

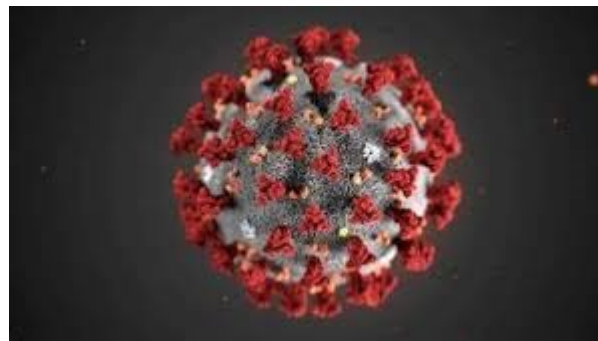


IONL Fall Conference

Health Care and Public Policy Update

October 19, 2022

Thank You For Your Tireless Efforts



Indiana Hospitals: Always There

150 Years of Caring for Hoosiers



Historical images featured courtesy of IUPUI University Library Special Collections and Archives.

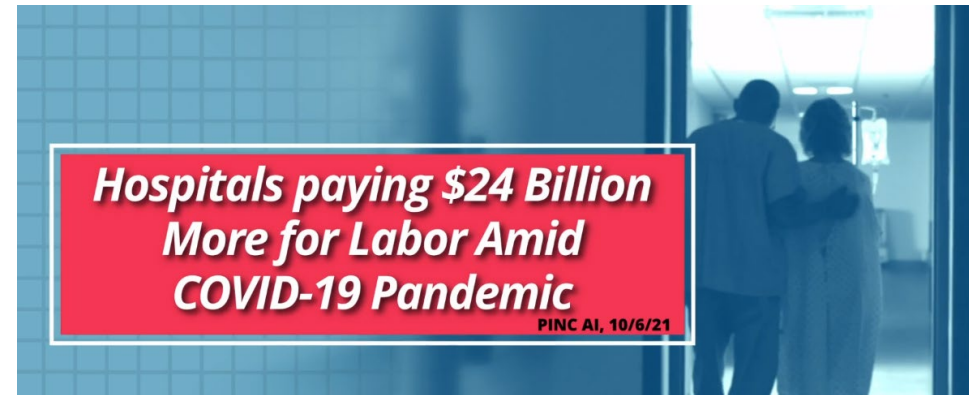


150 years of caring for Hoosiers
LEARN MORE >



Hospitals Facing Significant Challenges

- Hospitals are **STILL** dealing with unprecedented challenges



Report: Labor costs driving hospital expenses up, margins down



Pandemic continued to financially punish Indiana hospitals in 1st quarter

May 2, 2022 | John Russell

Ascension Health closes 2022 with \$1.8B loss, -3.1% operating margin

By Dave Muoio • Sep 19, 2022 03:56pm

Kaufman Hall: Current State of Hospital Finances



- + **-102%:** Level of hospital margins below pre-pandemic levels for the January through June of 2022
- + **-37%:** Optimistic projection of hospital margins below pre-pandemic levels for the rest of 2022 (*-133% is pessimistic projection*)
- + **53%:** Percentage of hospitals projected to end the year with negative margins relative to pre-pandemic levels
- + **\$135 B:** Increase in hospitals expenses over 2021 (*labor expenses projected to increase by \$86 B and non-labor expenses to rise \$49 B*)

Current State of Indiana Hospital Finances

IHA Survey Results

Since Q1 of 2021:

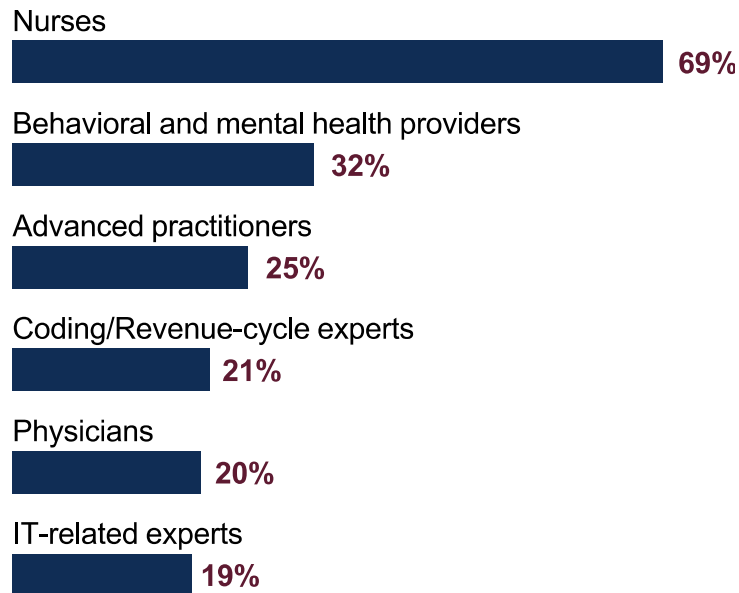
- One-fifth of Indiana hospitals have lost 20% or more of their days of cash on hand.
- Nearly 70% of hospitals have seen travel nurse expenses increase more than 20%.
- Meanwhile, hospitals have spent more to retain critical staff. Over half have increased salaries and benefits by 15% or more, and an additional third have reported that labor costs increased nearly 30% over the same time period.
- 75% of Indiana hospitals have paid up to 15% more on critical medical supplies like gloves, syringes, and PPE.
- 57% of hospitals have reported that their pharmaceutical drug supply spend increased by at least 10%.

Workforce

Critical workforce shortages threaten the ability of hospitals and health systems to care for their communities.

COVID-19 Impact on Staffing Shortages¹

Health care executives were asked which current staffing shortages are worse than one year ago.



Health care executives polled January – February 2021

Nursing Shortages

- + **90%** of nurse leaders expect a nursing shortage post-pandemic.²
- + Nursing vacancy rate in hospitals³
 - 2021 average: **10%**
 - Average time for a hospital to hire an experience RN, regardless of specialty: **89 days**

AHA Resources

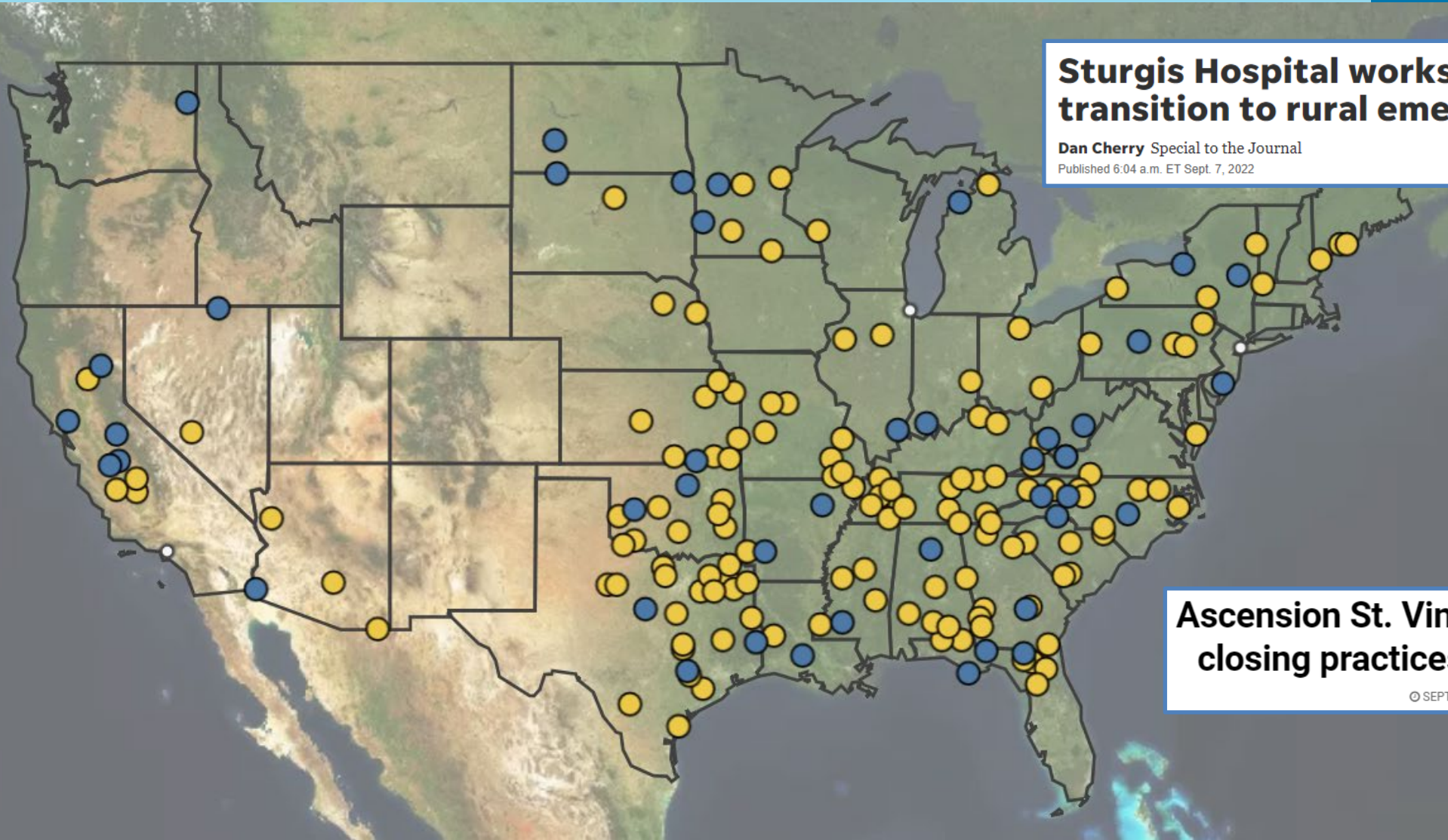
- **AHA's workforce agenda and resources:** aha.org/workforce

¹"2021 Provider Health IT & Corporate Services Trends," Guidehouse Center for Health Insights analysis of an executive survey conducted by Healthcare Financial Management Association, May 26, 2021, <https://guidehouse.com/insights/healthcare/2021/2021-provider-health-it-corp-svcssurvey>.

²"AONL COVID-19 Longitudinal Study Report: Nurse Leaders' Top Challenges and Areas for Needed Support, July 2020 to August 2021," American Organization for Nursing Leadership and Joslin Marketing, August 26, 2021.

³"2021 NSI National Health Care Retention & RN Staffing Report," NSI Nursing Solutions Inc., March 2021.

139 Rural Hospital Closures Since 2010



Sturgis Hospital works toward transition to rural emergency facility

Dan Cherry Special to the Journal
Published 6:04 a.m. ET Sept. 7, 2022



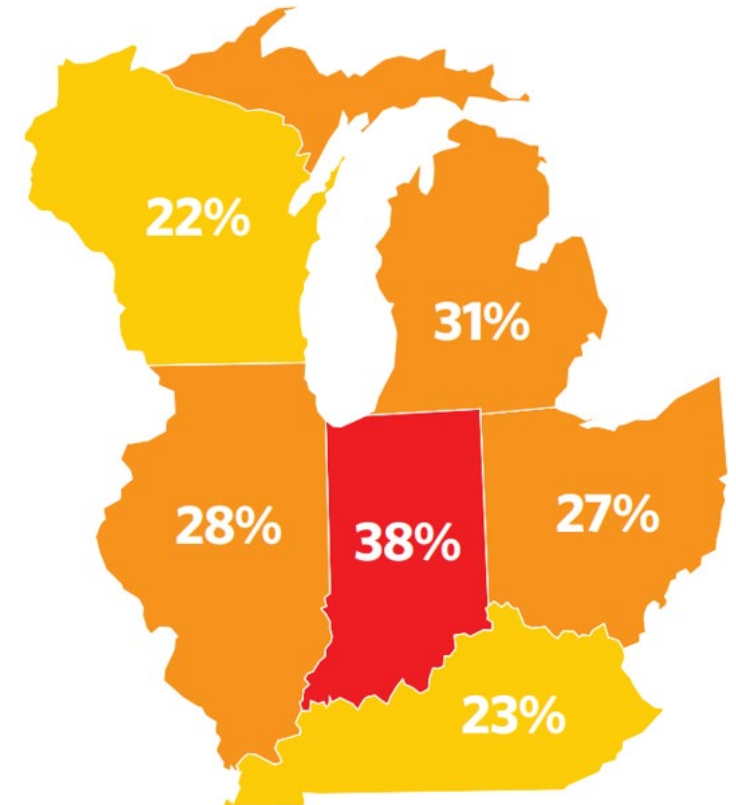
THE CECIL G. SHEPS
CENTER FOR
HEALTH SERVICES
RESEARCH

Ascension St. Vincent Dunn in Bedford closing practices on December 16th

© SEPTEMBER 19, 2022

Closure Threat in Indiana is Real

- **Indiana**
 - Rural hospitals at risk of closing: 20 (38 percent)
- Michigan
 - Rural hospitals at risk of closing: 19 (31 percent)
- Illinois
 - Rural hospitals at risk of closing: 20 (28 percent)
- Ohio
 - Rural hospitals at risk of closing: 19 (27 percent)
- Kentucky
 - Rural hospitals at risk of closing: 16 (23 percent)



PERCENTAGE OF RURAL HOSPITALS
AT RISK OF CLOSING

Source: Center for Healthcare Quality and Payment Reform January 2022

Patient Acuity Up Significantly

- Delayed and avoided care for non-COVID-19 patients during the pandemic has contributed to increasing patient acuity in hospitals
- Overall patient acuity has increased consistently each year since the start of the pandemic. **Between 2019 and 2021, overall patient acuity, as measured by the average length of stay, was up nearly 10%**
- For Medicare fee-for-service patients in the hospital for reasons other than COVID-19, average length of stay (ALOS) was up 6% in 2021 from 2019

Pandemic-Driven Deferred Care Has Led to Increased Patient Acuity in America's Hospitals

Rise in patient acuity has been a driver of increases in labor, drug, and supply costs for hospitals creating unsustainable financial challenges

How Will Industry Respond?



Hospitals need ‘transformational changes’ to stem margin erosion

Published July 20, 2022

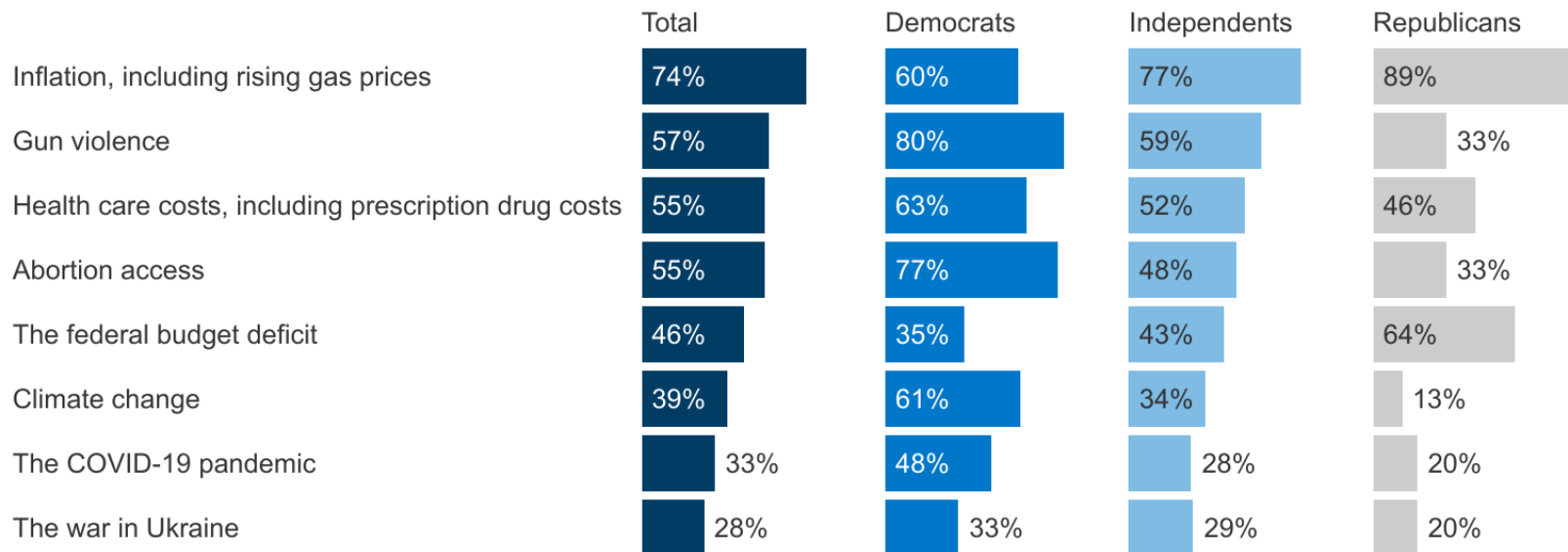
- Warning that it could take years for provider margins to recover to pre-pandemic levels, Fitch outlined a series of steps necessary to manage the inflationary pressures.
- Those moves include steeper rate increases in the short term and *“relentless, ongoing cost-cutting and productivity improvements”* over the medium term, the ratings agency said.
- Further out on the horizon, *“improvement in operating margins from reduced levels will require hospitals to make transformational changes to the business model,”* Fitch cautioned.

Voters' Health Care Cost Concerns

Figure 6

Partisans Disagree On Top Issues For Midterms, With Democrats Prioritizing Gun Violence And Abortion Access, While Republicans And Independents Prioritize Inflation

Percent who say each of the following issues will be **very important** in making your decisions about who to vote for in this year's midterm elections:



NOTE: Asked of registered voters. See topline for full question wording.

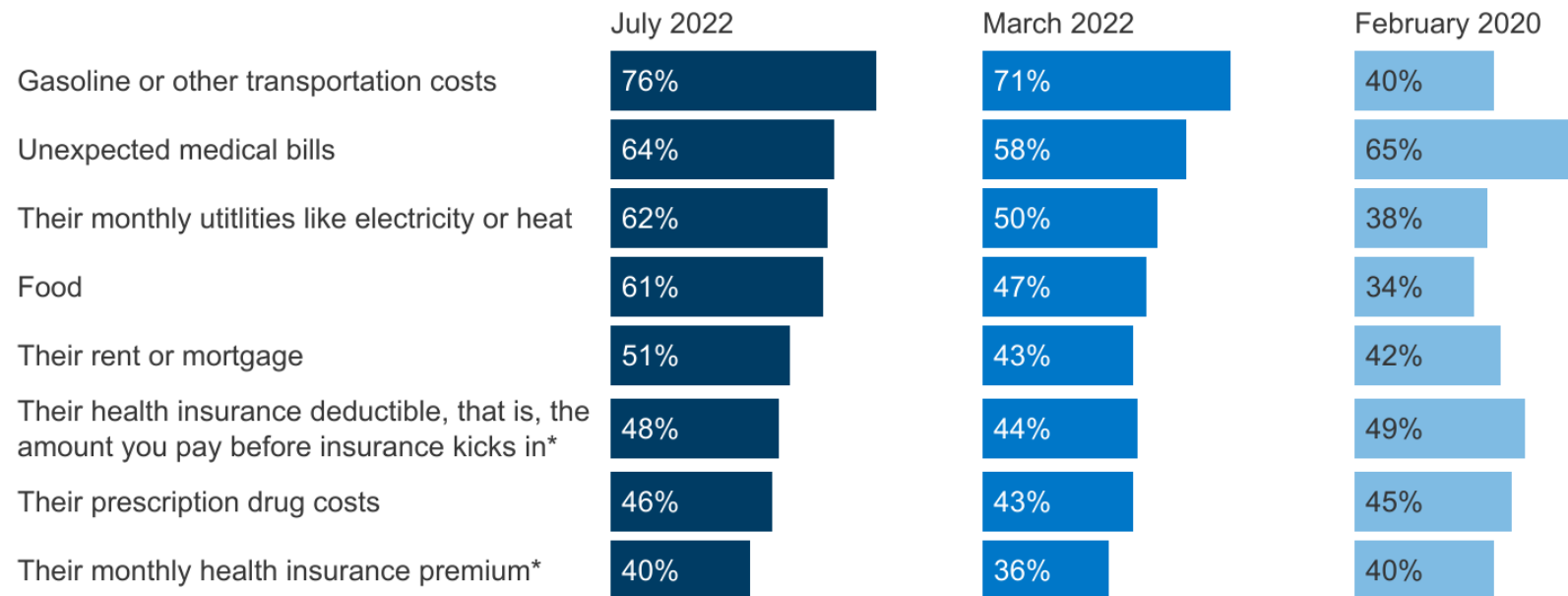
SOURCE: KFF Health Tracking Poll (July 7-17, 2022)

Voters' Health Care Cost Concerns

Figure 13

Concerns About Affording Household Expenses Have Grown Over Time, While Worries About Health Care Costs Remain Steady

Percent who say they are **very or somewhat worried** about being able to afford each of the following for them and their family:



NOTE: *Asked of those who are insured. See topline for full question wording.

SOURCE: KFF Health Tracking Poll

Private Sector Concerns

FIRST OPINION

As hospitals raise their prices, U.S. workers and businesses suffer

By Elizabeth Mitchell and Mike Thompson Aug. 31, 2022

[Reprints](#)



Authors

- “Elizabeth Mitchell is the president and CEO of Purchaser Business Group on Health, a coalition of nearly 40 of the country’s largest employers.
- Mike Thompson is the president and CEO of the National Alliance of Healthcare Purchaser Coalitions, a purchaser-led organization dedicated to driving health and health care value across the country.
- The two organizations are working together to mobilize employer-purchasers, educate policymakers, and advocate for public policies to reduce health care prices.”

RAND 4.0

- RAND 4.0 data is outdated and doesn't reflect recent changes
- Many differences between states
 - Indiana has 3rd lowest rate of commercial reimbursement for doctors
 - Indiana hospitals have twice the uncompensated care as Michigan
 - Medicare is not appropriate benchmark, as it varies by hospitals and Indiana hospitals are paid poorly by Medicare
- Indiana is not an outlier when it comes to overall health care costs
 - RAND rankings do NOT equate to total cost of care

Hoosiers for Affordable Healthcare Retweeted



Employers' Forum of Indiana
@EmplyrsForumIN

We applaud Speaker Huston and Pro Tem Bray for sending hospital and insurer executives a clear message to lower prices in Indiana. It's not hard. Simply, reduce prices! @bray_rodric @srudavsky @kaitlin_lange @indystar #pricetransparency



indystar.com

Indiana lawmakers target healthcare costs: 'Fix it, the best solution will come fr...
Indiana's legislative leaders ask hospitals and insurers to find solution to high health care prices.

10:28 AM · Jan 24, 2022 · Twitter Web App

OPINION | COMMENTARY | CROSS COUNTRY

High-Priced Hospitals in Indiana Press Their Political Luck

If the state's big nonprofit health systems can't find a way to control prices, legislators will.

By Al Hubbard and Brian Blase

Feb. 4, 2022 6:11 pm ET



PRINT



TEXT

131



Rep. Todd Huston, speaker of the Indiana House, and Sen. Rod Bray, president pro tempore of the state Senate, have [called](#) for Indiana hospitals and insurers to present a plan within three months that will reduce hospital prices to the national average within three years. Absent a viable plan, they have promised to pursue legislation to reduce prices.

Hoosiers for Affordable Healthcare

H4AHC followers:



Hoosiers for Affordable Healthcare

@h4ahc

h4ahc.com

 Joined November 2020

0 Following **48** Followers



Alexandra Spratt

@a_spratt

Follow

Health policy [@Arnold_Ventures](#). Coffee addict, news junkie, sports fiend, beach lover. Views my own.



Morgan McGrath

@morgan_mcgrath

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Health Policy [@arnoldventures](#) || Repro rights & justice advocate, crossword enthusiast, lover of all dogs, New Englander. Views are my own



Hunter Kellett

@HKellett

Follow

Health care [@Arnold_Ventures](#). Views my own.

Hospitals Are Committed to Affordability

- IHA has consistently supported transparency legislation
 - Surprise billing, patient estimates, price posting, public database
- Indiana hospitals recognized for commitment to transparency
- Varying cost reducing initiatives from hospitals across the state
- The need for a common, accurate metric to measure success



Viewpoint: Indiana's hospital systems stand committed to affordability

April 1, 2022 | Bryan Mills, Mike Packnett, Kreg Gruber, Dennis Murphy, Kevin Leahy, Jonathan Nalli, Shawn McCoy, Steven Holman



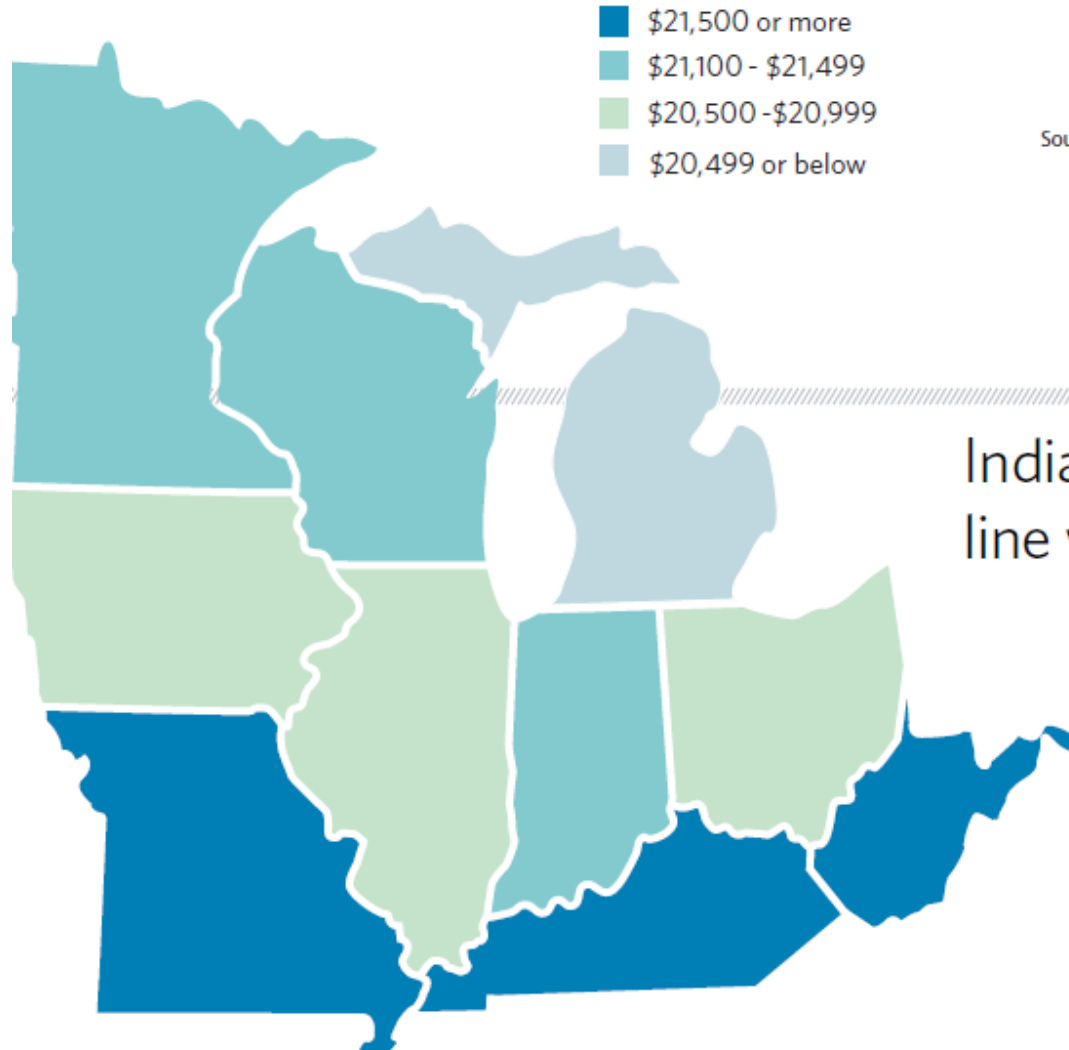
Health insurance premiums* in
Indiana for family coverage were
below the national average in 2021.

*Both the employer and employee contribution

\$21,281
INDIANA

\$21,381
UNITED STATES

Source: Medical Expenditure Panel Survey (MEPS)
data from the Kaiser Family Foundation



Indiana premiums remain in
line with neighboring states.

Indiana premiums were in the middle of the pack of neighboring states; lower than West Virginia (\$23,384), Missouri (\$21,827), Kentucky (\$21,531), and Minnesota (\$21,327) and only slightly higher than Wisconsin (\$21,166), Ohio (\$21,102), Illinois (\$20,878), Iowa (\$20,567) and Michigan (\$20,142) in 2021.

Changing the Game

Industry Voices—Health systems and the rise of direct contracting

By Jim Cusumano • Sep 24, 2021 03:30pm

Employer health

Employer-Sponsored Health Plan

Healthcare Costs



MONEY

Some GM employees to get 'direct-to-employer' health care option



JC Reindl

Detroit Free Press

Published 4:01 p.m. ET Aug. 6, 2018 | Updated 2:11 p.m. ET Aug. 7, 2018

[View Comments](#)



Why self-insured companies are turning to direct-to-employer contracting

How to get started with direct-to-employer contracting, which offers a way to provide high-quality care to employees while managing costs.

Educating Policymakers and the Public



Performance Improvement, Strategy, Transaction Support/Negotiations, Valuations, Retreats, Research

Nathan S. Kaufman, Managing Director

N8@KaufmanSA.com

Analysis of Indiana Insurance Data:

Indiana's Medical Costs Similar to the Other States in the Region; Insurers' Pharmacy Rebates Growing Rapidly

Kaufman Strategic Advisors analyzed recently published data regarding insurance premiums and claims costs in Indiana and neighboring states to understand the critical drivers of premium increases for employers and consumers. The data reveals interesting insights and challenges previous conclusions about Indiana's health care costs.

The Bigger Picture

A new report found Indiana's medical costs are in line with neighboring states.

However, insurance companies increased their profits and raised premiums for Hoosiers.

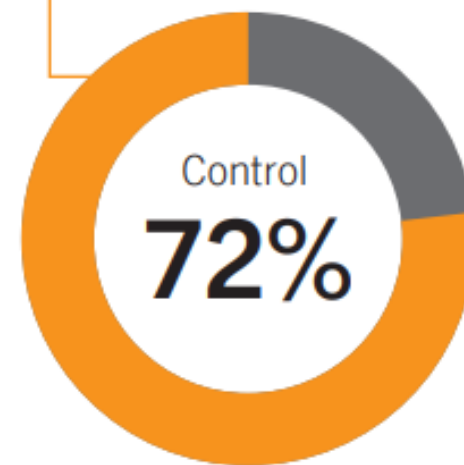
[Learn why more transparency is needed](#)

ihacconnect.org



MARKET DOMINATION

2 Dominant Insurers:
Anthem and **UnitedHealth Group**



Control
72%
of the insurance
market in Indiana

Study: Indiana Hospitals Among Most Transparent on Prices

Friday, December 17, 2021 07:10 PM EDT

By [Alex Brown](#), Assistant Managing Editor



What's Next?

- 2023 state legislative session begins in January
- Governor has identified public health as a major agenda item
- Expecting some more media attention on the cost debate, including nationally
- Continuing our education of lawmakers on hospitals' work on affordability
- IHA's members are continuing to serve Hoosiers undaunted

IHA's Legislative Agenda

- **Workforce**
- **Insurer Transparency**
- **Protecting Health Care Workers**
- Governor's Public Health Commission Recommendations
- Supporting Employers
- Leadership's Mental Health Package

Culture of Workplace Safety Initiative

- **Advocate** for public policies to protect staff
 - Federal SAVE legislation authored by Rep. Bucshon
 - Bring back state-level enhancement for assault against HCWs
 - Ensure that mental illness is not criminalized
- **Educate** the public about the issues
 - Use our statewide voice to inform the public and policymakers about the threats HCWs are facing

Assaults on healthcare workers are on the rise: Indiana Hospital Association



By: Rachael Wilkerson

Posted at 5:02 PM, Jun 09, 2022 and last updated 6:40 PM, Jun 09, 2022



Culture of Workplace Safety Initiative

- **Collect Data** to inform future advocacy, enhance targeted interventions & training, provide a benchmark for individual IHA members, and set a goal for collective improvement
 - Asking IHA members to complete the Workforce Safety Supplemental Questions as part of the Culture of Patient Safety Survey
- **Provide Resources**
 - Distribute signage for requesting hospitals regarding patient/visitor behavior
 - Draw on member examples and Michigan Hospital Association's templates
 - Based on funding considerations, establish a platform to scale a post-incident solution such as the Resilience in Stressful Events (RISE) program from the Johns Hopkins Hospital across all requesting members



INDIANA

GOVERNOR'S PUBLIC HEALTH COMMISSION



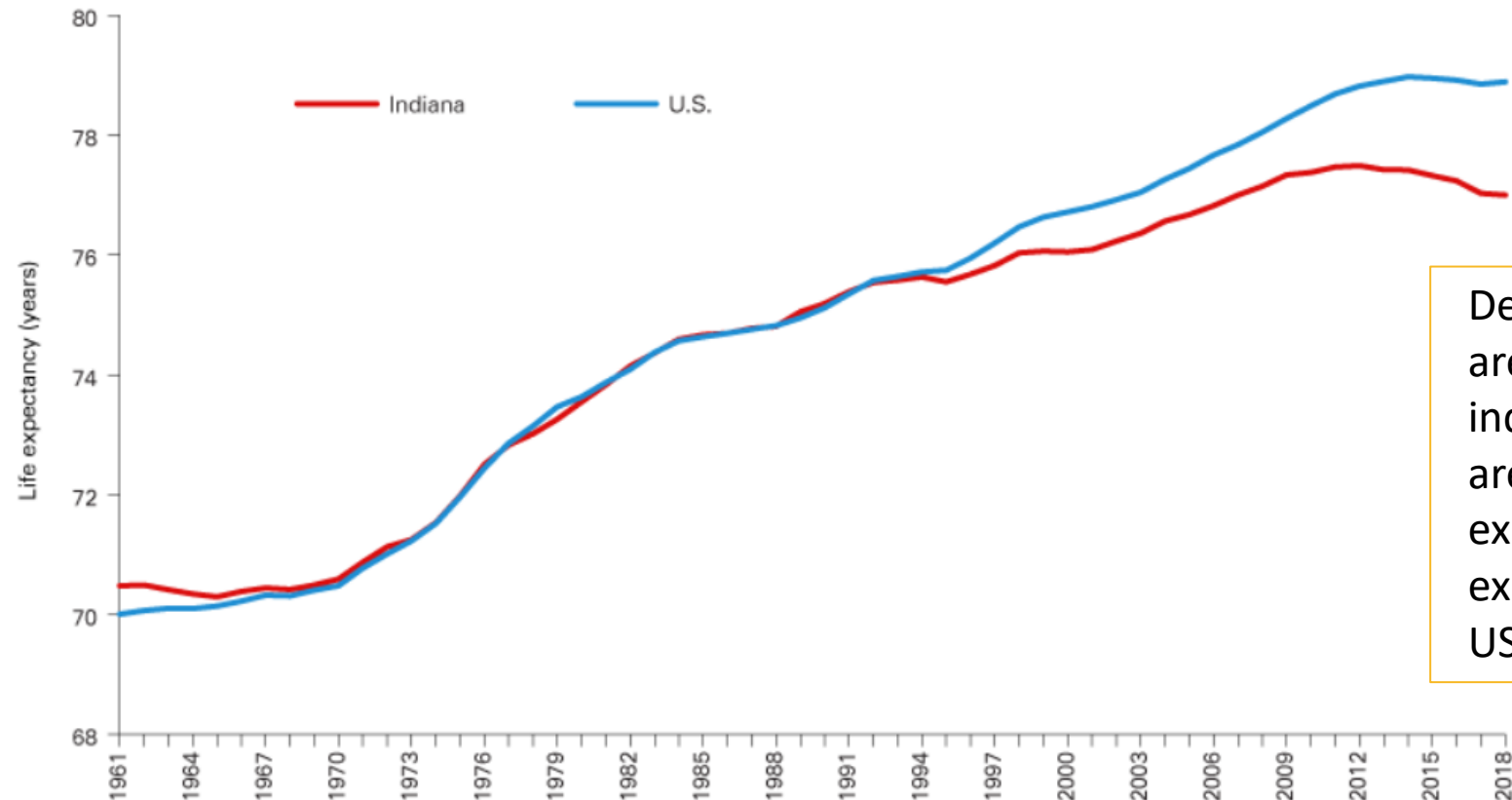
Report to the Governor in fulfillment of Executive Order 21-21
Submitted by the Staff of the Indiana Department of Health

Six Public Health (PH) Workstreams

- Emergency Preparedness
 - Analyze State/LHDs' response to the pandemic; make recommendations for future improvements
- Public Health Funding
 - Review PH funding sources, current levels, and suggestions for standardization (\$250 M question)
- Governance, Infrastructure, and Services
 - Review PH governance/infrastructure, services delivered through LHDs, and shared services models
- Workforce
 - Consider policies to support PH workforce planning and identify/address workforce shortages
- Data and Information Integration
 - Consider policies to improve the use/integration of data to better support PH programming and delivery
- Child and Adolescent Health
 - Improve school-based health education and prevention; improve access to child & adolescent health care

Life Expectancy in Indiana Declining

Figure 1: Life expectancy at birth, three-year moving average

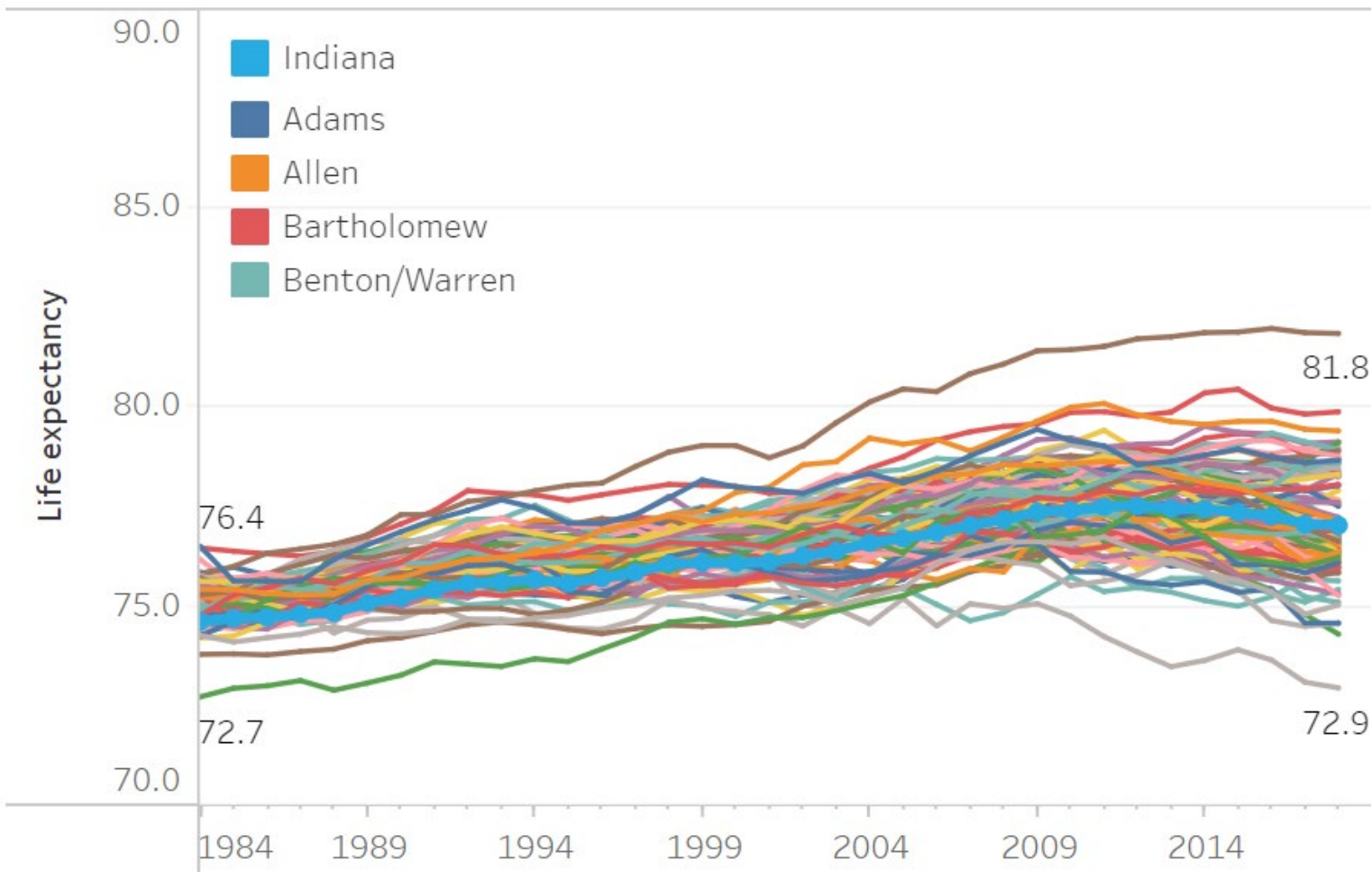


Decreases in Hoosier life expectancy are occurring in working age individuals (25 to 64) while ages 65+ are seeing increases in life expectancy. Indiana's average expectancy is 1.9 years below the US, ranking us 40th.

Source: United States Mortality Database. University of California, Berkeley (USA). Available at usa.mortality.org (data downloaded on 5/10/2021).

Life Expectancy Diverging Greatly by County

Average life expectancy over time: Indiana & All



Huge differences emerging between counties like Hamilton County at 81.8 years of life expectancy and Scott County at 72.9.

Key Questions

- *Can we address our long-term workforce challenges?*
- *With financial pressures from commercial payers and Medicare, can we be more creative and aggressive about Medicaid policy in Indiana?*
- *How do we best educate not just policymakers, but the public about the industry's challenges?*
- *Can we decrease provider-payer tension and increase collaboration on value-based payment models?*
- *Will Indiana finally invest in public health in a meaningful way?*



Questions?



Trent Fox

VP, Government Relations

tfox@IHAconnect.org

Indiana Hospital Association

500 N. Meridian, Suite 250

Indianapolis, IN 46204

Main: 317-633-4870

IHAconnect.org | [Facebook](#) | [Twitter](#)

