



Employer Coalition

of Louisiana

A LOUISIANA HEALTH CARE QUALITY FORUM INITIATIVE

Tackling the Rising Cost of Healthcare

Aligning Payment with Quality

LDI Conference
March 28, 2023



Louisiana Health Care
QUALITY FORUM

Private, not-for-profit organization (2007)

MISSION

To lead evidence-based, collaborative initiatives to improve the health of Louisiana residents

VISION

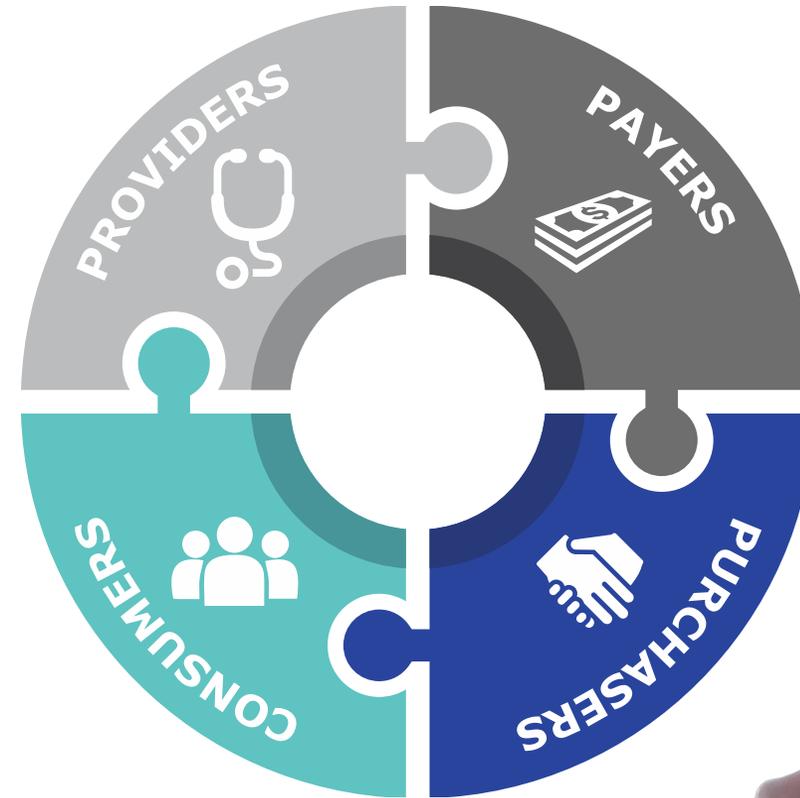
To be the recognized leader in driving fundamental improvement in health & health care in Louisiana

WORKING TOGETHER for a HEALTHIER STATE





- **ONLY independent, nonpartisan neutral convener of Louisiana's health care stakeholders**
- **Promote collective, collaborative conversations to achieve optimal solutions**
- **Able to achieve solutions no market participant could accomplish individually**
- **Drive work at the regional and community levels across the state**
- **Serve as trusted data stewards**
- **Recognized as critical change agents**



WORKING TOGETHER for a HEALTHIER STATE



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Coordinated & Integrated Approach to
Transforming Health Care in Louisiana



IT/EHR Systems



**Care Management
Coordination**



**Performance
Reporting & Improvement**

HEALTH IT: BRIDGING THE GAP

Volume-Based Model



Value-Based Model



Louisiana Health Care
QUALITY FORUM

Strategic Planning Session

January 13, 2021

Questions for each Board Member

**What are the current challenges you are dealing with in your industry?
If you could have the Quality Forum do one thing it is not currently doing, what would it Be?**

Answers

**Healthcare affordability
Focus on addressing the impact of high health benefit costs on businesses**

Employers Bear Responsibility for Healthcare Costs

Healthcare has become increasingly **unaffordable for employees** in employer-sponsored plans, and the provision of medical benefits has become **unsustainable for self-insured employers**

Employers play a critical role in **funding healthcare**

Employer-sponsored plans cover approximately **159 million Americans**

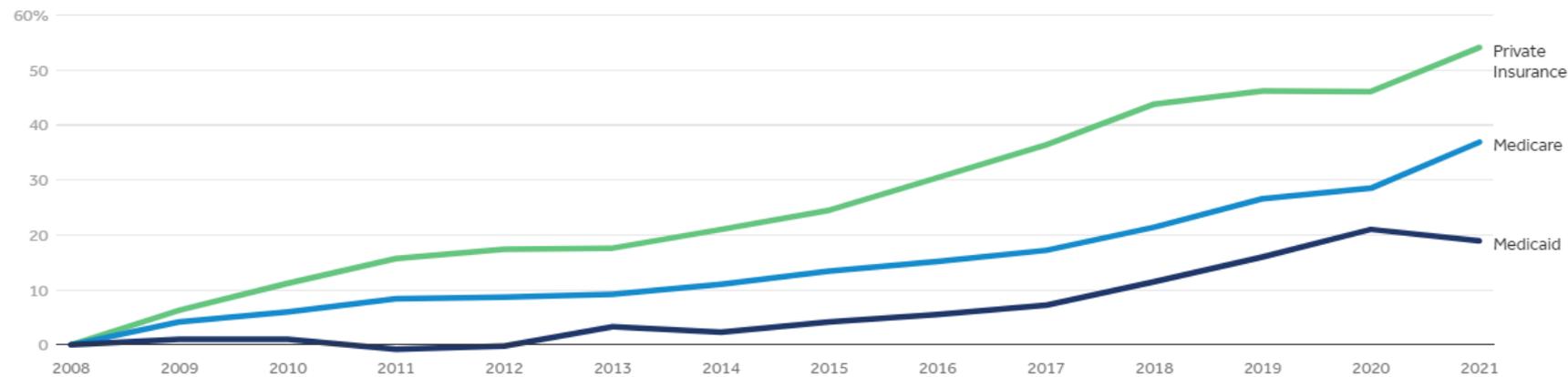
Privately insured population accounts for **34% (\$1.2 trillion) of U.S. healthcare spending**
\$480 billion in hospital costs



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Cumulative Growth in Per Enrolled Person Spending by Private Insurance, Medicare, and Medicaid

Cumulative growth in per enrolled person spending by private insurance, Medicare, and Medicaid, 2008-2021



Source: [KFF analysis of National Health Expenditure \(NHE\) data](#) • [Get the data](#) • [PNG](#)

Peterson-KFF
Health System Tracker

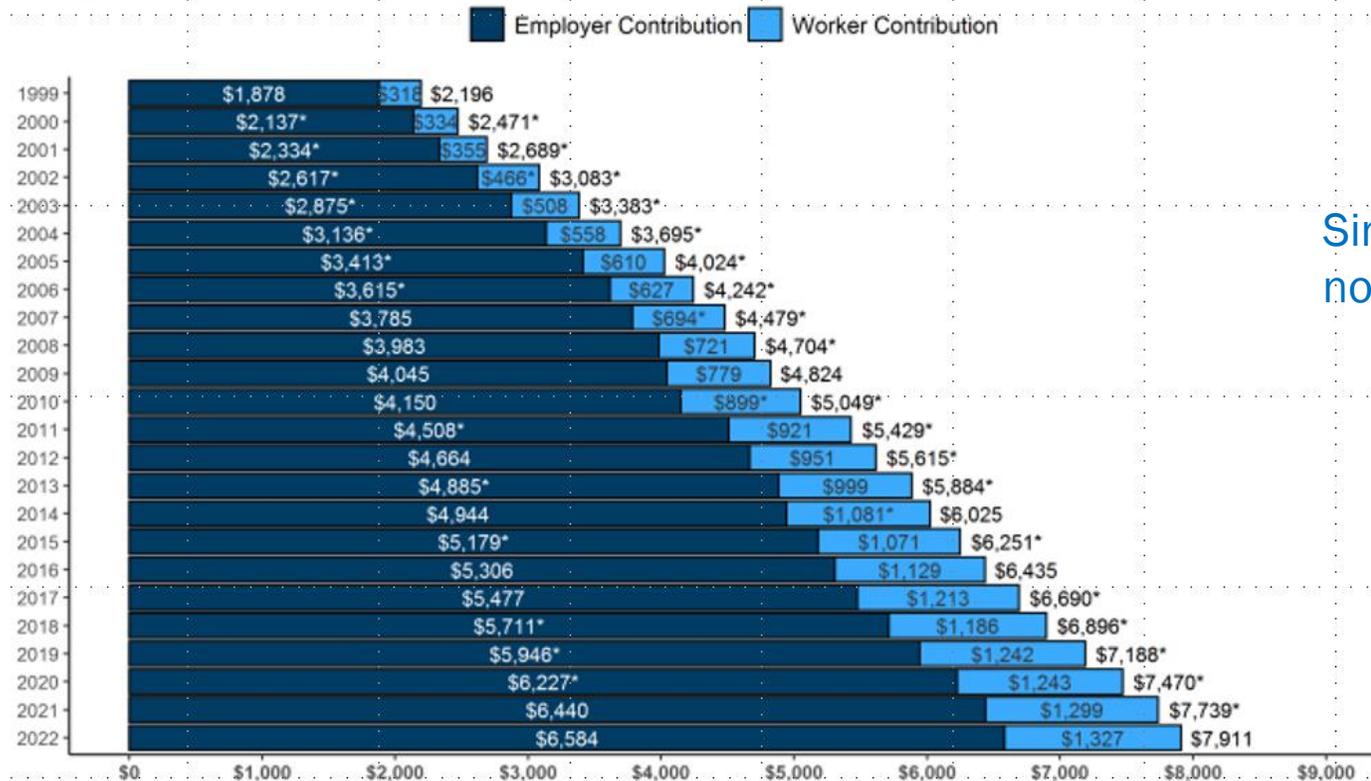
On a per enrollee basis, **private insurance spending grew by 54%** from 2008 to 2021 – much faster than Medicare (36.9%) and Medicaid (18.9%) spending growth per enrollee.



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Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Single Coverage, 1999-2022

Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Single Coverage, 1999-2022



Single Premiums are now over \$7,911 per year

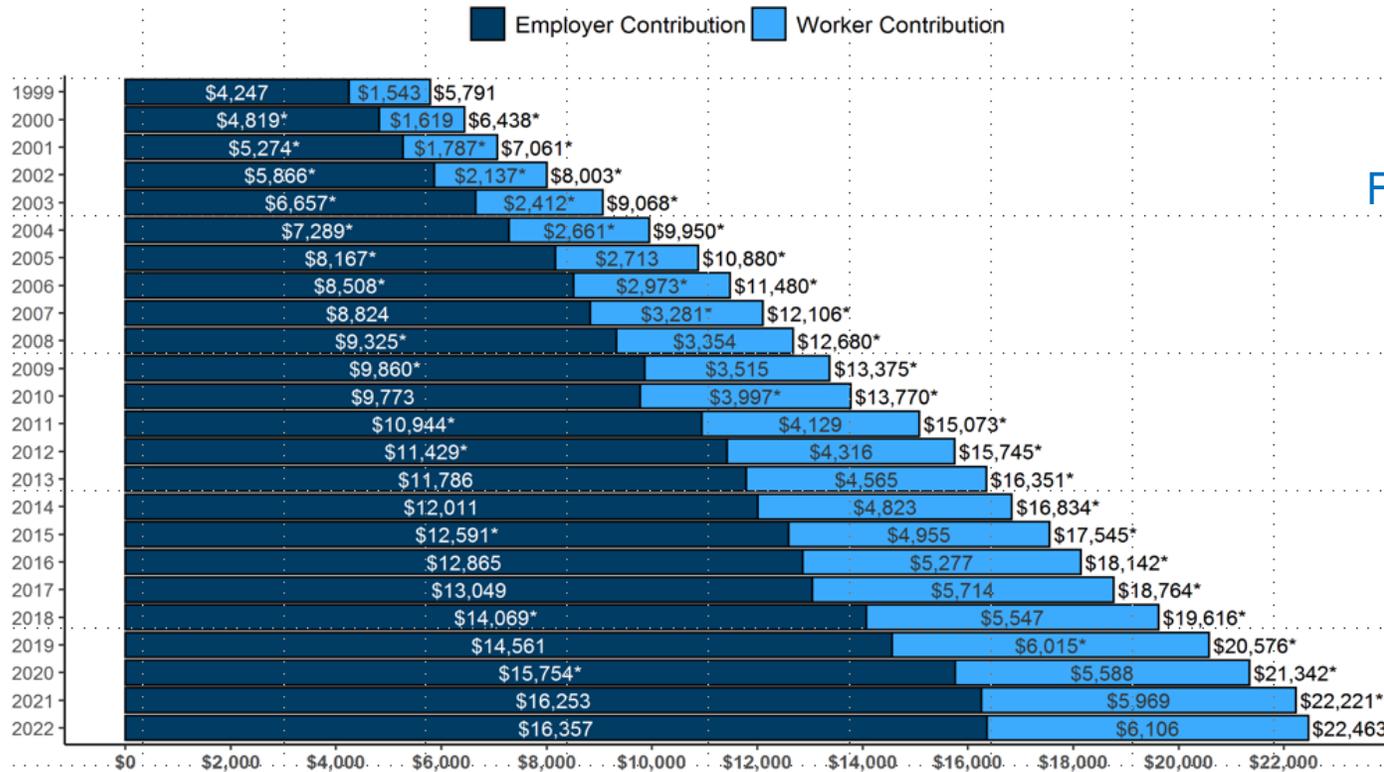


* Estimate is statistically different from estimate for the previous year shown (p < .05).

SOURCE: KFF Employer Health Benefits Survey, 2018-2022; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Family Coverage, 1999-2022

Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Family Coverage, 1999-2022



Family Premiums are now \$22,463 per year

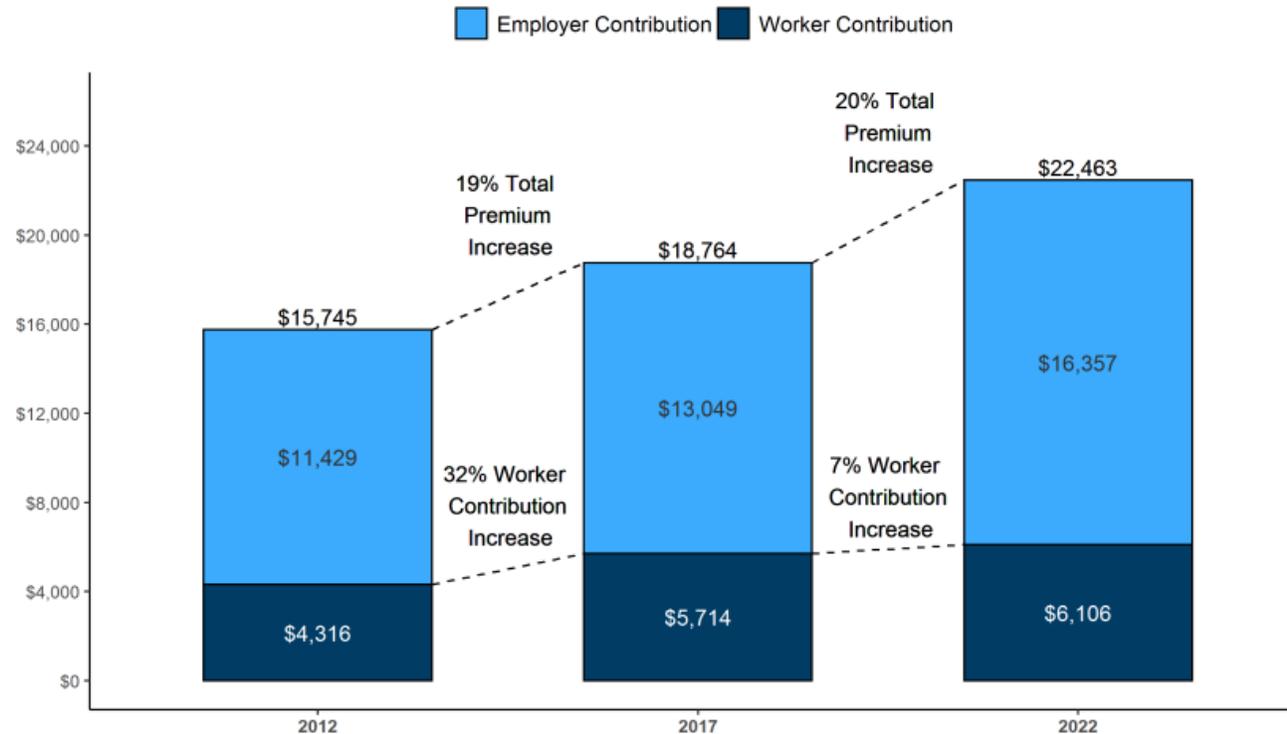
* Estimate is statistically different from estimate for the previous year shown (p < .05).

SOURCE: KFF Employer Health Benefits Survey, 2018-2022; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017



Average Annual Worker and Employee Premium Contributions for Family Coverage, 2012, 2017, and 2022

Average Annual Worker and Employer Premium Contributions for Family Coverage, 2012, 2017, and 2022

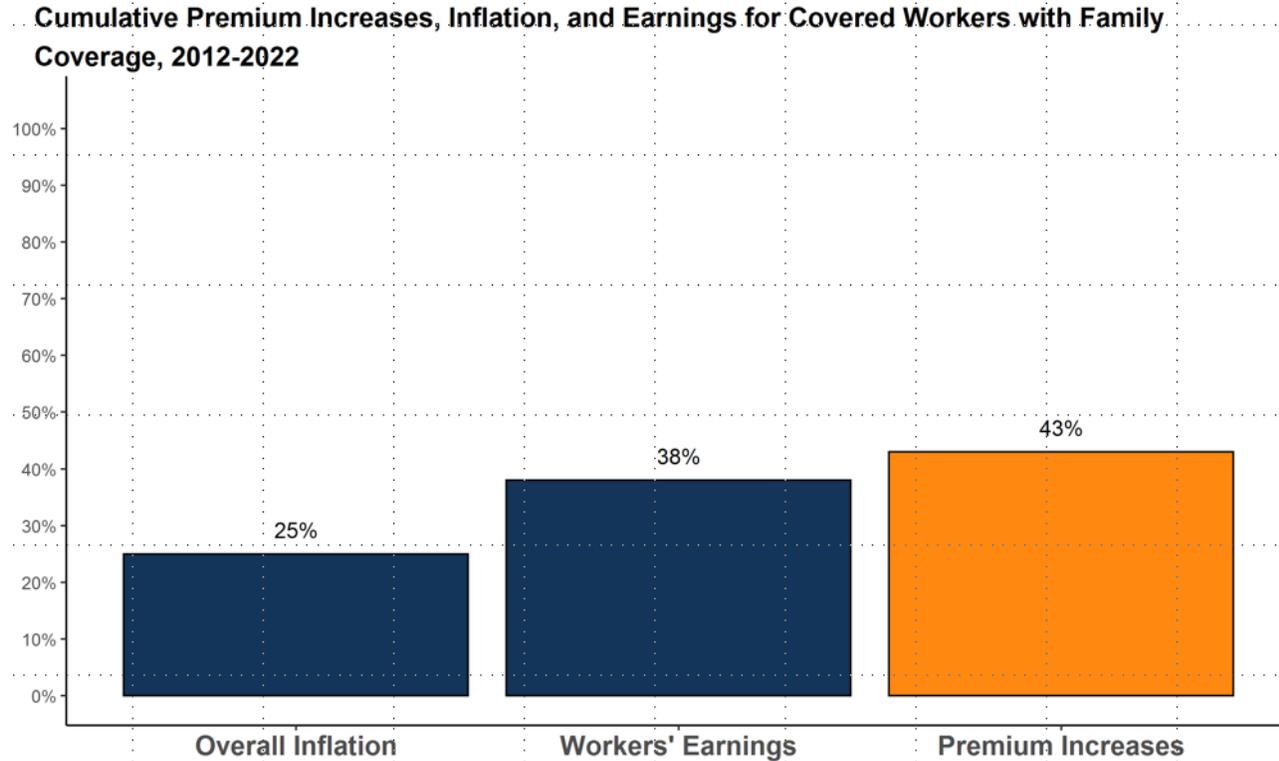


Average premium for Family coverage has increased 20% over the last five years and 43% over the last ten years.

SOURCE: KFF Employer Health Benefits Survey, 2022; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012 and 2017



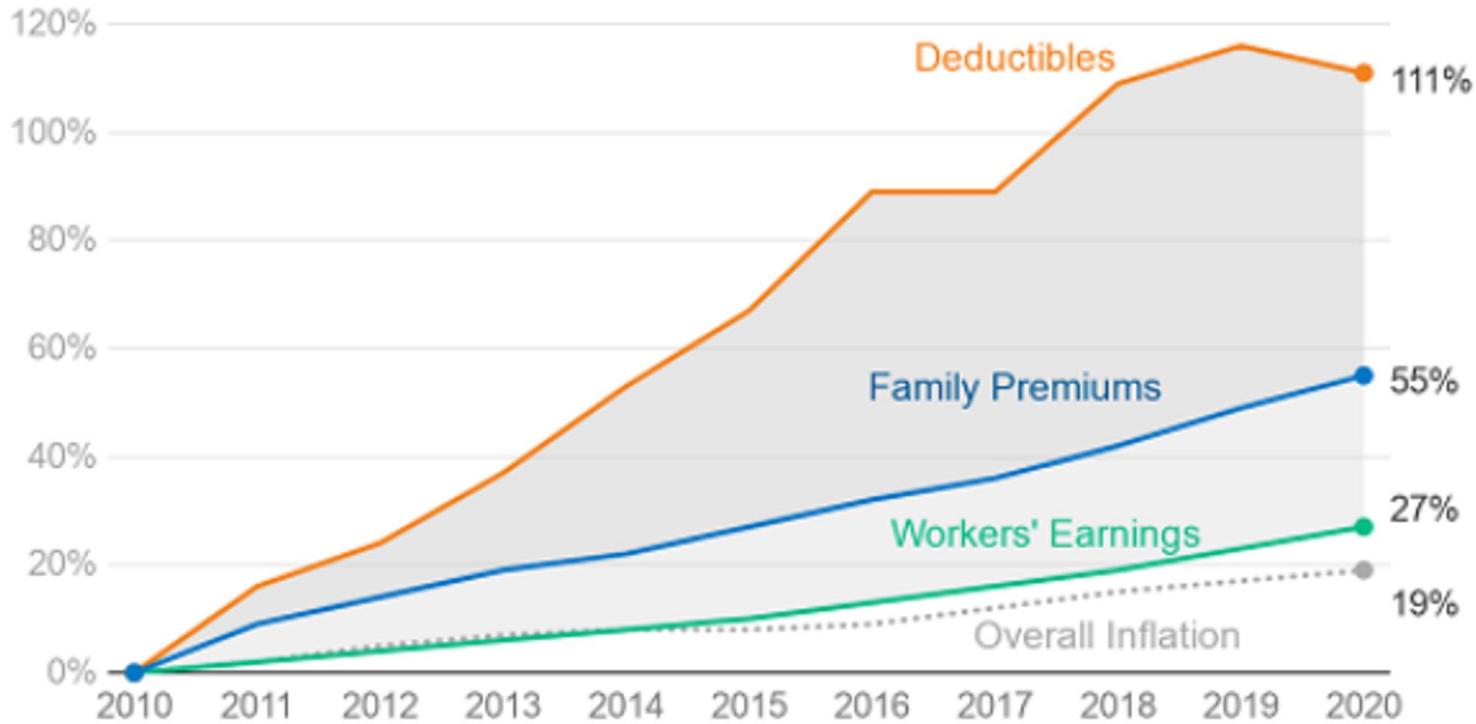
Cumulative Premium Increases, Inflation, and Earnings for Covered Workers with Family Coverage, 2012-2022



SOURCE: KFF Employer Health Benefits Survey, 2018-2022; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012-2017. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation, 2012-2022; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2012-2022. **KFF**



Employee Premiums and Deductibles Have Risen Much Faster Than Wages Since 2010



Since 2010, LA's average family **premiums** per enrolled employee in an employer-sponsored health plan have **increased by 46%** and **deductibles by 68%**

Benefits, 2010 and 2015: <https://www.kff.org/health-costs/report/2020-employer-health-benefits-survey/>

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Louisiana Premium and Deductible Statistics, 2013-2021

Average health insurance **premiums** for **Single** coverage per enrolled employee increased **28%**

Employee contribution increased **45%**

Employer Contribution increased **23%**

Average annual **deductible** for **Single** coverage per enrolled employee increased **74%**

Average health insurance premiums for **Family** coverage per enrolled employee increased **24%**

Employee contribution increased **46%**

Employer Contribution increased **15%**

Average annual **deductible** for **Family** coverage per enrolled employee increased **68%**



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Vulnerability to Medical Debt is Pervasive

Baked into health insurance benefits design and has transferred to the patient

OOP health spending rose 10.4% in 2021

Most households' savings are less than the maximum OOP limit allowed for most private plans

Median liquid assets of households and maximum out-of-pocket limit allowed in private plans for in-network services, by household size, 2019

Median liquid assets, 2019



Maximum out-of-pocket limit in private plans (for in-network services), 2019



Liquid assets include the sum of checking and saving accounts, money market accounts, certificates of deposit, savings bonds, non-retirement mutual funds, stocks and bonds. Among non-elderly households, those in which the head of house and his/her spouse are less than 65

Source: KFF analysis of the Survey of Consumer Finance, 2019 • [Get the data](#) • PNG

Peterson-KFF
Health System Tracker



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Medical Debt

Kaiser Family Foundation Health Care Debt Survey

Four in ten adults in the U.S. carry medical debt

Of the adults with healthcare debt:

Eight in ten report skipping or delaying care or medications due to cost

Six in ten say they or their household has had to cut back spending on necessities to pay down debt, half have used up their savings

Medical Debt in Louisiana

28.4% of adults have unpaid medical bills



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Employers Bear Responsibility for Healthcare Costs



Privately insured population accounts for **34% (\$1.2 trillion)** of U.S. healthcare spending
\$480 billion in hospital costs

In 2020, across all **hospital inpatient and outpatient services**, employers and private insurers paid on average **224 percent** of what Medicare would have paid for the same services at the same facilities

Despite new data showing hospitals require payments that represent **127% of Medicare** to cover their expenses

Hospital services now represent largest share of total health care costs at about 37% of the total health care spending for privately insured Americans



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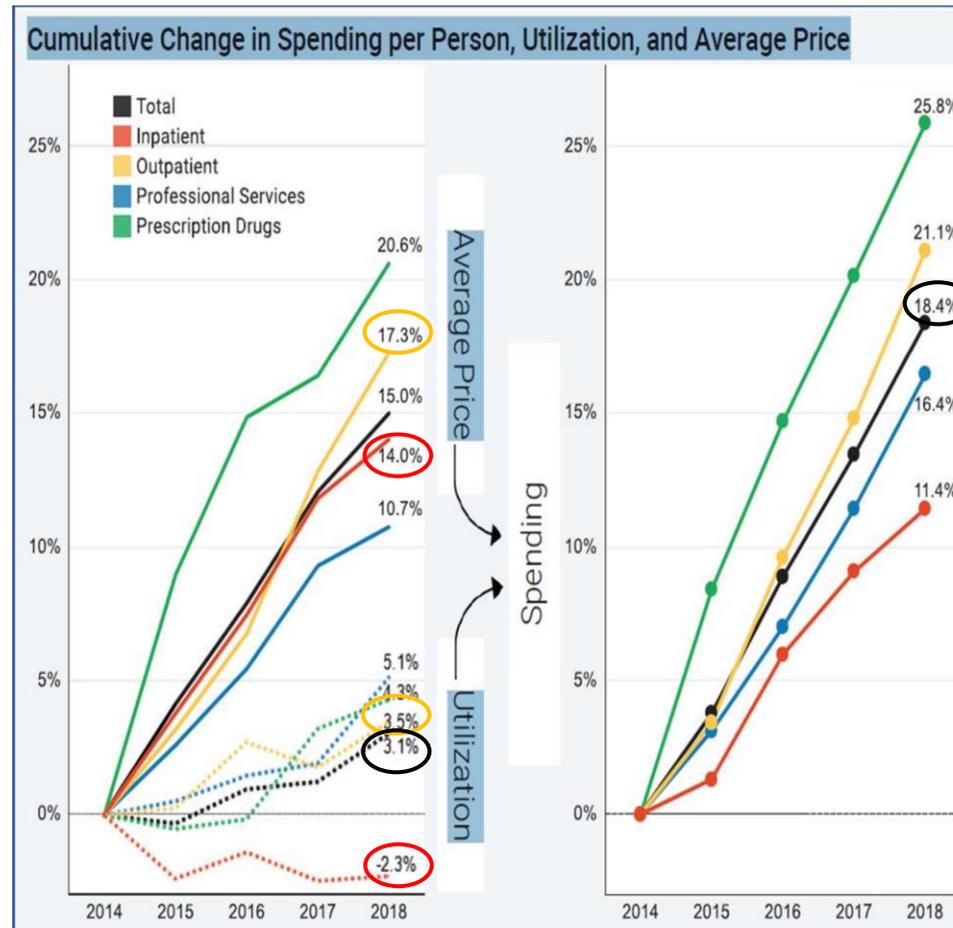
Hospital Price is the Problem, Not Utilization

Total annual spending per person increased 18.4%

Inpatient costs increased 14%
while utilization decreased 2.3%

Outpatient costs increased 17.3%
with utilization increasing 3.5%

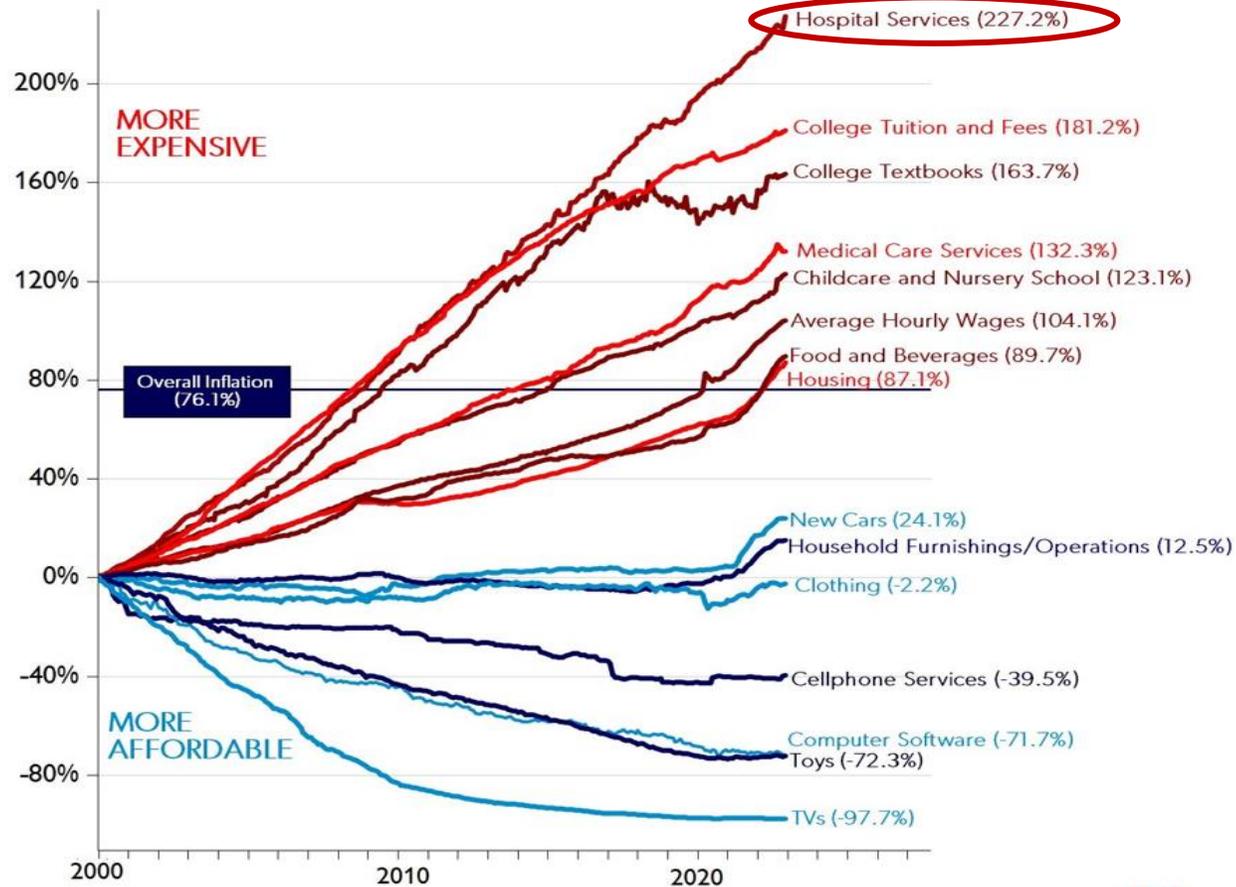
Utilization of medical services rose by 3.1%



Hospital Services Increasing Consistently Over Time per the Bureau of Labor and Statistics

Price Changes: January 2000 to December 2022

Selected US Consumer Goods and Services, Wages



Source: Bureau of Labor Statistics

Carpe Diem **AEI**



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Impact of Rising Healthcare Costs on Employers and Employees

Employers

High health benefit costs come at the expense of **core business investments** and hold down **wages**, dampen **business growth** and squeeze **family budgets**

Health benefits are one of the largest expenses for employers

Healthcare costs are increasingly suffocating businesses in America



Employees

Bear most or all of the costs of employer-sponsored health benefits through a combination of employee **premium contribution and out-of-pocket spending** and the fact that employer contributions for healthcare take the place of other forms of compensation, such as **wages** and **retirement benefits***



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Employer Challenges

Employers often **lack information** to show what they are paying for and whether the prices for those services are reasonable

Employers have **limited access to useful information** on hospital prices

Unlike other goods and services, it's **nearly impossible to compare the price** of healthcare tests, procedures, or treatments

Prices for many standard health services **vary** both across and within geographic regions



Fiduciary Responsibility

Self-funded employers have a **fiduciary responsibility** to “act in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them.”



Increased scrutiny on fiduciaries since passing of Consolidated Appropriations Act

Plan sponsors required to pay fair prices for services provided, but what is fair?

Risk of **class action and civil suits, penalties** from DOL

How can self-funded plans fulfill fiduciary obligations without knowing prices?

As states and other payers seek to address high and rising **hospital prices**, they confront important questions, including “**what is a reasonable price for care?**”

New Transparency tools bring a wealth of information



Hospital Price Transparency Tools

NASHP Hospital Cost Tool

- Information on **hospital finances** (e.g., revenues, profitability, payer mix, assets, labor)/ utilizes federal government data submitted by hospitals (**Annual Medicare Cost Report**)
- **Determines Commercial breakeven** (the reimbursement rate a hospital needs to receive from commercial payers to cover all of its expenses for hospital inpatient and outpatient services, without profit)

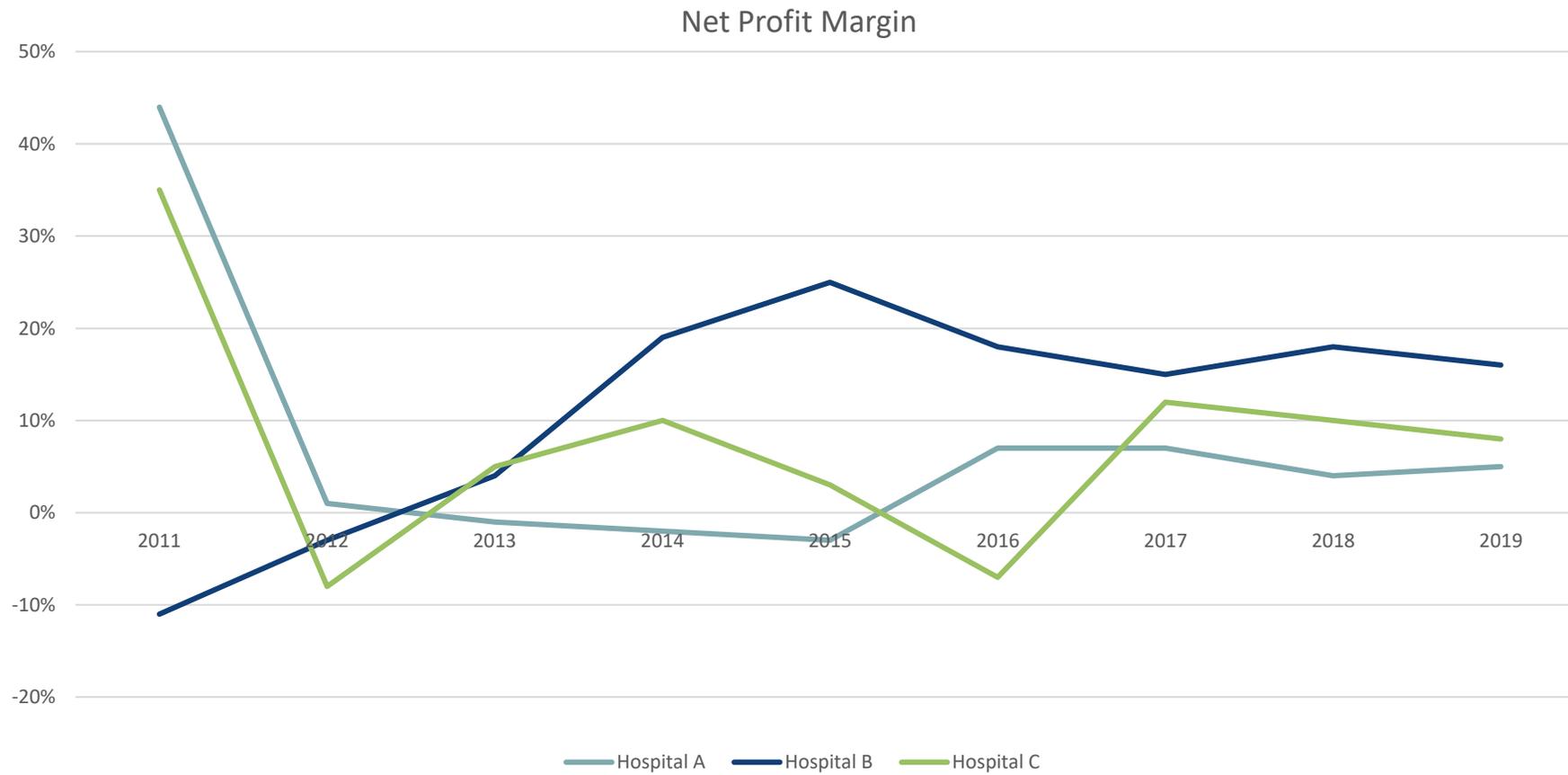
Sage Transparency Tool

- Utilizes both **public and proprietary data** to compare **hospital prices and quality**

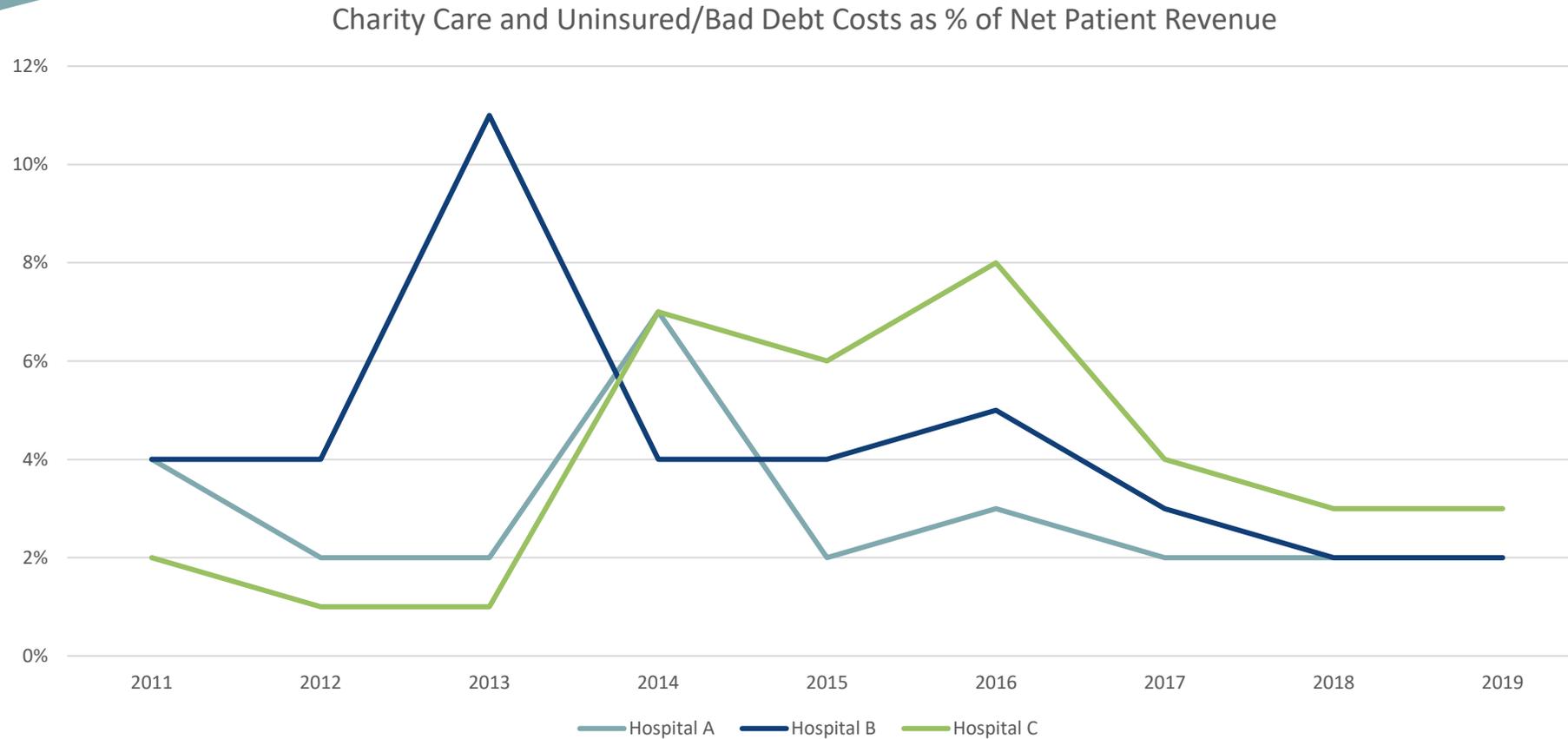
RAND Hospital Price Transparency

- **Prices paid to hospitals by commercial payers** for inpatient and outpatient services, expressed as **Medicare rates**
- Utilizes **claims data** from employers, insurers, and APCDs

Net Profit Margin, 2011-2019



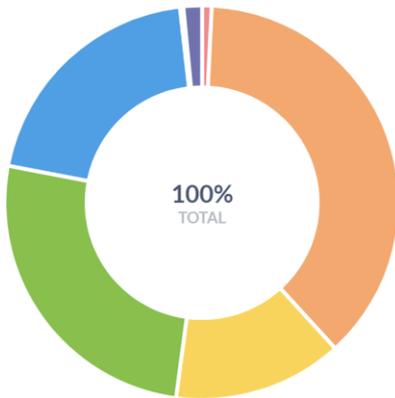
Charity Care and Uninsured/Bad Debt Costs as % of Net Patient Revenue, 2011-2019



Payer Mix Comparison, 2019

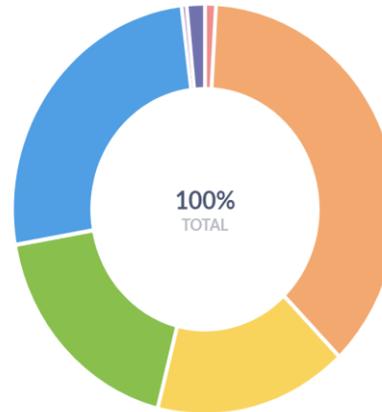
Hospital A

- 1% Charity Care
- 38% Commercial
- 14% Medicaid
- 26% Medicare
- 20% Medicare Advant...
- 0% SCHIP and Low In...
- 1% Uninsured and Ba...



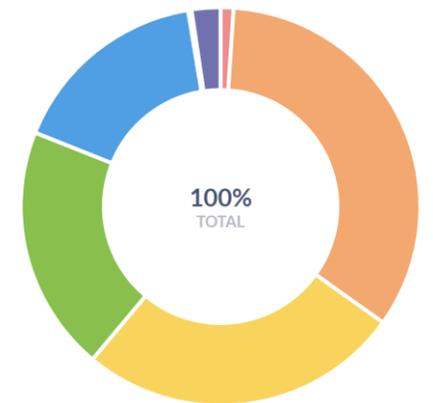
Hospital B

- 1% Charity Care
- 37% Commercial
- 16% Medicaid
- 18% Medicare
- 26% Medicare Advant...
- 0% SCHIP and Low In...
- 1% Uninsured and Ba...



Hospital C

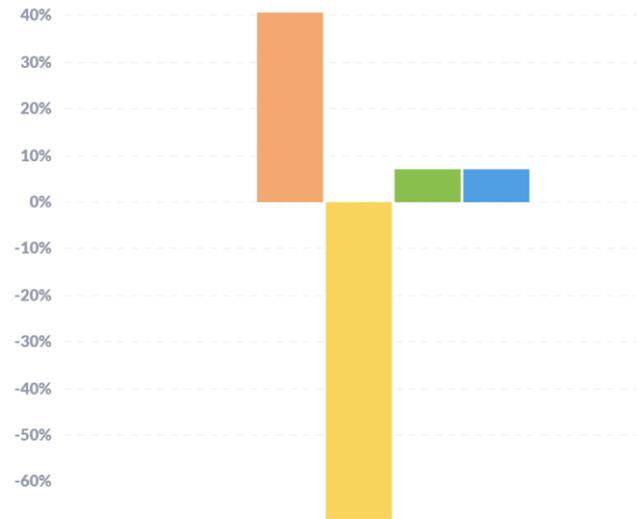
- 1% Charity Care
- 34% Commercial
- 26% Medicaid
- 20% Medicare
- 16% Medicare Advant...
- 0% SCHIP and Low In...
- 2% Uninsured and Ba...



Operating Profit Margin by Payer, 2019

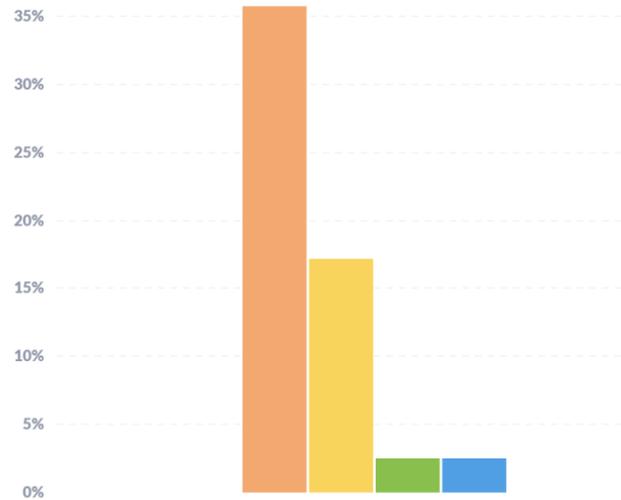
Hospital A

Operating profit margin by payer type for the selected year
 Commercial Medicaid Medicare Medicare Advantage



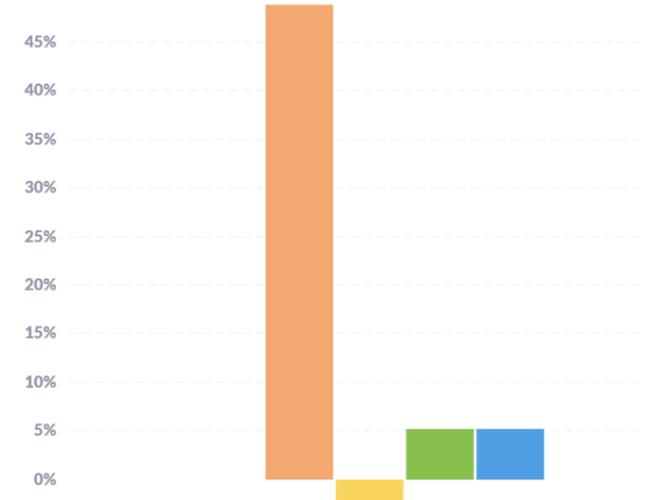
Hospital B

Operating profit margin by payer type for the selected year
 Commercial Medicaid Medicare Medicare Advantage



Hospital C

Operating profit margin by payer type for the selected year
 Commercial Medicaid Medicare Medicare Advantage



Source: NASHP Hospital Cost Tool

Operating Profit Margin: Operating Profit (Loss) divided by Net Patient Revenue

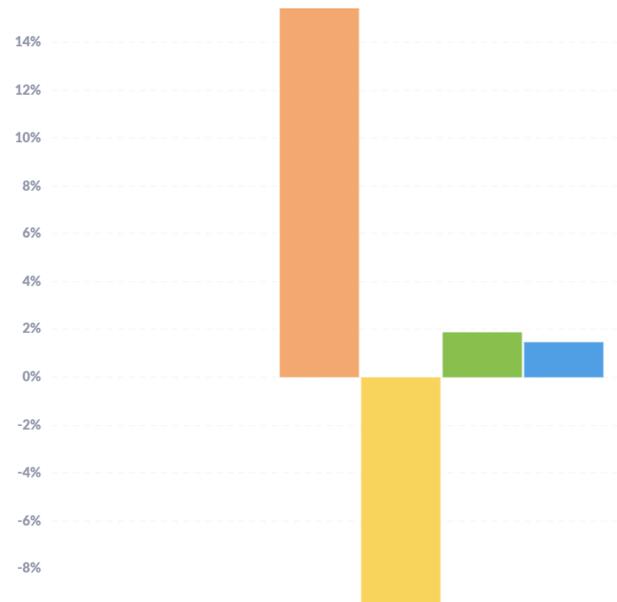


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Payer Mix Adjusted Profit (Loss), 2019

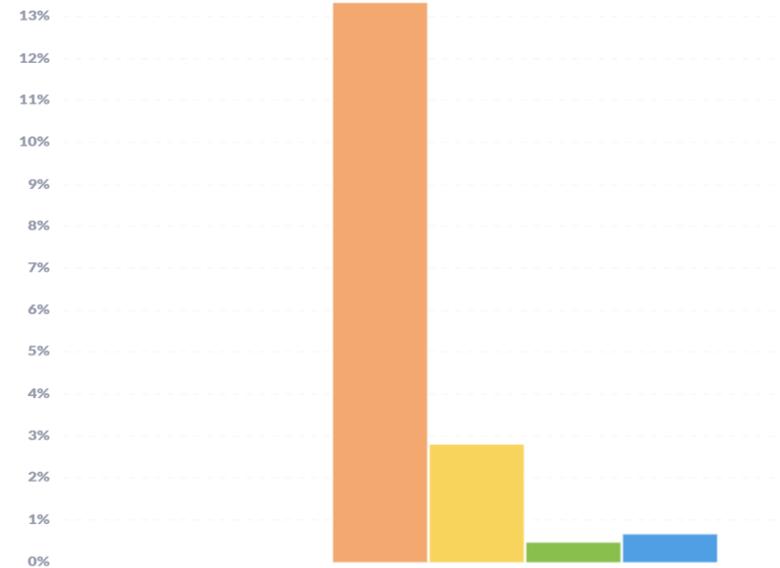
Hospital A

Payer mix adjusted profit (loss) for the selected year
Commercial Medicaid Medicare Medicare Advantage



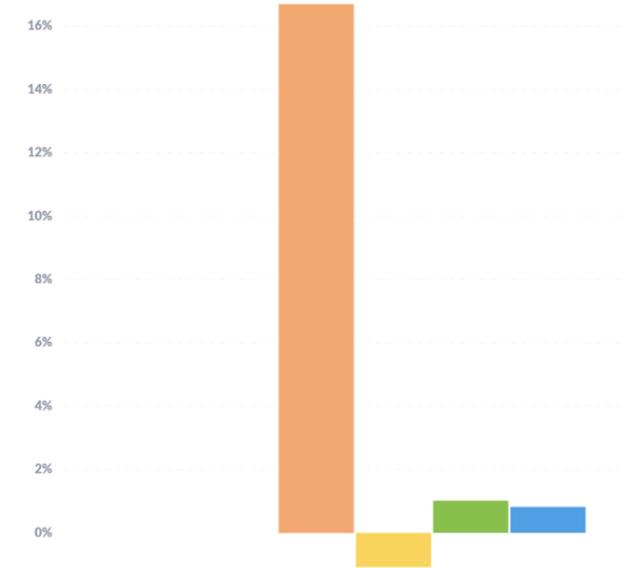
Hospital B

Payer mix adjusted profit (loss) for the selected year
Commercial Medicaid Medicare Medicare Advantage



Hospital C

Payer mix adjusted profit (loss) for the selected year
Commercial Medicaid Medicare Medicare Advantage



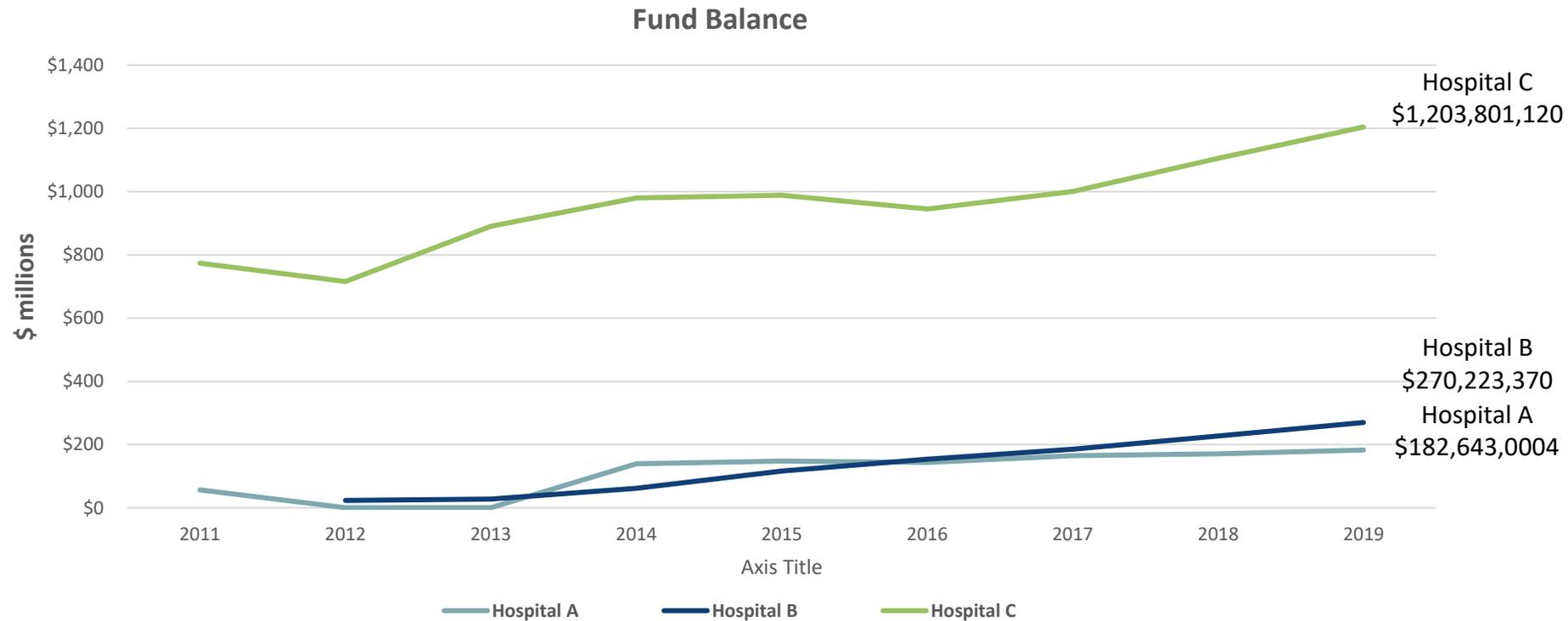
Source: NASHP Hospital Cost Tool

Payer Mix Adjusted Profit (Loss): **Operating Profit Margin** multiplied by **Payer Mix**, which represents the payer's impact on the hospital's financial performance

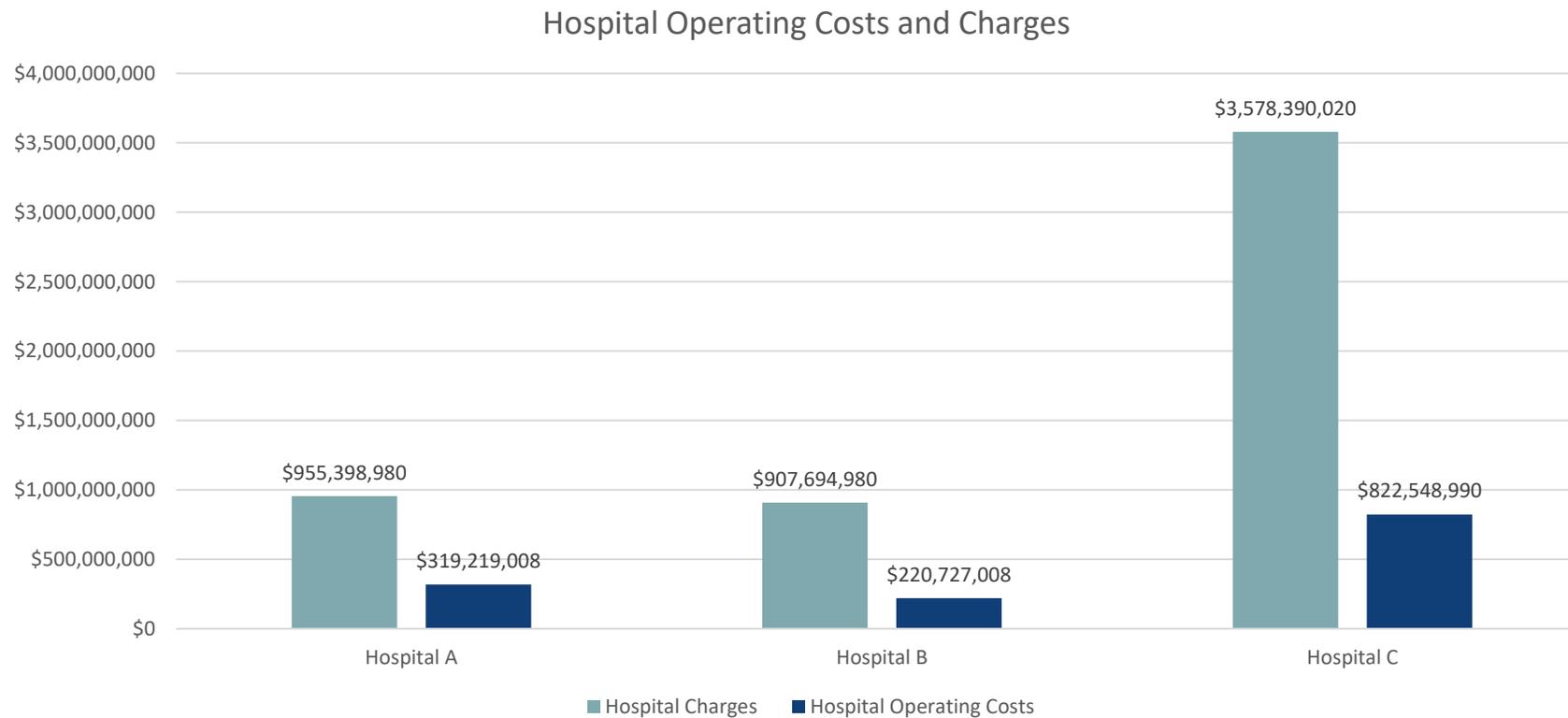


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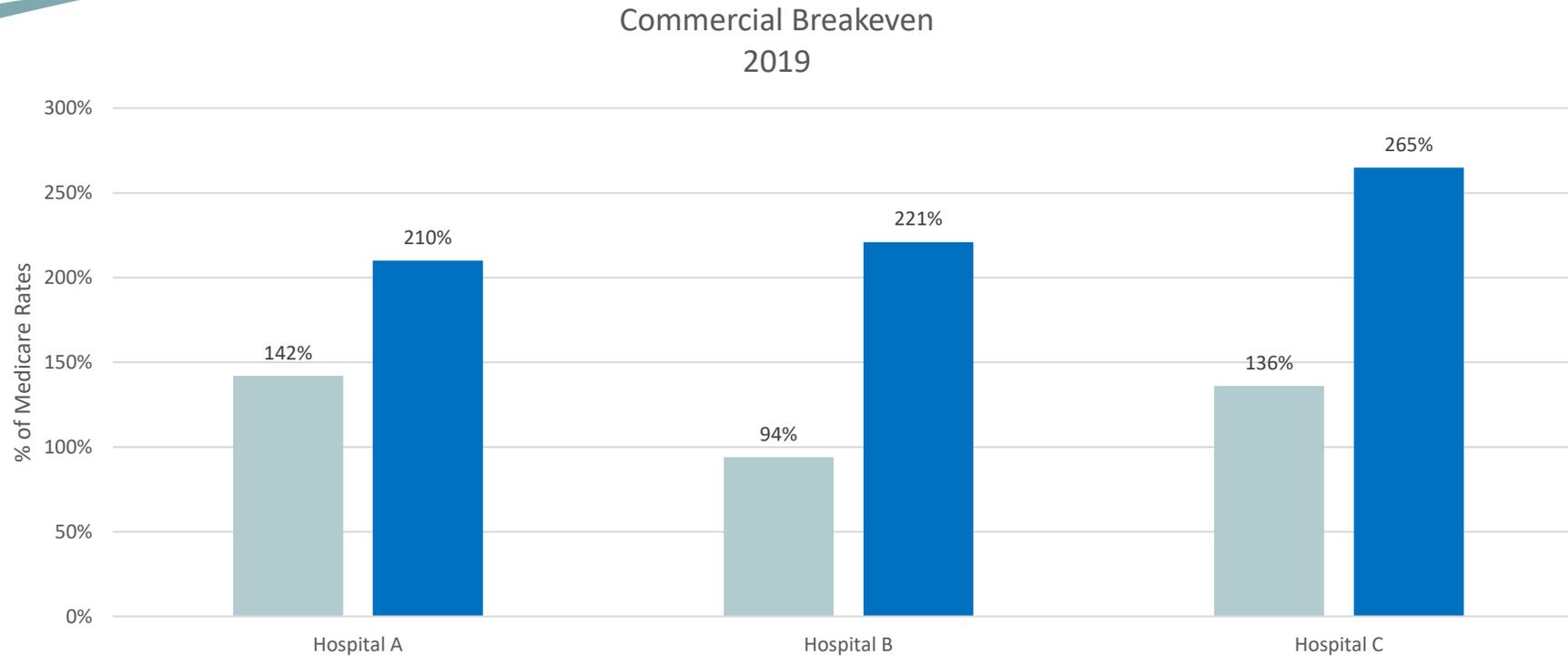
Fund Balance, 2011-2019



Hospital Operating Costs and Charges, 2019



Commercial Breakeven, 2011-2019



Source: NASHP Hospital Cost Tool

Commercial Breakeven (NASHP): Payment level required from commercial payers (expressed as a percentage of Medicare rates) to allow the hospital to cover maximum hospital expenses, with no profit, for hospital inpatient and outpatient services. Covered hospital expenses include commercial patient hospital operating costs, shortfall of coverage from public health programs, charity care and uninsured patient hospital costs, Medicare disallowed costs, and hospital other income and expenses.

RAND Commercial/Medicare Comparisons: Prices paid to hospitals by commercial payers for inpatient and outpatient services, expressed as a percentage of Medicare rates. Prices are calculated based on paid claims from 2018 through 2020 by health plans participating in the RAND Corporation's Nationwide Evaluation of Health Care Prices Paid by Private Health Plans.



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Sage Transparency Tool

RAND Total Facility Plus Physician (%)

Clinical Category	Hospital A	Hospital B	Hospital C
CT/MRI	241%	286%	325%
Emergency Dept	253%	234%	304%
GI Procedures	217%	264%	282%

Clinical Category	Hospital A	Hospital C	ASC
Orthopedics	191%	307%	119%

Cost Variance Example from the RAND Hospital Cost Study

Procedure	Medicare Reimbursement	Current Price Baton Rouge*	Potential Ref Price (1.5 Med)	Potential Savings
Coronary Artery Bypass Graft Surgery	\$45,358.00	\$122,013.02	\$68,037.00	\$53,976.02
Arthroscopic Knee Surgery	\$3,389.00	\$9,116.41	\$5,083.50	\$4,032.91
* 269% of Medicare				

Savings would be split between plan sponsor and the patient, dependent upon plan design specifics

Benefit plans can be designed to steer care to value providers



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CMS Overall Star Rating

Hospital A



Hospital B



Hospital C



CMS Patient Survey Rating

Hospital A



Hospital B



Hospital C



THE LEAPFROG GROUP

Leapfrog Hospital Safety Grade

Hospital A



Hospital B



Hospital C



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How Does Price Transparency Help Employers Negotiate Prices?

Price transparency **allows employers to compare how much hospitals and providers charge for the same services.** Employers can use this information to **advocate for better value and push back on higher priced providers**

With the **savings**, employers can **increase wages, hire new employees, make investments in infrastructure or expand.** It is important to note that **prices are only one piece of the puzzle** – they must be considered with quality in mind

Controlling Health Costs – Different Approaches

Coalition	Region	Strategies
Employers' Coalition of Indiana	Indiana	<ul style="list-style-type: none"> • Increasing Price Transparency • Advocating for Policy Change
The Alliance	Wisconsin	<ul style="list-style-type: none"> • Increasing Price Transparency • Steering to High-Value Providers • Price Negotiations
Network of Distinction	Connecticut	<ul style="list-style-type: none"> • Increasing Price Transparency • Steering to High-Value Providers
Peak Health Alliance	Seven Counties in Colorado	<ul style="list-style-type: none"> • Increasing Price Transparency • Price Negotiations
Houston Business Coalition on Health	Houston, Texas	<ul style="list-style-type: none"> • Development of a Smart Network



Anthem is attempting to support a core goal of the RAND study by holding hospital systems accountable for their prices, which in turn will benefit our employees' mental and physical health and their financial wellness.

—Purdue Senior Director of Benefits

Sunday, March 01, 2020 1:00 am
Insurer pushes Parkview on costs
 Says charges too high, citing study hospital calls unfair
 SHERRY SLATER | The Journal Gazette



Rising Cost of Healthcare – Call to Action

Employers

- Pressured by rising healthcare costs
- **Trajectory** is insupportable
- **Need transparent price information**
- **No employer can go it alone**
- **No organization** focused on healthcare affordability or price transparency

Quality Forum

- **Ready to act on cost of healthcare**
- **Neutral convener** of stakeholders to bring about meaningful solutions
- **Trusted relationships** across key stakeholders
- Facilitate ways to **increase price transparency**
- Equipped to **enter into partnership** with employer community



With a mission to lead evidence-based, collaborative initiatives to improve the health of Louisiana residents, the Louisiana Health Care Quality Forum is ready to make a difference and act on the costs of healthcare in our state. The Quality Forum believes that by applying our multi-stakeholder approach to delivering data-driven solutions, we find ways to increase price transparency and bring about meaningful solutions which reduce costs while still striving for high-value and high-quality care.

Though we need all stakeholders onboard to achieve such an aim, it is important to note that employers are bearing the burden of this affordability crisis. Now more than ever, employers need transparent information, specifically on hospital prices and employee benefits.

We know that healthier employees create healthier and more productive populations. Yet, in our current state, premiums and deductibles have outpaced wages and are harming employees financially, emotionally, and in some cases physically. It is time that employers are empowered to negotiate changes in what they are paying for and to start paying for what matters most.

This said, we want to acknowledge that hospitals and health professionals are critical members of the communities we serve. The Quality Forum is well positioned as a neutral convener and data supplier to support employers with facts and necessary information to make decisions about what they are paying for, and to negotiate for fair hospital prices and benefits which are aligned with value. This ability to navigate trusted relationships across key stakeholders is what makes LHCQF both a unique and effective partner.

This is an urgent matter. Rising health care costs have placed pressure on employers and on worker's wages particularly during the COVID-19 pandemic. The trajectory is insupportable. By equipping employers and those they insure with transparent information, they can begin decreasing the wide gap in variation that we see in hospital prices and in benefit design.

The Quality Forum is equipped to enter into a partnership with the employer community which will help to bring about the necessary change.

No employer can go it alone. We encourage companies across the state to join us in this effort to establish the collective influence necessary to put employers on equal footing with the other stakeholders in the healthcare equation.

Please join us at Sullivan's Restaurant on August 31st from 11:30 AM to 1 PM to discuss the potential opportunities with this partnership.

Cindy Munn
Chief Executive Officer
Louisiana Health Care Quality Forum

Daniel Burke
Incoming Chair, Louisiana Health Care Quality Forum
Director of Corporate Benefits, Turner Industries



Rising Cost of Healthcare – Call to Action

Employers purchasing health benefits need better information on healthcare prices and value to make good decisions

Health Benefits Consultants

Alliant Insurance Services

HUB International

BXS Insurance

Gallagher Benefit Services

Willis Towers Watson

Employers, Health Systems, Health Plans, State and Local Government Officials, Providers



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Employer Coalition of Louisiana - Who We Are

Employer-led health care coalition whose goal is to improve the value received by payers and patients for their healthcare expenditures.

Value considerations include price, quality, safety, and consumer satisfaction.

Membership

Includes employers, providers, hospitals, health plans, benefit consultants, and other interested parties.

Guiding Principles

We all share responsibility for the healthcare affordability crisis

We don't have malicious leaders in healthcare; we have good people working in a fragmented system *

Through **collaboration**, we can **align payment with high-value medical care** and **create better health**



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Employer Coalition of Louisiana - Who We Are

We Believe

No single employer can create the impact needed to improve the quality and affordability problem in LA.

Employers who work collaboratively with a unified voice can more effectively move the healthcare discussion and influence change with providers, health plans, and other partners to address healthcare affordability, quality, safety, and consumer experience

Greater cost transparency paired with quality measures are critical tools to level the playing field and allow employers to **engage in strategies to lower costs and increase high-value care**

Empowering employers and people with evidence-based data allow them to make more informed decisions





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LOUISIANA BUSINESS GROUP ON HEALTH..



Is your organization interested?

Cindy Munn
cmunn@lhcf.org



Thank You