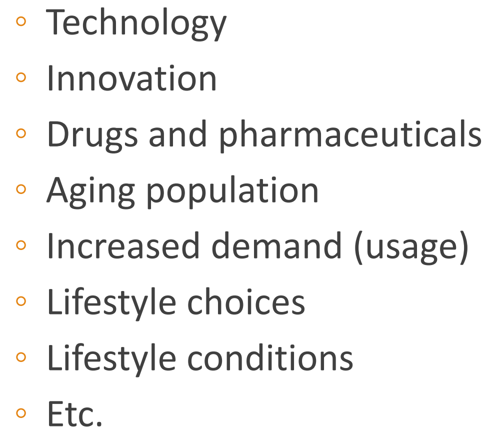
What Goes Up…
…Keeps Going Up

What is Medical Trend?

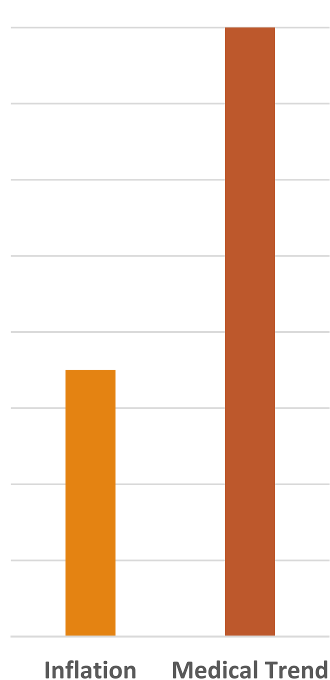
We all know medical costs have been outpacing inflation for several years. The medical trend is up, way up.

Several factors drive the rate of medical trend:



- Technology
- Innovation
- Drugs and pharmaceuticals
- Aging population
- Increased demand (usage)
- Lifestyle choices
- Lifestyle conditions
- Etc.

Components of Trend



Unit cost (the cost of a service provided)
- Labor
- Inflation
- *Cost shifting*
- Cutting edge technology
- Increased access
- Rx brand drugs/patent expirations

Severity/Case mix
- New treatments
- More intensive diagnostics

Utilization
- Aging
- Lifestyle
- Consumer demand
- Lawsuit prevention

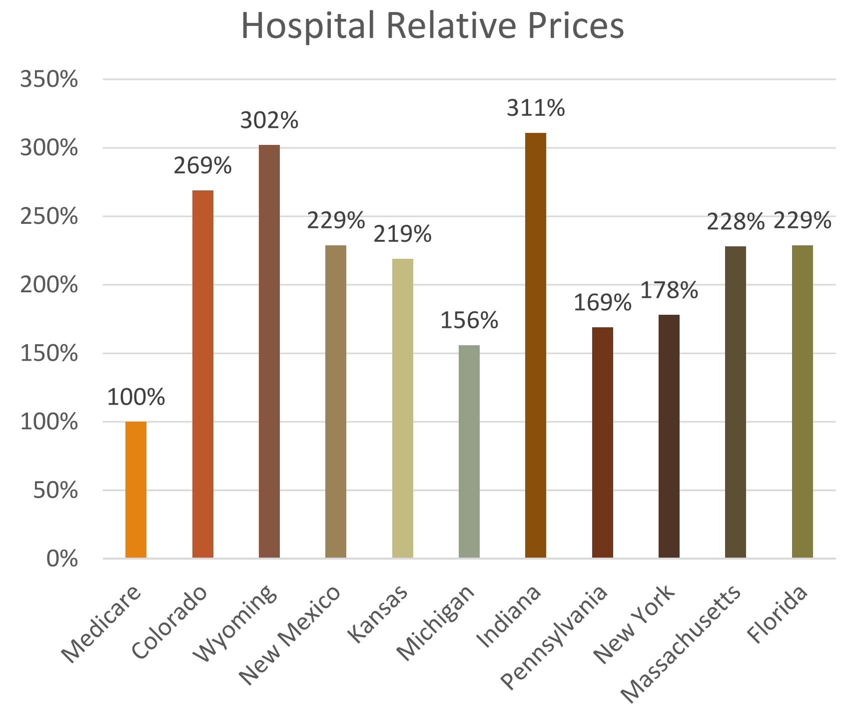
Plan design
- Deductible
- Co-pays
- Out of pocket maximum

Relative Prices to Medicare

Colorado Overall Average: 269%[1]

Colorado Inpatient Average: 221%

Colorado Outpatient Average: 350%



1. "Prices Paid to Hospitals by Private Health Plans Are High Relative to Medicare and Vary Widely", RAND Corp, 2019.

Denver Metro Area Hospitals

	Hospital	% of Medicare	System	% of Medicare
1	North Suburban Med Ctr (Thornton)	461	HCA Healthcare (HealthOne)*	303
2	Rose Medical Ctr (Denver)	267	HCA Healthcare (HealthOne)	
3	Medical Ctr of Aurora (Aurora)	385	HCA Healthcare (HealthOne)	
4	Swedish Medical Ctr (Englewood)	324	HCA Healthcare (HealthOne)	
5	Sky Ridge Medical Ctr (Lone Tree)	255	HCA Healthcare (HealthOne)	
6	Presbyterian St. Lukes (Denver)	257	HCA Healthcare (HealthOne)	
7	Spalding Rehabilitation (Aurora)		HCA Healthcare (HealthOne)	
	Centura Health-Avista (Louisville)	207	Adventist Health	299
8	Centura Health-Littleton (Littleton)	311	Adventist Health	
9	Parker Adventist (Parker)	354	Adventist Health	
10	Castle Rock Adventist (Castle Rock)	302	Adventist Health	
11	Centura Health-Porter (Denver)	250	Adventist Health	
	Longmont United (Longmont)	322	Catholic Health	294
12	St Anthony North (Westminster)	316	Catholic Health	
13	Centura Health-St Anthony (Lakewood)	430	Catholic Health	
14	OrthoColorado (Lakewood)		Catholic Health	
15	Luthern (Wheatridge)	284	SCL Health	189
16	St. Joseph (Denver)	159	SCL Health	
	Good Samaritan Medical Ctr (Lafayette)	172	SCL Health	
17	Platte Valley Medical Ctr (Brighton)	368	SCL Health	
18	University of Colorado (Aurora)	285	UC Health	316
19	Broomfield (Broomfield)		UC Health	
20	Colorado Acute Long-Term (Denver)		LifeCare Health Partners	
21	HealthSouth Rehabilitation (Littleton)		Encompass Health*	
22	Kindred Hospital (Denver)		Kindred*	
23	Denver Health Medical Ctr (Denver)	238	Unafilliated	238
24	Children's Hospital (Denver)		Unafilliated	
25	Craig Hospital (Englewood)		Unafilliated	
26	Nation Jewish Hospital (Denver)		Unafilliated	
27	Vibra Hospital (Thornton)		Unafilliated	

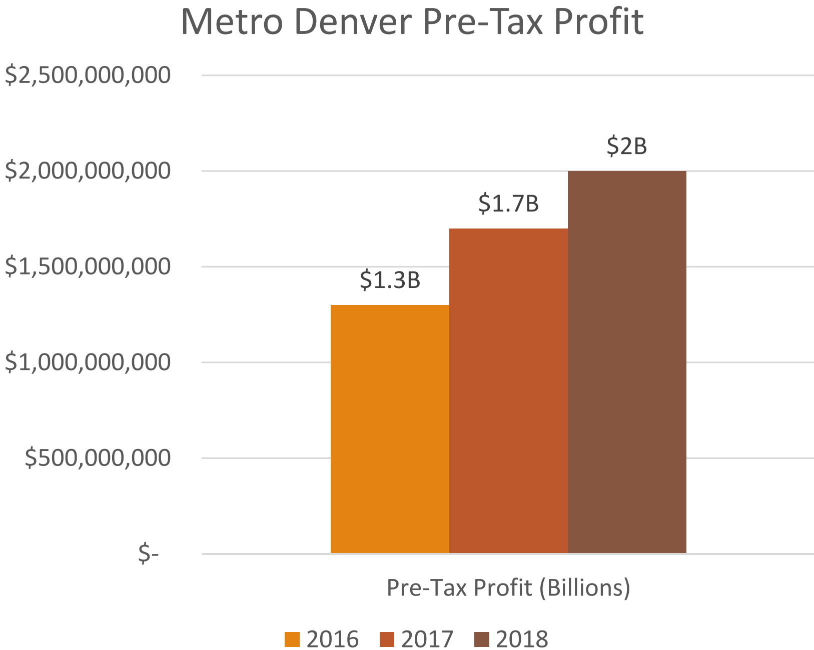
* Public for Profit Company

From “Prices Paid to Hospitals by Private Health Plans Are High Relative to Medicare and Vary Widely”, RAND Corp, 2019.

Denver Metro Area Hospital Profit

The 27 Denver metro-area hospitals pre-tax profits[2]

Revenue figures are taken from reports CO hospitals report to federal officials and do not include smaller clinics and free standing emergency rooms.



2. "Cost Shift Analysis Report", CO Health Care Policy and Financing, 1/19 Draft Report.

Colorado Coverage by Plan

Statewide Health Care Coverage for Colorado

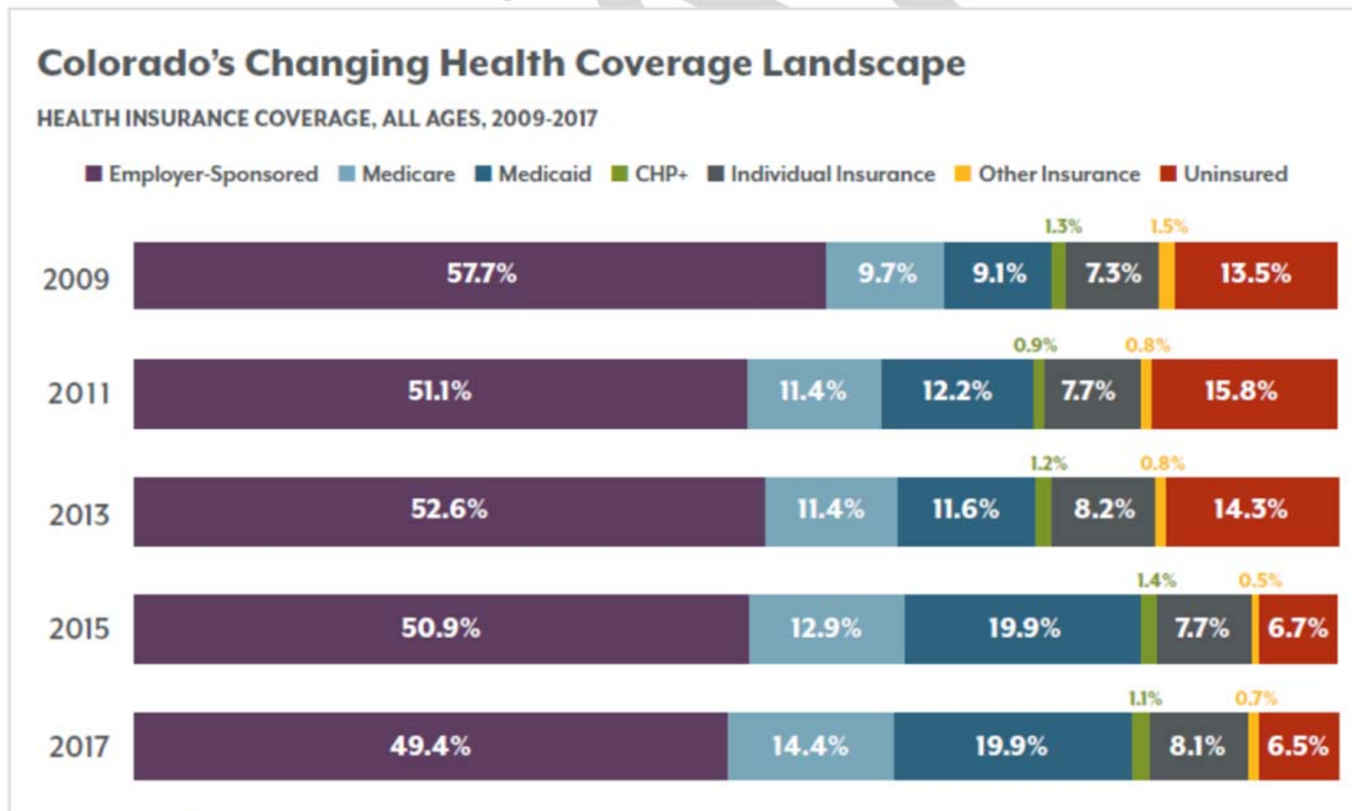


Figure 4[34]

Cost Shifting

Cost shifting occurs when a health care professional charges an insured patient more that it does an un/under-insured patient for the same service.

Cost Shifting in Colorado

Payment-to-cost Ratio

	Year	**Medicare**	**Medicaid**	**Insurance**	**CICP/Self Pay/ Other[9]**	**Overall**
Pre-ACA	CY 2009	0.78	0.54	1.55	0.52	1.05
	CY 2010	0.76	0.74	1.49	0.72	1.06
	CY 2011	0.77	0.76	1.54	0.65	1.07
	CY 2012	0.74	0.79	1.54	0.67	1.07
	CY 2013	0.66	0.80	1.52	0.84	1.05
Post-ACA	CY 2014	0.71	0.72	1.59	0.93	1.07
	CY 2015	0.72	0.75	1.58	1.11	1.08
	CY 2016	0.71	0.71	1.64	1.08	1.09
	CY 2017	0.69	0.69	1.66	1.14	1.08

4.4%

8.4%

Table 5[10]

This table exhibits the payment to cost ratio by payee type. Between the 2013 and 2014 calendar years, the commercial payment to cost ratio increased 4.4%; 8.4% from 2013 to 2017.
(CO Dept of Health Care Policy and Financing, Cost Shift Analysis Report (draft), page 12.)

CO Cost Shifting-Another Perspective

Cost Shift Overcompensation

Year	Medicare	Medicaid + CICP/Self Pay/Other[24]	Under-compensation	Commercial	Cost Shift
CY 2009	(625.1M)	(1,098.0M)	(1,723.1M)	2,140.2M	**417.0M**
CY 2010	(756.7M)	(695.6M)	(1,452.3M)	1,997.9M	**545.7M**
CY 2011	(732.2M)	(823.2M)	(1,555.5M)	2,287.4M	**731.9M**
CY 2012	(918.0M)	(811.0M)	(1,729.0M)	2,450.1M	**721.1M**
CY 2013	(1,240.6M)	(576.3M)	(1,817.0M)	2,411.4M	**594.5M**
CY 2014	(1,121.7M)	(765.5M)	(1,887.1M)	2,737.7M	**850.6M**
CY 2015	(1,112.3M)	(564.9M)	(1,677.2M)	2,717.4M	**1,040.2M**
CY 2016	(1,289.7M)	(783.8M)	(2,073.5M)	3,226.2M	**1,152.7M**
CY 2017	(1,495.1M)	(811.9M)	(2,307.0M)	3,509.8M	**1,202.7M**

Table 12[25]

ACA

Following the 2014 ACA implementation, private insurance has been consistently over $1B greater than the combined under-compensation of the other payer types. Bad debt and charity care has declined dramatically due to the expansion of Medicaid and ACA covered individuals.
(CO Dept of Health Care Policy and Financing, Cost Shift Analysis Report (draft), page 17.)

Denver Metro Cost Shifting

Payment-to-cost Ratio (Denver Metro)

	Medicare	Medicaid	Insurance	CICP/Self Pay/Other	Totals
CY 2009	0.77	0.59	1.47	0.68	1.05
CY 2010	0.73	0.84	1.43	0.74	1.06
CY 2011	0.76	0.90	1.48	0.69	1.09
CY 2012	0.75	0.88	1.46	0.67	1.07
CY 2013	0.65	0.86	1.42	0.91	1.05
CY 2014	0.68	0.78	1.50	1.01	1.07
CY 2015	0.69	0.79	1.55	1.08	1.09
CY 2016	0.68	0.72	1.59	0.90	1.06
CY 2017	0.64	0.73	1.63	1.08	1.07

Table 35[124]

5.3%

12.8%

ACA

Ratio of total payments to total costs for all hospitals in the Region 3 (Denver Metro)
(CO Dept of Health Care Policy and Financing, Cost Shift Analysis Report (draft), page A3.)

Denver Metro Cost Shifting

Margins (Denver Metro)

	Medicare	Medicaid	Insurance	CICP/Self Pay/Other	Totals
CY 2009	(311.7M)	(250.1M)	1,042.0M	(217.9M)	262.4M
CY 2010	(419.5M)	(111.6M)	1,002.7M	(201.7M)	269.8M
CY 2011	(389.2M)	(73.9M)	1,182.5M	(256.2M)	463.2M
CY 2012	(444.7M)	(104.4M)	1,239.8M	(269.8M)	420.9M
CY 2013	(673.0M)	(137.8M)	1,210.6M	(81.7M)	318.1M
CY 2014	(651.9M)	(336.6M)	1,439.9M	7.5M	458.8M
CY 2015	(679.0M)	(340.3M)	1,611.8M	46.6M	639.1M
CY 2016	(754.0M)	(492.1M)	1,782.5M	(59.4M)	477.0M
CY 2017	(945.6M)	(518.1M)	2,069.2M	53.5M	658.9M

Table 36[125]

ACA

Difference between total payments and costs for all hospitals in the Region 3 (Denver Metro)
(CO Dept of Health Care Policy and Financing, Cost Shift Analysis Report (draft), page A3.)

DHCP Cost Shifting Report-Findings

“Following the ACA implementation in 2014, commercial insurance payment has been consistently near or more the $1 billion greater than the combined under-compensation of other payer types, resulting in overall payment-to-cost rations increasing from 1.05 to 1.08. As bad debt and charity care declined, commercial insurance compensation increased more than the necessary offset – to the benefit of hospital margins.” (Page 17)

“hospitals are experiencing the same volume of commercial patients while uninsured hospital visits and uncompensated care have dramatically decreased. Patient payer mix did not reduce commercial patient volume; Medicaid patient volume increased with an associated uninsured patient volume decrease. (Page 24)

“Colorado ranks healthier than most other states for dimensions of health related to chronic diseases, particularly in obesity ranking. These characteristics are attributed to the utilization of outpatient preventative care as opposed to the utilization of hospital inpatient services. In fact, supplemental data shows that the use of hospital inpatient services is far less in Colorado than other states.

Coloradans utilize inpatient services at a rate 30% lower than the national average. CIVHC’s (2018) study shows comparatively healthy states like Oregon and Utah pay substantially less overall total cost of care than Coloradans.” (Pages 31-32)

DHCP Cost Shifting Report-Findings

"Hospital costs have grown since 2009 with an eight-year average annual growth of 7.5% for patient services costs. Between 2015 and 2017, hospitals reported an increase of more than $2 billion in overall expenses to DATABANK, from $12.5 billion to $14.7 billion in 2017, growing 9.0% and 7.4% respectively...

...Between 2009 and 2017, overall costs grew 58.7% while patient volume ([measured by] adjusted discharges) only grew 14.2%. Hospital cost growth has significantly surpassed demand as measured by adjusted discharges." (Page 35)

"While there may be a cost to hospital operations from being part of a system, there is no evidence that economies of scale savings are being passed along to commercial consumers, carriers or self-funded employers. ...hospital mergers increase the average price of hospital services by 6%-18%." (Page 40)

"Colorado's hospitals have: (1) increased construction projects significantly; (2) integrated physicians into their value chain, which controls admissions; and (3) consolidated." (Page 37)

Colorado Hospital Assoc.-Response

The Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) board deadlocked on finalizing the report. Hospital officials sitting on the board stated the report is biased. The report remains in a Draft state.

In February 2019 the Colorado Hospital Association released their report, "Health Care Costs and Hospitals: Drivers and Opportunities." This report was a direct response to the DHCP draft report.

This report states the top takeaways to hospital and health care costs in Colorado are:

- High cost of living
- High insurance premiums do not directly correlate with hospital overhead costs or expenditures, its due to something else not identifiable at this time
- Spending on health care and premiums is lower than the rest of the United States
- Hospital spending is the largest expense and should be based on intensity and mix
- CO s hospital worker pay is 6th highest in the U.S.
- CO hospitals have to expand and prepare for large-scale events such as flu outbreak or natural disaster.

Colorado Hospital Assoc.-Response

The report identifies inpatient discharge administrative costs have increased dramatically due to the State mandated Provider Fee used to help offset Medicaid expansion. Admin. Expenses increased 28%

The report identifies capital costs are high in Colorado, identifying the cost of new facilities to build towards a reasonable and stable bed capacity to offset the decline in number of beds per 1,000 since 1999. The report states the overall higher price of goods and services in the state as part of the reason the capital costs are so high.