



American Hospital
Association™

Advancing Health in America

Patient Access to Care & Health Care Financing

Health Innovations (B) Working Group

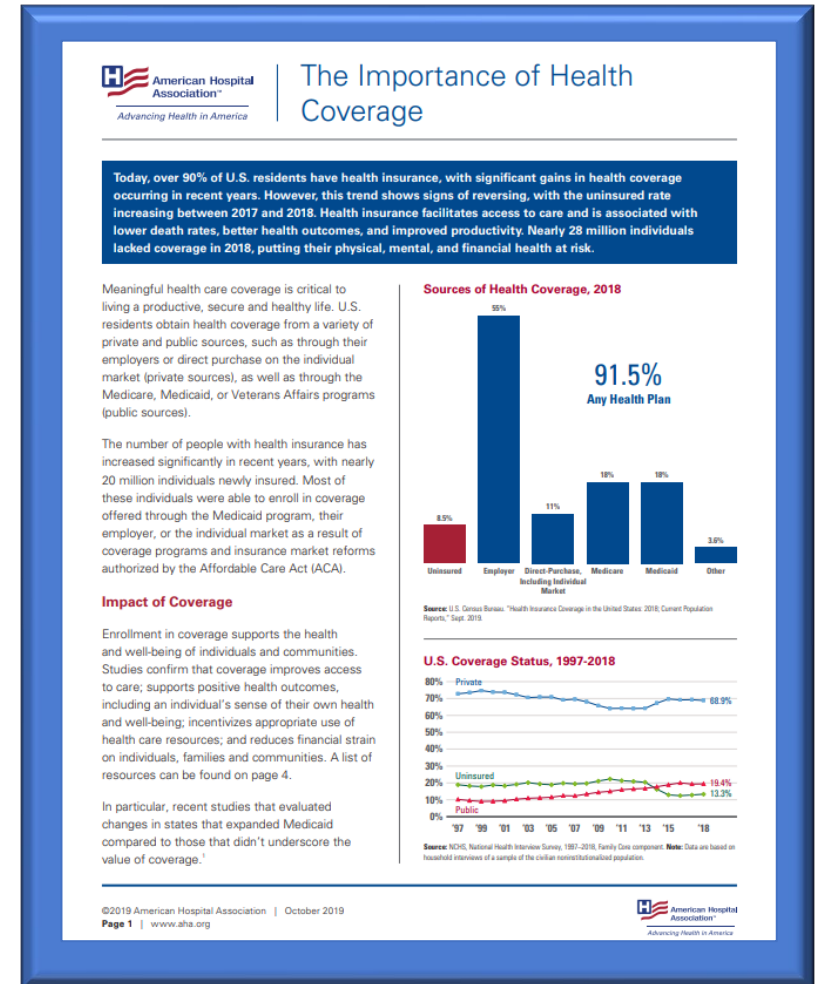
December 13, 2022

Ensuring Patient Access to Care

Access to quality care is top priority for hospitals and health systems.

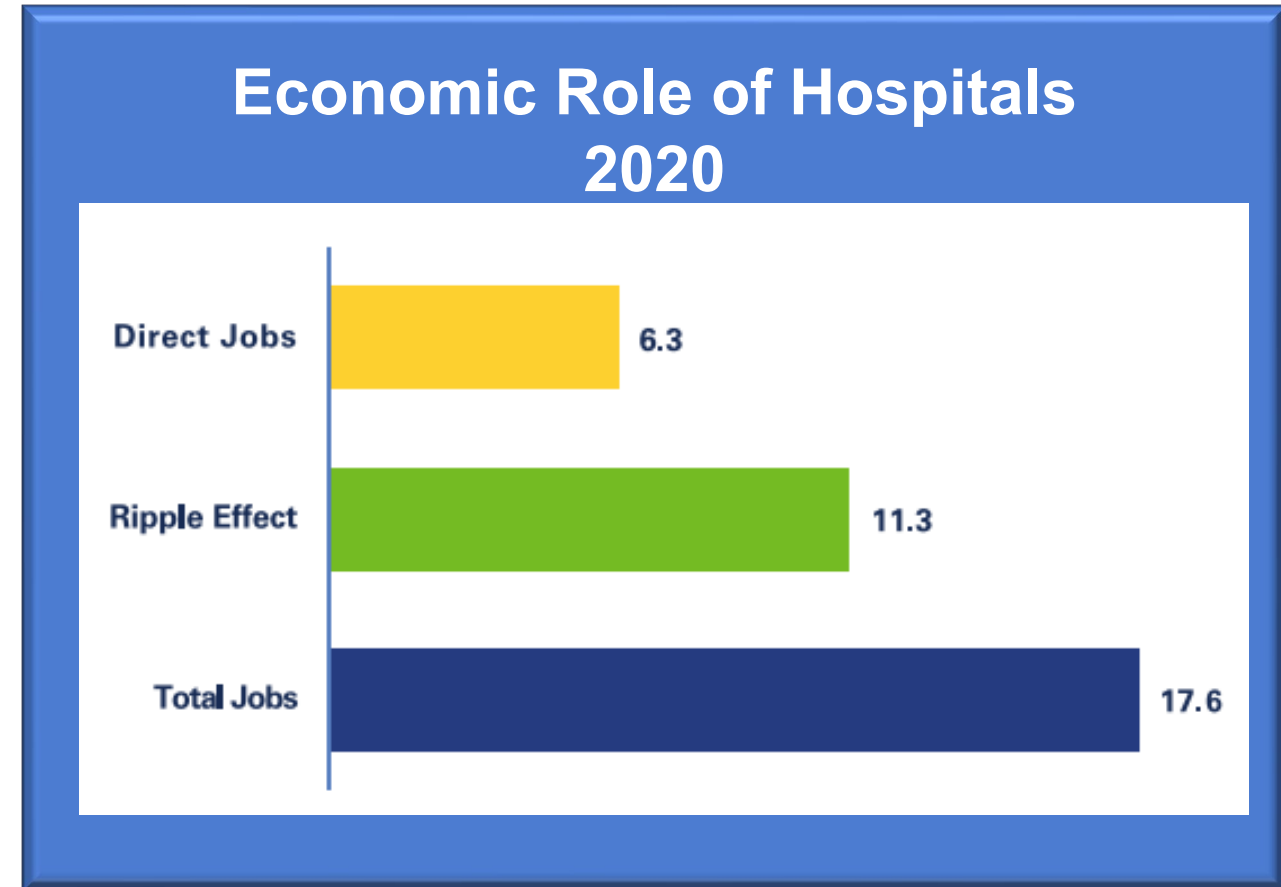
Appropriate health care system financing is imperative to ensuring access to comprehensive, quality health care services.

Health care coverage is essential, and patients should not face financial barriers to care due to **unaffordable cost-sharing** or **gaps in their coverage**.



The Unique Role of Hospitals

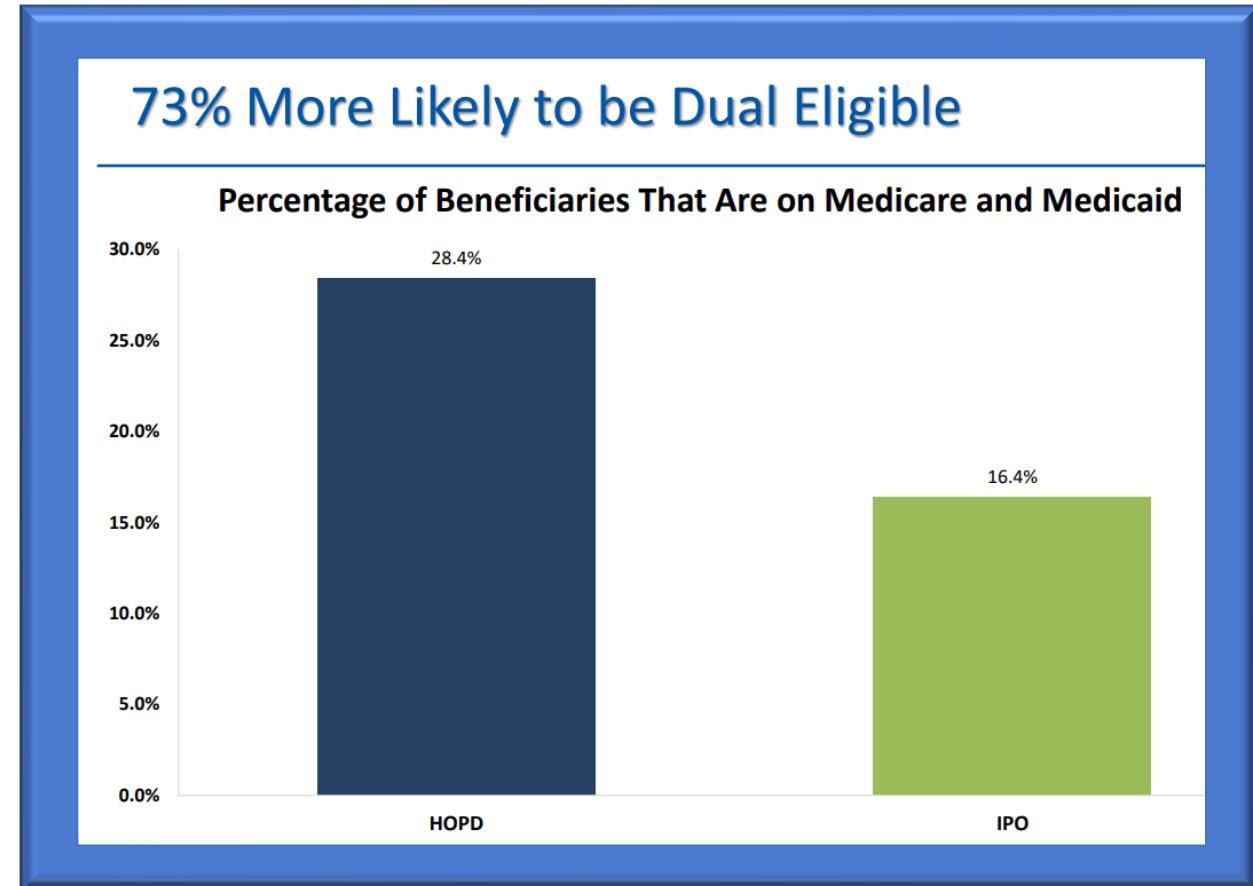
- 24/7 availability
- Emergency and trauma services
- Burn units
- Labor & delivery
- Neonatology
- Organ transplants
- Complex diagnostics, surgery
- Next generation workforce training
- Next generation clinical innovation



The Unique Role of Hospital Outpatient Care

Compared to Medicare beneficiaries treated in physician offices and ambulatory surgical centers, beneficiaries receiving care in HOPDs are more likely to be:

- Under 65 and Over 85
- Non-white
- Dual eligible
- From lower-income areas
- Burdened with more severe chronic conditions
- Previously hospitalized
- Cared for in an emergency department and have higher Medicare spending prior to receiving ambulatory care



Why Do Facility Fees Exist?

- Help finance the high acuity, 24/7 stand-by capacity that only hospitals provide and for which no payer covers the full cost.
- Attempt to close gaps in reimbursement as a result of underpayments by both public and private payers.



Gaps in Financing Hospital-based Services

Public Payer Underpayments

- Medicare: \$0.84 on the dollar
- Medicaid: \$0.88 on the dollar

Uninsured, Underinsured Uncompensated Care

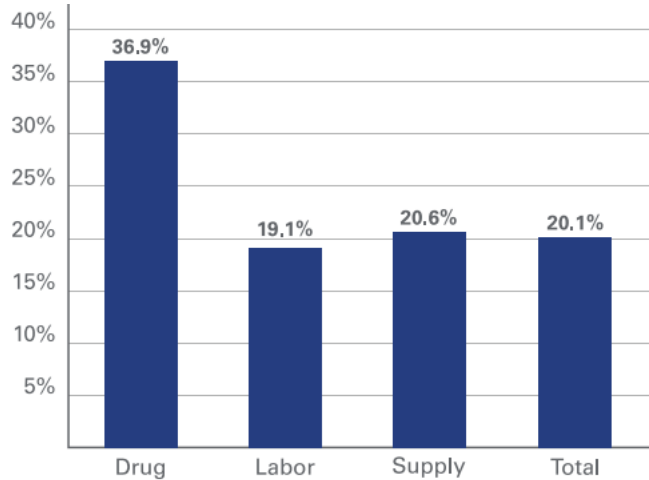
- ~8% uninsured (as high as ~20% in some states)
- Hospitals report >50% charity care dedicated to underinsured in high deductible plans

Commercial Squeeze

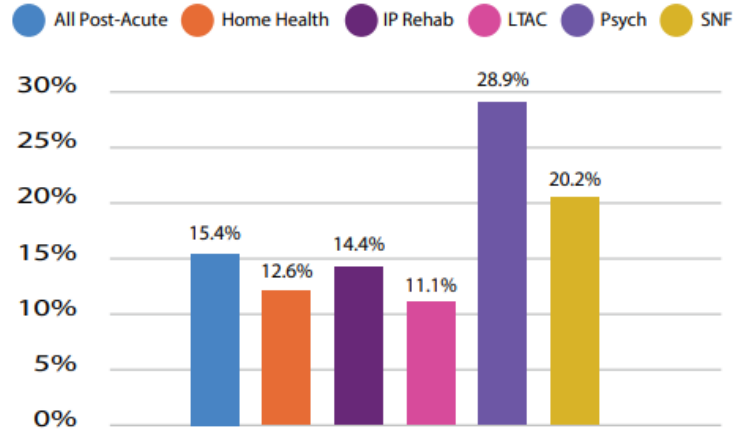
- Growing rates of prior authorization and coverage denials
- 50% of hospitals report \$100M or more in AR >6 months
- Site of service policies leaving only highest acuity patients in hospital/HOPD

Meanwhile: Hospital Costs Are Rising

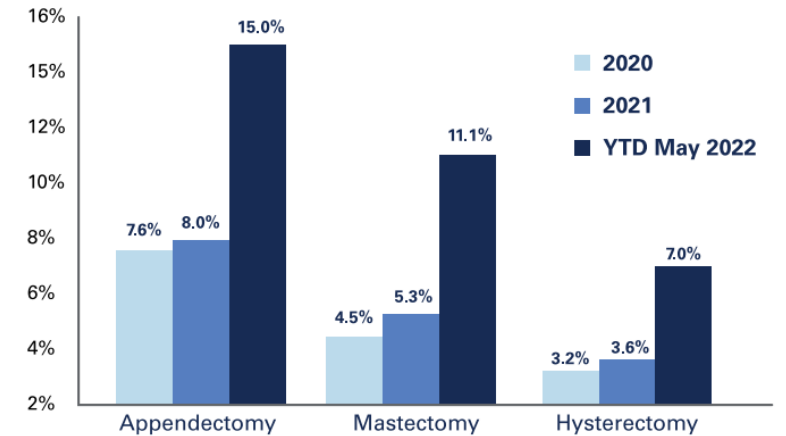
Hospital Input Costs 2019-2022



Patient Length of Stay 2019-2022

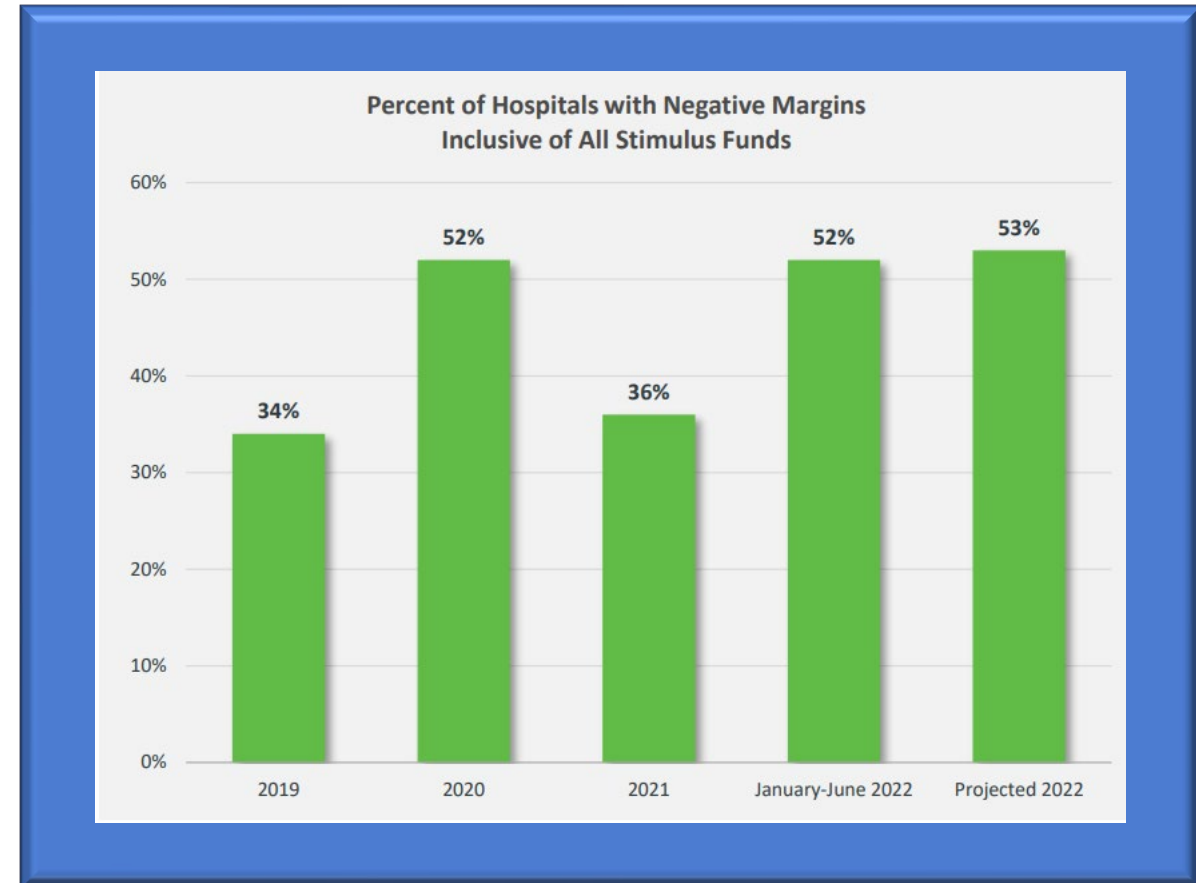


Patient Acuity 2020-2022



Result: Precarious Financial Status

- **Increased Expenses** (2021 v. 2019)
 - Labor expenses up 19%
 - Drug expenses up 28%
 - Medical supplies up 16%
- **Increased Acuity** (2021 v. 2019)
 - LOS increased nearly 10%
- **Rural Hospital Closures**
 - 136 rural hospitals closed 2010-21
 - A record 19 closed in 2020 alone
- **Current Finances**
 - Margins depressed below pre-pandemic levels
 - More than 50% of hospitals projected to end year with negative margins



Conclusions

For some hospitals and health systems, facility fees help close a growing gap in reimbursement, driven by chronic public payer underpayments, the uninsured/underinsured, and increasing squeeze by commercial payers.

Any efforts to address facility fees should focus on the root cause of the problem.

Efforts to remove a critical funding source without adequate planning for the consequences may result in hospitals inability to provide the full scope of comprehensive care for which their communities rely.

Thank you

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Public Policy

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