

Fiduciary Check In

Getting Ready for the Era of Hospital Transparency: What does it mean for a Fiduciary?

April 26, 2022



Speakers



Michael Thompson
President & CEO
National Alliance of Healthcare
Purchaser Coalitions

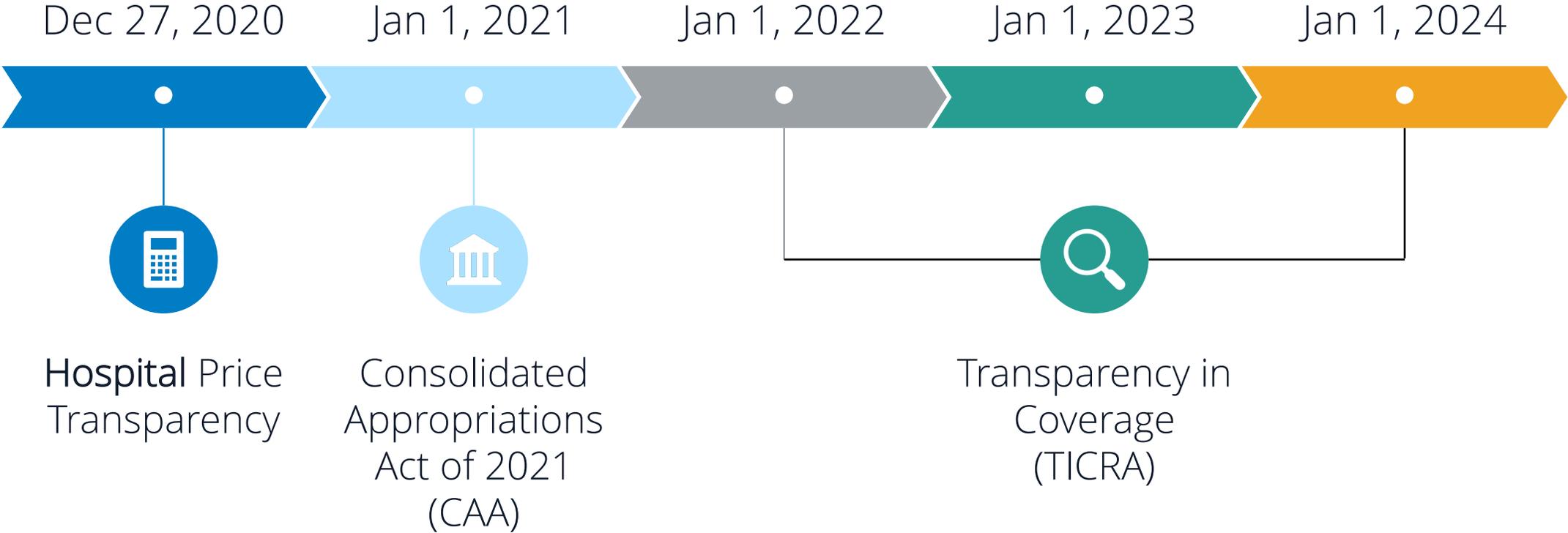


Karen van Caulil, PhD
President & CEO
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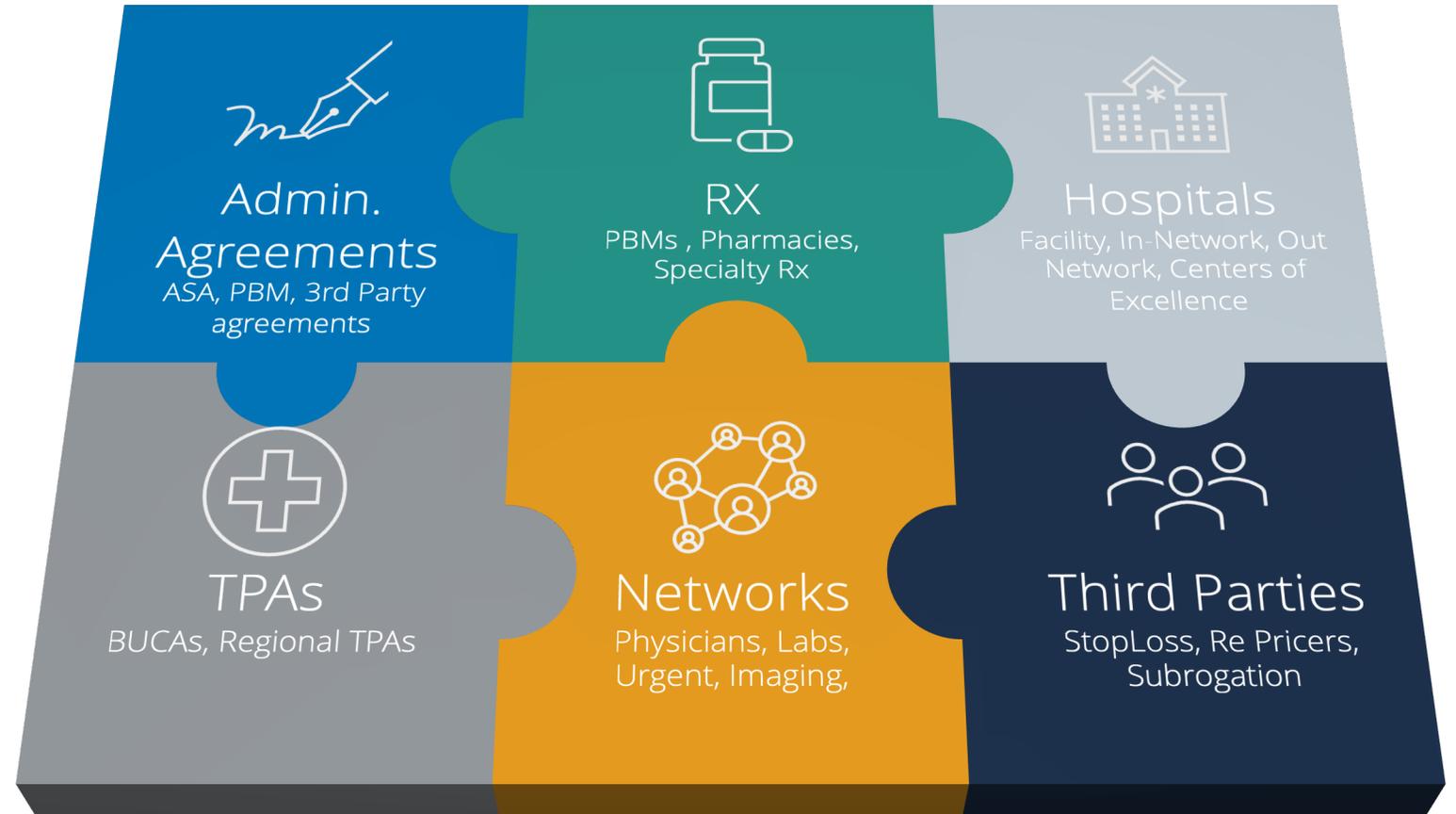
Level Set: Timeline of hospital transparency and CAA.



Pre CAA: Health Plan Components

- No Transparency
- Restrictive Legal Agreements
- Restrictive Data Use Agreements
- No Unit Cost transparency
- Complex RX pricing
- Hidden Third party fees

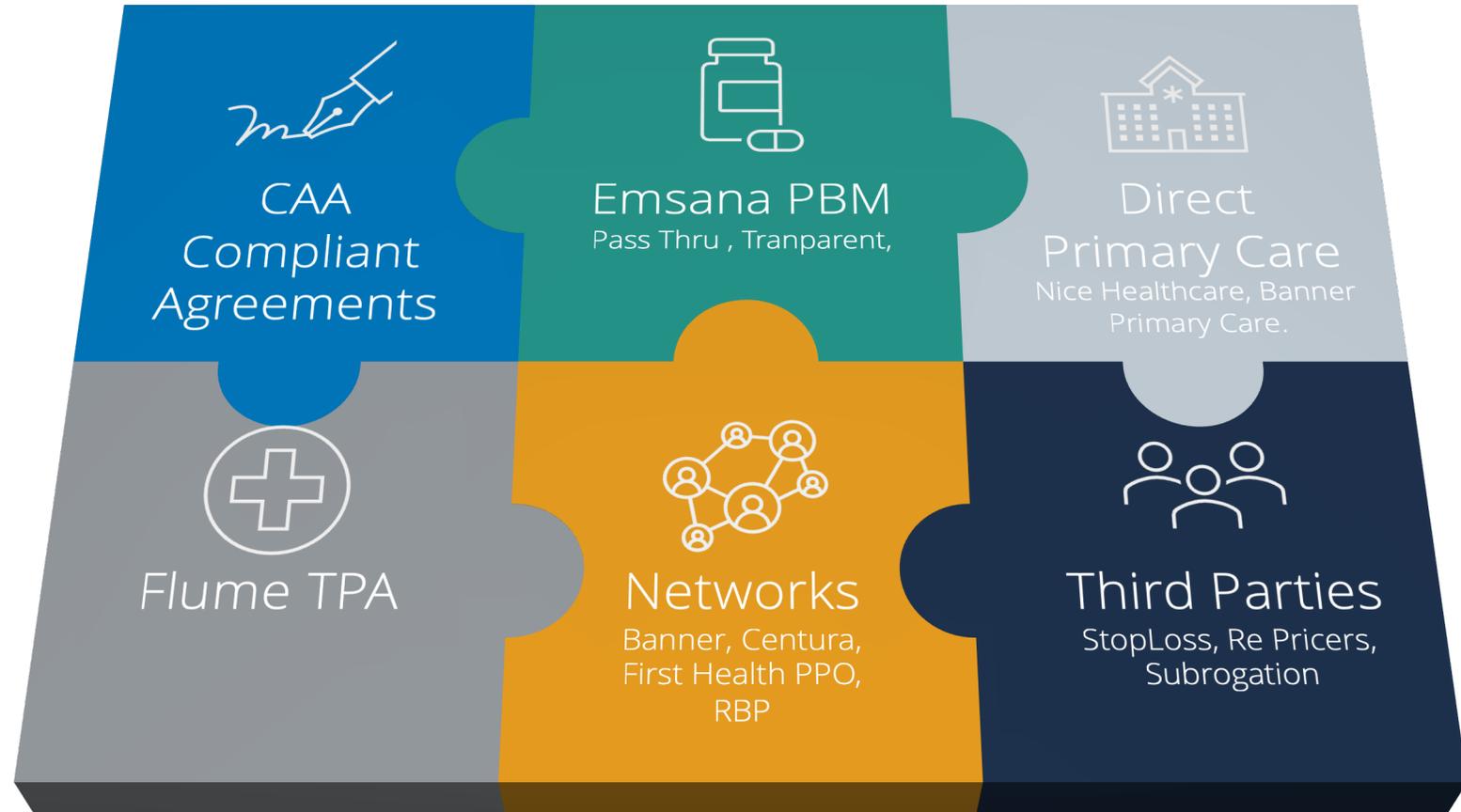
FIDUCIARIES unaware / unable to perform duties.



Post CAA: Health Plan Components: 39N

- Full Transparency
- Removal of Gag Clauses
- Full Access to your Data
- Full Unit cost Transparency
- Pass-Thru PBM
- Third Party Fee Transparency

EMPOWERED FIDUCIARIES
become proactive purchasers.



CAA provides a great opportunity for Benefit Advisors & Plan Sponsors

The Goal of the CAA legislation is **to improve transparency and empower fiduciaries**

01

Removal of gag clauses from service provider contracts



02

Establish reporting requirements for pharmacy and prescription drug disclosures



03

Disclosure of direct & indirect compensation from all service providers



04

Required parity in substance abuse & mental health benefits



Potential Risks

- Government action for non-compliance
- Class action lawsuits against Plan Sponsor



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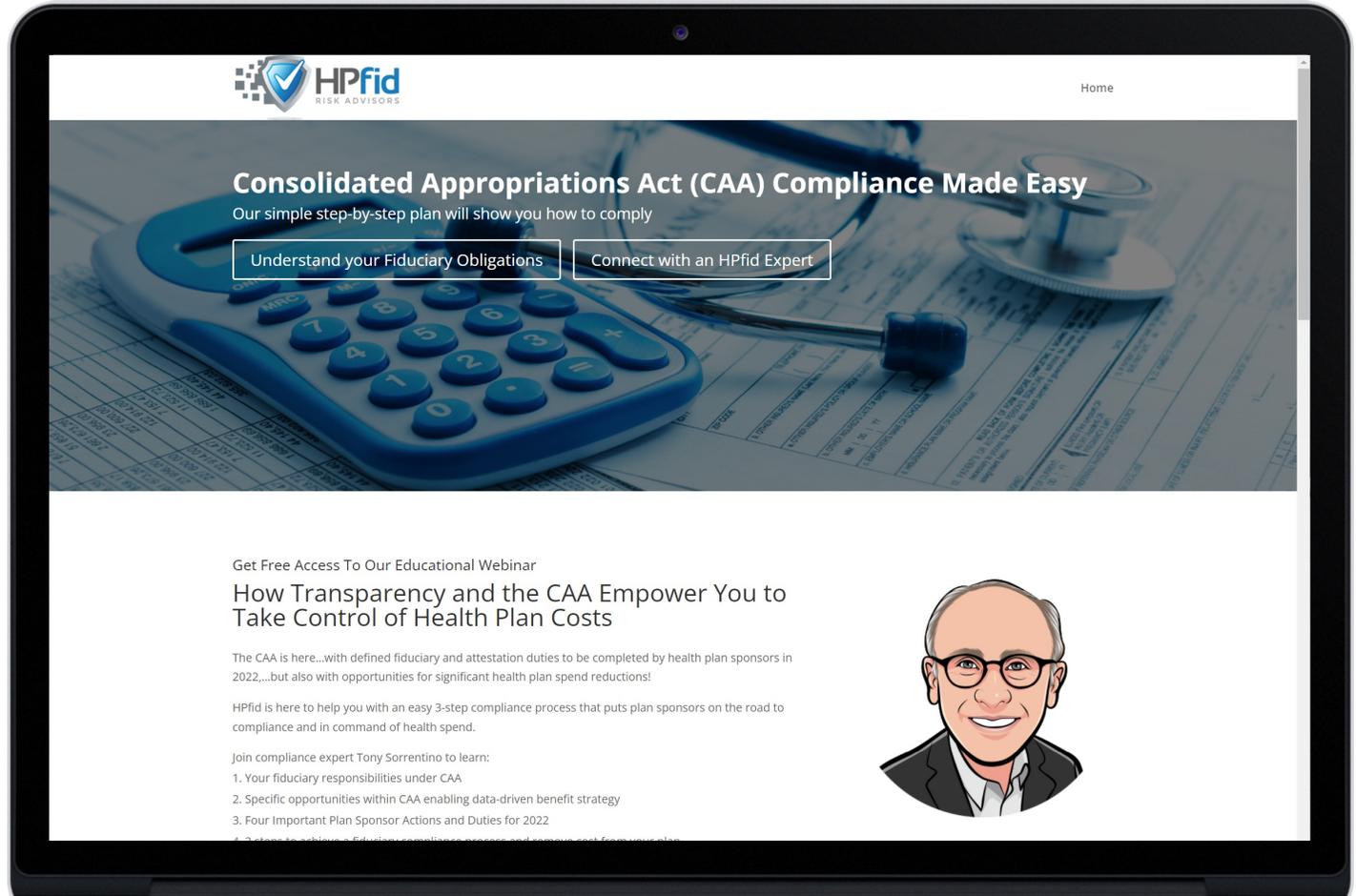
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PROCESS



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Consolidated Appropriations Act (CAA) Compliance Made Easy

Our simple step-by-step plan will show you how to comply

[Understand your Fiduciary Obligations](#)

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How Transparency and the CAA Empower You to Take Control of Health Plan Costs

The CAA is here...with defined fiduciary and attestation duties to be completed by health plan sponsors in 2022...but also with opportunities for significant health plan spend reductions!

HPfid is here to help you with an easy 3-step compliance process that puts plan sponsors on the road to compliance and in command of health spend.

Join compliance expert Tony Sorrentino to learn:

1. Your fiduciary responsibilities under CAA
2. Specific opportunities within CAA enabling data-driven benefit strategy
3. Four Important Plan Sponsor Actions and Duties for 2022



Hospital Price Transparency

April 5 – NASHP Hospital Reporting Tool

- 8+ Year trend
- Hospital Break Even By “Market”
- % Medicare Break Even
- Commercial Break Even

May 5 – Hospital Value Dashboard

- RAND 4.0 published April 2022
- NASHP Highlights
- Sample Turquoise Health Results
- CMS Star Ratings
- Sample Quantros Quality Ratings

July 1 – Plan Sponsor CAA Transparency Compliance

Employers Forum of Indiana
National Dashboard on Hospital Value
May 5 Conference

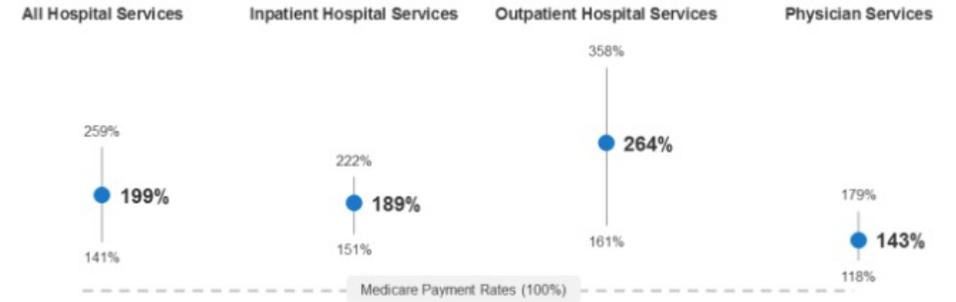


The Fiduciary Dilemma

- CAA requires fiduciaries to pay a fair price for services provided
- RAND and NASHP data suggest some health systems are charging well beyond “fair price,” driven largely by hospital costs
- Key contributors to hospital costs
 - Consolidation leading to less or no competition
 - Lack of transparency
 - Anti-competitive practices

Private Payment Rates Are Higher Than Medicare Rates for Hospital and Physician Services

● Average Private Insurance Rates as a Percentage of Medicare Rates, Across Studies Using 2010-2017 Data



SOURCE: KFF analysis of 19 published studies comparing private insurance and Medicare payments to providers. Because some studies analyze payments to providers in multiple service categories, the number of studies across all categories is greater than 19.

KFF
HENRY J. KASSER
FAMILY FOUNDATION

Common Myths about Hospital Pricing

- Hospitals are doing their part to control costs
- Health insurance shields patients from financial loss
- Hospital consolidation leads to greater efficiency and lower costs
- Hospital consolidation leads to better patient outcomes
- Hospitals suffered huge losses during COVID-19
- Higher costs mean higher quality
- Hospitals are underpaid by Medicare and Medicaid
- Hospitals charge payers/plans sponsors prices that are reasonably higher than Medicare
- Higher hospital prices are needed when there is lower public health funding
- Higher hospital prices are needed when state public health ranking is lower, meaning patients are more unhealthy
- Nonprofit hospitals provide significant amounts of charity care, necessitating cost shifting

The image shows the cover of a report. At the top, there is an orange header with the title 'Employer Action to (Re)Build a Better Healthcare System' in white text. Below this, in a dark blue box, is the subtitle 'MYTHS AND FACTS' in white, followed by 'Revealing Hospital Price Transparency Truths' in a smaller white font. The main body of the cover features a blue-tinted background with various medical icons (stethoscope, pills, syringe, heart, etc.) overlaid on a grid pattern. At the bottom, there is a white footer containing the National Alliance of Healthcare Purchaser Coalitions logo and name, along with a copyright notice and the date '10/21'.

Employer Action to (Re)Build a Better Healthcare System

MYTHS AND FACTS
Revealing Hospital Price Transparency Truths

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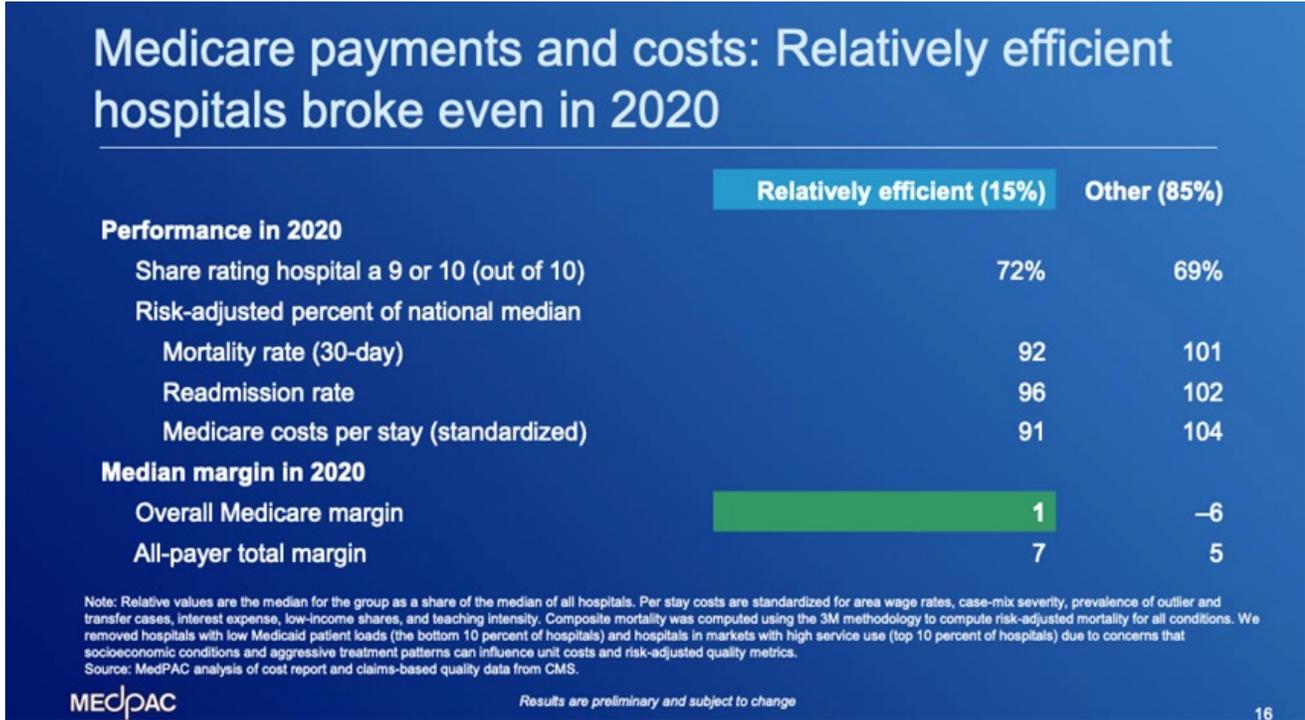
National Alliance
of Healthcare Purchaser Coalitions
Driving Health, Equity and Value
nationalalliancehealth.org

10/21

Getting to “Fair Price”

- MedPAC suggests a well-run hospital can manage close to Medicare on average
- NASHP defines current break-even for a hospital as a percentage of Medicare (may reflect higher overhead spending)
- Other considerations:
 - Reasonable margins
 - Existing margins and market share of Medicaid and Medicare
 - Capital investments
 - Market dynamics (e.g., nursing salaries, personnel shortages)
 - Relative quality and safety metrics

Myth: The pandemic wiped out US hospital profitability
 Fact: Relatively efficient hospitals broke even in 2020



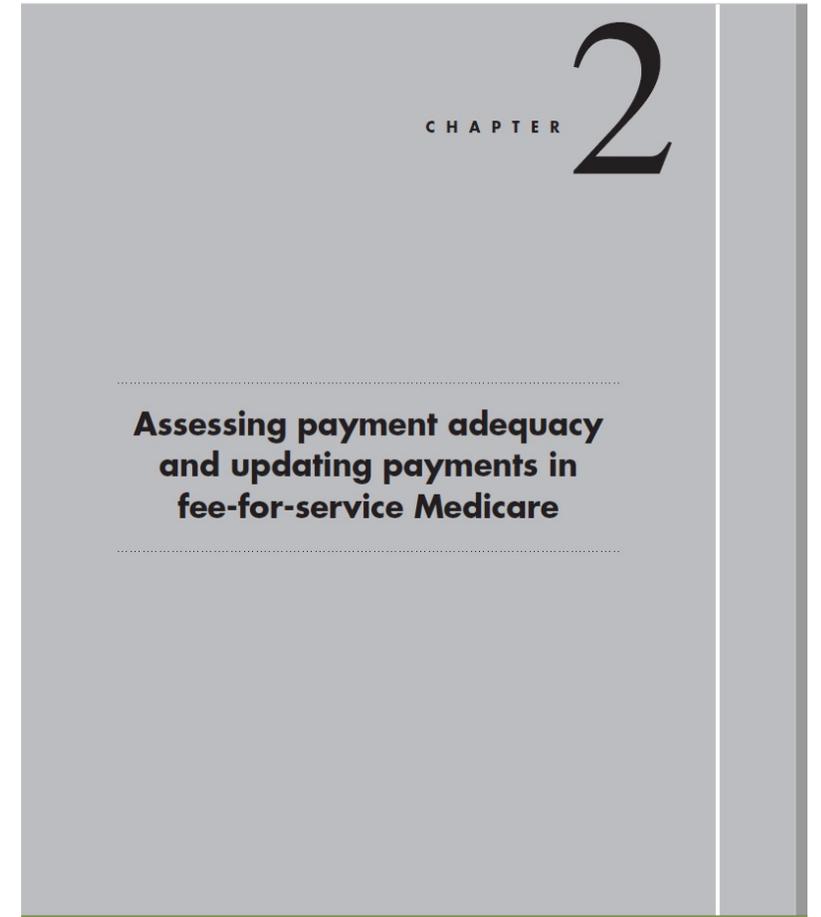
2019 MedPac Report (Excerpts)

Appropriateness of current costs

Costs vary in response to financial pressure

- Low margins on Medicare patients can result from a high-cost structure that has developed in reaction to high private-payer rates.
- Lack of pressure is more common in markets where a few providers dominate and have negotiating leverage over payers.
- If private payers do not exert pressure, providers' costs will increase and, all other things being equal, margins on Medicare patients will decrease.
- Providers under pressure to constrain costs generally have managed to slow their growth in costs more than those who face less pressure.

Medicare payment policy should not be designed simply to accommodate whatever level of cost growth a sector demonstrates.



Coalition/Purchaser Toolkit – Coming Soon!

Employer Actions to Drive Fair Costs for Hospital Care

- **From Knowing to Doing**
 - CAA and fiduciary rights and responsibilities
 - Understanding Market Dynamics
 - Evaluating Current Prices
 - Choosing your Strategy
 - Organizing for Action
 - Group purchasing
 - Policy advocacy

- **RAND 4.0 and NASHP Highlights**
- **Responding to Myths with Facts**
- **Additional Resources**

Questions?



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