St. Elizabeth PHYSICIANS

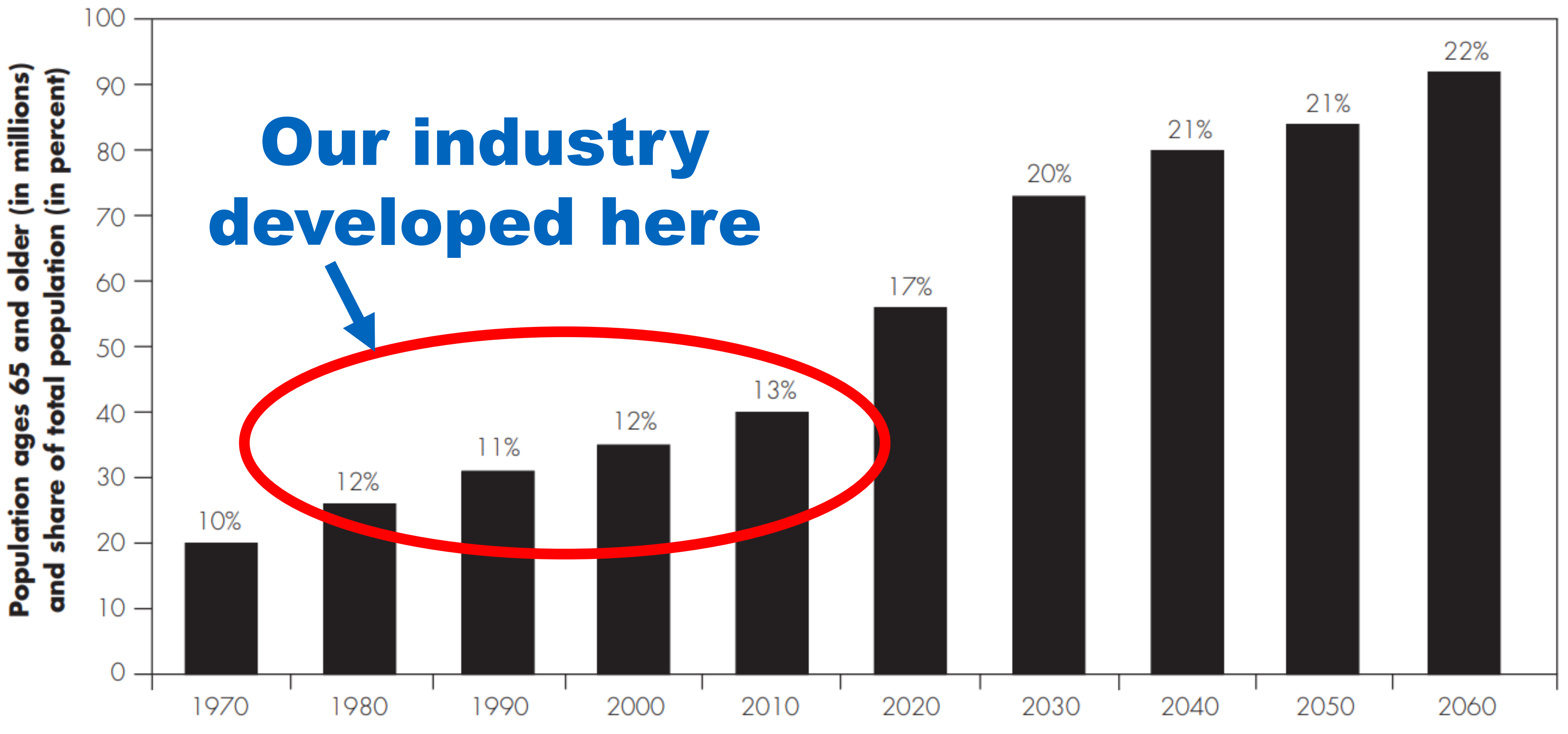
St. Elizabeth HEALTHCARE

Medicare as existential threat… 2025 update

MEDICARE UPDATE 2025

- Update since we last spoke. Is it still bad?
  - tl;dr – Oh yes
- Which providers are most at risk?
- What can Hospitals do to improve and what's likely to work?
- Looking into the future of Medicare

MEDICARE GROWTH IS CHANGING EVERYTHING



Source: Census Bureau 2015a; Census Bureau 2015b.

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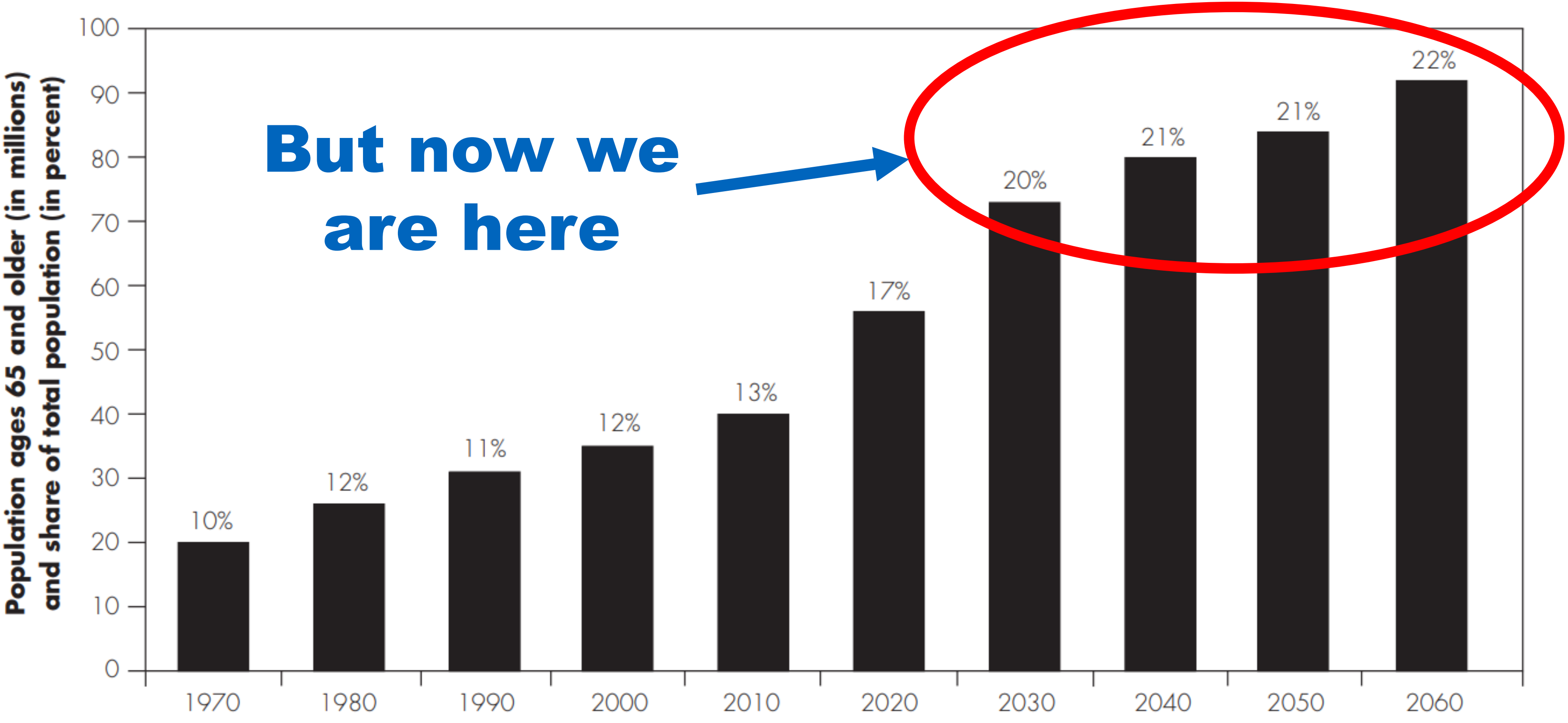
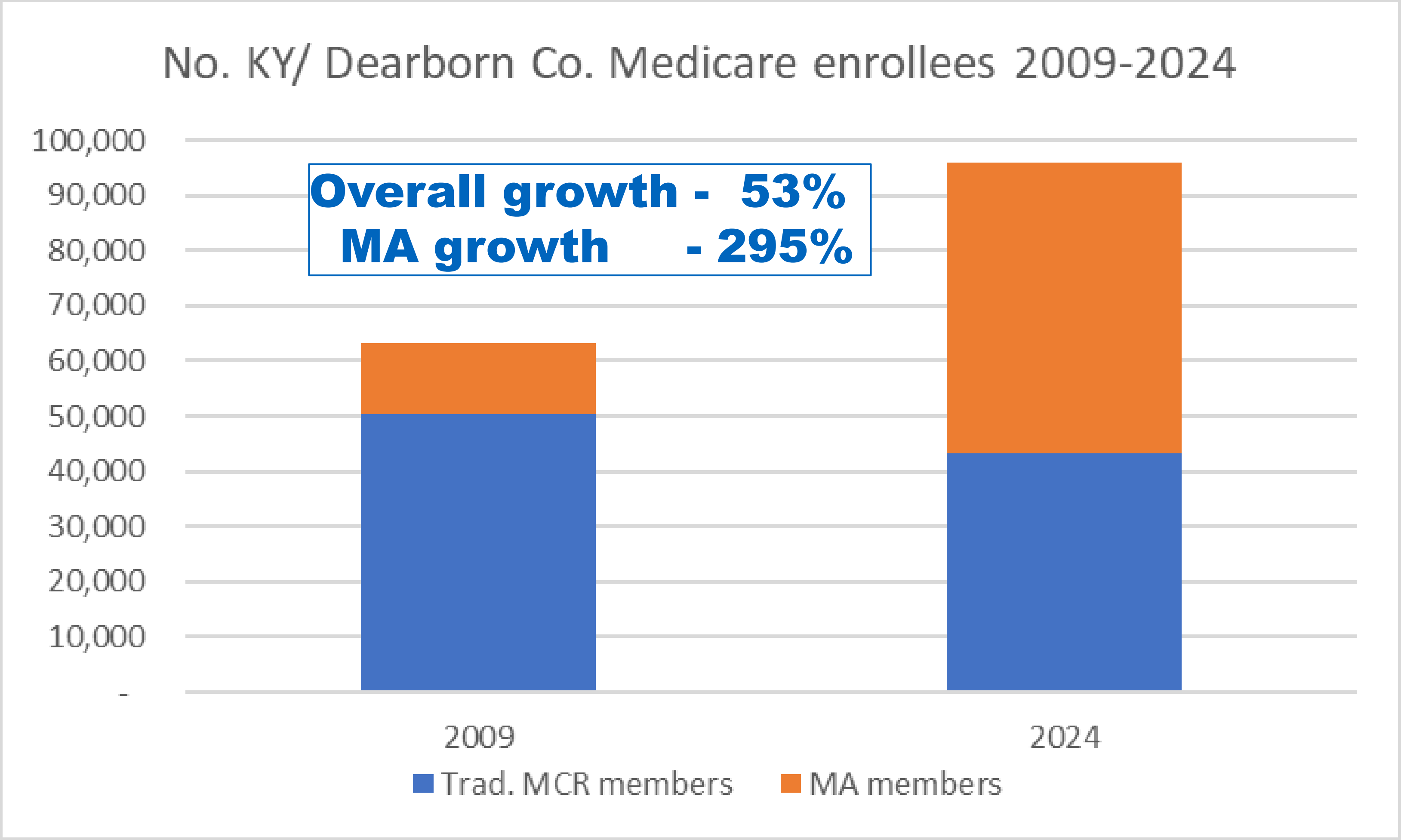
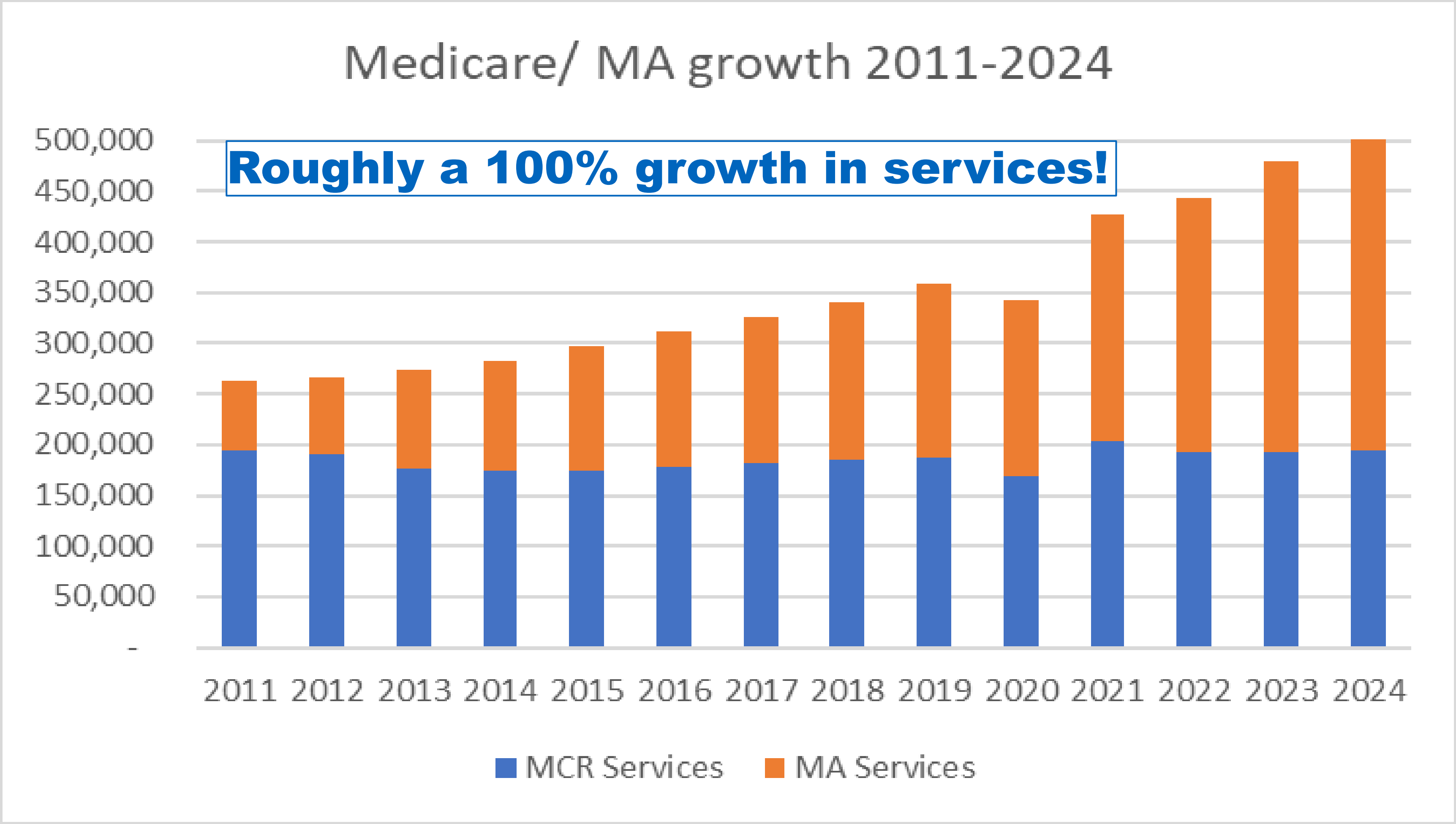


Source: Census Bureau 2015a; Census Bureau 2015b.

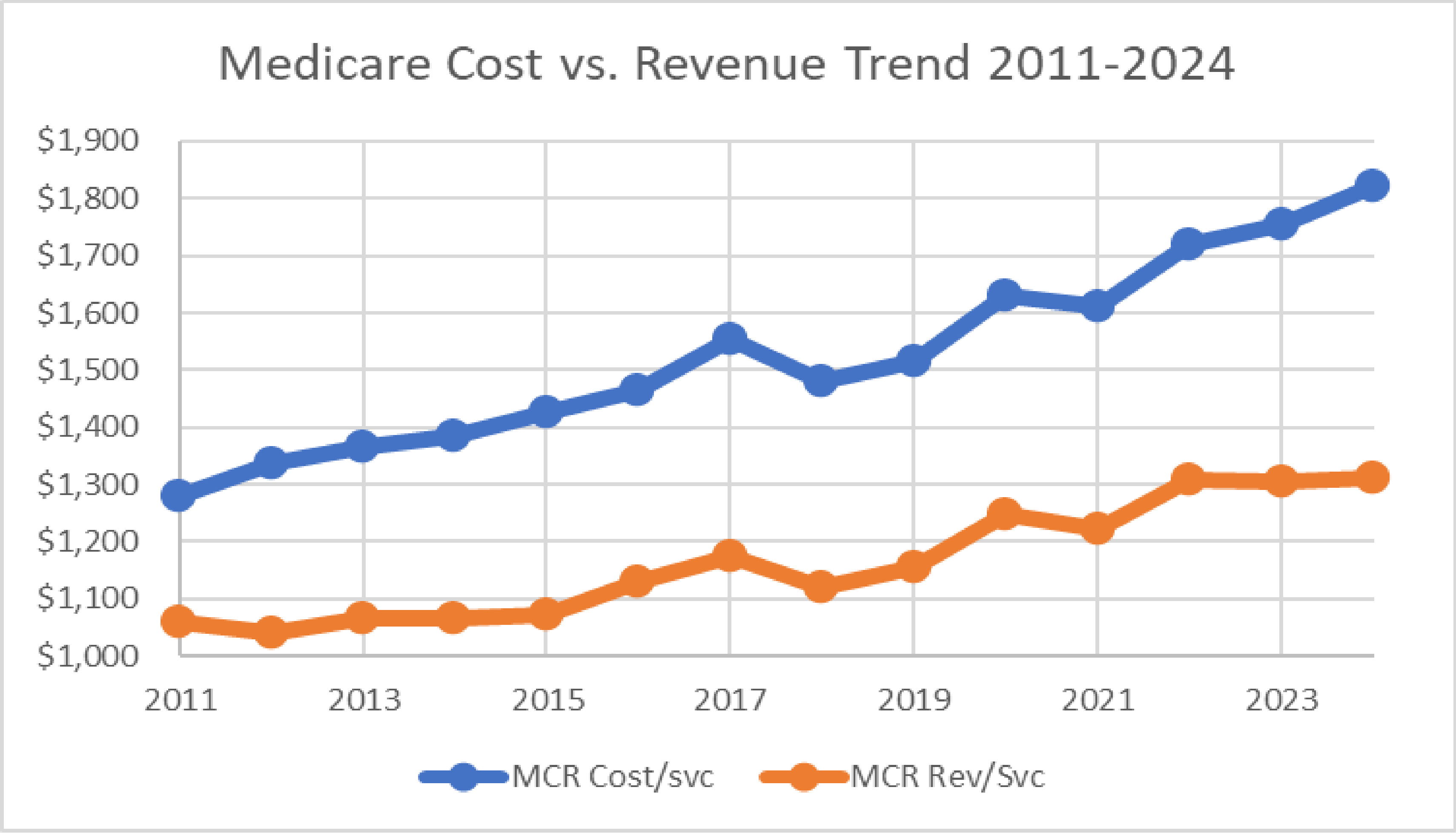
MEDICARE ADVANTAGE IS GROWING FAST!



POPULATION GROWTH DRIVES SERVICE GROWTH



BUT MEDICARE GROWTH ISN'T ALL GOOD



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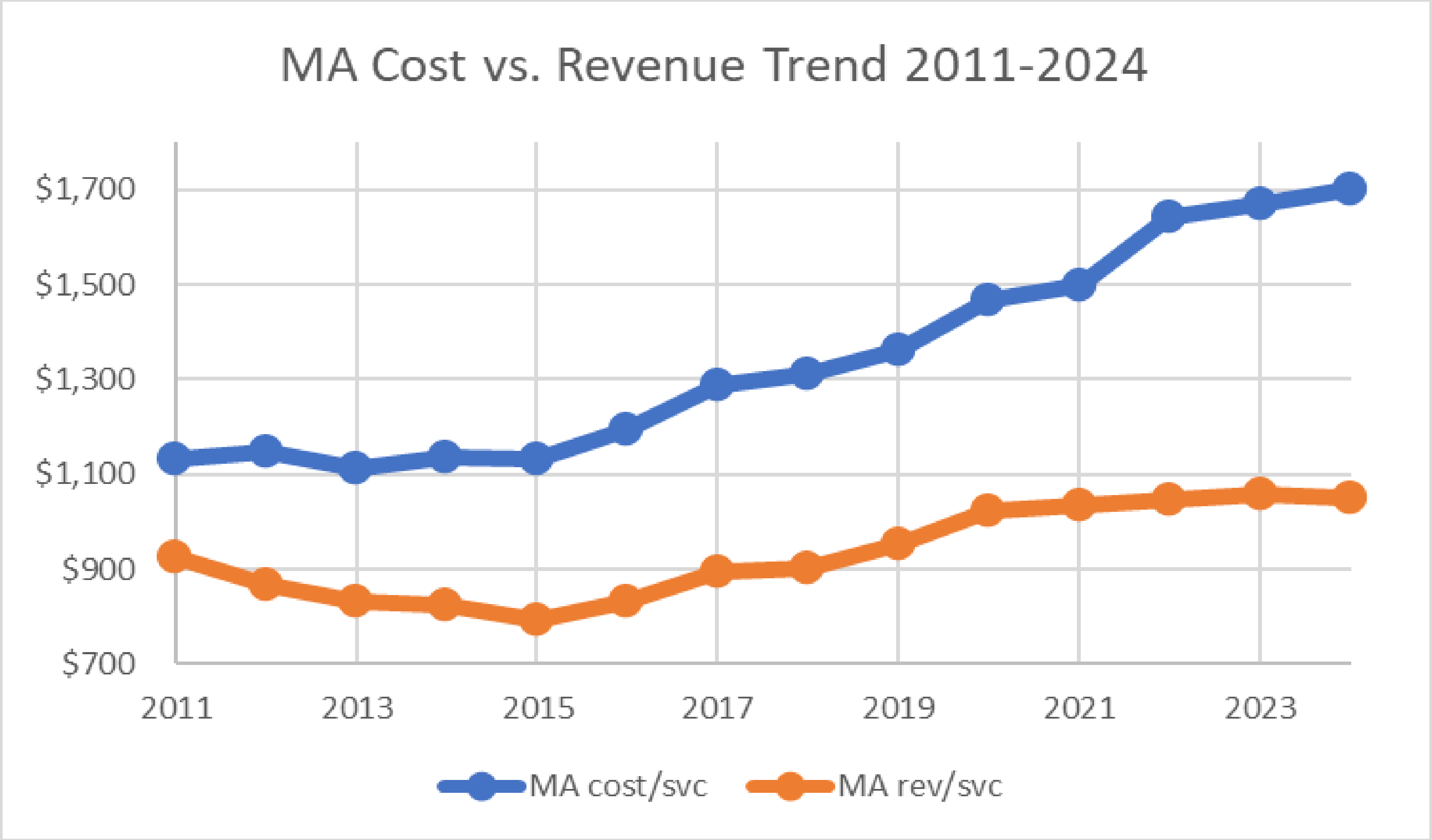
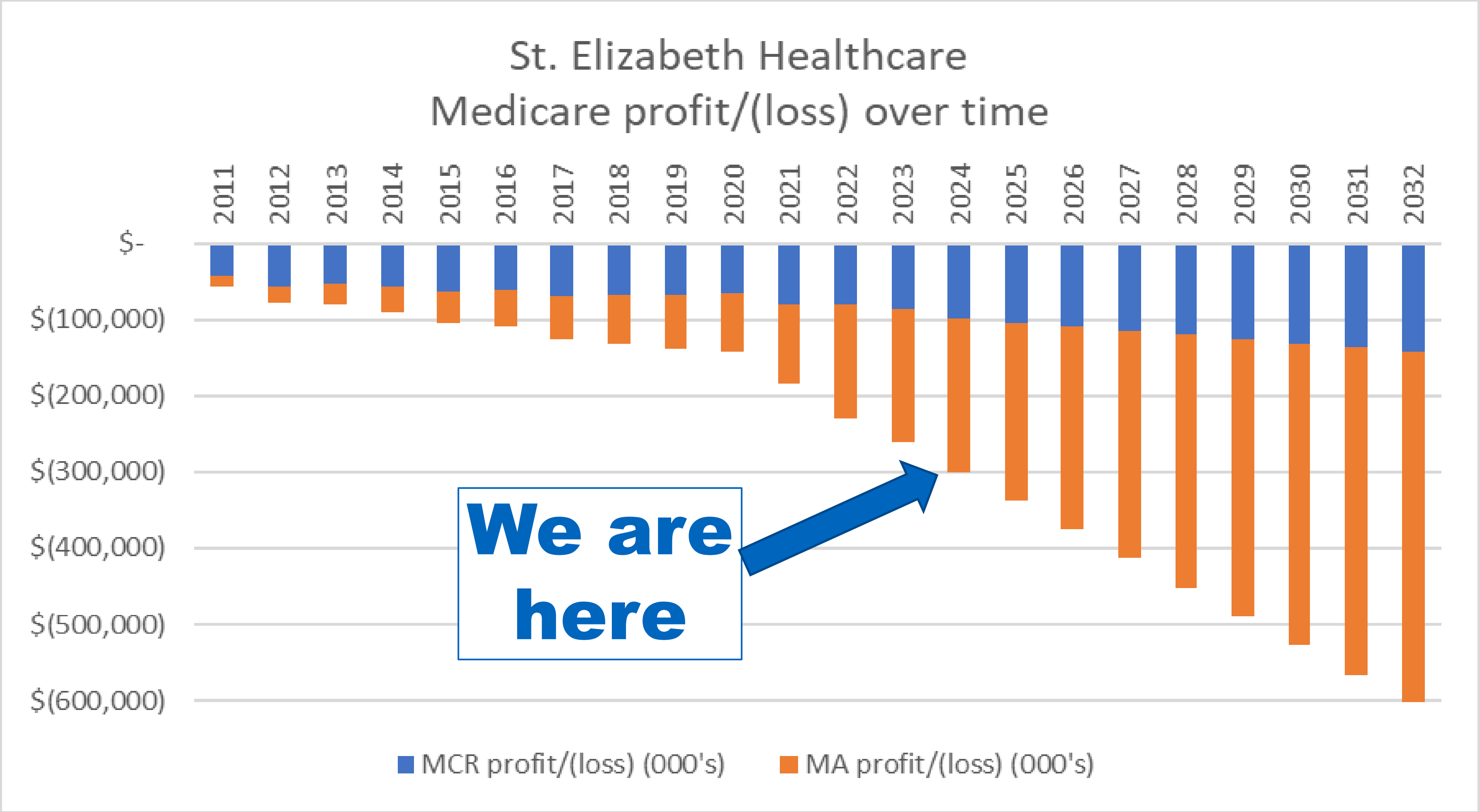


THE OVERALL RESULT IS SOBERING



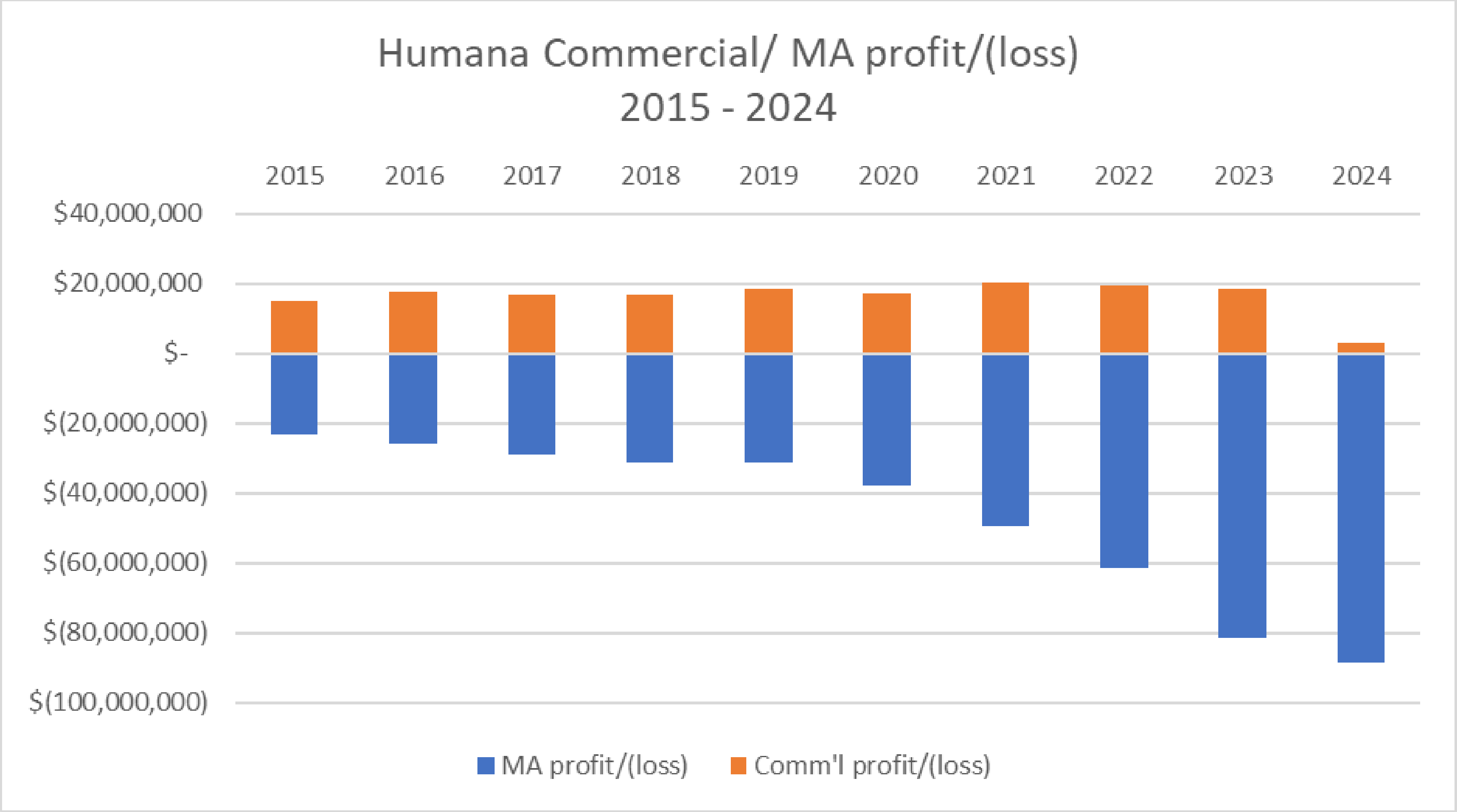
Providers Most At-Risk

- High exposure to Medicare population growth
  - Especially focused, specialty practices
- High drug and device costs (HVI, Ortho, Oncology, etc)
- High fixed costs
- Employed medical staff – especially PCPs

POSSIBLE ACTIONS

- Demand more from under-paying MA plans
  - Not easy since they're limited to 100% if providers are OON
  - Ask for more from commercial MCOs?
- Engage in risk contracting
- Control Costs
  - Deliver each service less expensively
  - Reduce use of high-cost services
  - Right-size cost structure

SHIFTING DOLLARS FROM COMMERCIAL ARM OF MCOS



RISK CONTRACTING

- MLR target is agreed on – if total spend comes in under that, then a surplus is shared; otherwise, a deficit is shared
- Raising premium comes from documenting a higher illness burden
- Lowering Costs
    - Inpatient admissions and re-admissions
    - SNF admissions and LOS
    - Inappropriate ED use
- What is <u>in</u> vs. <u>out</u> of your control?

RISK CONTRACTING EXAMPLE

	2019 HMO	
	Dollars	**PMPM**
Member Months/ Avg. Members	126,795	10,566
CMS MA Med Paid Risk Score	1.1798	
Premium		
Net Funding @ 100%	$ 132,888,242	$1,048.06
Claims Expenses		
Part A Expenses	$ (43,214,486)	$ (340.82)
Part B Expenses	$ (64,293,044)	$ (507.06)
Part D Expenses	$ (10,120,895)	$ (79.82)
IBNR Expenses	$ (1,031,529)	$ (8.14)
Subtotal Medical Expenses	$ (118,659,953)	$ (935.84)
Other Expenses		
Other Capitation	(1,384,594.37)	(10.92)
Model Practice Rewards	(347,715.29)	(2.74)
Other Expense Adjustments	(2,754,128.81)	(21.72)
Net Expenses	(123,146,391.80)	(971.22)
Actual MER **	92.7%	

RISK CONTRACTING EXAMPLE

	2019 HMO		2023 HMO		% Change
	Dollars	PMPM	Dollars	PMPM	
Member Months/ Avg. Members	126,795	10,566	153,689	12,807	21.2%
CMS MA Med Paid Risk Score	1.1798		1.24		4.8%
Premium					
Net Funding @ 100%	$ 132,888,242	$1,048.06	$ 202,795,013	$ 1,319.52	25.9%
Claims Expenses					
Part A Expenses	$ (43,214,486)	$ (340.82)	$ (59,455,080)	$ (386.85)	13.5%
Part B Expenses	$ (64,293,044)	$ (507.06)	$ (92,038,940)	$ (598.86)	18.1%
Part D Expenses	$ (10,120,895)	$ (79.82)	$ (9,694,170)	$ (63.08)	-21.0%
IBNR Expenses	$ (1,031,529)	$ (8.14)	$ (166,455)	$ (1.08)	-86.7%
Subtotal Medical Expenses	$ (118,659,953)	$ (935.84)	$(161,354,645)	$(1,049.88)	12.2%
Other Expenses					
Other Capitation	(1,384,594.37)	(10.92)	$ (5,880,469)	$ (38.26)	250.4%
Model Practice Rewards	(347,715.29)	(2.74)	$ (760,668)	$ (4.95)	80.5%
Other Expense Adjustments	(2,754,128.81)	(21.72)	$ (12,393,201)	$ (80.64)	271.2%
Net Expenses	(123,146,391.80)	(971.22)	$(180,388,983)	$(1,173.73)	20.9%
Actual MER **	92.7%		89.0%		

SELECT 'OTHER' EXPENSES

"Other Capitaion Row" 2023 HMO	2023 Totl	pmpm	Category (not official)
NATL MEDCR EDUCATION CAMPAIGN	$ (56,435)	$ (0.37)	Administration
ONE HOMECARE SOLUTIONS LLC	$ (730,213)	$ (4.75)	Medical (home visits)
EYEMED	$ (582,319)	$ (3.79)	Member Benefit
HUMANA DENTAL	$ (2,639,763)	$ (17.18)	Member Benefit
PHILIPS LIFELINE	$ (113,458)	$ (0.74)	Member Benefit
TIVITY - SILVER SNEAKERS	$ (29,203)	$ (0.19)	Member Benefit
TRUHEARING INC	$ (157,458)	$ (1.02)	Member Benefit
COHERE HEALTH INC	$ (218,251)	$ (1.42)	UM activity
HEALTHHELP LLC	$ (119,884)	$ (0.78)	UM activity
HUMANA CARE MANAGEMENT HUMCS	$ (528,532)	$ (3.44)	UM activity
HUMANA PHARMACY SOLUTIONS	$ (205,765)	$ (1.34)	UM activity
MODIVCARE SOLUTIONS LLC	$ (323,724)	$ (2.11)	UM activity
NCH MANAGEMENT SYSTEMS INC	$ (93,145)	$ (0.61)	UM activity

SELECT ‘OTHER’ EXPENSES

"Other Expense Adjustments Row" 2023 HMO	2023 Total	pmpm	Category (not official)
PAPA PALS PMPM	$ (46,441)	$ (0.30)	Member Benefit
RESPITE CARE PHCS	$ (538)	$ (0.00)	Member Benefit
COA POSITIVE CHOICES	$ (70,434)	$ (0.46)	Member Benefit
FLEX CARD	$ (575,727)	$ (3.75)	Member Benefit
FLEXIBLE CARE ASSISTANCE	$ (1,872)	$ (0.01)	Member Benefit
HEALTHY OPTIONS CARD	$ (5,271,597)	$ (34.30)	Member Benefit
OTC DEBIT CARD	$ (2,031,507)	$ (13.22)	Member Benefit
SILVER SNEAKERS GYM VISIT	$ (304,603)	$ (1.98)	Member Benefit
STRIVE ESRD/CKD PROGRAM	$ (270,050)	$ (1.76)	Member Benefit
HUMANA CARE MANAGEMENT SNP	$ (446,819)	$ (2.91)	UM activity
MODIVCARE 2023 NTL SETTLEMENT	$ (85,092)	$ (0.55)	UM activity

IF 2023 'OTHER SPENDING' = 2019

	2019 HMO		2023 HMO		% Change
	Dollars	PMPM	Dollars	PMPM	
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CMS MA Med Paid Risk Score	1.1798		1.24		4.8%
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Other Expenses					
Other Capitation	(1,384,594.37)	(10.92)	$ (1,678,275)	$ (10.92)	0.0%
Model Practice Rewards	(347,715.29)	(2.74)	$ (760,668)	$ (4.95)	80.5%
Other Expense Adjustments	(2,754,128.81)	(21.72)	$ (3,338,296)	$ (21.72)	0.0%
Net Expenses	(123,146,391.80)	(971.22)	$(167,131,885)	$(1,087.47)	12.0%
Actual MER **	92.7%		82.4%		

A DIFFERENT LOOK AT OUR ACTUAL PERFORMANCE

2023 Key Cost & Util. Metrics – Traditional Medicare

2023 Performance (Lower is Better)	HSN Actual	HSN Percentile vs All MSSPs	MSSP Median	MSSP Top Quartile	MSSP Top Decile
Acute IP/1000	323	3%	228	206	182
ER (All)/1000	676	24%	605	546	490
% of ER Visits Admitted	38%	9%	30%	26%	22%
Inpt Rehab Admits/1000	38	3%	15	9	5
SNF Admits/1000	61	12%	41	33	26
SNF Days/1000	1586	14%	1120	850	626

HSN Utilization on Key Metrics in Bottom Quartile and Bottom Decile vs. All MSSPs (n = 456)
Source: CMS Public Use File

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REDUCING COSTS

- Deliver each service less expensively
    - Staffing ratios
    - In vs. Out of Hospital care
- Reduce use of high-cost services
- Right-size cost structure
    - What service lines are you in that you shouldn't be?
    - Are there service lines that lose money but are provided by others in the community?
    - SNF? Hospice? OP Therapy? Primary Care?

THE FUTURE OF MEDICARE

- Medicare financial situation
- Medicare Advantage will keep growing
    - MCOs will always enjoy advantages vs. providers
- Will we actually be forced into risk agreements?
- Trump vs. Biden administrations' approach

Thank You, and please keep in touch!

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