What is NASHP’s Hospital Cost Tool?

• Online tool health purchasers, including state officials, can use to better understand and address hospital costs

• Identifies financial data and benchmarks using Medicare Cost Reports
  • Hospital specific
  • 10 years of data – 4,600 hospitals
  • MCRs provide hospital level data and are the only national, public source of hospital costs

• Developed by the National Academy for State Health Policy (NASHP) alongside Rice University, with support from Arnold Ventures. Dashboard by Mathematica.

https://d3g6lgu1zfs2l4.cloudfront.net/
1. View a hospital’s Medicare Cost Report

<table>
<thead>
<tr>
<th>STATEMENT OF REVENUES AND EXPENSES</th>
<th>PERIOD</th>
<th>WORKSHEET G-3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Total patient revenues</td>
<td>$3,535,689.06</td>
<td>1</td>
</tr>
<tr>
<td>2. Less contractual allowances</td>
<td>$2,116,346.125</td>
<td>2</td>
</tr>
<tr>
<td>3. Net patient revenues</td>
<td>$1,419,261.921</td>
<td>3</td>
</tr>
<tr>
<td>4. Less total operating expenses</td>
<td>$1,593,635.778</td>
<td>4</td>
</tr>
<tr>
<td>5. Net income from services to</td>
<td>$174,377,817</td>
<td>5</td>
</tr>
<tr>
<td>patients</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Input data from MCR into the Hospital Cost Calculator

<table>
<thead>
<tr>
<th>2.) Reserves, Revenue, and Net Income</th>
<th>Source (Medicare Cost Report)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
<td>$219,847,448.00</td>
</tr>
<tr>
<td>Patient Revenues (Chargemaster Rates)</td>
<td>$3,535,608.066</td>
</tr>
<tr>
<td>Net Patient Revenue reported on MCR</td>
<td>$1,419,261,941</td>
</tr>
<tr>
<td>Total Operating Costs per MCR</td>
<td>$1,593,635,778</td>
</tr>
<tr>
<td>Operating Income</td>
<td>($174,377,837)</td>
</tr>
<tr>
<td>Other Income</td>
<td>$194,483,302</td>
</tr>
<tr>
<td>Other Expense</td>
<td>($15,686,082)</td>
</tr>
<tr>
<td>Net Income Reported on MCR</td>
<td>$35,796,447</td>
</tr>
<tr>
<td>Total Hospital Costs for CER</td>
<td>$1,108,427,850</td>
</tr>
<tr>
<td>Total Hospital Charges for CER</td>
<td>$3,930,650,308</td>
</tr>
</tbody>
</table>

3. Receive calculated results tailored for states/health plans
State Level – Montana and National Operating Profits

- Median Operating Profit per Adjusted Discharge
- Net Patient Revenue minus Operating Costs = Operating Profit
- Acute Care and CAH
- Can compare to other states or national benchmarks
- Online: Hover over points or bars

Source: NASHP Hospital Cost Tool
Montana and National – Comparing by Bed Size - 2019

62 Hospitals
✓ 0-25 Beds (49)
✓ 26-100 Beds (6)
✓ 101-250 Beds (4)
✓ 251+ Beds (3)

Range
✓ $486 (0-26 Beds)
✓ $6,826 (251+ Beds)

Source: NASHP Hospital Cost Tool
Montana–Impact of 42 CAHs on Medians

Source: NASHP Hospital Cost Tool
Montana and National - Net Profit Margin

Median Net Profit Margin

- 5.1% in 2019: CAH 4.3%
- 1.4% in 2014: CAH (0.5%)

Can compare to other states or national benchmark

Source: NASHP Hospital Cost Tool
Montana and National – Comparing by Bed Size

**Median Net Profit Margin-2019**

Range
- 4.3% (0-25 Beds)
- 15.6% (251+ Beds)

Source: NASHP Hospital Cost Tool
Breakeven Analysis

- NASHP’s Hospital Cost Tool calculates a hospital’s breakeven point: Revenue = Expenses

- NASHP Commercial Breakeven – how much a hospital needs to be reimbursed by commercial payers in order to cover commercial patient hospital costs, losses from other payers, charity care, uninsured, all Medicare disallowed costs, and other income/other expense.

- Physician General Services included – Direct patient service revenue and expense paid through other systems (RBRVS, Fee Schedules, Provider Network, etc.)

- RAND 3.0 Commercial Price – how much a hospital was reimbursed by commercial payers in aggregate from 2016 to 2018 for inpatient and outpatient. 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
Montana and National - Commercial Breakeven

Breakeven allows:
- **Comparability**
- **Trending**
- **Transparency**

Not advocating for hospital prices to be set at Breakeven

Add profit component

*Source: NASHP Hospital Cost Tool*
Montana Hospitals

- 2019 Hospital Cost Tool Breakeven
- RAND 3.0 Aggregate Price for Inpatient and Outpatient (2016-2018)

Note: Published RAND 3.0 prices included physician services, showing lower prices, as physician services have lower reimbursements.

Source: NASHP Hospital Cost Tool
Factors That May Impact Breakeven

- **Medicare Payment rate** – A hospital’s Breakeven is based on its own Medicare reimbursement rates. If a hospital makes a profit on Medicare patients, Breakeven would be lower.

- **Hospital Other Income** – If a hospital receives significant other income (e.g., return on investments, federal relief payments), Breakeven would be lower.

- **Reimbursement from Other Payers** – 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.
View a Hospital – Benefis Hospital

- 2011-2019 Trend
- Adjusted Discharge (Outpatient + Inpatient)
- Net Patient Revenue minus Operating Costs = Operating Profit

Source: NASHP Hospital Cost Tool
Benefis Hospital – Operating Profit

Source: NASHP Hospital Cost Tool
Benefis Hospital – Payer and Profit Mix

- 2019 Payer Mix and Operating Profits
- (Net Patient Revenue minus Operating Costs)
- 20% Medicaid; 27% Profit
- 30% Medicare; 10% Profit
- 5% Med Adv; 10% Profit
- 44% Commercial; 55% Profit

Source: NASHP Hospital Cost Tool
Benefis Hospital – Uncompensated Care

Source: NASHP Hospital Cost Tool
Benefis – Medicaid and Uncompensated Care

Source: NASHP Hospital Cost Tool Data Set
Benefis Hospital – Cost to Charge Ratio

Source: NASHP Hospital Cost Tool
Benefis Hospital – Net Profit Margin

Source: NASHP Hospital Cost Tool
Hospital Cost Tool Demo

https://d3g6lgu1zfs2l4.cloudfront.net/
Hospital Cost Tool as a Resource

States
- Health Policy
- State Agencies – As regulator and purchaser
- Pre and Post Mergers, Acquisitions, COPAs

Employer Alliances and Employer Self-Funded Health Plans

Researchers

Education
• Updated with 2020 Medicare Cost Report Data and Rand 4.0
• Enhancements
Additional Resources

- Not for Profit Hospitals securing Municipal Bond Debt
- Mutual Securities Reporting Bureau
- Electronic Municipal Market Access [Municipal Securities Rulemaking Board::EMMA (msrb.org)]

Financial and Operating Data
- Audited Financial Statements – Health System
- Monthly, Quarterly, Annual Reporting
- Rating Agency Presentations and Evaluations
- Bond Documentation
Billings Clinic
Billings Clinic – Cash and Investments

June 2021

Financial assets available to meet general expenditures within 12 months = $886,997,000

Source: EMMA, Audited Financial Statements; Dec 2021 Interim Financial Disclosure
Secured $150 million additional bond debt Nov 1, 2021
Series 2021A Bonds payable solely from Revenues pledged by Billing Clinic obligated group
Billings Clinic – Medicare Assessments
Additional Resources

- [Home Page - Centers for Medicare & Medicaid Services Data (cms.gov)](https://data.cms.gov)
## Montana Hospitals

<table>
<thead>
<tr>
<th>Hospital</th>
<th>DISCHARGES</th>
<th>CHARGE</th>
<th>Total Paid</th>
<th>Charge as % of Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>St Peters Hospital</td>
<td>150</td>
<td>$34,155</td>
<td>$14,060</td>
<td>243%</td>
</tr>
<tr>
<td>Billings Clinic Hospital</td>
<td>229</td>
<td>$33,324</td>
<td>$14,626</td>
<td>228%</td>
</tr>
<tr>
<td>Benefis Hospitals Inc</td>
<td>119</td>
<td>$47,222</td>
<td>$14,617</td>
<td>323%</td>
</tr>
<tr>
<td>St Patrick Hospital</td>
<td>497</td>
<td>$35,874</td>
<td>$15,365</td>
<td>233%</td>
</tr>
<tr>
<td>St James Healthcare</td>
<td>101</td>
<td>$57,104</td>
<td>$15,215</td>
<td>375%</td>
</tr>
<tr>
<td>Community Medical Center</td>
<td>208</td>
<td>$42,854</td>
<td>$14,836</td>
<td>289%</td>
</tr>
<tr>
<td>Northern Montana Hospital</td>
<td>26</td>
<td>$45,204</td>
<td>$17,164</td>
<td>263%</td>
</tr>
<tr>
<td>St Vincent Healthcare</td>
<td>553</td>
<td>$44,758</td>
<td>$14,030</td>
<td>319%</td>
</tr>
<tr>
<td>Kalispell Regional Med Center</td>
<td>243</td>
<td>$45,223</td>
<td>$13,822</td>
<td>327%</td>
</tr>
<tr>
<td>Bozeman Health Deaconess</td>
<td>199</td>
<td>$37,163</td>
<td>$13,317</td>
<td>279%</td>
</tr>
<tr>
<td>Great Falls Clinic Hospital</td>
<td>174</td>
<td>$37,301</td>
<td>$12,413</td>
<td>300%</td>
</tr>
<tr>
<td>The Healthcenter</td>
<td>34</td>
<td>$24,911</td>
<td>$12,918</td>
<td>193%</td>
</tr>
</tbody>
</table>

2019 Medicare Claims

DRG 470: Major Hip and Knee Joint Replacement

Total Paid = Patient + Medicare

Search Data.CMS.gov - Centers for Medicare & Medicaid Services Data
Thank you!

Hospital Cost Calculator and Tool

https://www.nashp.org/policy/health-system-costs

https://d3g6lgu1zfs2l4.cloudfront.net/