# The State of Delaware

## Pre-read for May SEBC Meeting

State Employee Benefits Committee

May 22, 2023

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# Overview

- This executive summary is being provided to SEBC members in advance of the May 2023 SEBC meeting and expands upon the provider cost, quality and safety resources introduced within pre-read materials shared with SEBC members before the April 2023 SEBC meeting
- **Key findings and takeaways gleaned from these publicly available resources that are directly relevant to the GHIP have been highlighted within this document**
- A number of these publicly available resources were also referenced during the April 2023 OVBHCD presentation to the SEBC, which focused on perspectives related to Delaware’s progress with adoption of alternative payment models as well as on 2023 projections related to primary care investment in Delaware
- These topics have previously surfaced during the Committee’s recent work to refine the goals of the GHIP Strategic Framework, which includes one goal that is entirely focused on increasing the proportion of GHIP spend through alternative (i.e., value-based) payment models
- Neither this document nor the pre-read materials from April are intended to contain an exhaustive list of resources and instead reflect sources of information that have been or will be referenced at future SEBC meetings

# National Academy for State Health Policy's (NASHP) Hospital Cost Tool (HCT)

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| **Website** | https://tool.nashp.org/ |
| **Purpose** | • To provide state policymakers and researchers with analytical insights into how much hospitals spend on patient care services, and how such costs relate to the hospital charges (list prices) and actual prices paid by health plans.<br>• HCT dashboard reports on a range of measures for hospital revenue, costs, profitability, and break-even points across over 4,600 hospitals nationwide for the period from 2011 through 2021.<br>• HCT dashboard offers options to view data at the hospital, state, and health system levels. |
| **Data Source(s)** | • Underlying dataset includes approximately 60 variables extracted and calculated using data from the national Healthcare Cost Report Information System (HCRIS) as the main data source. Hospitals in this dataset represent approximately 65 million patient discharges and $131 billion hospital net income in the most recent reporting year.<br>• The HCRIS is the Centers for Medicare & Medicaid Services (CMS) system for aggregating cost report information that CMS receives from Medicare-certified institutional (facility) providers via each provider's Medicare Administrative Contractor (MAC). Medicare-certified institutional providers are required by CMS to submit an annual cost report to a MAC.<br>• HCT 2.0 (released November 2022) includes data from Round 4 of the RAND Hospital Price Transparency Study (described further within this document) on aggregate commercial prices for 2018-2020. |
| **Other Comments** | • The NASHP HCT uses the same data source as the Johns Hopkins University research[1] reported to the SEBC and its subcommittees in 2019 and 2020 on inpatient hospital prices in Delaware. |

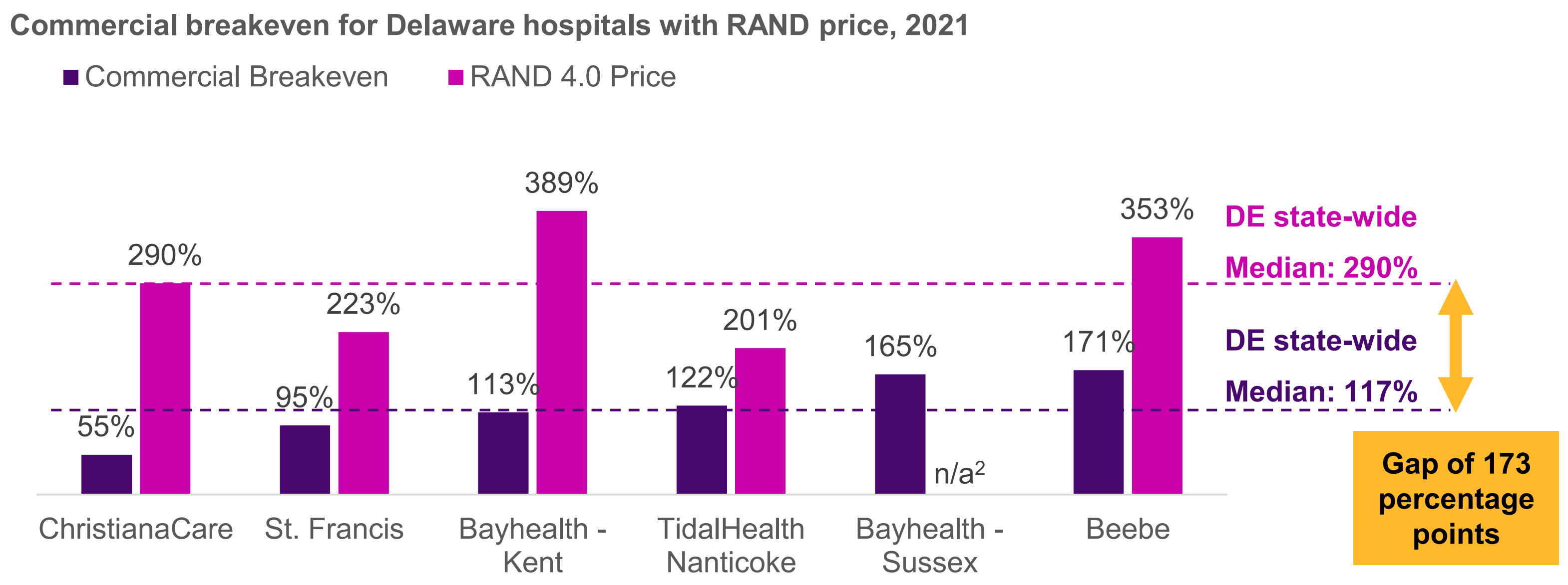
All content sourced from NASHP HCT website noted above.

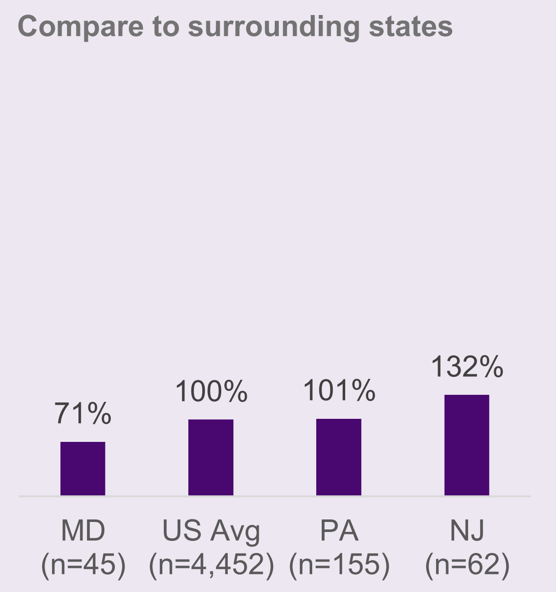
1 For further details on this Johns Hopkins University research, see https://dhr.delaware.gov/benefits/sebc/documents/2019/0408-jhu-de-report.pdf and https://dhr.delaware.gov/benefits/sebc/documents/sub-comm-2020/0213-hospital-prices-margins.pdf.

# National Academy for State Health Policy's (NASHP) Hospital Cost Tool (HCT)

## Selected Findings[1]

When the prices paid by commercial payers (non-Medicare/Medicaid) to acute care hospitals in Delaware are compared to the payment level required for each hospital to cover its maximum expenses (inpatient and outpatient) with no profit (both expressed as a percentage of Medicare rates), there is a gap – while the median pricing for commercial payers is approximately 290% of Medicare rates, the median "*commercial breakeven point*" for the same hospitals is 117% of Medicare, a gap of 173 percentage points. Delaware's state-wide median commercial breakeven point is above the surrounding states of PA and MD plus the US national average but is less than NJ. (HCT tool does not maintain state-wide median data for *RAND 4.0 prices*; Delaware's median was calculated based on the hospital-specific values provided.)




All content sourced from NASHP HCT: https://tool.nashp.org/.

1 See next slide for definitions of key terms highlighted in *italics*.

2 Bayhealth - Sussex prices were not available in the RAND 4.0 dataset and therefore were not populated in the HCT.

# National Academy for State Health Policy's (NASHP) Hospital Cost Tool (HCT)

## Definitions of Key Terms

**Commercial Breakeven Point:** 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 or overage from public health programs, charity care and uninsured patient hospital costs, Medicare disallowed costs, and hospital other income and expense.

**RAND Price[1]:** Prices paid to hospitals by commercial payers for inpatient and outpatient services, expressed as a percentage of Medicare rates. Prices for 2018-2021 come from Hospital Price Transparency Study Round 4 and are calculated based on paid claims by health plans participating in RAND's study. *Note:* Bayhealth - Sussex prices were not available in the RAND 4.0 dataset.

All content sourced from NASHP HCT website noted above.
1 Source: https://employerptp.org/rand/4-0/

# RAND Hospital Price Transparency Study

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| **Website** | https://www.rand.org/health-care/projects/price-transparency/hospital-pricing.html |
| **Purpose** | • To provide employers with greater transparency into information on hospital prices that will enable them to monitor the prices negotiated on their behalf, to implement innovative insurance benefit designs, to ensure insurers are negotiating favorable prices and to shop for health care on behalf of their employees.<br>• This study assesses hospital prices paid by employer-sponsored health plans and by Medicare for the same services. |
| **Data Source(s)** | • Data collected from self-funded employers and 11 All-Payer Claims Databases (APCDs) over the course of four (4) rounds of this study. Currently, the study is seeking additional employers to participate in Round 5.<br>• Initial round of results was published in 2017 based on data collected from employer participants in the Employers' Forum of Indiana. Subsequent rounds of the study were expanded across other states, achieving national reach by Round 3.<br>• In the most recent round, data sources included $78.8 billion in spending from more than 4,000 hospitals and $2.0 billion from about 4,000 ambulatory surgical centers (ASCs). |
| **Other Comments** | • Data for the GHIP and other employer-sponsored plans in Delaware have been included in this study since Round 3 (published in 2020) via submissions by the Delaware Health Information Network (DHIN).<br>• Selected general results from this study include:<br>  • Employers and private insurers paid more than 2 times what Medicare would have paid for the same services at the same hospitals in 2020.<br>  • Prices varied significantly by state. Relative prices in some states (Hawaii, Arkansas, and Washington) were less than 2 times the amount of Medicare prices, while relative prices in 19 states (e.g., Florida, West Virginia, and South Carolina) were more than 3 times that of Medicare. |

All content sourced from RAND website noted above.

# RAND Hospital Price Transparency Study

## Selected Findings[1]

Delaware's relative prices across inpatient and outpatient services are higher than the surrounding states and the overall average across all states; however, Delaware's relative price for professional services is lower than the surrounding states and the overall average across all states.

| Prices paid by Private Employer-Sponsored Health Plans, 2018-2020 | Relative Price (as % of Medicare rates) | | |
|---|---|---|---|
| | **Inpatient Services** | **Outpatient Services** | **Professional Services** |
| DE state-wide average | 255% | 315% | 116% |
| *ChristianaCare Health System* | *241%* | *298%* | *127%* |
| *St. Francis Hospital* | *224%* | *176%* | *106%* |
| *Bayhealth – Kent* | *299%* | *334%* | *102%* |
| *TidalHealth Nanticoke Memorial Hospital* | *164%* | *201%* | *104%* |
| *Beebe Medical Center* | *275%* | *307%* | *98%* |
| NJ state-wide average | 229% | 209% | 145% |
| PA state-wide average | 207% | 259% | 134% |
| **Overall average (across all states with available data[1])** | **217%** | **231%** | **163%** |

All content sourced from RAND: https://www.rand.org/health-care/projects/price-transparency/hospital-pricing.html.
1 Note: RAND excluded Maryland from the study due to that state's "All-Payer Model" that standardizes payments for both private and public payers (with a small differential for Medicare and Medicaid).

# Kaufman Hall National Hospital Flash Report

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| **Website** | https://www.kaufmanhall.com/insights-all?sort=field_publication_date&order=desc&f%5B0%5D=topic%3A976 |
| **Purpose** | • Provides monthly real-time information about the performance of hospitals nationwide.<br>• Report includes data and analyses across hospital margins, volumes, revenues, and expenses derived from more than 900 U.S. hospitals. |
| **Data Source(s)** | • Uses both actual and budget data over the last three years, sampled from more than 900 hospitals on a recurring monthly basis from Syntellis' Axiom™ Comparative Analytics software.<br>• The sample of hospitals for this report is representative of all hospitals in the United States both geographically and by bed size. Additionally, hospitals of all types are represented, from large academic to small critical access. Advanced statistical techniques are used to standardize data, identify and handle outliers, and ensure statistical soundness prior to inclusion in the report. |
| **Other Comments** | • Findings from the April 2023 report[1] include:<br>  • Hospital finances improved in March (relative to February), but margins remain razor-thin (near zero levels) during a time when inflationary pressure from increased costs of drugs and other supplies and rising labor costs due to workforce shortages are pushing spending.<br>  • Outpatient volume continues to perform at a similar level as March, with decreasing lengths of stay suggesting reductions in the severity of patient hospitalizations.<br>  • Workforce shortages still impact hospitals' ability to treat patients who are admitted. |

All content sourced from Kaufman Hall website noted above.
1 Source: https://www.kaufmanhall.com/insights/research-report/national-hospital-flash-report-april-2023

# Primary Care Collaborative’s State Primary Care Investment Hub

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| **Website** | https://www.pcpcc.org/primary-care-investment |
| **Purpose** | • The Primary Care Collaborative (PCC) is a not-for-profit multi-stakeholder membership organization and dedicated to advancing an effective and efficient health system built on a strong foundation of primary care and the patient-centered medical home.<br>• Founded in 2006, the PCC’s mission is to unify and engage diverse stakeholders in promoting policies and sharing best practices that support the growth of high-performing primary care that treats the whole person. |
| **Data Source(s)** | • The State Primary Care Investment Hub is a repository of information on actions that various states have taken related to legislation or regulations to measure, benchmark, and ultimately increase levels of investment in primary care.<br>• Hub contains tools and interactive maps that allow users to filter on specific states to view information about legislative efforts and investment initiatives; also contains a “Health of Primary Care” scorecard created by the Milbank Memorial Fund, which is a foundation focused on improving population health and health equity with an emphasis on state health policy.<br>• Sourced from various state public websites and information from other participating public and private organizations. |
| **Other Comments** | • The PCC also runs a State Primary Care Investment Workgroup that convenes executive member organizations and state leaders from across the country to discuss current trends in state legislation and regulations related to primary care investment on a quarterly basis.<br>• Delaware’s efforts to pass the Primary Care law (formerly known as SS1 for SB120 prior to adoption) and recent reports from the Delaware OVBHCD are highlighted on the PCC’s State Primary Care Investment Hub. |

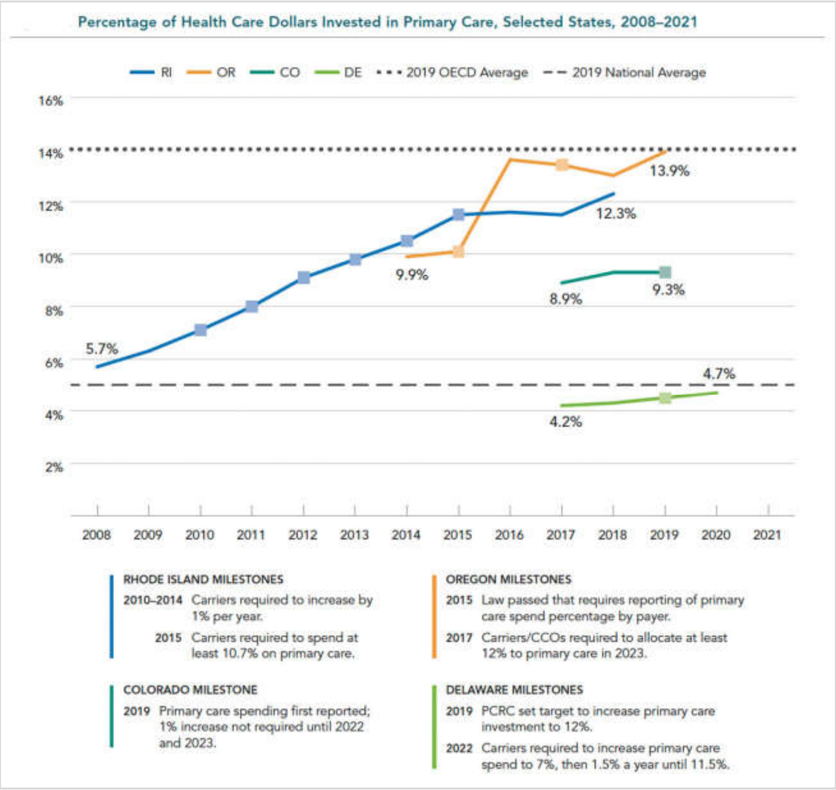
All content sourced from PCC website noted above.
Further details about the Milbank Memorial Fund are available at https://www.milbank.org/about/.

# Primary Care Collaborative's State Primary Care Investment Hub

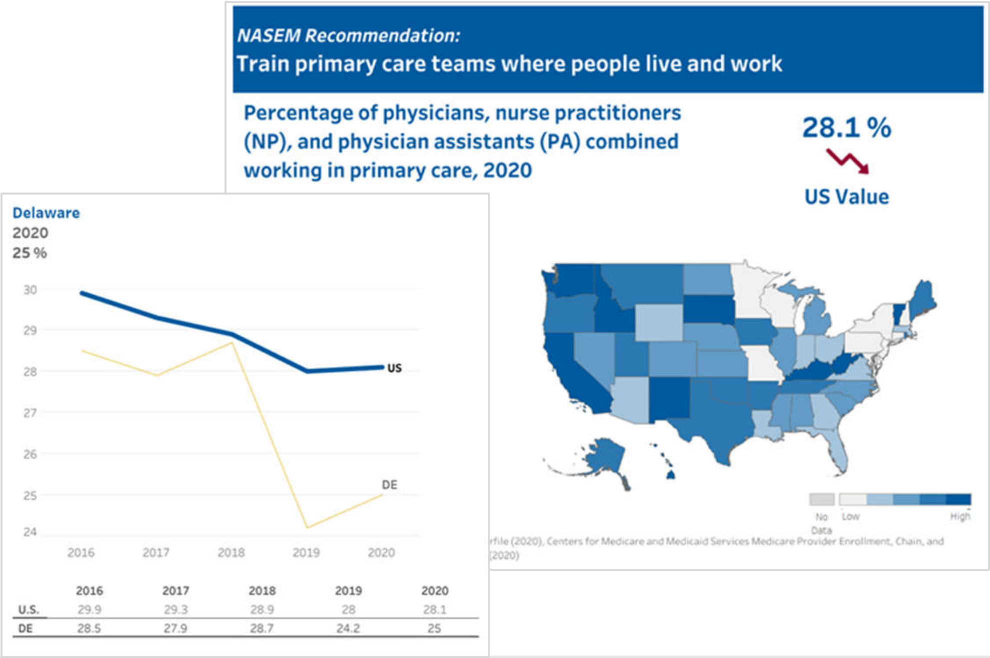
## Selected Findings

PCC website tracks primary care investments made by each state and has featured Delaware's efforts to increase primary care investments as one of the early adopters of a statewide-initiative to boost primary care.

This chart shows Delaware's state-wide percentage of health care dollars invested in primary care (4.2% - 4.7%) lags behind other states that have implemented similar initiatives to increase primary care investments, though two other states (RI and OR) have a longer track record with those states' initiatives.




PCC website also links to the Millbank Memorial Fund's "The Health of US Primary Care Baseline Scorecard Data Dashboard," an interactive tool for monitoring and encouraging progress toward delivery of high quality primary care in the US. The image below is a snapshot from the data dashboard as an example of the data that can be accessed. Content is organized according to the recommendations put forth in a National Academies of Science Engineering and Medicine (NASEM) 2021 report on primary care. In this example, the data indicates that there was a drop in the percentage of providers working in primary care between 2018 and 2019 (from 29% to 24%), there was a slight rebound in 2020 (25%) but that still lags behind the national average (28.1%).




All content sourced from PCC: [https://www.pcpcc.org/primary-care-investment](https://www.pcpcc.org/primary-care-investment) or the Millbank Memorial Fund: [https://www.milbank.org/focus-areas/primary-care-transformation/health-of-us-primary-care-scorecard/](https://www.milbank.org/focus-areas/primary-care-transformation/health-of-us-primary-care-scorecard/).

# Georgetown University research on state employee health plan cost containment initiatives

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| **Website** | https://sehpcostcontainment.chir.georgetown.edu/ |
| **Purpose** | • Georgetown University's Center on Health Insurance Reforms fielded a survey between September 15 and December 7, 2020 to collect data on State Employee Health Plan (SEHP) organizational structure and benefits.<br>• SEHP administrators were asked to identify the primary cost drivers for their plans, any cost containment initiatives implemented in the last three years, barriers to implementation of those initiatives, and any documented cost savings resulting from those initiatives. |
| **Data Source(s)** | • Self-reported information from forty-seven (47) states responded to the survey. Responses were not received from Arkansas, District of Columbia, Maryland, or South Dakota.<br>• Website contains an interactive map that allows users to drill down into survey results by state with information on various components on the eligible population, health plan options and cost containment initiatives at play for each state.<br>• A report on this research was published in 2022 and is available here: https://georgetown.app.box.com/s/qljs9kpo467k3ahpaap7gqya5byzulgr |
| **Other Comments** | • Findings from this survey were included in recent discussions with the SEBC Health Policy & Planning and Financial Subcommittees about other state efforts related to direct contracting with health systems and other providers. See materials from the November 2022 combined Subcommittee meeting here: https://dhr.delaware.gov/benefits/sebc/documents/sub-comm-2022/1117-fy24-planning.pdf |

All content sourced from Georgetown University website noted above.

# Georgetown University research on state employee health plan cost containment initiatives

## Selected Findings

*Excerpt from the November 2022 combined Subcommittee meeting materials which referenced this research to report on other state efforts related to direct contracting with health systems and other providers:*

### Overview of states' use of direct contracting in the past three years

- Georgetown University's Center on Health Insurance Reforms published a report in 2021 containing findings from a survey of 47 state employee health plan (SEHP) administrators and in-depth interviews with 11 of them
- Fourteen (14) states reported engaging in direct negotiations or contracting with providers in the last three years
  - The report did not provide further detail on the nature of each direct contract across these 14 states
  - Based on other publicly available information, some of these states' direct contracts were established through negotiations directly between the state and providers (such as in Montana and North Carolina) for a broad set of health care services, whereas others may be for a narrower set of services with high quality provider "centers of excellence"
- Key benefits and challenges noted in the report:
  - One state using direct contracting across all services and providers cited this approach as its "primary source of savings" and reported "minimal friction with providers"
  - Another state reported ability to negotiate a "preferential government rate" for state employees and teachers plans
  - Challenges included difficulty finding TPAs to administer the direct contracts, as well as provider market consolidation and provider shortages that limited SEHPs' negotiating leverage
  - "Many states are dominated by a very small number of 'must have' hospital systems, such that efforts to engage in direct contracting or offer a narrow network plan wouldn't generate much in savings."

Source: https://sehpcostcontainment.chir.georgetown.edu/documents/SEHP-report-final.pdf

# Leapfrog Hospital Survey, Hospital Safety Grade Report and Hospital and Surgery Center Ratings

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| **Websites** | Hospital Safety Grade Report: https://www.hospitalsafetygrade.org/<br>Hospital and Surgery Center Ratings: https://ratings.leapfroggroup.org/ |
| **Purpose** | • Founded in 2000 by large employers and other purchasers, The Leapfrog Group is a national nonprofit organization driving a movement for “giant leaps forward” in the quality and safety of American health care.<br>• The Leapfrog Hospital Survey collects and reports hospital performance, empowering purchasers to find the highest-value care and providing consumers with information to make informed decisions.<br>• The Leapfrog Hospital Safety Grade, Leapfrog’s other main initiative, assigns letter grades to hospitals based on their record of patient safety, helping consumers protect themselves and their families from errors, injuries, accidents, and infections.<br>• Leapfrog’s Hospital and Surgery Center Ratings website allows consumers to compare hospital and ambulatory surgery center ratings for aspects such as effectiveness in preventing and responding to patient harm, healthcare associated infections, medication safety, total joint replacement, and elective outpatient surgeries. |
| **Data Source(s)** | • The Leapfrog Hospital Survey is an annual voluntary survey in which Leapfrog asks hospitals to report quality and safety data and then publicly reports that information by hospital.<br>• The Leapfrog Hospital Safety Grade is a letter grade Leapfrog bi-annually assigns to all general hospitals in the United States, whether or not they report to the Hospital Survey.<br>• If a hospital does not report to the Hospital Survey, the Safety Grade uses publicly available data from numerous secondary sources. The majority of data used to calculate the Safety Grade comes from the Centers for Medicare and Medicaid Services.<br>• Most recent Hospital Safety grades were just released in May 2023. Measures include how well hospitals protect patients from preventable medical errors, accidents, injuries, and infections.<br>• The Leapfrog Ambulatory Surgery Center (ASC) Survey was first launched in 2019 in recognition of the fact that more than 60 percent of surgeries in the United States are now performed in hospital outpatient units or ASCs. The Outpatient Procedures section of the Leapfrog Hospital Survey closely aligns with the Leapfrog ASC Survey. |
| **Other Comments** | • An analysis[1] by The Leapfrog Group of data across the Hospital Safety Grade’s history suggests improvement in patient safety over time.<br>• From the latest Safety Grades results released in May 2023:<br>  • Twenty-nine percent of hospitals received an "A," 26% received a "B," 39% received a "C," 6% received a "D," and <1% received an "F.”<br>  • The top ten states with the highest percentages of "A" hospitals are New Jersey, Idaho, Utah, Pennsylvania, Connecticut, North Carolina, South Carolina, Colorado, Virginia and Massachusetts.<br>  • There were no "A" hospitals in the District of Columbia, North Dakota, or Delaware. |

All content sourced from the Leapfrog Group’s websites noted above.
1 Source: https://www.leapfroggroup.org/sites/default/files/Files/Safety%20Grade%2010-year%20Trends%20Table_Final.pdf

# Leapfrog Hospital Survey, Hospital Safety Grade Report and Hospital and Surgery Center Ratings

## Selected Findings

The Spring 2023 Leapfrog Hospital Safety Grades were released on 5/3 and made publicly available on Leapfrog's website. Below are the Delaware hospital grades from the latest release. Comparing these results to the prior Hospital Safety Grades released in Fall 2022, ChristianaCare improved from a D to a C, Bayhealth – Sussex Campus went from an A to a B, and all other hospitals remained at a C. There are no "A" hospitals in Delaware.

| Hospital Name | Spring 2023 Score | Fall 2022 Score |
|---|---|---|
| Bayhealth - Sussex Campus | B | A |
| Bayhealth - Kent Campus | C | C |
| ChristianaCare – Newark | C | D |
| ChristianaCare – Wilmington | C | D |
| Saint Francis Hospital | C | C |
| TidalHealth Nanticoke | C | C |
| Beebe Healthcare | C | C |

Along with the Spring 2023 Hospital Safety Grades, Leapfrog is able to report patient safety data for the first time during the pandemic (data collected/reported for 2020-2021). Leapfrog saw a significant surge in hospital acquired infections during this period of time, which may be attributable to the pressure that hospitals endured in response to the pandemic. This underscores the importance of hospitals continuing to foster resilience to cope with new emergencies without subjecting patients to potentially avoidable infections. Some hospitals were able to demonstrate their ability to reduce infections throughout the pandemic, so this approach of developing resilience in times of crisis is still possible.

While Leapfrog collects utilization, quality and safety information on ambulatory (outpatient) surgery centers that is similar to the information collected on hospitals, there are currently no ambulatory surgery centers in Delaware that complete the Leapfrog Ambulatory Surgery Center Survey.

All content sourced from the Leapfrog Group: https://www.hospitalsafetygrade.org/ and https://ratings.leapfroggroup.org/.