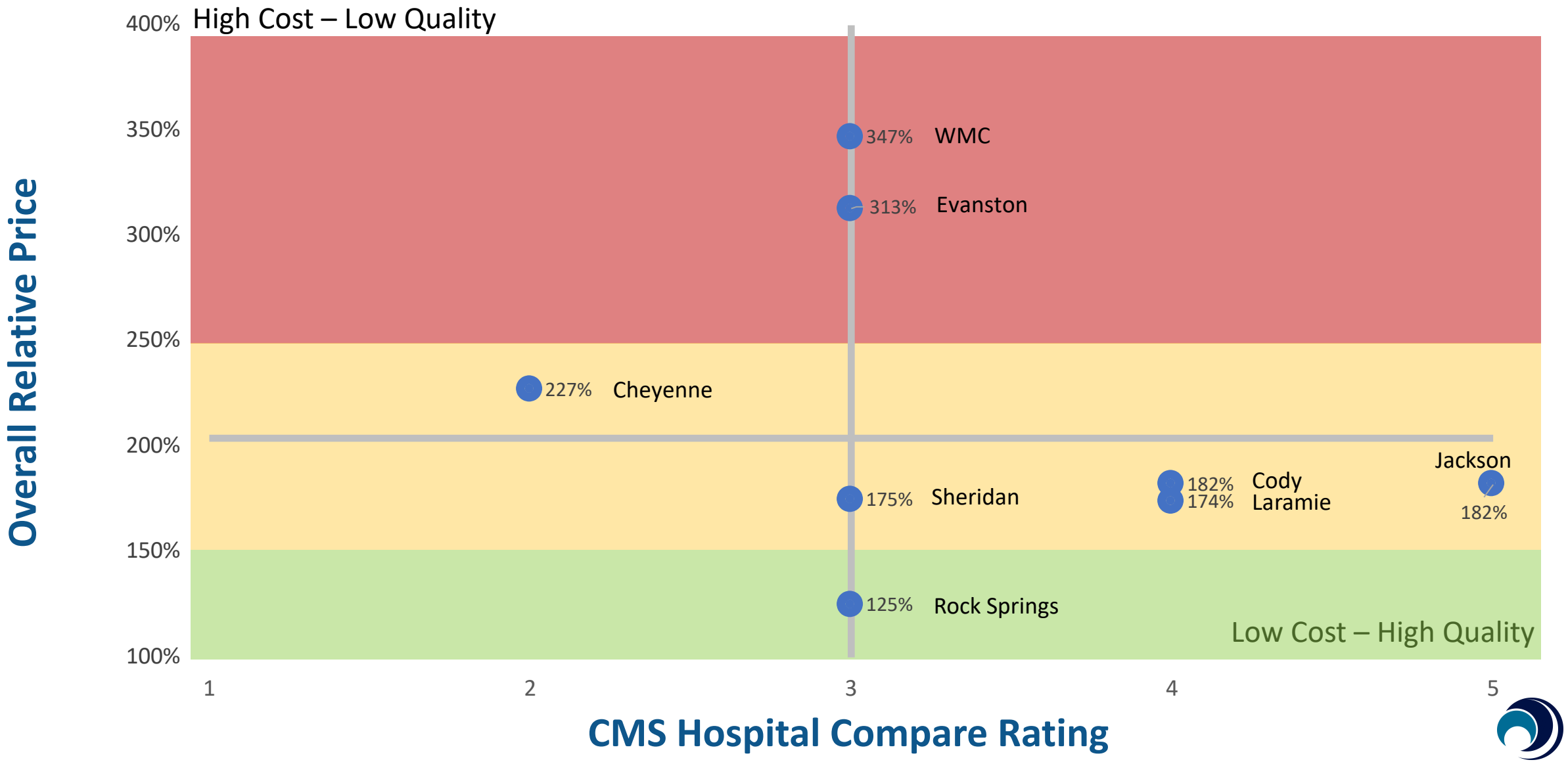


Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely-Findings from an Employer-Led Transparency Initiative

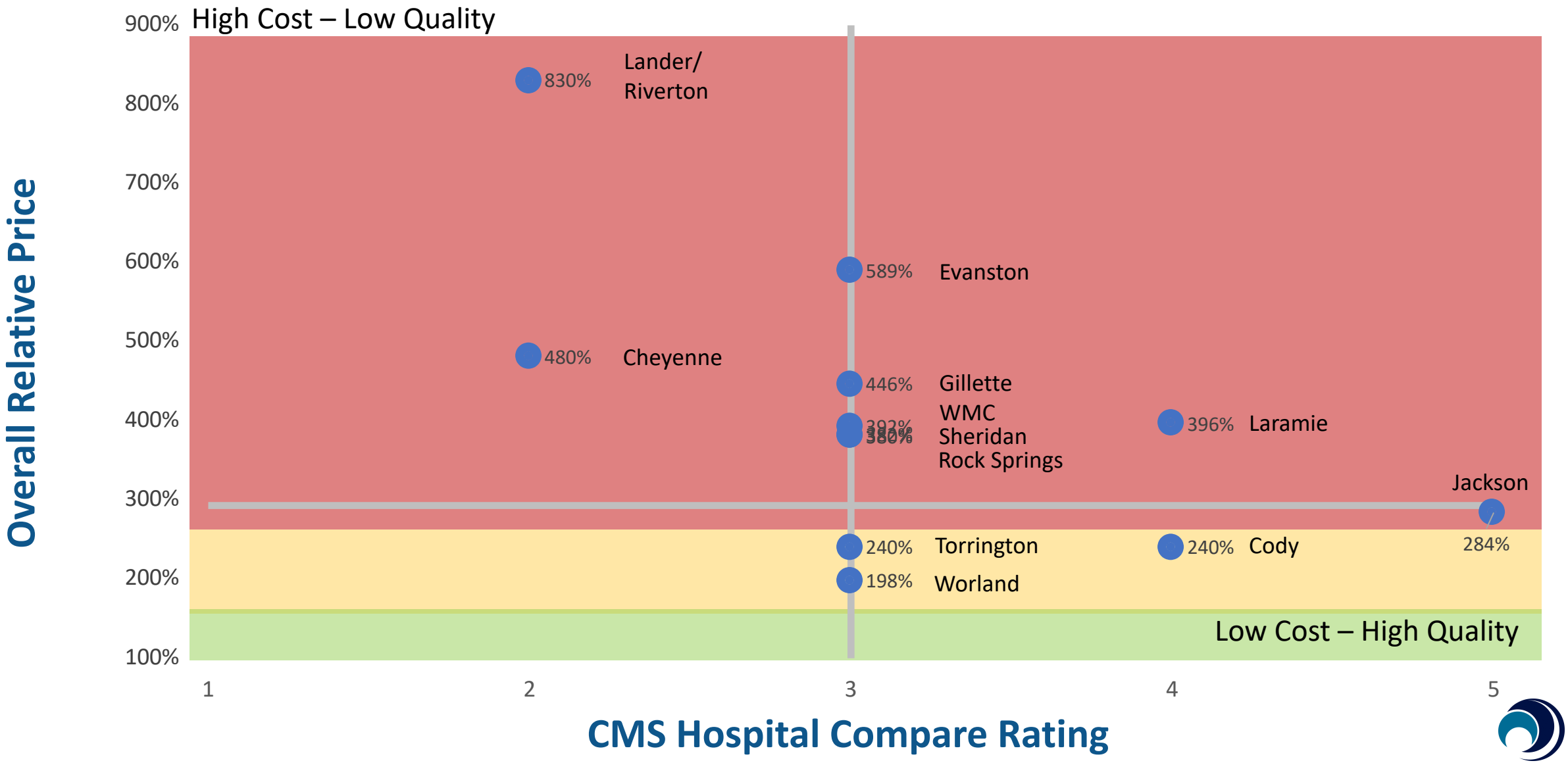
Wyoming In and Out - Price and Quality



Wyoming Inpatient - Price and Quality



Wyoming Outpatient - Price and Quality



Why Are So Many Hospitals Losing Money on Medicare?

"Strong market power leads hospitals to reap higher revenue from private payers. This in turn leads these hospitals to have weaker cost controls. The weaker cost controls lead to higher costs per unit of service. As a result, hospitals have a narrower margin on their Medicare Business."

Jeffrey Stensland
Principal Policy Analyst - MedPAC

WEB FIRST

By Jeffrey Stensland, Zachary R. Gaumer, and Mark E. Miller

Private-Payer Profits Can Induce Negative Medicare Margins

DOI: 10.1377/hlthaff.2009.0599
HEALTH AFFAIRS 29,
NO. 5 (2010): 1045–1051

ABSTRACT A common assumption is that hospitals have little control over their costs and must charge high rates to private health insurers when Medicare rates are lower than hospital costs. We present evidence that contradicts that common assumption. Hospitals with strong market power and higher private-payer and other revenues appear to have less pressure to constrain their costs. Thus, these hospitals have higher costs per unit of service, which can lead to losses on Medicare patients. Hospitals under more financial pressure—with less market share and less ability to charge higher private rates—often constrain costs and can generate profits on Medicare patients.

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Zachary R. Gaumer is a senior analyst at MedPAC.

Mark E. Miller is the executive director of MedPAC.

Hospitals' profit margins on privately insured patients have risen dramatically in recent years, while profit margins on Medicare patients have fallen. Payment and cost data gathered by the American Hospital Association (AHA) reveal that the average payment-to-cost ratio for privately insured patients rose from 116 percent of costs in 1999 to 132 percent of costs in 2007.[1–4]

At the same time, the average payment-to-cost ratio for Medicare patients fell from 107 percent of allowable costs to 94 percent. Medicare profitability fell because costs rose faster than the 3 percent annual increase in Medicare payment rates that occurred from 1999 to 2007. This paper explores the reasons why private-payer profit margins are inversely related to Medicare profit margins.

In this paper we argue that high profits that hospitals earn on payments from private payers are a key reason that Medicare margins have declined. First, using a national data set of all of the hospitals participating in the Medicare prospective payment system (PPS), we show that hospitals with high profits from non-Medicare sources have had higher costs per unit of service than hospitals with limited resources. These higher costs result in lower Medicare margins because costs do not affect Medicare revenues, which for hospitals are largely based on predetermined payment rates. The apparent chain of causation is as follows. Strong market power leads hospitals to reap higher revenues from private payers. This in turn leads these hospitals to have weaker cost controls. The weaker cost controls lead to higher costs per unit of service. As a result, hospitals have a narrower margin on their Medicare business.

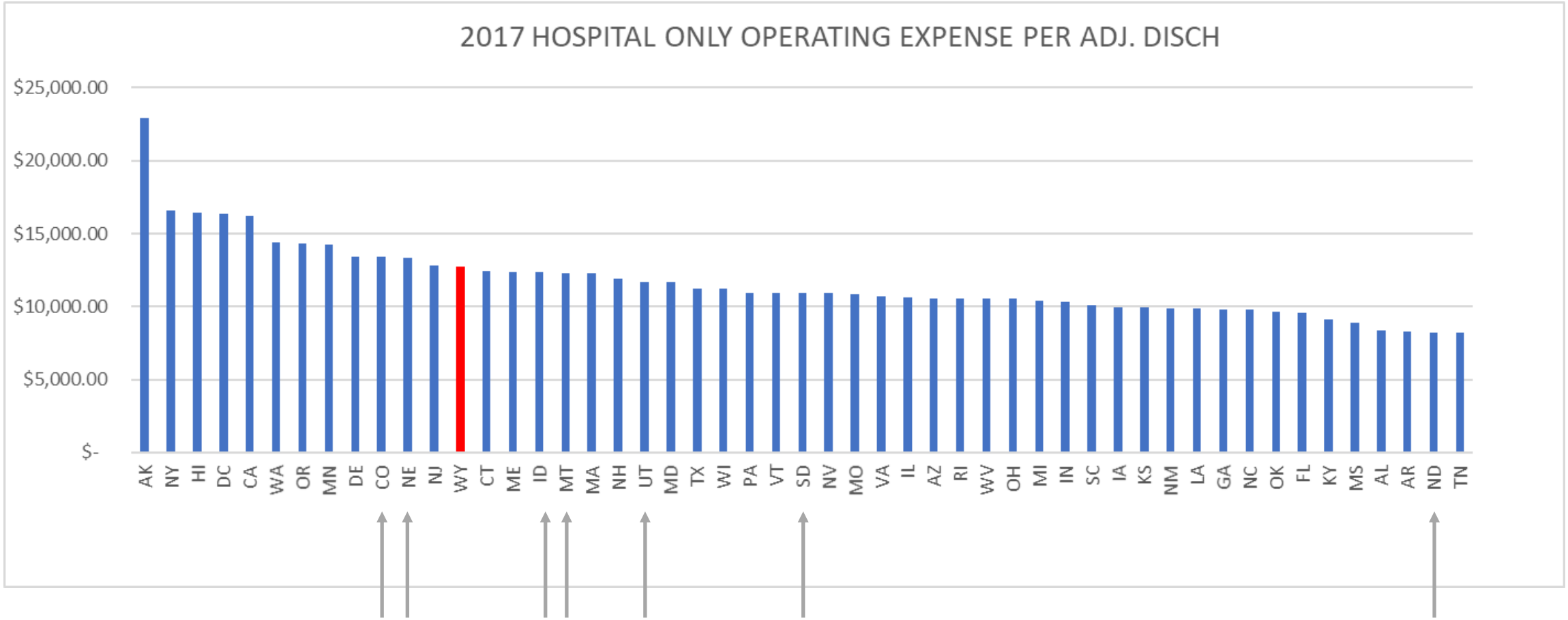
To corroborate our empirical findings, we conducted data analyses of hospitals in two cities. Newspapers in these cities have identified certain hospitals as having strong market positions that allow them to generate substantial revenues from private payers.[5,6]

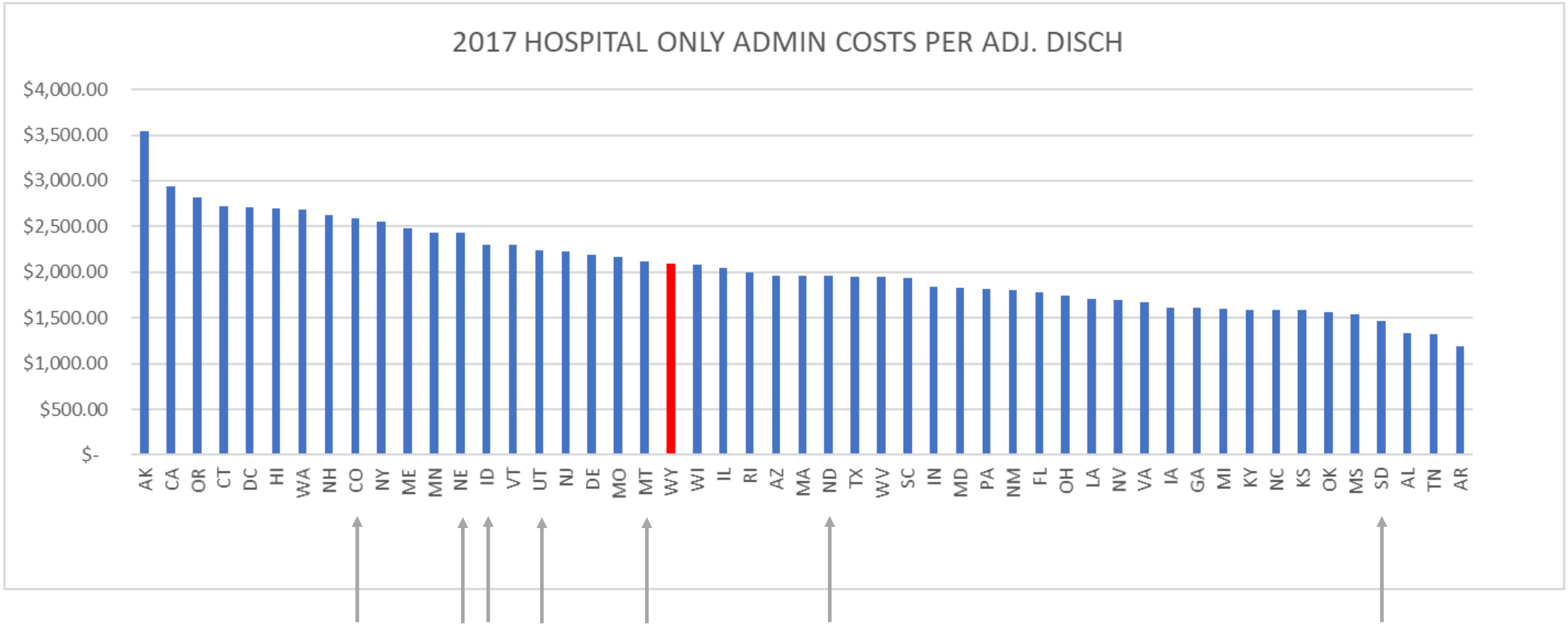
One of these markets is in Massachusetts, where the attorney general has recently shown that prices paid by a single insurer to the highest-paid hospitals are roughly double the rates paid to the lowest-paid hospitals.[7] The attorney general's preliminary report finds that these price differentials are associated with market power rather than purely with the complexity of patients' health care needs.

The newspaper accounts of the two markets focused on differences in resources among hos-

Medicare Cost Report

Wyoming Compared to All Other States


2017 HOSPITAL ONLY OPERATING EXPENSE PER ADJ. DISCH
$25,000.00
$20,000.00
$15,000.00
$10,000.00
$5,000.00
$-
AK NY HI DC CA WA OR MN DE CO NE NJ WY CT ME ID MT MA NH UT MD TX WI PA VT SD NV MO VA IL AZ RI WV OH MI IN SC IA KS NM LA GA NC OK FL KY MS AL AR ND TN


2017 HOSPITAL ONLY ADMIN COSTS PER ADJ. DISCH
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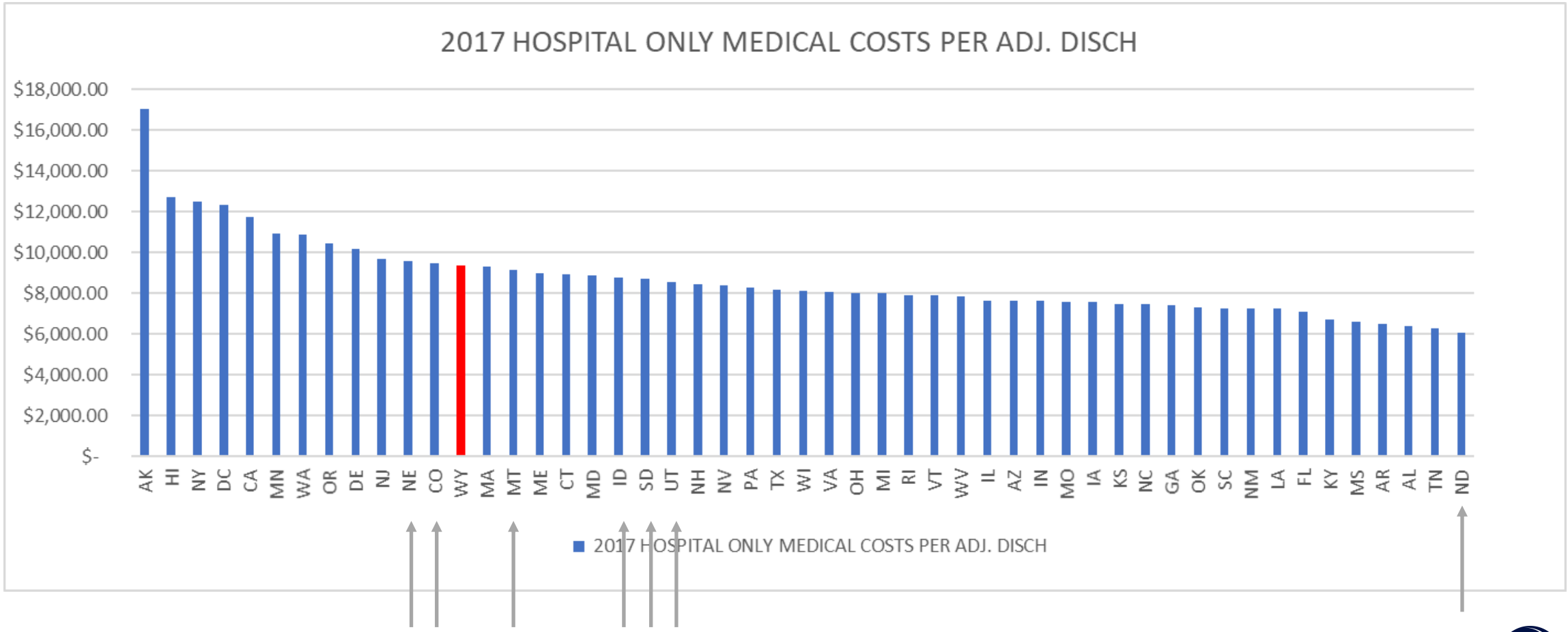
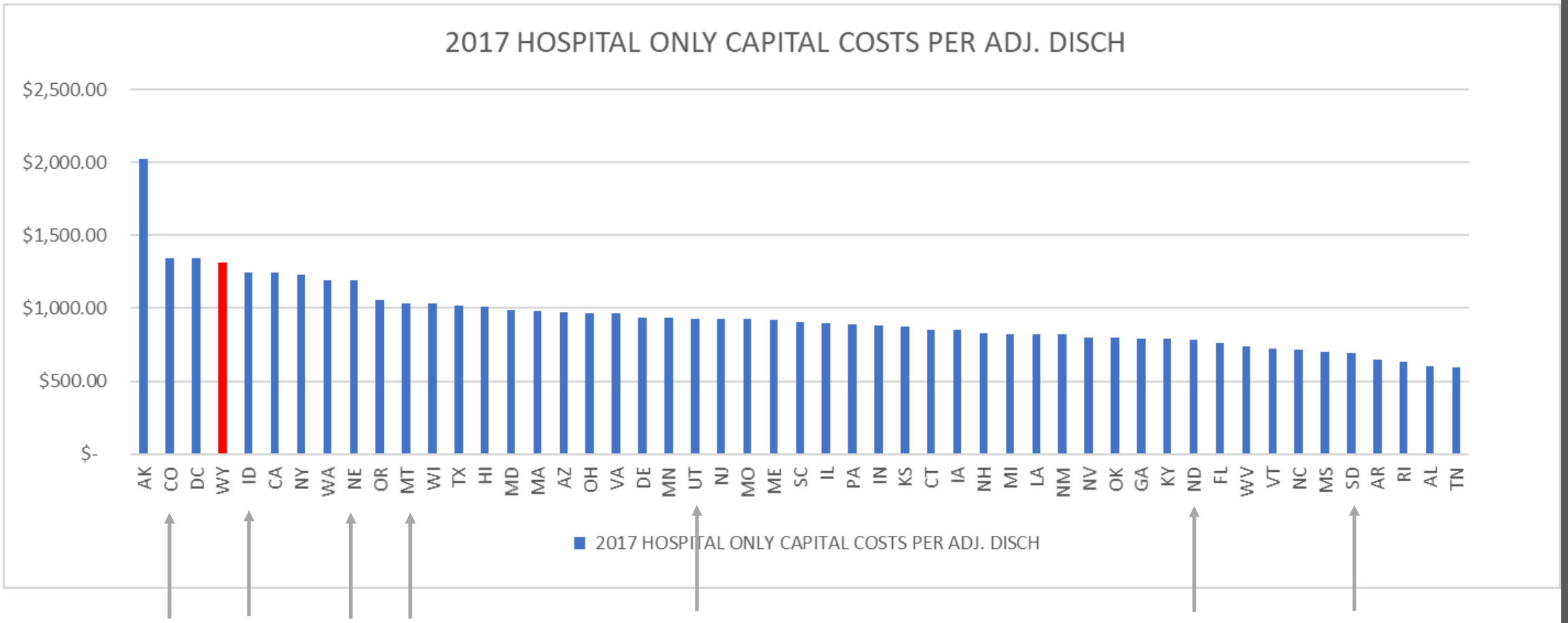
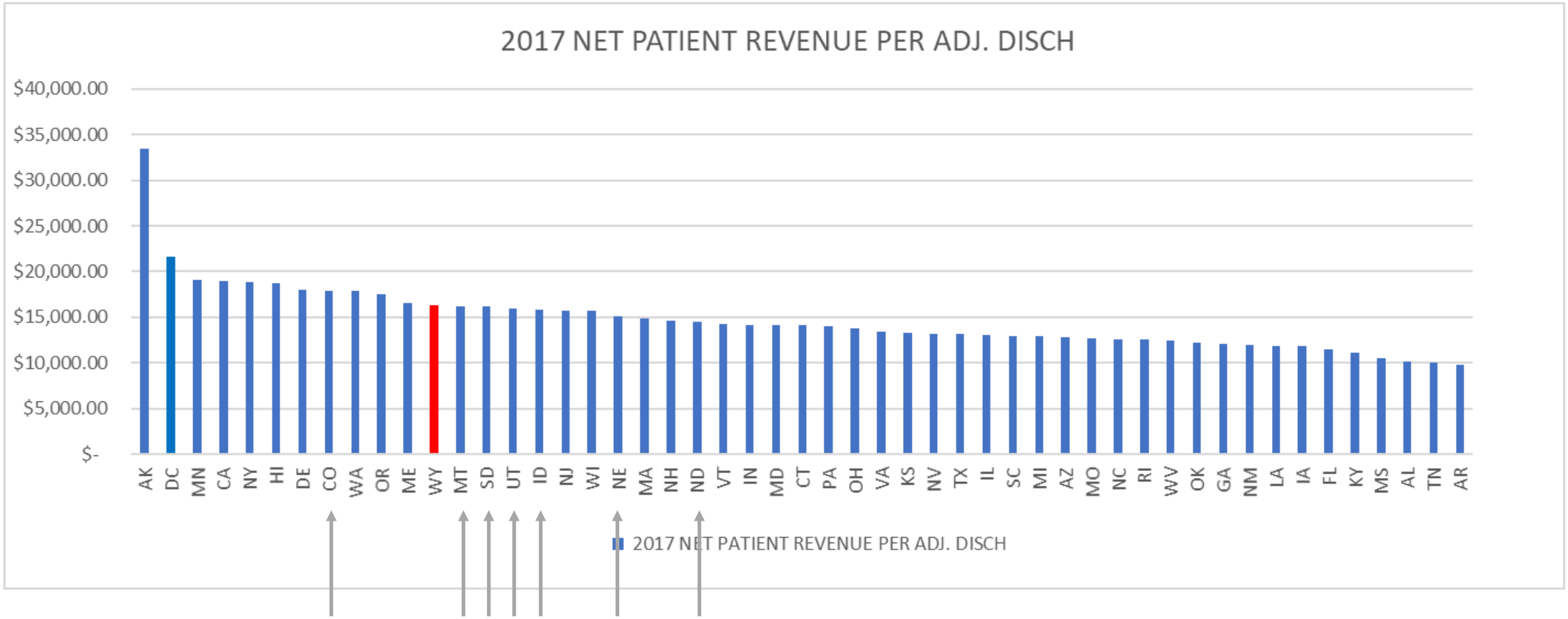
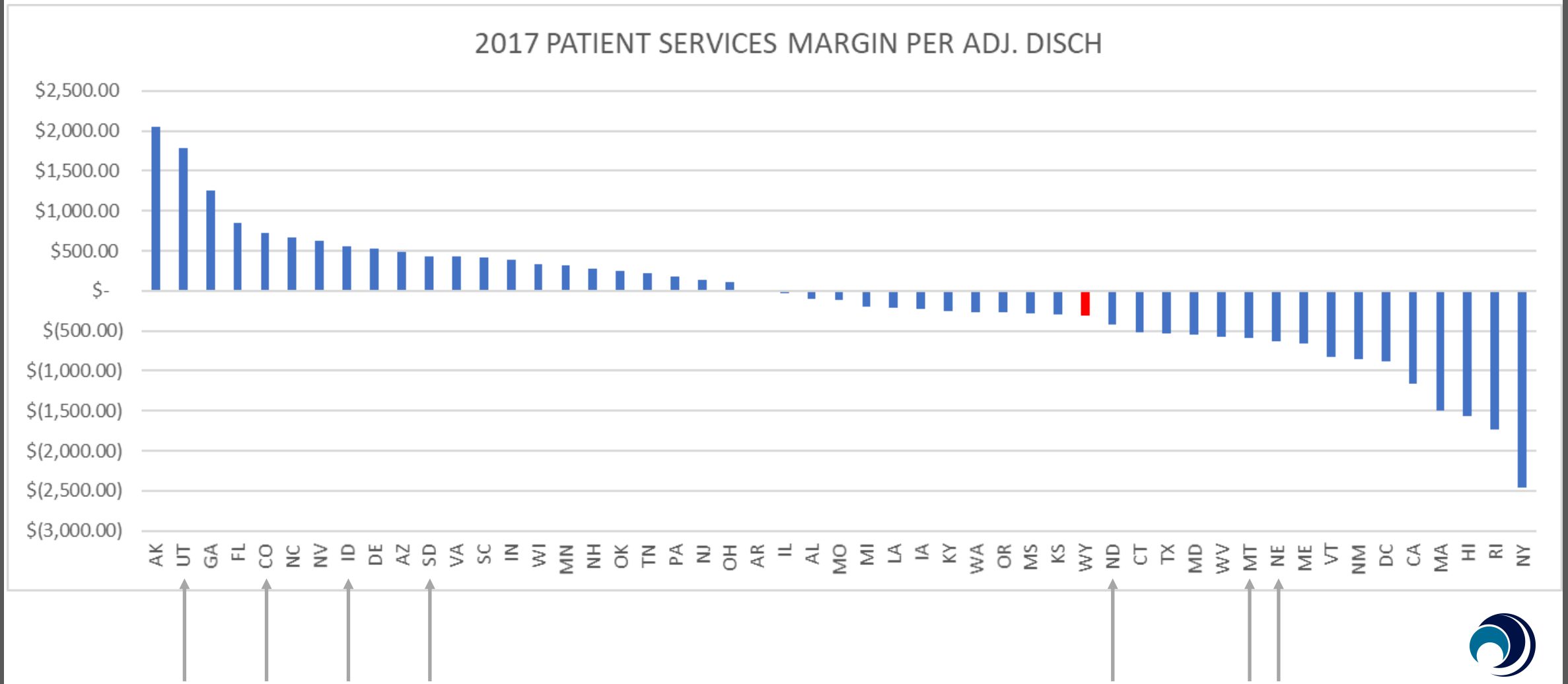
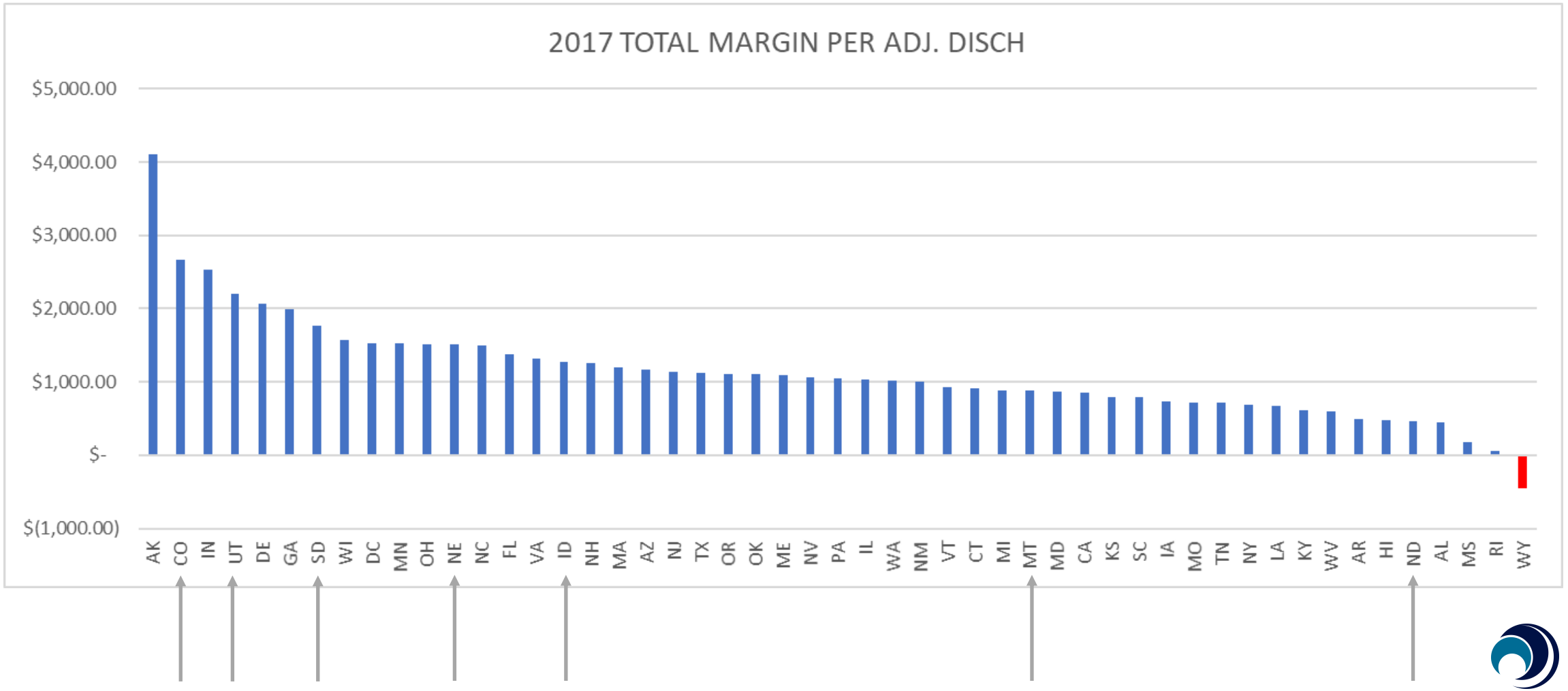
$3,500.00
$3,000.00
$2,500.00
$2,000.00
$1,500.00
$1,000.00
$500.00
$-
AK CA OR CT DC HI WA NH CO NY ME MN NE ID VT UT NJ DE MO MT WY WI IL RI AZ MA ND TX WV SC IN MD PA NM FL OH LA NV VA IA GA MI KY NC KS OK MS SD AL TN AR


2017 HOSPITAL ONLY MEDICAL COSTS PER ADJ. DISCH
$18,000.00
$16,000.00
$14,000.00
$12,000.00
$10,000.00
$8,000.00
$6,000.00
$4,000.00
$2,000.00
$-
AK HI NY DC CA MN WA OR DE NJ NE CO WY MA MT ME CT MD ID SD UT NH NV PA TX WI VA OH MI RI VT WV IL AZ IN MO IA KS NC GA OK SC NM LA FL KY MS AR AL TN ND
2017 HOSPITAL ONLY MEDICAL COSTS PER ADJ. DISCH


2017 HOSPITAL ONLY CAPITAL COSTS PER ADJ. DISCH
$2,500.00
$2,000.00
$1,500.00
$1,000.00
$500.00
$-
AK CO DC WY ID CA NY WA NE OR MT WI TX HI MD MA AZ OH VA DE MN UT NJ MO ME SC IL PA IN KS CT IA NH MI LA NM NV OK GA KY ND FL WV VT NC MS SD AR RI AL TN
2017 HOSPITAL ONLY CAPITAL COSTS PER ADJ. DISCH


2017 NET PATIENT REVENUE PER ADJ. DISCH
$40,000.00
$35,000.00
$30,000.00
$25,000.00
$20,000.00
$15,000.00
$10,000.00
$5,000.00
$-
AK DC MN CA NY HI DE CO WA OR ME WY MT SD UT ID NJ WI NE MA NH ND VT IN MD CT PA OH VA KS NV TX IL SC MI AZ MO NC RI WV OK GA NM LA IA FL KY MS AL TN AR
2017 NET PATIENT REVENUE PER ADJ. DISCH


2017 PATIENT SERVICES MARGIN PER ADJ. DISCH
$2,500.00
$2,000.00
$1,500.00
$1,000.00
$500.00
$-
$(500.00)
$(1,000.00)
$(1,500.00)
$(2,000.00)
$(2,500.00)
$(3,000.00)
AK UT GA FL CO NC NV ID DE AZ SD VA SC IN WI MN NH OK TN PA NJ OH AR IL AL MO MI LA IA KY WA OR MS KS WY ND CT TX MD WV MT NE ME VT NM DC CA MA HI RI NY


2017 TOTAL MARGIN PER ADJ. DISCH
$5,000.00
$4,000.00
$3,000.00
$2,000.00
$1,000.00
$-
$(1,000.00)
AK
CO
IN
UT
DE
GA
SD
WI
DC
MN
OH
NE
NC
FL
VA
ID
NH
MA
AZ
NJ
TX
OR
OK
ME
NV
PA
IL
WA
NM
VT
CT
MI
MT
MD
CA
KS
SC
IA
MO
TN
NY
LA
KY
WV
AR
HI
ND
AL
MS
RI
WY

So, what do we know from Medicare Cost Reports?

Wyoming hospital revenues are high.

Wyoming hospital capital and medical services costs are high.

High revenues and high costs mean Wyoming hospital margins are low (even negative).

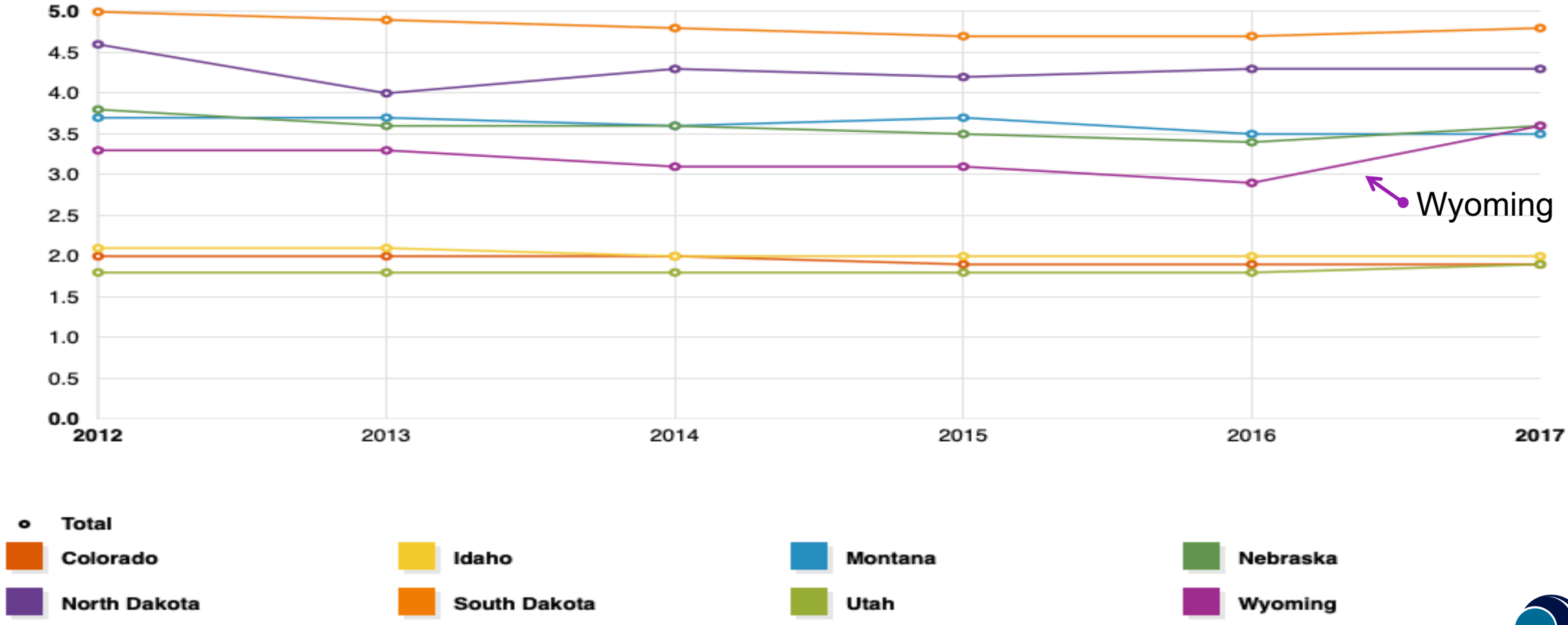
So, what are the expenses driving hospital costs?

Low volumes spread over high fixed costs?

Labor costs?

Capital expenditures?

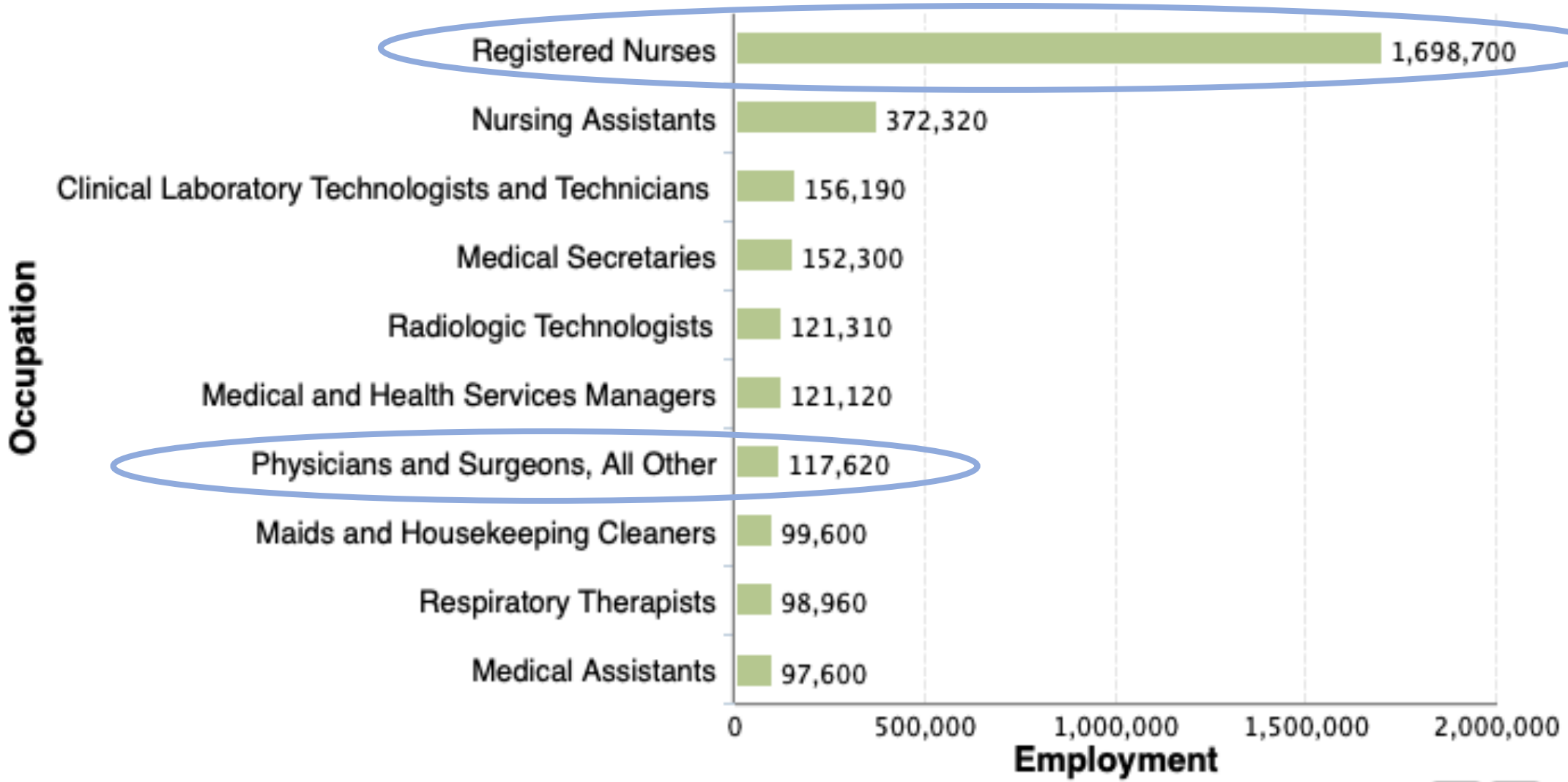
HOSPITAL BEDS PER 1,000 POPULATION



1999 - 2017 AHA Annual Survey, Copyright 2018 by Health Forum, LLC, an affiliate of the American Hospital Association. Special data request, 2018. Available at http://www.ahaonlinestore.com. At https://www.kff.org/other/state-indicator/beds-by-ownership

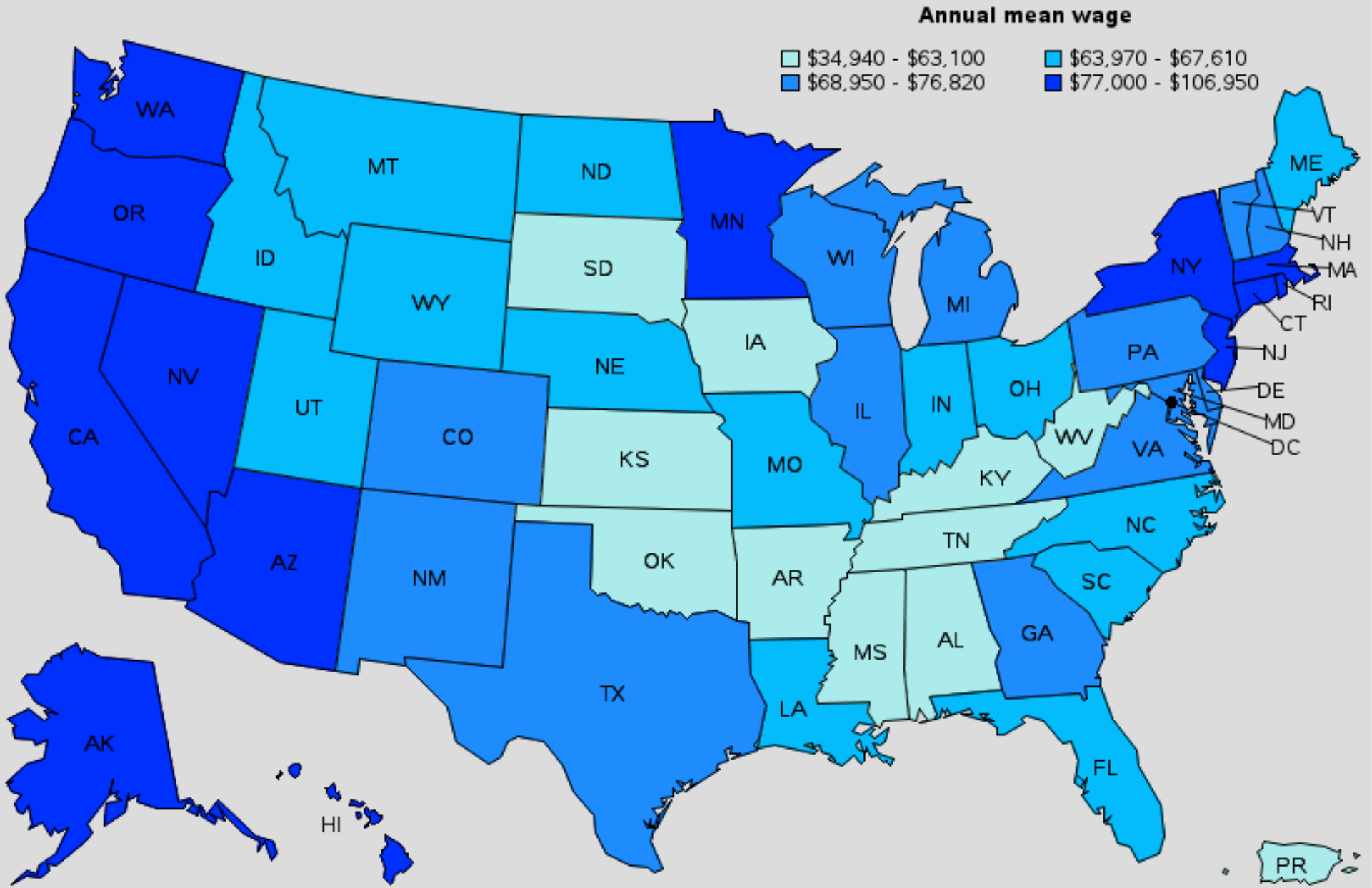
Capital Costs / Equipment?

Largest Occupations in General Medical and Surgical Hospitals, May 2018

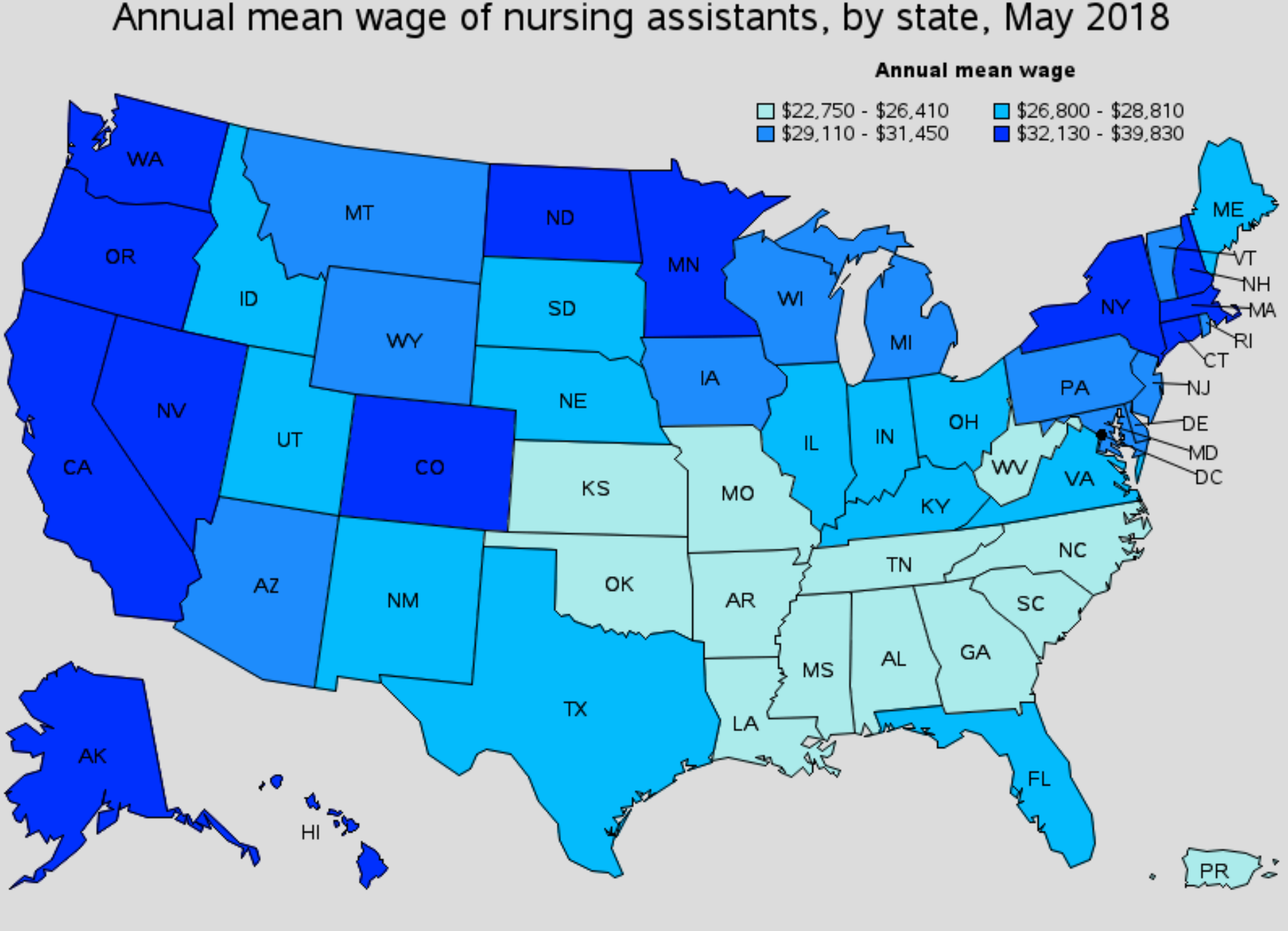


Source: Bureau of Labor Statistics

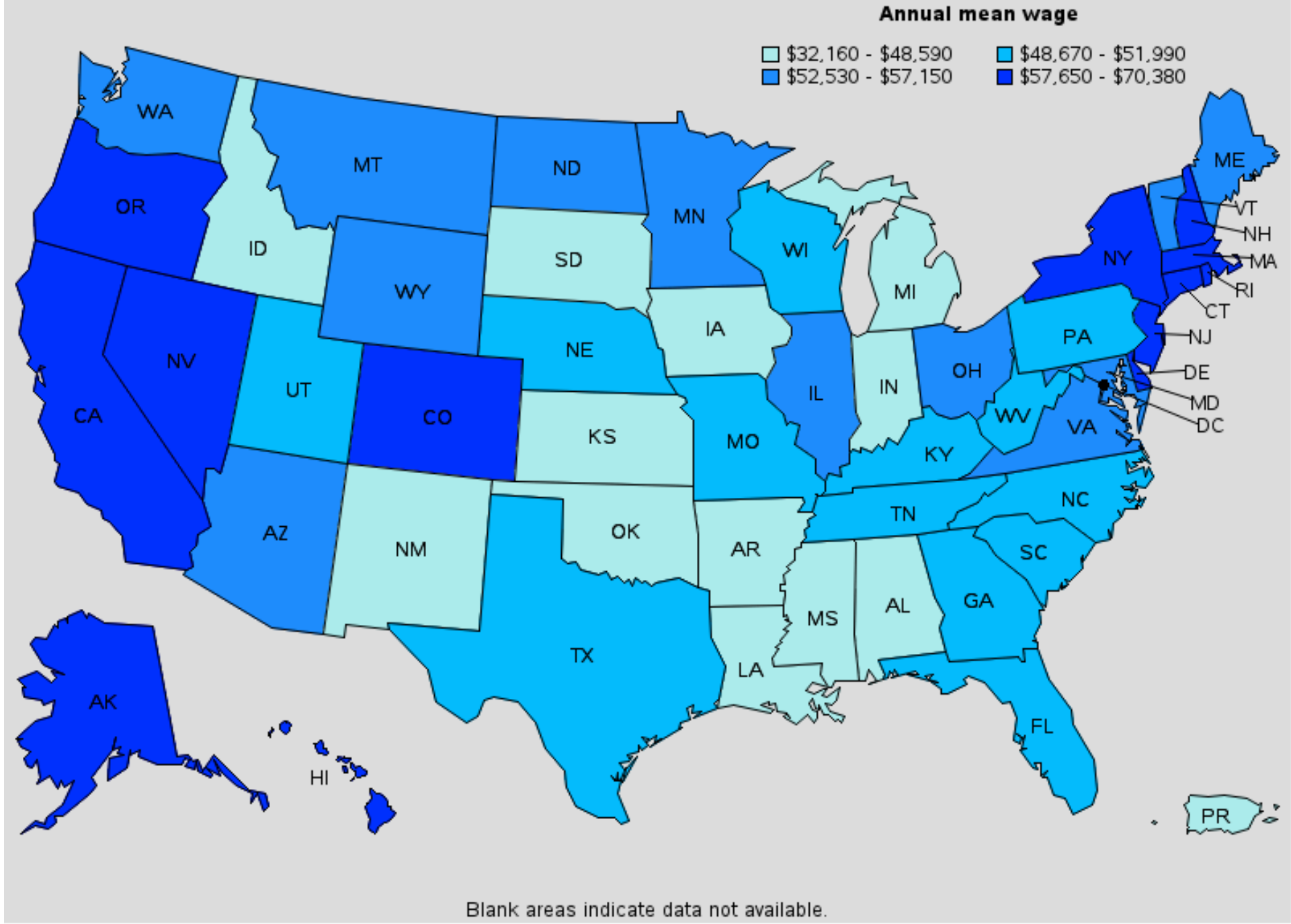
Annual mean wage of registered nurses, by state, May 2018

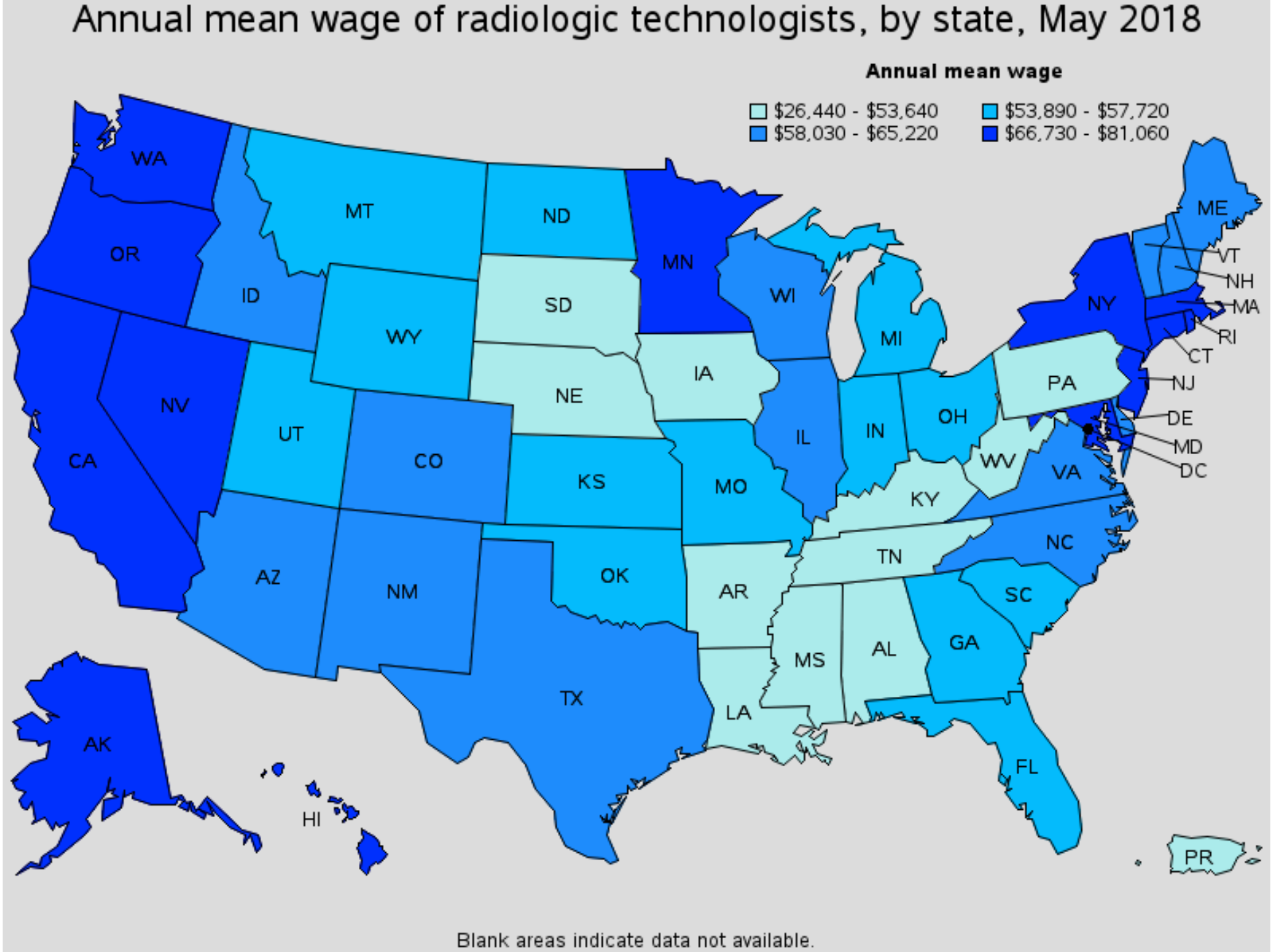


Blank areas indicate data not available.


Annual mean wage of nursing assistants, by state, May 2018
Annual mean wage
$22,750 - $26,410
$26,800 - $28,810
$29,110 - $31,450
$32,130 - $39,830
WA
OR
CA
NV
ID
MT
WY
UT
AZ
CO
NM
ND
SD
NE
KS
OK
TX
MN
IA
MO
AR
LA
WI
IL
MS
MI
IN
KY
TN
AL
OH
WV
GA
FL
SC
NC
VA
PA
NY
ME
VT
NH
MA
RI
CT
NJ
DE
MD
DC
AK
HI
PR
Blank areas indicate data not available.

Annual mean wage of clinical laboratory technologists and technicians, by state, May 2018




Annual mean wage of radiologic technologists, by state, May 2018
Annual mean wage
$26,440 - $53,640
$53,890 - $57,720
$58,030 - $65,220
$66,730 - $81,060
WA
OR
CA
NV
ID
MT
WY
UT
AZ
CO
NM
ND
SD
NE
KS
OK
TX
MN
IA
MO
AR
LA
WI
IL
MS
MI
IN
KY
TN
AL
OH
WV
GA
FL
SC
NC
VA
PA
NY
ME
VT
NH
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RI
CT
NJ
DE
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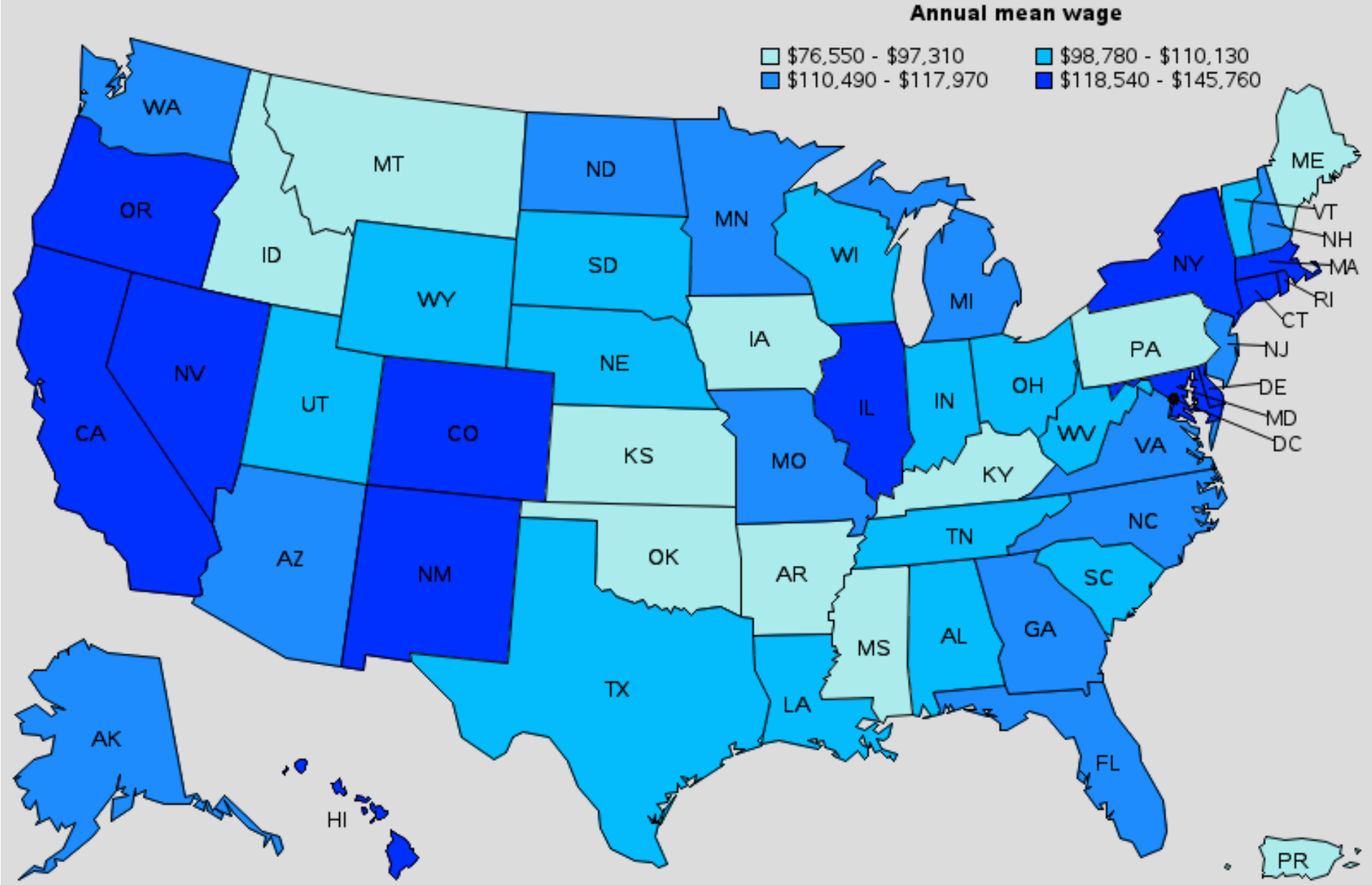
Blank areas indicate data not available.

Annual mean wage of medical and health services managers, by state, May 2018



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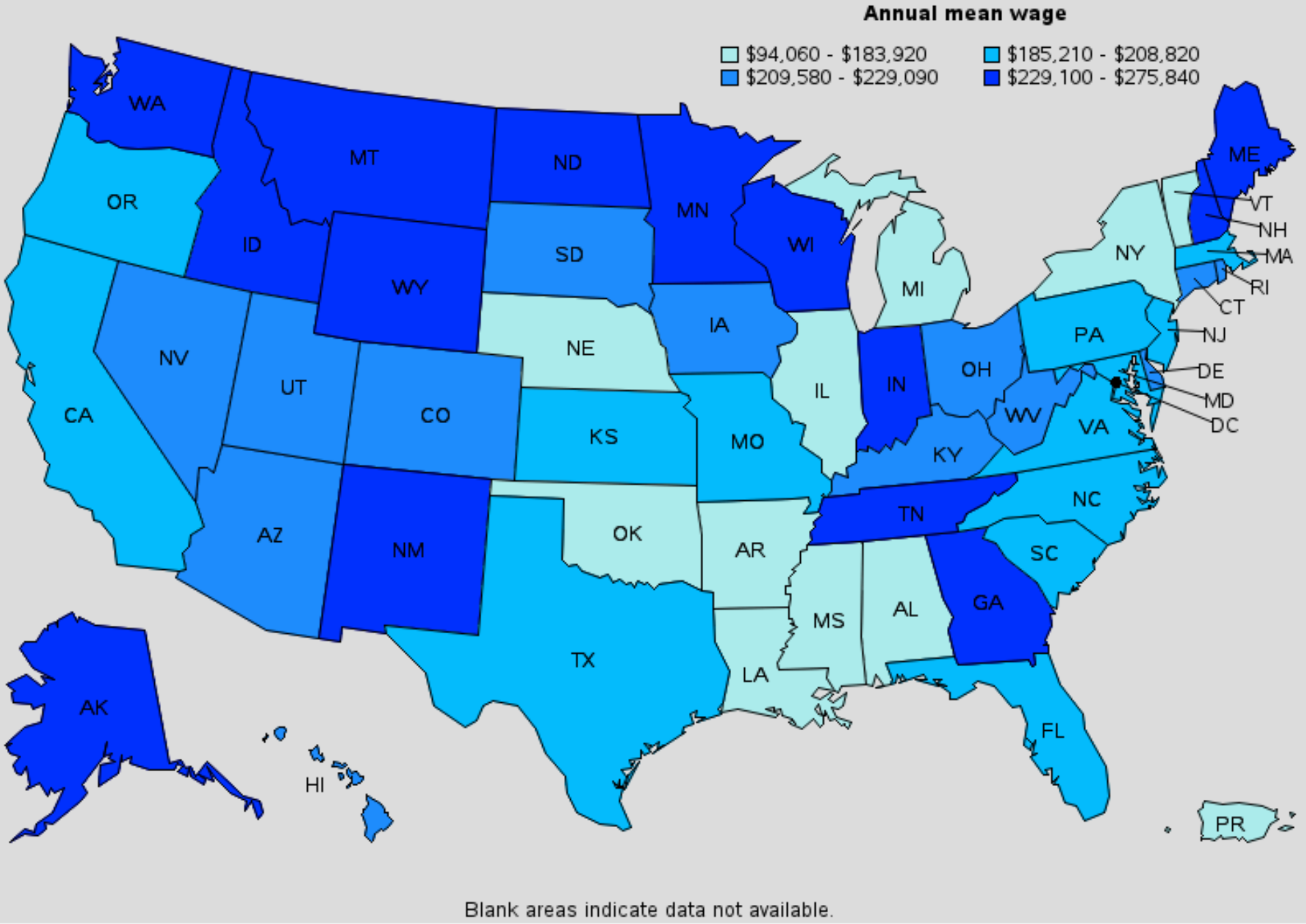
Annual mean wage of physicians and surgeons, all other, by state, May 2018



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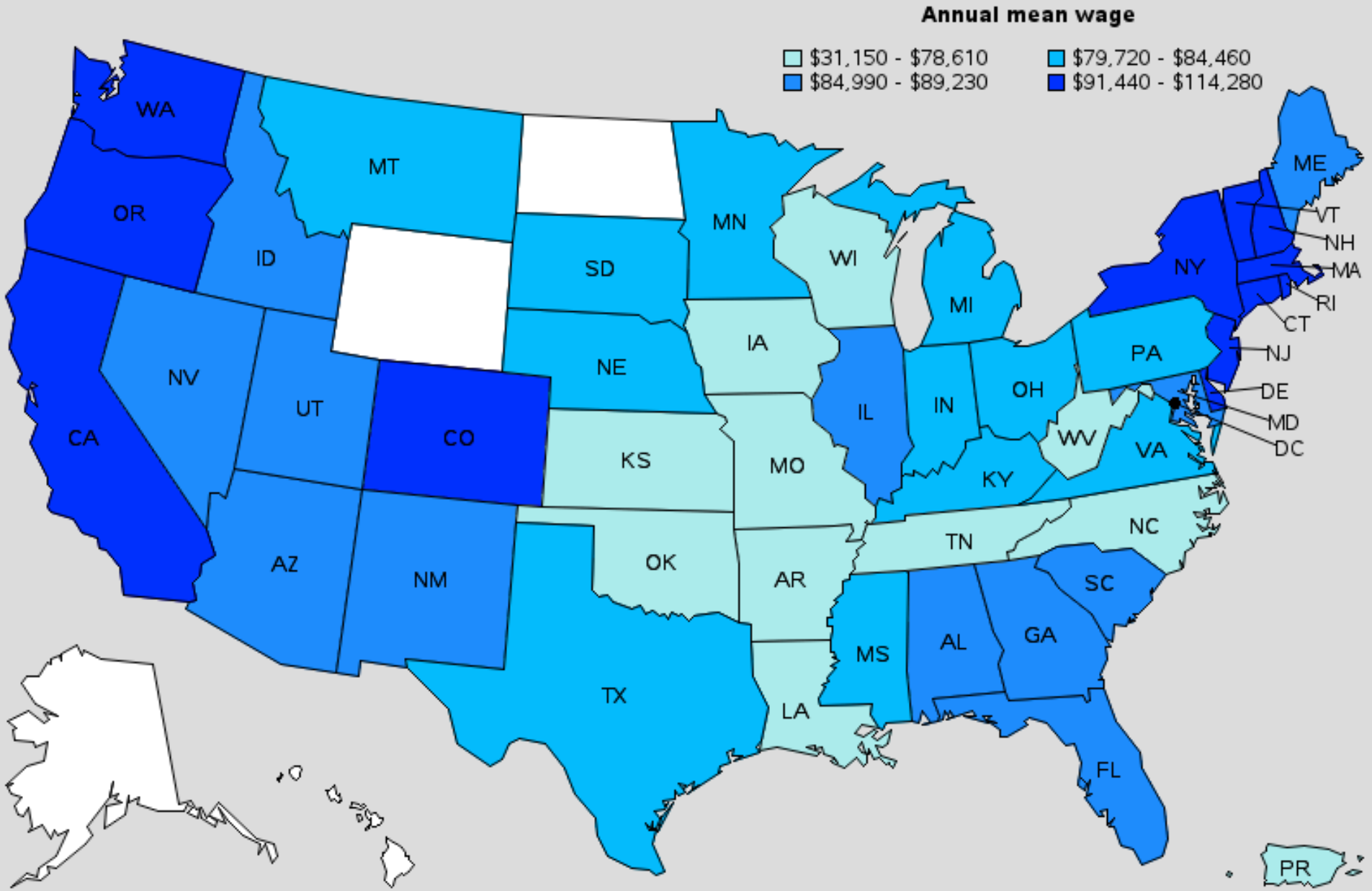
Annual mean wage of radiation therapists, by state, May 2018



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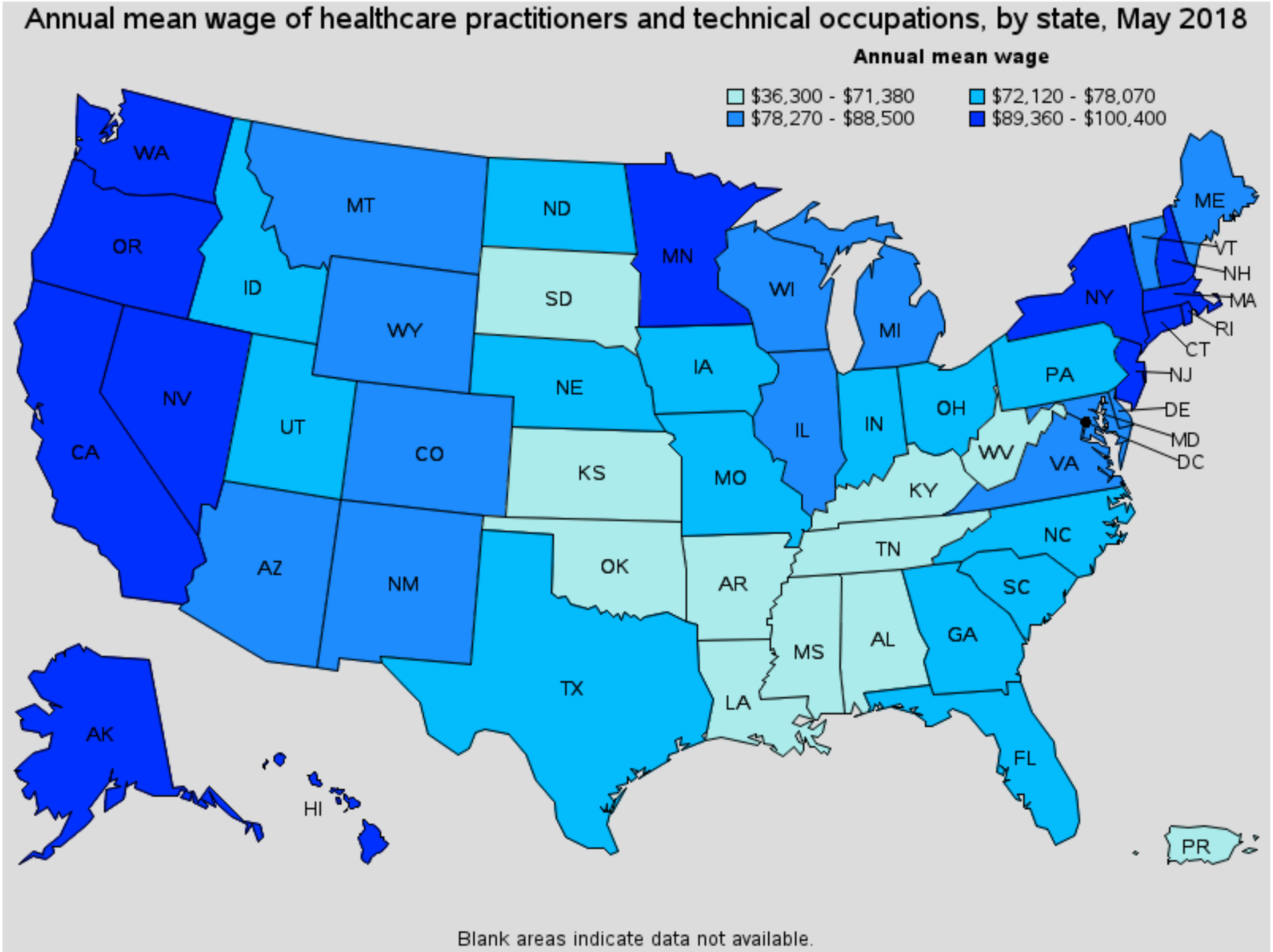

Annual mean wage of healthcare practitioners and technical occupations, by state, May 2018
Annual mean wage
$36,300 - $71,380
$72,120 - $78,070
$78,270 - $88,500
$89,360 - $100,400
WA
OR
CA
ID
NV
MT
WY
UT
AZ
CO
NM
ND
SD
NE
KS
OK
TX
MN
IA
MO
AR
LA
WI
IL
MS
MI
IN
KY
TN
AL
OH
WV
GA
FL
SC
NC
VA
PA
NY
ME
VT
NH
MA
RI
CT
NJ
DE
MD
DC
AK
HI
PR
Blank areas indicate data not available.

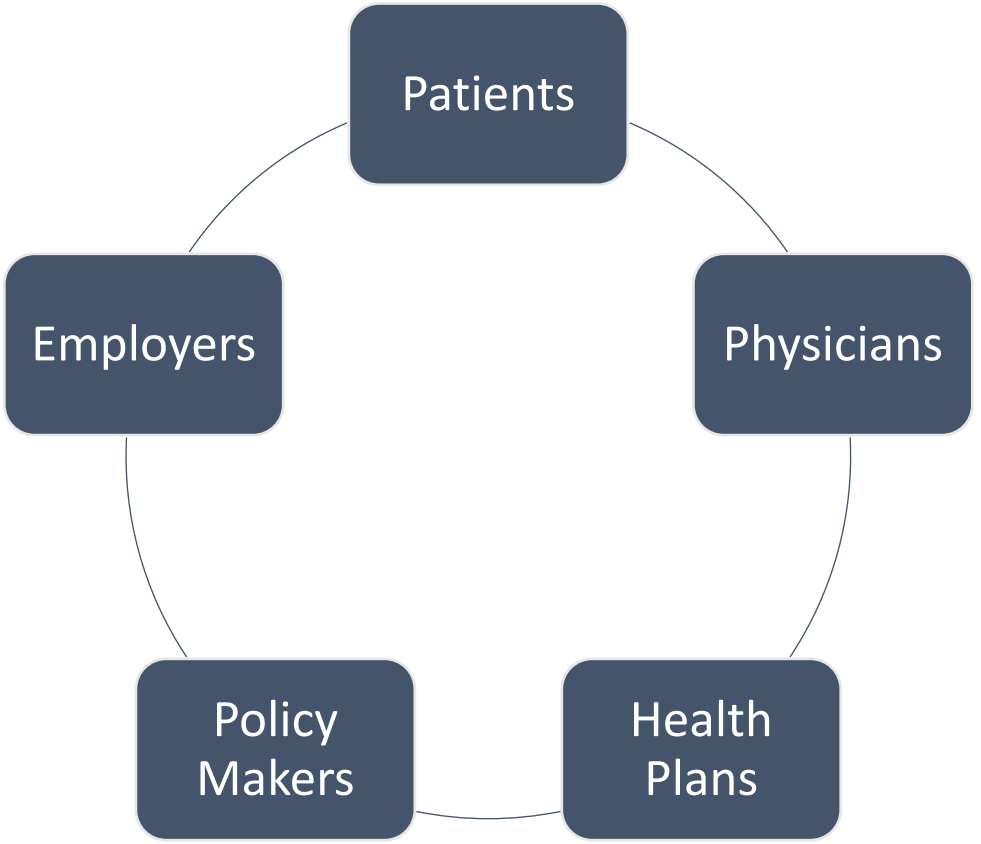
So how are you feeling right now?

The goal is VALUE

- We need to have conversations about what services we can afford to have outside our front door.
  - 75 years of the delivery system telling us what they will deliver and at what price has gotten us where we are.

We have to take Ownership

Takeaway #1: Price transparency is the new normal…Hospital Shopping *Should be* a Team Sport



Takeaway #2: Markets Need Information, Buyers Need Options

- “Chaos behind a veil of secrecy” (Uwe Reinhardt)
- “Where there’s mystery there’s margin”

- We need transparency in both cost and quality
- We need solutions that will create competition based on best quality at best cost

Takeaway #3: Commercial Payment Models Can Be Transparent and Straight Forward

How does Medicare pay? –relatively straightforward

base payment * facility-specific adjustments * casemix + outliers + bonuses: one number comparison of hospital prices!

Private Sector moving to Benchmarked Bundles

One fixed price for all services associated with an episode of care.

Advantages

Simplifies shopping

Incentives care coordination and avoidance of unnecessary services

Stabilizes price trend

Stabilizes employer budgets

Takeaway #4: There are Numerous Strategies Available to Drive Value

Benefit Design Levers

Referenced Based Bundles

Multiples of Medicare

Narrow/Tiered Networks

Centers of Excellence

Direct employer to hospital contracting

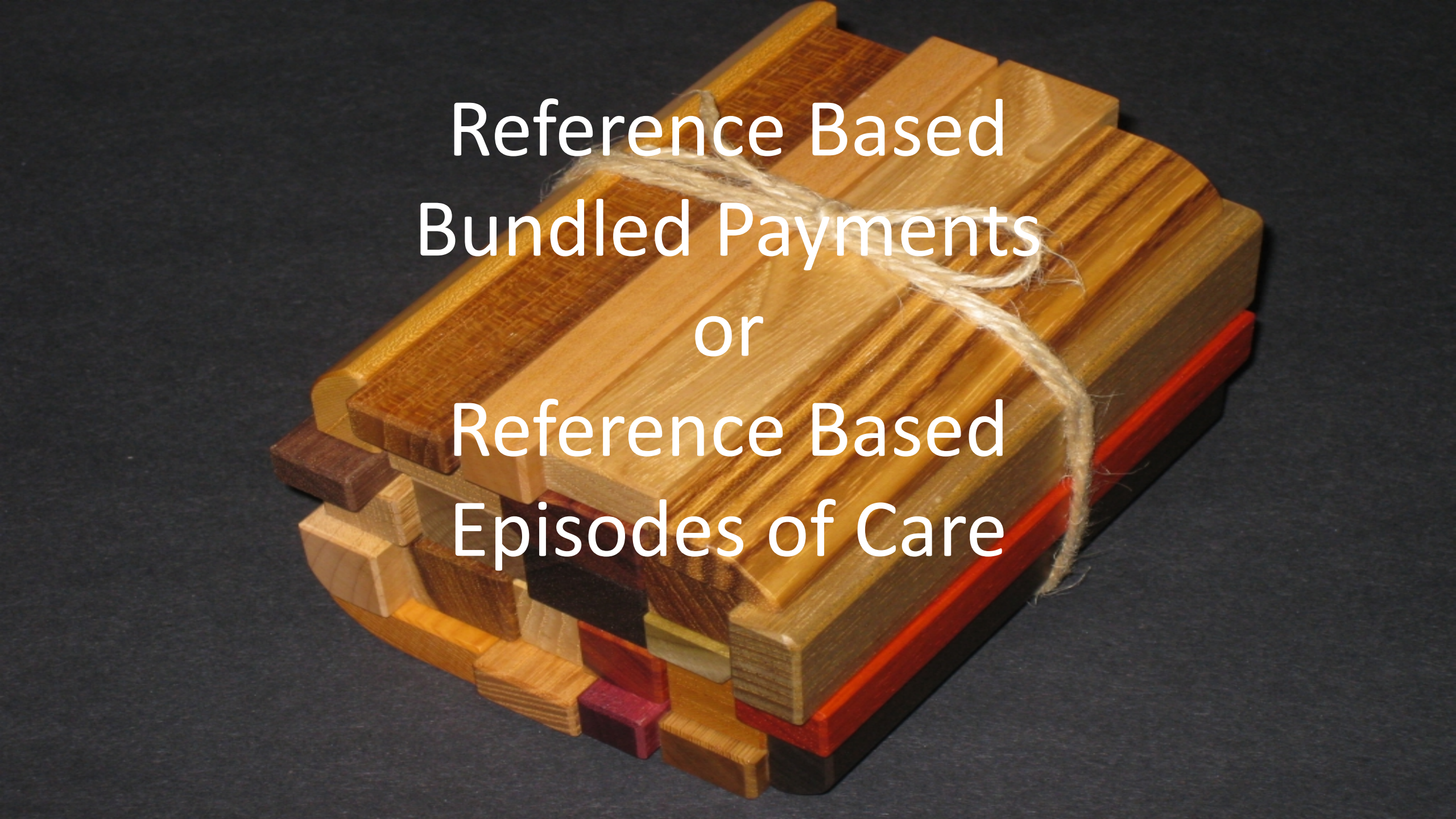
Policy Levers

Prohibit anti-gag clause between carriers and hospitals

Prohibit anti-tiering contract provisions

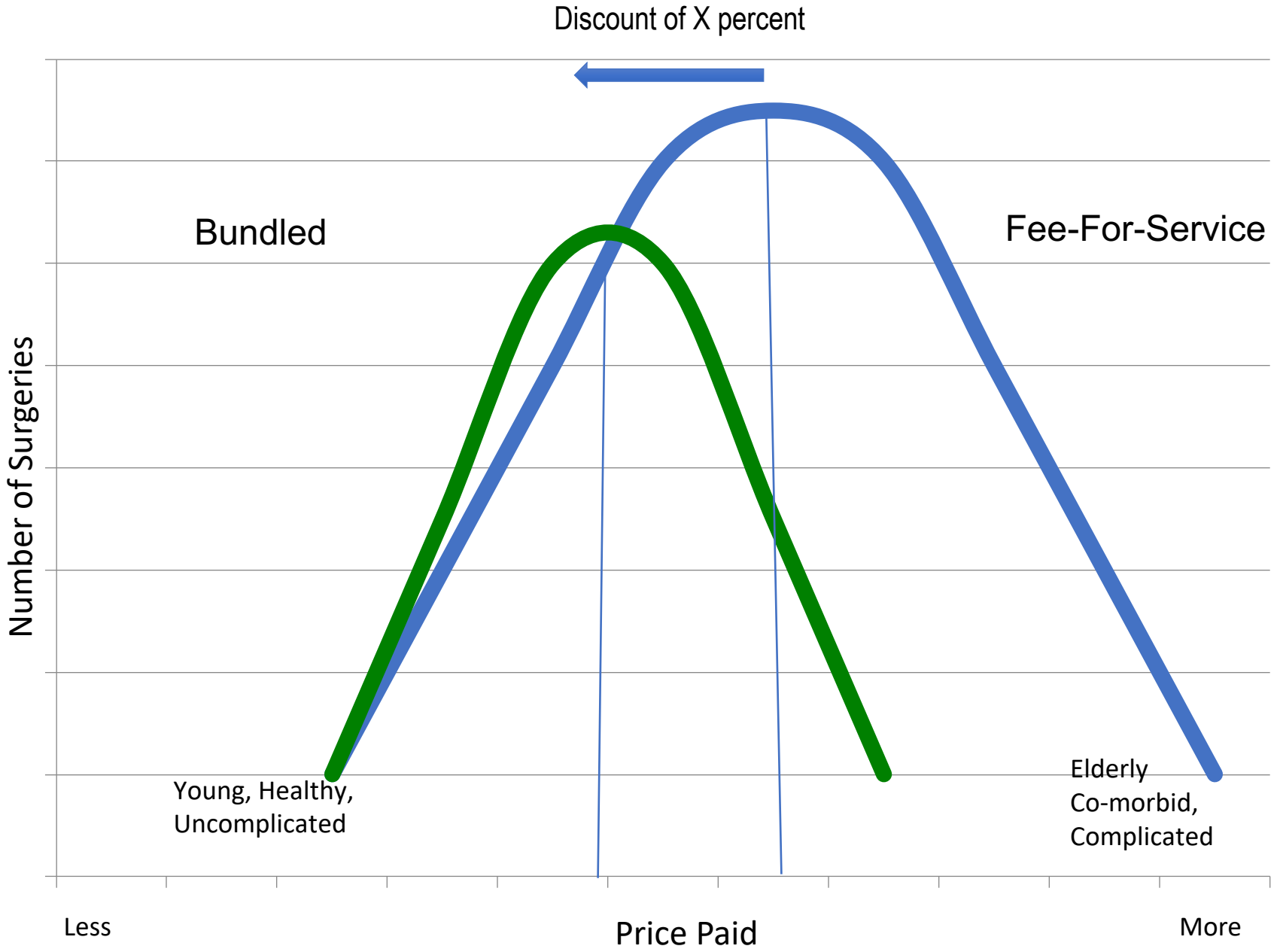
Prohibit anti-narrow networks

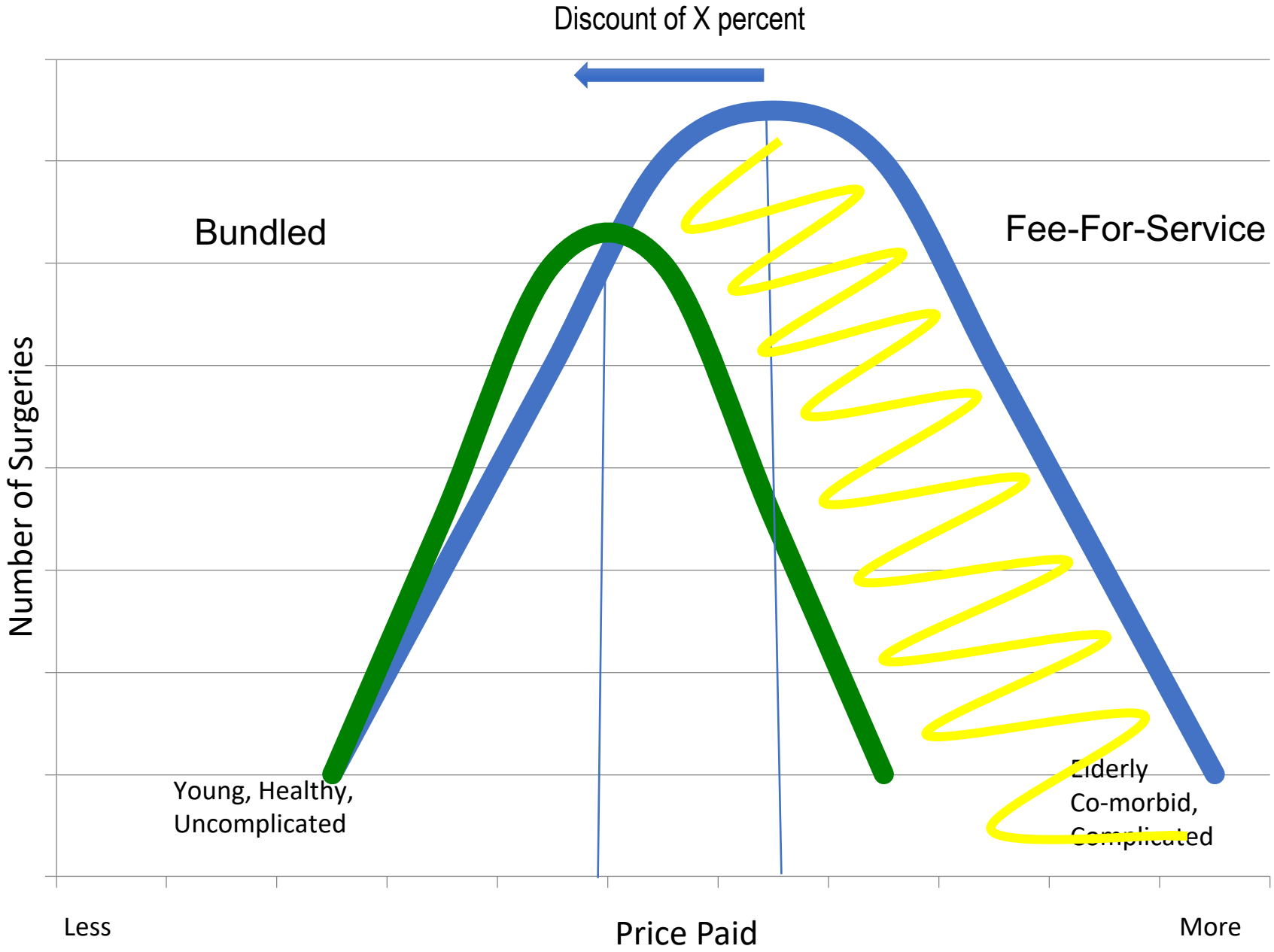
Limit/cap on out-of-network charges


Reference Based
Bundled Payments
or
Reference Based
Episodes of Care


Number of Surgeries
Fee-For-Service
Young, Healthy,
Uncomplicated
Elderly
Co-morbid,
Complicated
Less
Price Paid
More


Discount of X percent
Fee-For-Service
Number of Surgeries
Young, Healthy,
Uncomplicated
Elderly
Co-morbid,
Complicated
Less
Price Paid
More


Discount of X percent
Bundled
Fee-For-Service
Number of Surgeries
Young, Healthy,
Uncomplicated
Elderly
Co-morbid,
Complicated
Less
Price Paid
More


Discount of X percent
Bundled
Fee-For-Service
Number of Surgeries
Young, Healthy,
Uncomplicated
Elderly
Co-morbid,
Complicated
Less
Price Paid
More

Together we can get there.