



St. Elizabeth
PHYSICIANS



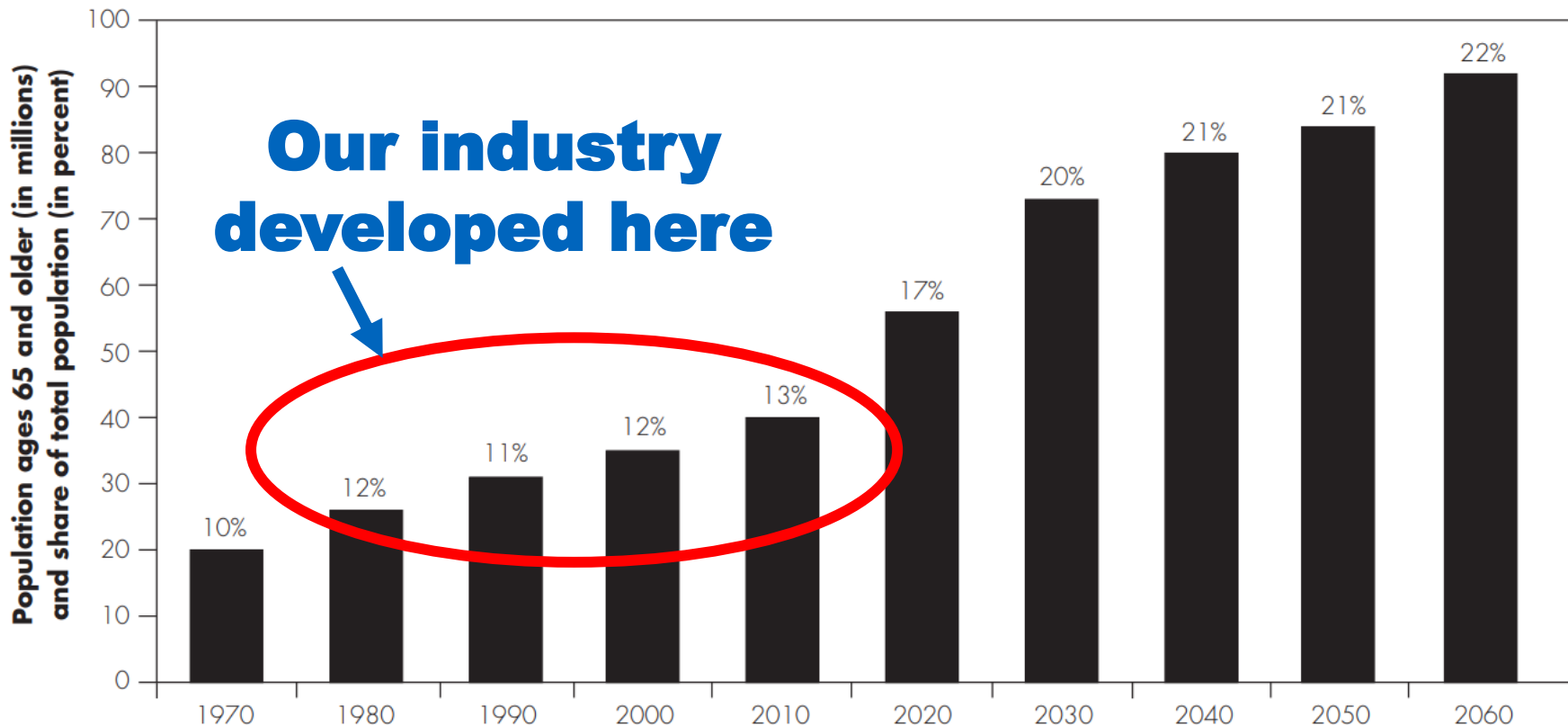
St. Elizabeth
HEALTHCARE

**Medicare as existential
threat... 2025 update**

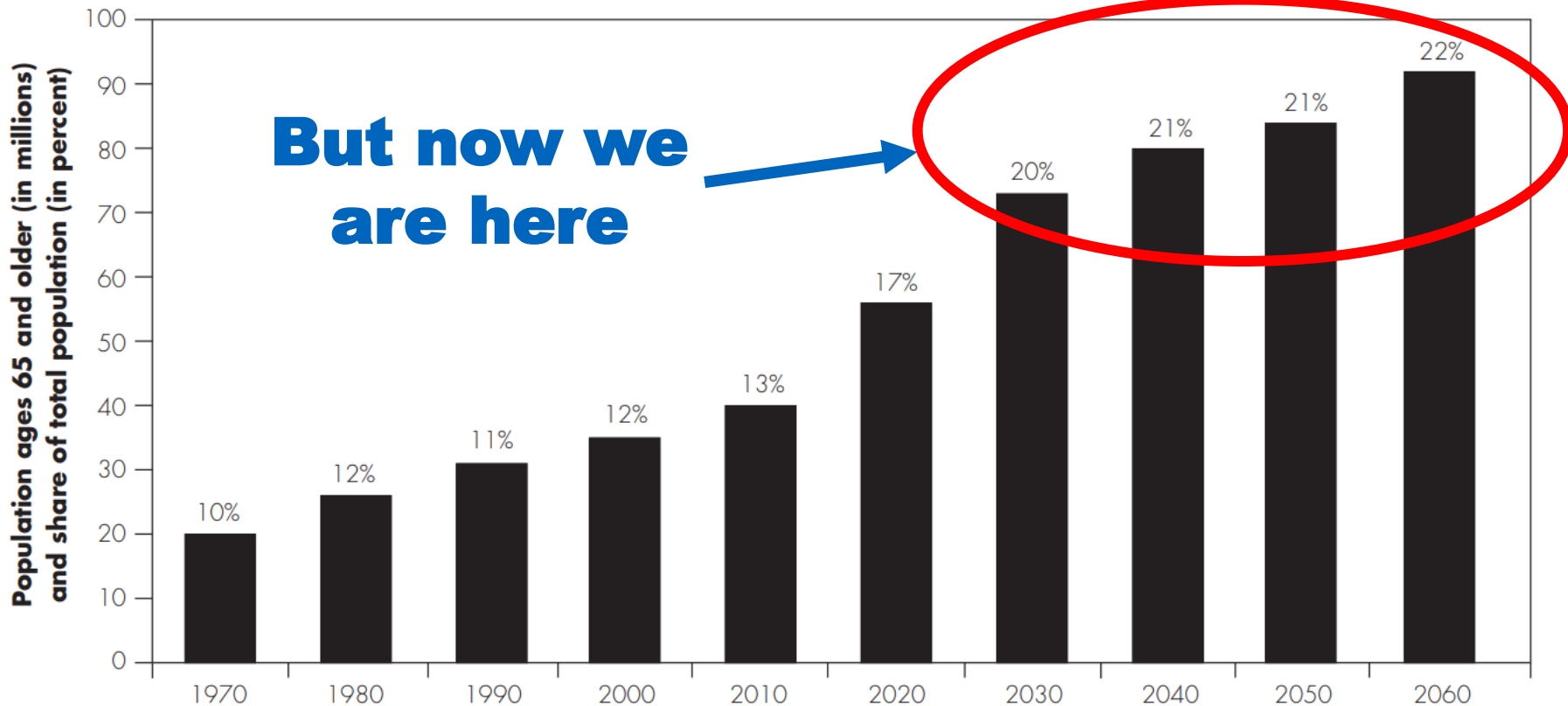
MEDICARE UPDATE 2025

- Medicare isn't great, but is it that 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

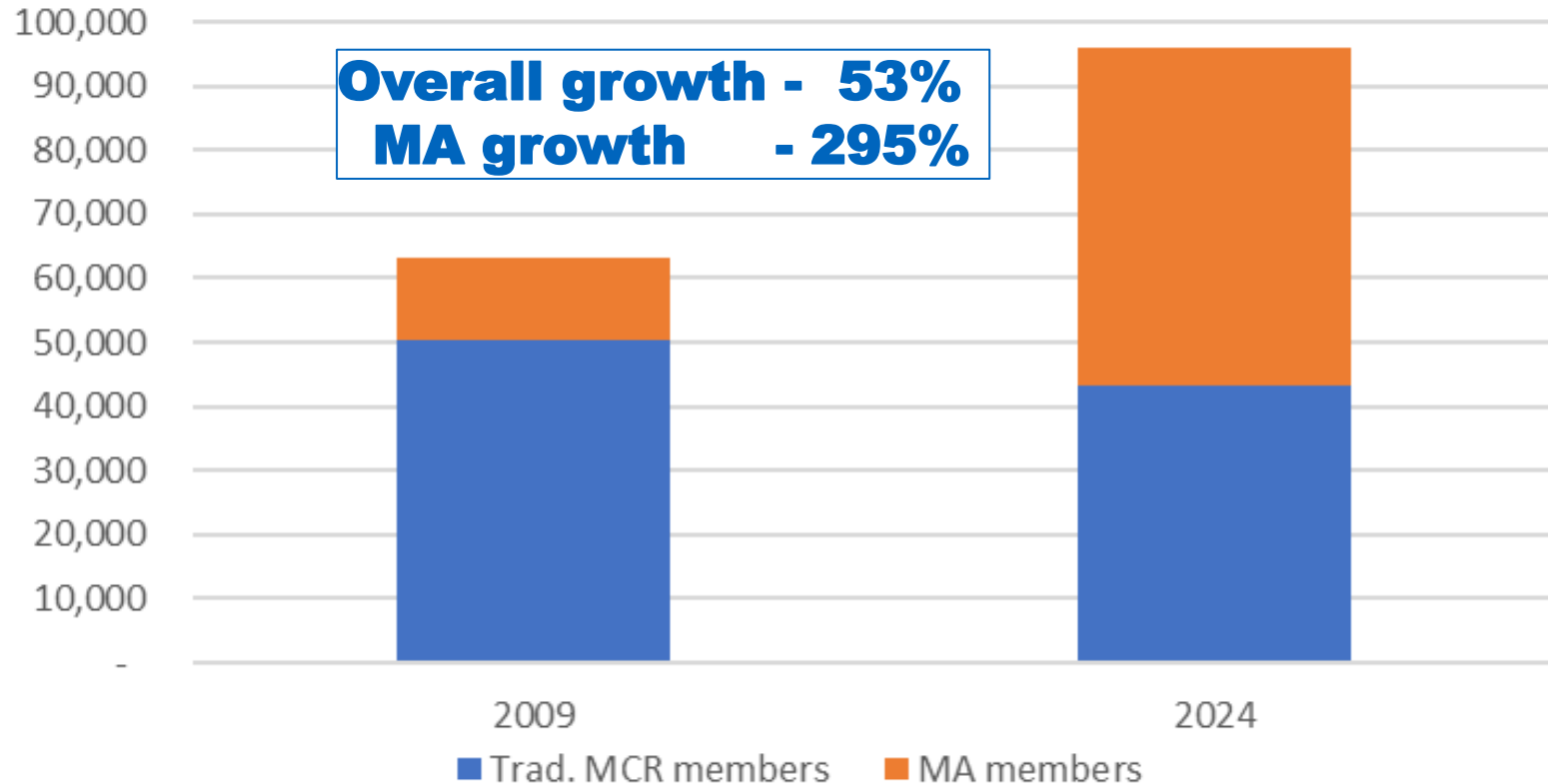


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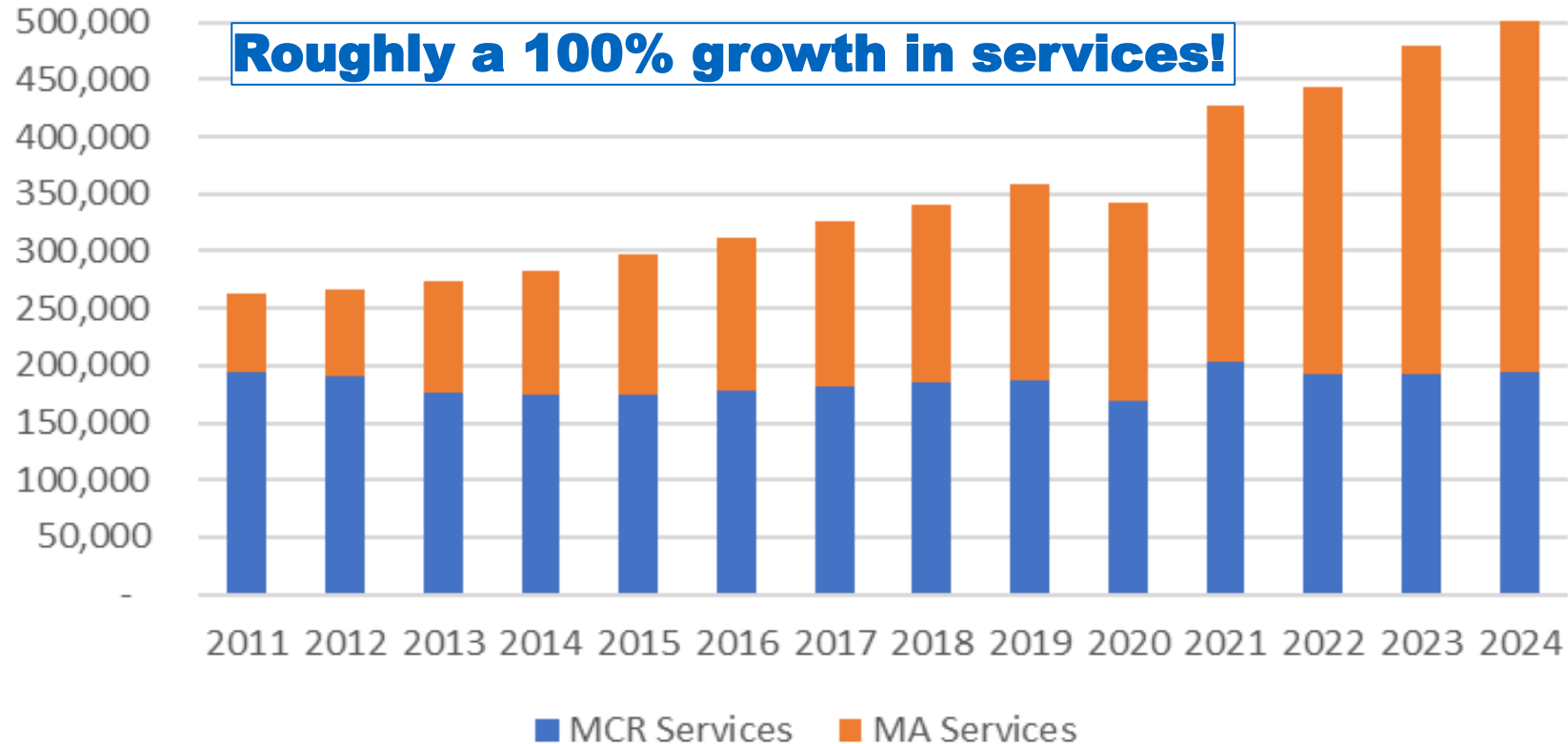
MEDICARE ADVANTAGE IS GROWING FAST!

No. KY/ Dearborn Co. Medicare enrollees 2009-2024



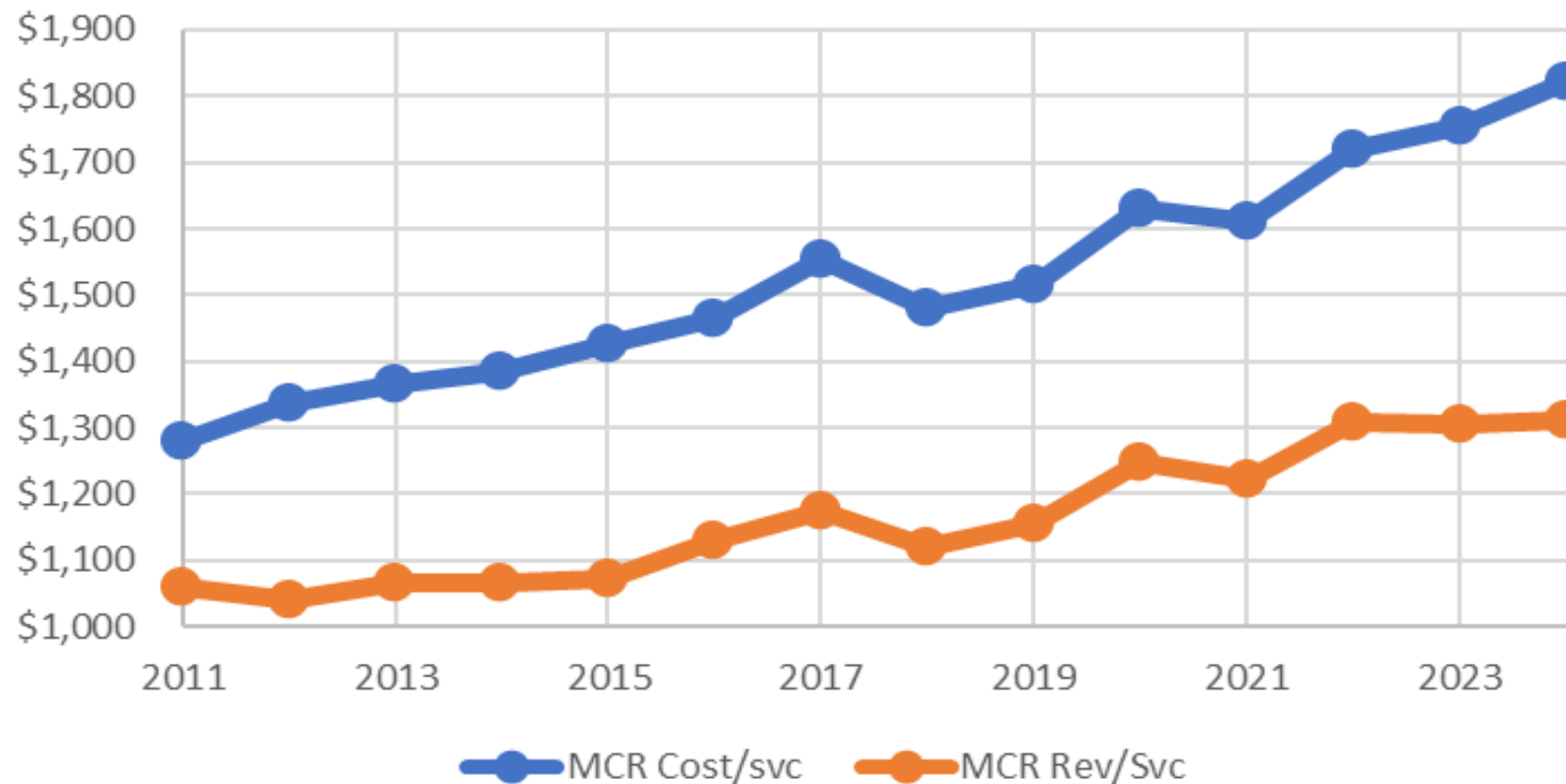
POPULATION GROWTH DRIVES SERVICE GROWTH

Medicare/ MA growth 2011-2024



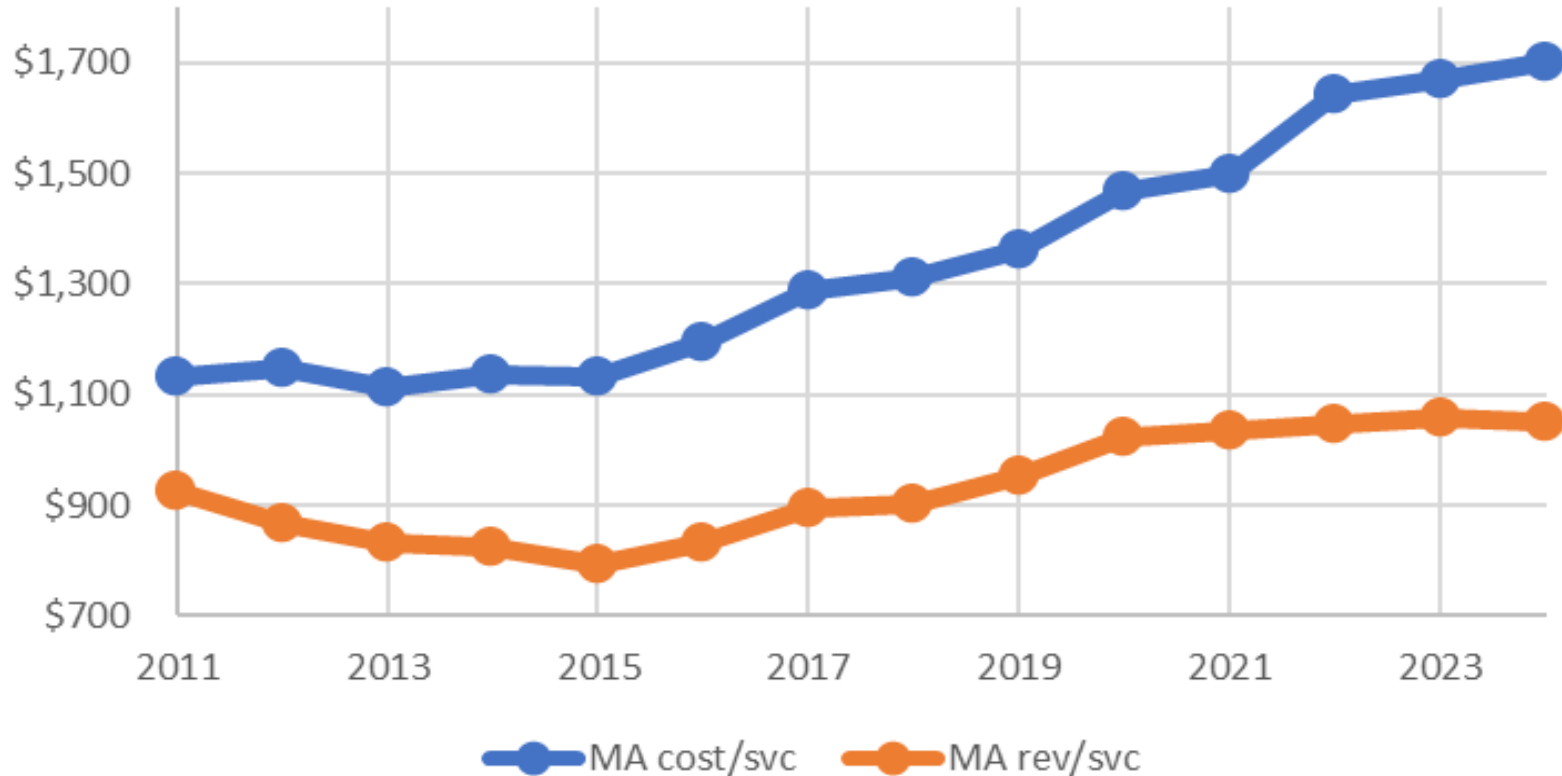
BUT MEDICARE GROWTH ISN'T ALL GOOD

Medicare Cost vs. Revenue Trend 2011-2024



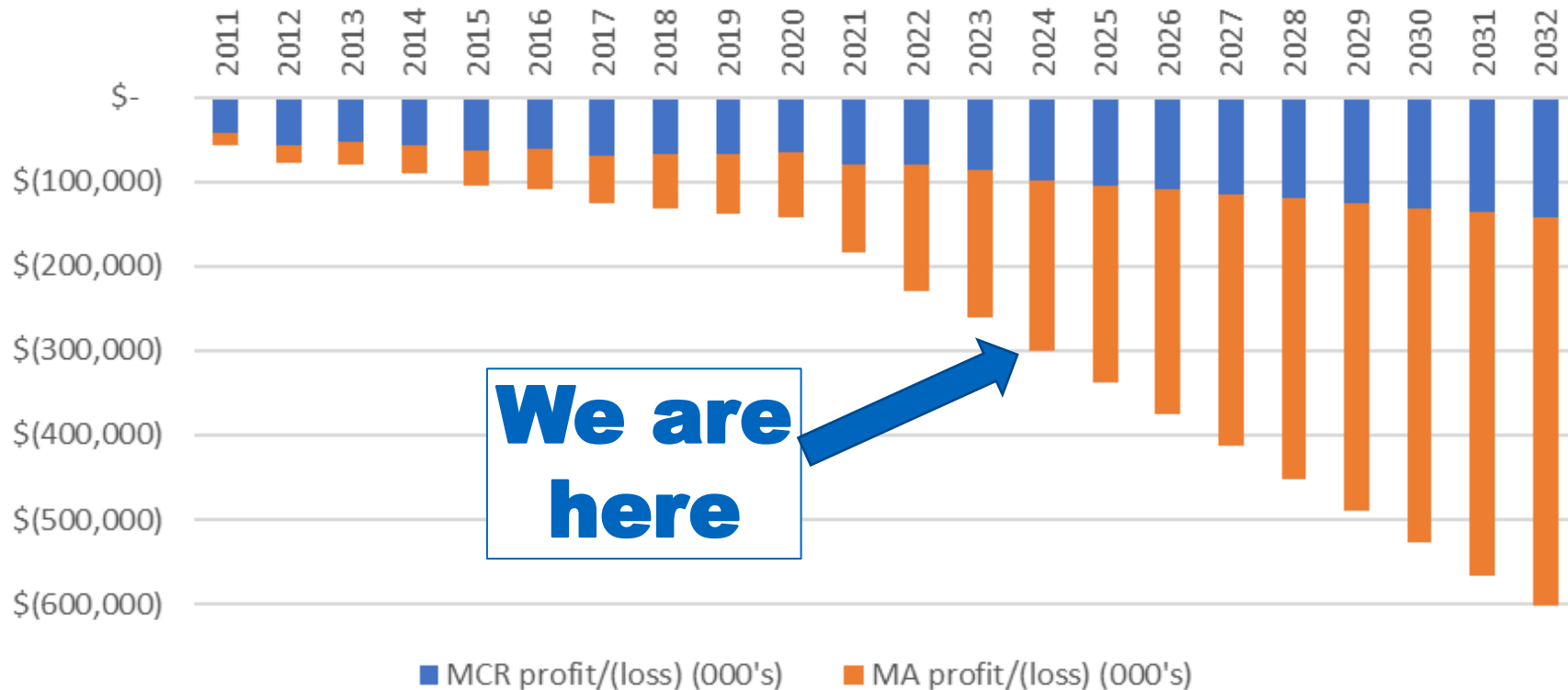
BUT MEDICARE GROWTH ISN'T ALL GOOD

MA Cost vs. Revenue Trend 2011-2024



THE OVERALL RESULT IS SOBERING

St. Elizabeth Healthcare
Medicare profit/(loss) over time



Providers Most At-Risk

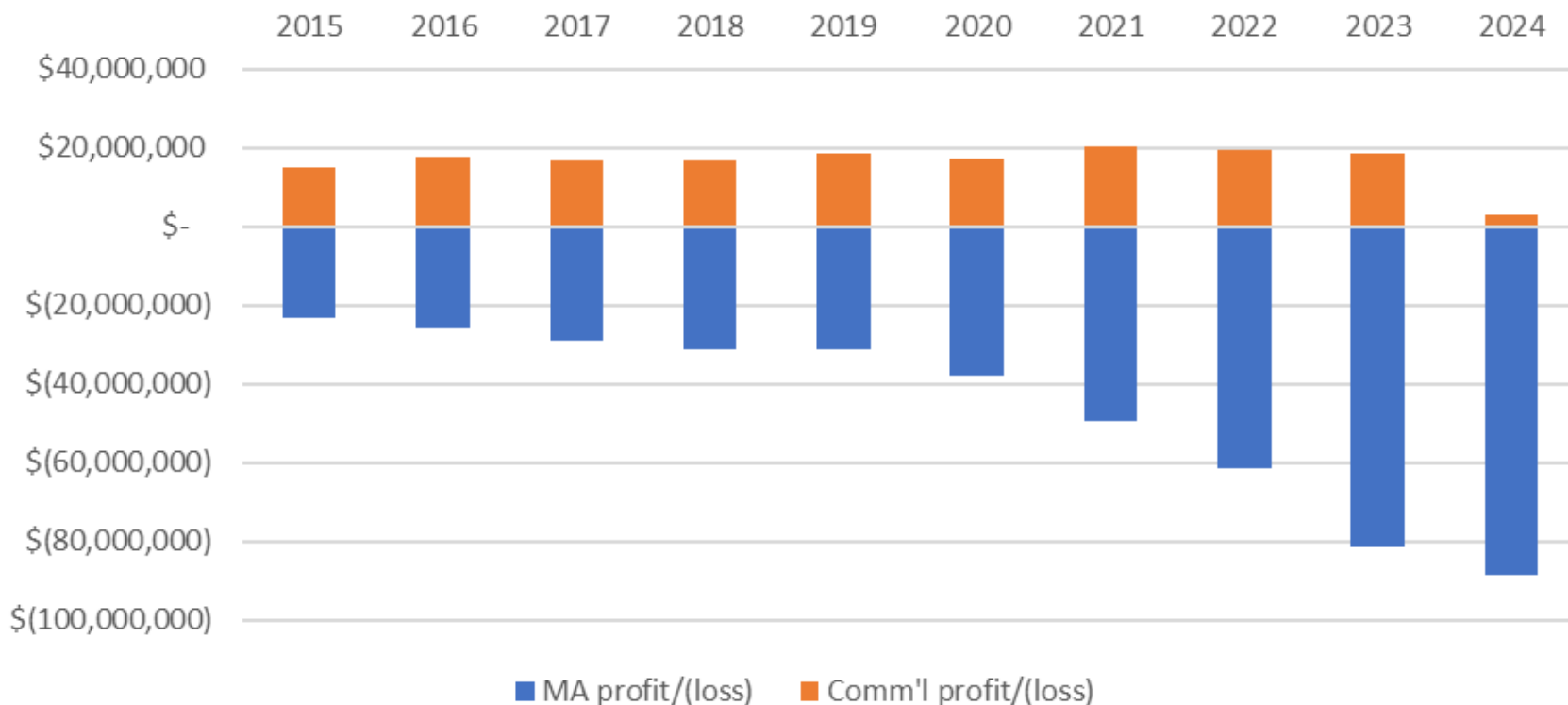
- High exposure to Medicare population growth
 - Especially focused, specialty practices
- High drug and device costs (HVI, Ortho, Oncology, etc)
- High fixed costs
- Employed medical staff – especially PCPs

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

Humana Commercial/ MA profit/(loss)
2015 - 2024



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 in vs. out 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
RESPIRE 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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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

RISK CONTRACTING

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- Raising premium comes from documenting a higher illness burden
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- What is in vs. out of your control?

RIGHT-SIZING COST STRUCTURE

- 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



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HEALTHCARE

Thank You, and please keep in touch!

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