University Hospitals

A Provider's Perspective on ACA
Part 2 - Employer Plans

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High Deductibles & Bad Debt

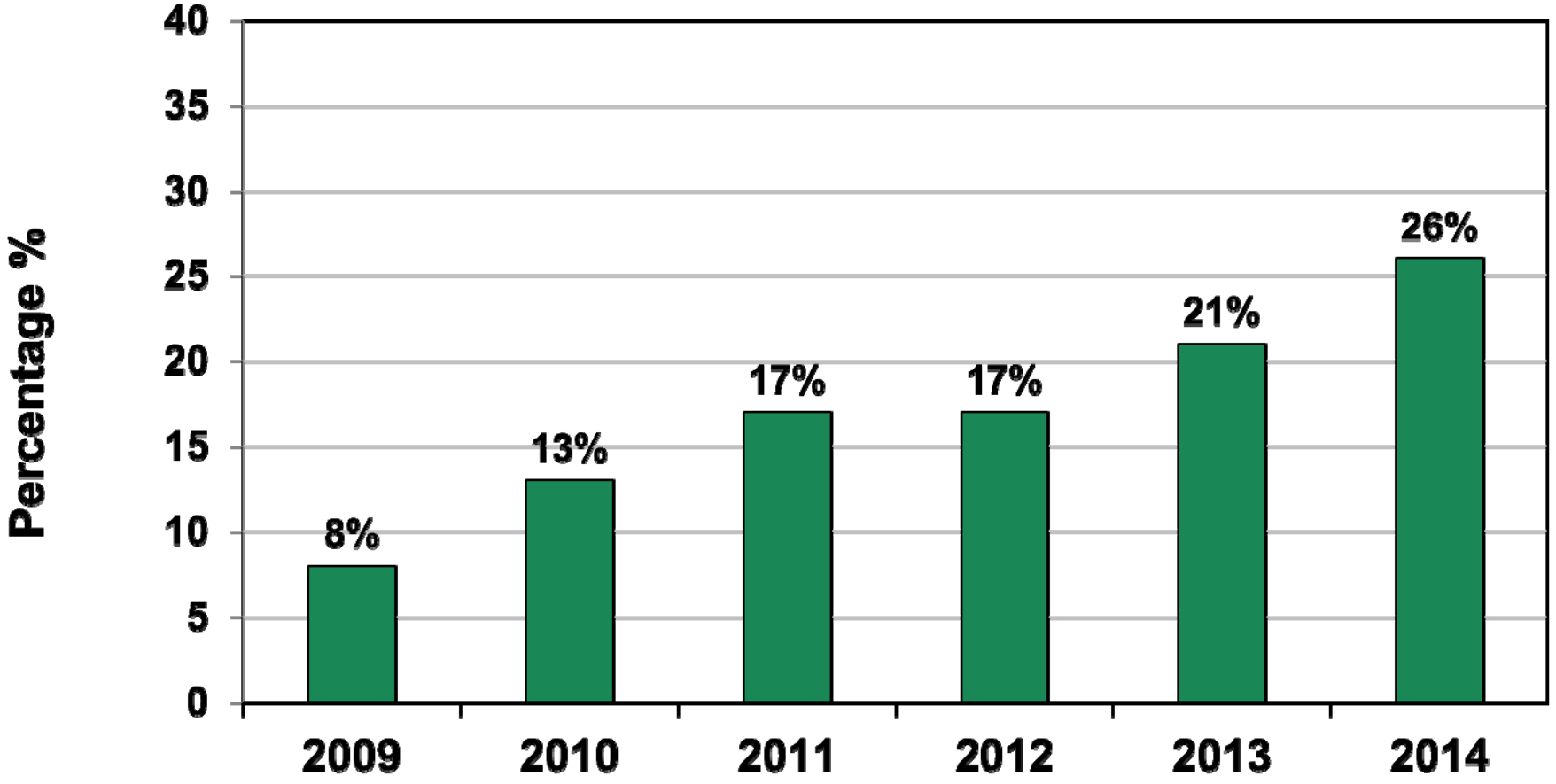
Ohio Enrollments as of July 2014

- 338,700 of the estimated 563,000 newly eligible for Medicaid have enrolled
  - Additional enrollees expected – applications in process
- 155,000 applied for Exchange plan coverage
  - Final enrollment/paid premium figures not available
- Ohio uninsured rate has dropped from 17% to 11%*

*Source: Ohio Health Issues Poll (August 2014)

Enrollment in High-Deductible Plans has Tripled since 2009

HDHP % of U.S. Enrollment in Employer-Sponsored Plans



High Deductible Plans now 26% of Employer Plans

81% of Large Employers will Offer a HDHP in 2015

Sources: PWC Health Research, Nat'l Business Group Survey, 2014

Growth in High Deductible Health Plans

2014 Data by State	Total Enrollment in High Deductible Health Plans
1. Illinois	1,055,000
2. Texas	1,043,000
3. Ohio	803,000
4. Pennsylvania	692,000
5. Michigan	691,000

Ohio is #3 Nationally in High Deductible Plan Members, Up from #4 and 687,000 Enrollees in 2013

Source: AHIP Center for Policy & Research, July 2014

High Deductible Health Plans (HDHPs)

- High deductible health plans defined as:

Benefit Limit	Individual	Family
Minimum Deductible	$1,250	$2,500
Maximum Out of Pocket	$6,350	$12,700

- Ohio/National enrollment statistics

HDHP Stat	Ohio	National	Ohio Rank
Enrollment	802,511	17,368,764	#3

- National enrollment was 1 million in 2005 and has grown 15% annually since 2011

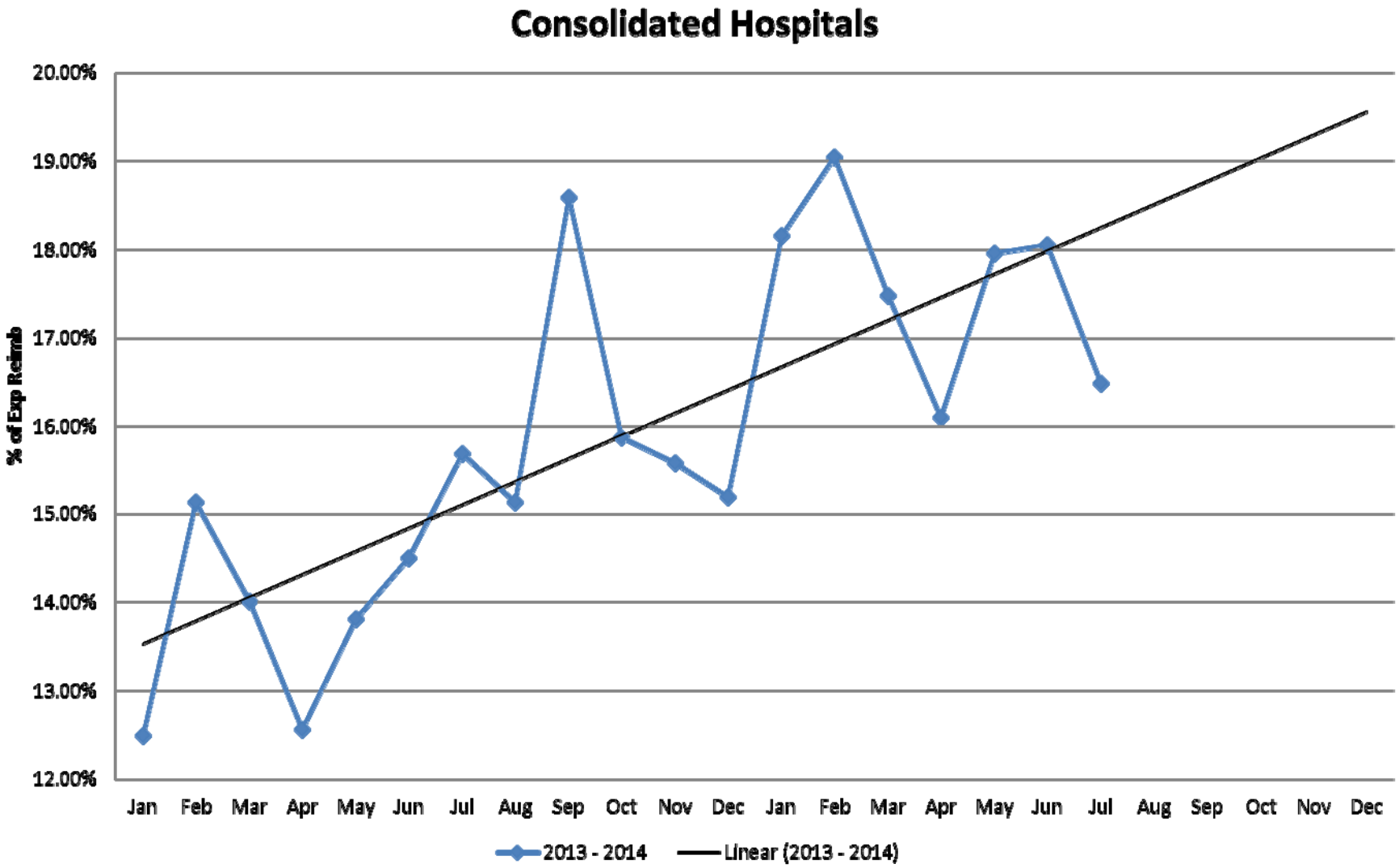
Source: America's Health Insurance Plans – Center for Policy & Research

Average payor/individual payment responsibility (2018)

	Payor	Individual
• Commercial	$3,300 – $3,540	$350 – $370
• Exchange	$2,850 – $3,350	$375 – $400
• Medicare	$3,225 – $3,350	$65 – $70
• Medicaid	$890 – $975	$8 – $20
• Self-pay		$1,100 – $1,200

Source: McKinsey MPACT

Consumerism – Patient Balance
Commercial Insurance and Exchanges



Consumerism – Patient Balances
Commercial Insurance and Exchanges

It is projected that the Patient Balances will rise from 12.5% to 19.5%

- **This represents the year over year increase of the % of Patient Balances**

Patient collections take on a whole new importance

- **Payment Estimation**
- **Financial/Charity Counseling**
- **Payment Plans**
- **Prompt Payment Discounts**
- **Innovative Patient Financing**

ACA Shift in Bad Debt from Uninsured to Patient Balances

	2010	2018 est.
Non-self-pay	**32 – 33%**	**53 – 55%**
Balance After Ins.	15%	35%
Payor dispute	17 – 18%	20%
Self-pay	**67 – 68%**	**45 – 47%**

Source: McKinsey

Patient Balance Collections Challenges

- It is estimated that the volume of collection transactions will increase 20%
- Costs will be higher collecting from individual patients on a per bill than from payors
- Healthcare accounts are paid twice as slowly as commercial payors
- Patient Balance accounts require more manual intervention

Patient Balance Collections Challenges

- Patient Balances have smaller balances. Hospitals will have to lower their cost of collection for these accounts to control costs
- Newly insured patients will have different payment histories and perceptions. They will present new difficulties in collections
- Estimates show that previously uninsured patients will have lower credit scores and fewer household assets

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- **Hospitals Responses to the ACA**

Enhancements to Collection Process

- Intensify point of service collection
- Patient loan financing services
- Revised prompt pay discount policy
- Postponing elective care
- Legal action
- Wage garnishments
- Property and asset liens
- Revised Charity Policy

Enhancements to Collection Process

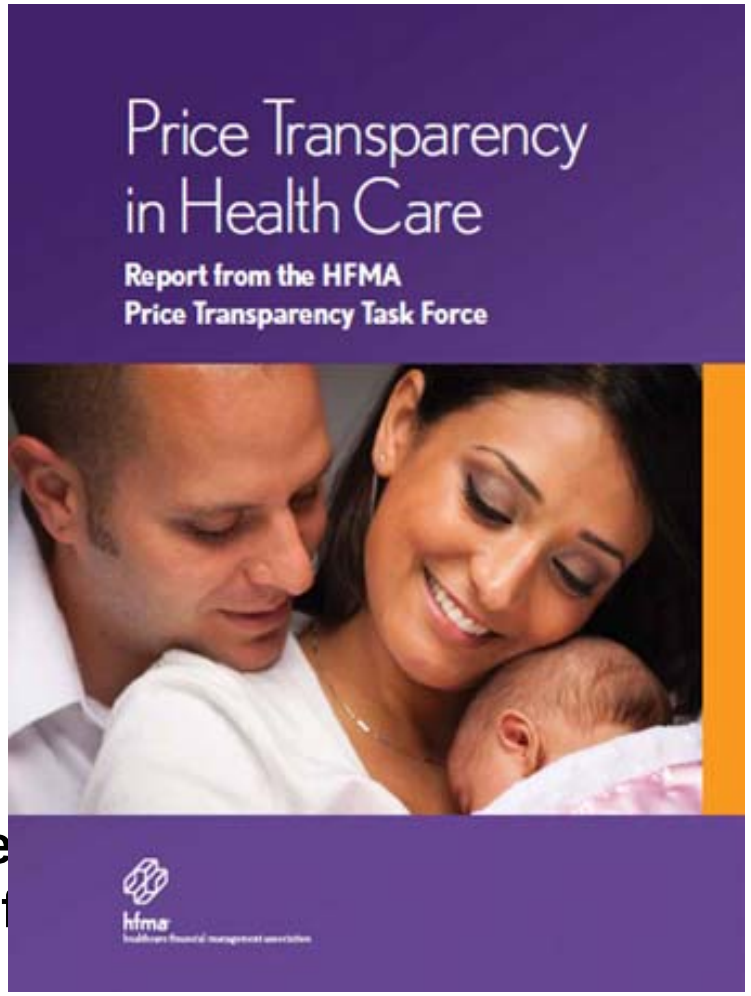
Intensify point of service collection

- Get ahead of the insurers
  - Redirection
- Pricing Transparency – Utilize software that combines a model bill, the contractual reimbursement, and the patient's 271 information
  - Provide price estimates prior to care
  - Provide estimates on demand

HFMA Price Transparency Recommendations

- Price transparency information should:
- Empower patients and other care purchasers to make meaningful price comparisons
- Be easy to use and easy to communicate
- Be paired with other information that defines the value of services for the care purchaser
- Enable patients to understand the total price of their care and what is included in that price

- **And price transparency will require the commitment and active participation of all stakeholders.**



Enhancements to Collection Process

Financial Counseling – Pre and Post Service

- Provide the option of loan financing services
  - Offer interest free loans, (Interest paid by the hospital)
- Provide meaningful prompt pay discounts
  - Give the patient an incentive to make a substantial payment

Enhancements to Collection Process

- Postponing elective care
  - Urgent and emergent care determinations are difficult
  - Medical malpractice considerations
  - May be limited to elective care and physician office visits
- Legal action – Take action to enable the use of
  - Wage garnishments
  - Property and asset liens
- Revised Charity Policy

Example Charity Policy

Criteria		Policy
Eligibility		• Does not have current insurance • Not eligible for ACA subsidized coverage (Supreme Court Decision?) • Not eligible for employer based coverage • Not eligible for Medicaid
0% - 250% Poverty		Free Care
251% - 400% Poverty		Discounted to average of commercial payors

•Patients will be screened at registration and during the collection process

•Write-offs due to medical indigency for both insured and uninsured, will count toward charity care

Payors Behaving Badly
The 2 Midnight Rule

- CMS estimated that hospitals nationally would see a gain of over $200M per year
- The gains from the conversion of observation to inpatient would exceed the losses of inpatients that no longer qualified
- All hospitals estimated substantial losses from the conversion of place of service

Payors Behaving Badly
The 2 Midnight Rule

- CMS invoked a minimum length of stay on Inpatients
- Ignores medical criteria to substantiate inpatient stays
- Speculate that observation cases with 2 days or greater length of stays will become inpatients
- Ignores previous CMS guidance that observation should only rarely exceed 24 hours

Payors Behaving Badly
The 2 Midnight Rule

- Commercial payors adopting 2 Midnight Rule
- Will payors modify the regulation further?
- Will payors change the way or amounts they pay for observation?
- What appeals mechanisms exist?

The Need for Business Intelligence

- The amount of change will require the capture, of all transactional information
- Decision making an monitoring of results will require the availability of actionable information

Business Intelligence
Back to the Future

- "All men by nature desire knowledge." ***Aristotle***
- "The only good is knowledge and the only evil is ignorance." ***Socrates***
- "Scientia potentia est", "Knowledge is power" ***Sir Francis Bacon***
- "The more extensive a man's knowledge of what has been done, the greater will be his power of knowing what to do." ***Benjamin Disraeli***

Business Intelligence
Information Overload

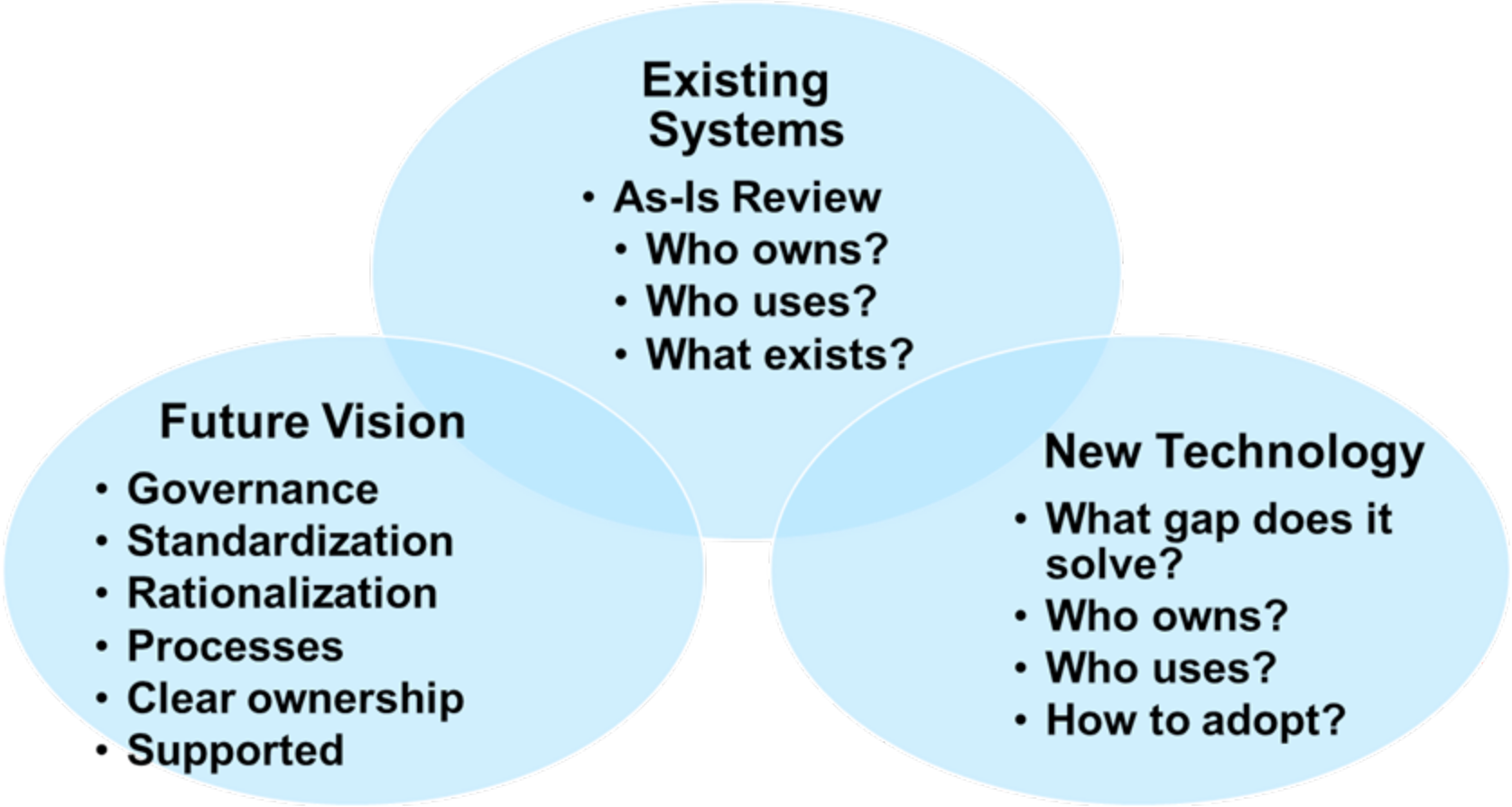
- Information is a source of learning. But unless it is organized, processed, and available to the right people in a format for decision making, it is a burden, not a benefit.” ***William Pollard***
- Technology is so much fun but we can drown in our technology. The fog of information can drive out knowledge.” ***Daniel J. Boorstin***
- The information in the world doubles everyday. What they don't tell us, is that our wisdom is cut in half at the same time.” ***Joey Novick***

Business Intelligence
Information Value

- **My personal favorite……..**

- "Information is money, but data is squat"
- *Angela Llama-Butler*

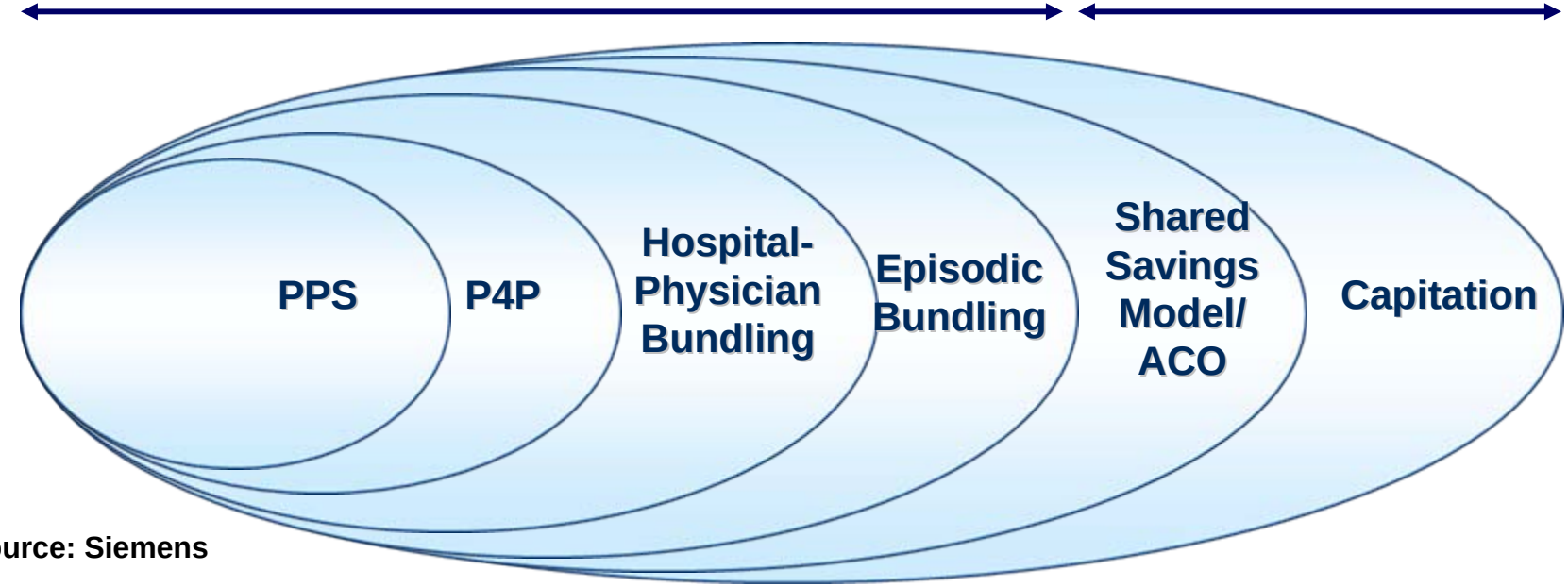
Business Intelligence Information Value



Source: Siemens

Proposed Payment Models: Multi-Dimensional Implications

- IT Backbone Manage and Get Paid Across the Care Continuum
- Performance Accountability Expanding Across the Care Continuum
- Success Dependent on Enterprise Management of Revenue



Source: Siemens

HFMA's Value Project

- Healthcare must provide value to the buyer
  - But what defines value?

Definition of Value - Milton Freidman

1 **Spend somebody else's money on somebody else**
   - *Previously: The Government*
- Government was not as concerned about quality or price

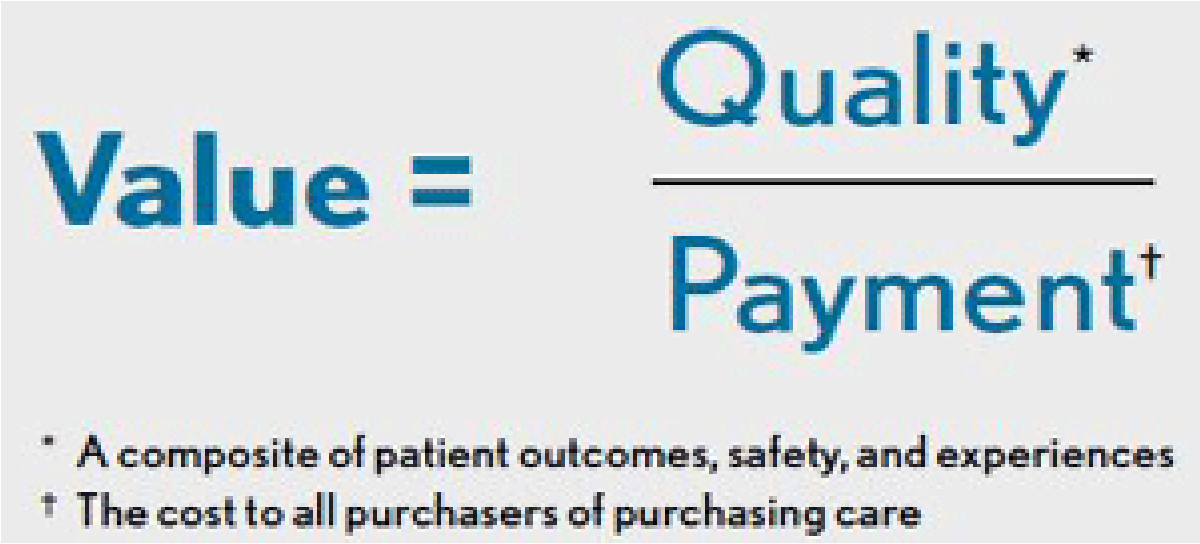
2 **Spend your money on somebody else.**
   - *Employer paid healthcare*
- Employer is less concerned with quality, wants the lowest price

3 **Spend somebody else's money on yourself**
   - *Patients with employer paid healthcare*
- Patients want maximum quality, less concerned about price

4 **Spend your own money on yourself.**
   - *The patient pays for healthcare*
- Patient wants maximum quality, and the lowest price

Value Project

- Constantly improve processes
- Identify and drive out errors/inefficiencies
  - In providing care
  - In clinical outcomes
- Use improved processes to lower the cost of care and improve outcomes
  - Value will always be quality AND cost



Value Project

What does a Revenue Cycle need?

- To manage accountable care?
- To drive constant process improvement?
- To enable competitive pricing with margins?

Value Project

- We need to be able to….
- Schedule and track patients at every point of service
- Aggregate charges into multiple bundled payment schemes
- Track separate revenue owners and distribute payments back to them
- Estimate patient liability and collect it

Value Project

- We need to be able to….
- Enhance revenue cycle efficiency through workflow management and rules engines
- Rely on an advanced contract engine to validate payments to contractual terms
- Create imbedded metrics to monitor resource and time consumption
- Capture revenue cycle information with dynamic and static reporting

Value Project

- We need to be able to….

- Integrate seamlessly with an EMR to insure capture of all patient activity
- Integrate with costing systems to accurately understand the cost of care
- Model payment schemes using complete, historical patient data
- Perform all functions at the Enterprise Level

Financials Capabilities

Enterprise management of service/episode specific revenue, anticipated cost and expected margin

Enterprise revenue and payment cycle management of patient care related AR and disbursements

Enterprise wide Workflows, Scalable, Open Infrastructure

Enterprise management of contracts and sub-contracts

Enterprise revenue cycle and payment cycle business insights and analytics

The ten most feared words in the English Language

As Bette Davis said,
“Fasten your seat belts, it’s going to be a bumpy night”