

# NASHP Hospital Cost Tool

## MT's MARA Legislative Committee

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NATIONAL ACADEMY  
FOR STATE HEALTH POLICY

[nashp.org](https://nashp.org)

# What is NASHP's Hospital Cost Tool?

- Online tool health purchasers, including state officials, can use to better understand and address hospital costs
- Identifies financial data and benchmarks using Medicare Cost Reports
  - Hospital specific
  - 10 years of data – 4,600 hospitals
  - MCRs provide hospital level data and are the only national, public source of hospital costs
- Developed by the National Academy for State Health Policy (NASHP) alongside Rice University, with support from Arnold Ventures. Dashboard by Mathematica.

<https://d3g6lgu1zfs2l4.cloudfront.net/>

## 1. View a hospital's Medicare Cost Report


STATEMENT OF REVENUES AND EXPENSES		Provider CCN:	PERIOD: FROM 07/01/2019 TO 06/30/2020	WORKSHEET G-3
Description				
1	Total patient revenues (from Worksheet G-2, Part I, column 3, line 28)		3,535,608,066	1
2	Less contractual allowances and discounts on patients' accounts		2,116,346,125	2
3	Net patient revenues (line 1 minus line 2)		1,419,261,941	3
4	Less total operating expenses (from Worksheet G-2, Part II, line 43)		1,593,635,778	4
5	Net income from service to patients (line 3 minus line 4)		-174,373,837	5

## 2. Input data from MCR into the Hospital Cost Calculator

16	<b>2.) Reserves, Revenue, and Net Income</b>		
17	<b>Financial Statement Items</b>		<b>Source (Medicare Cost Report)</b>
18	Reserves	\$ 219,847,448	Worksheet G-1, Columns 2, 4, 6, 8, Line 19
19	Patient Revenues (Chargemaster Rates)	\$ 3,535,608,066	Worksheet G-3, Column 1, Line 1
20	Net Patient Revenue reported on MCR	\$ 1,419,261,941	Worksheet G-3, Column 1, Line 3
21	Total Operating Costs per MCR	\$ 1,593,635,778	Worksheet G-3, Column 1, Line 4
22	Operating Income	\$ (174,373,837)	Worksheet G-3, Column 1, Line 5
23	Other Income	\$ 194,483,302	Worksheet G-3, Column 1, Line 25
24	Other Expense	\$ (15,686,982)	Worksheet G-3, Column 1, Line 28
25	Net Income Reported on MCR	\$ 35,796,447	Worksheet G-3, Column 1, Line 29
26	Total Hospital Costs for CCR	\$ 1,108,427,850	Worksheet C, Part I, Column 5, Row 202, Hospital Consolidated
27	Total Hospital Charges for CCR	\$ 3,390,650,308	Worksheet C, Part I, Column 8, Row 202, Hospital Consolidated

## 3. Receive calculated results tailored for states/health plans

	A	B	C	D	E	F	G	H	I
1	Hospital Cost Tool								
2	4/5/20								
3	Hospital Name	0000000							
4	Medicare Cost Report (MCR) Year	07/01/2019 TO 06/30/2020							
5									
6									
7									
8									
9	1.) Government Programs, Payments and Operating Costs								
10		Program Patient Revenue	CMS and State Supplemental Payments	Total Payments	Hospital Operating Costs	Hospital Profit (Loss)	Payment as % of Costs	Payer Mix	Profit Margin
11	Medicare Program	\$ 264,009,938		\$ 264,009,938	\$ (262,251,705)	\$ 1,758,233	101%	24.6%	1%
12	Medicaid Program	\$ 142,415,505	\$ 27,819,832	\$ 170,235,337	\$ (177,513,862)	\$ (7,278,525)	96%	16.0%	-4%
13	SCHIP and Other State & Local Low Income Programs	\$ -		\$ -	\$ -	\$ -	0%	0.0%	0%
14	Total Government Programs	\$ 406,425,443	\$ 27,819,832	\$ 434,245,275	\$ (439,765,567)	\$ (5,520,292)	99%	40.7%	-1%

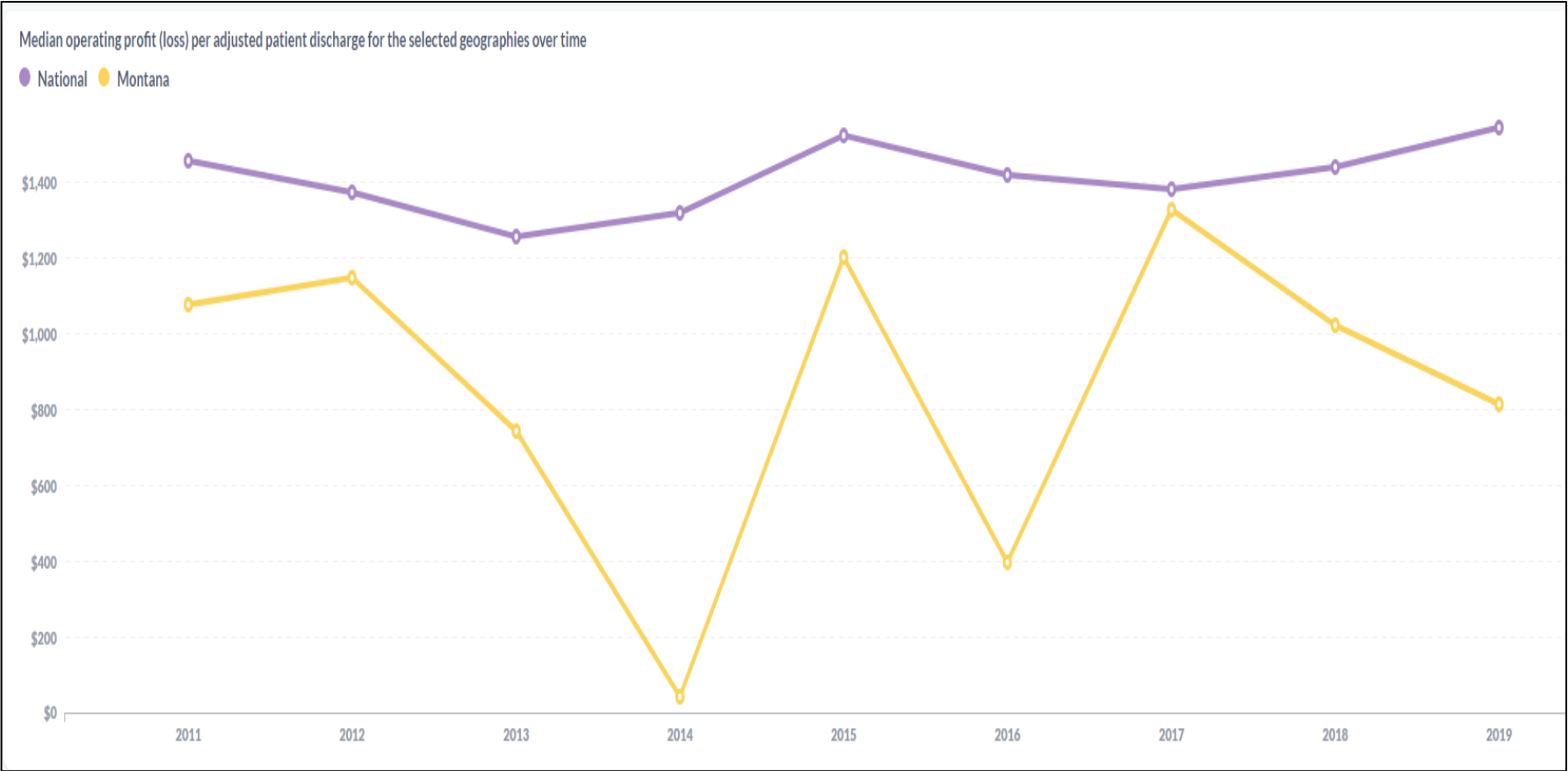




# NASHP Hospital Cost Calculator

For more information, and to access the Hospital Cost Calculator, visit <https://www.nashp.org/hospital-cost-tool/>

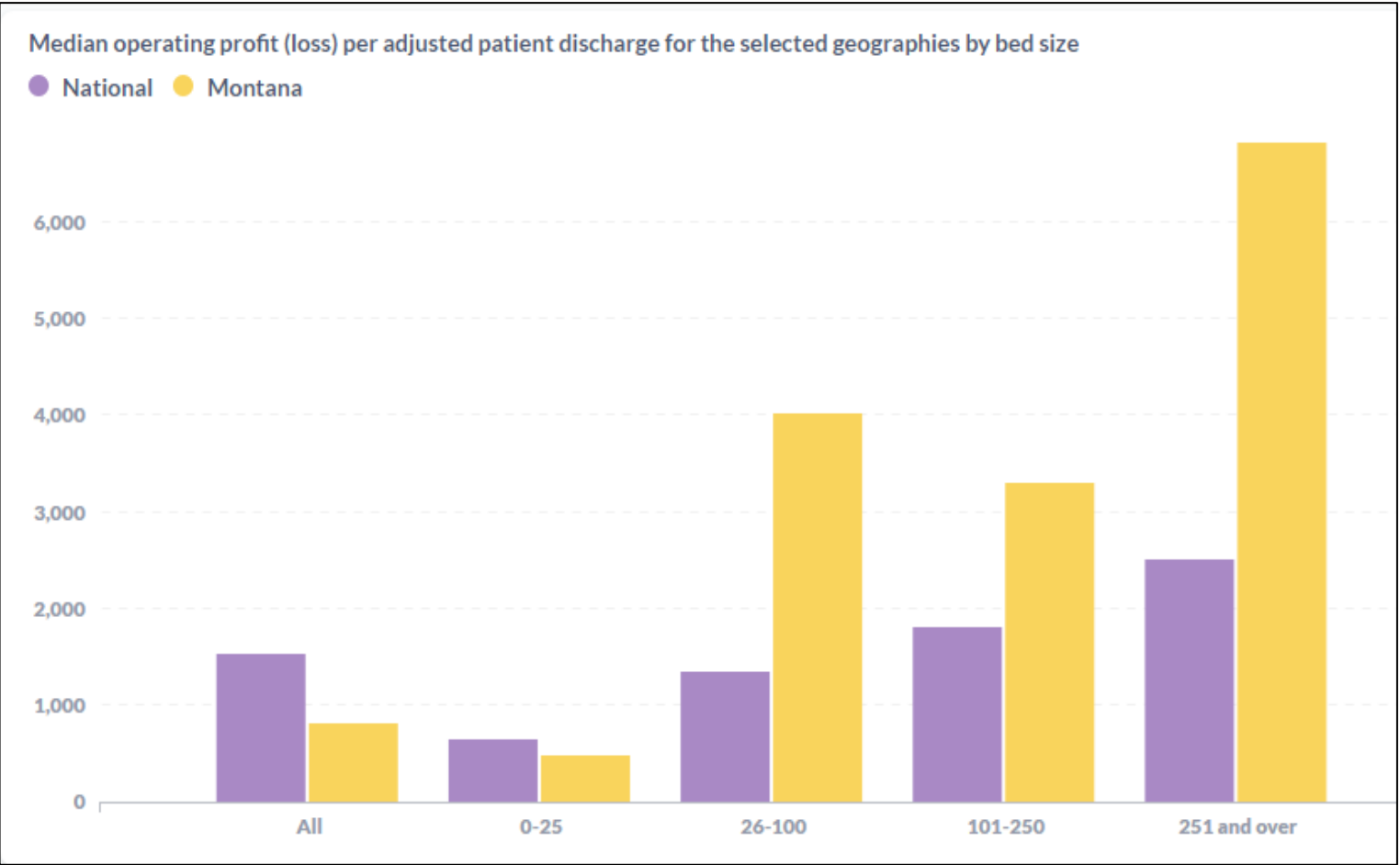
# State Level – Montana and National Operating Profits



Source: NASHP Hospital Cost Tool

- Median Operating Profit per Adjusted Discharge
- $\text{Net Patient Revenue} - \text{Operating Costs} = \text{Operating Profit}$
- Acute Care and CAH
- Can compare to other states or national benchmarks
- Online: Hover over points or bars

# Montana and National – Comparing by Bed Size - 2019



## Median Operating Profit per Adjusted Discharge

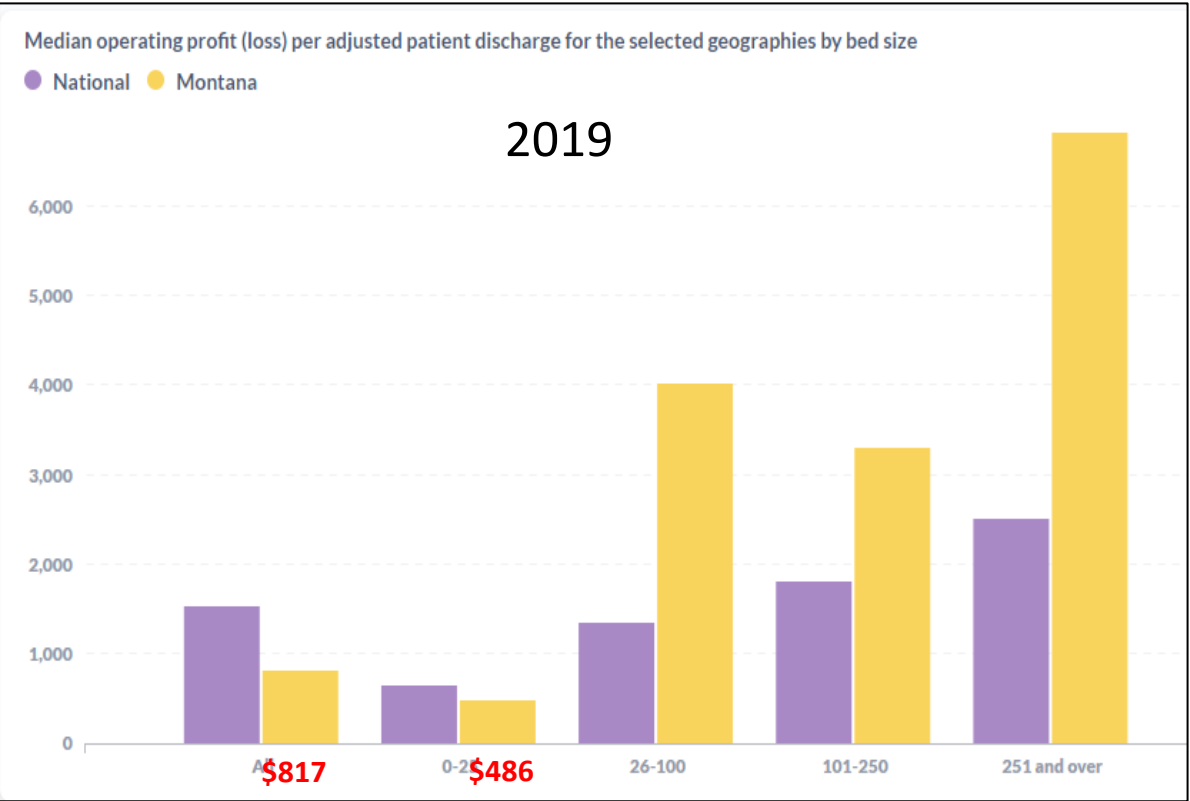
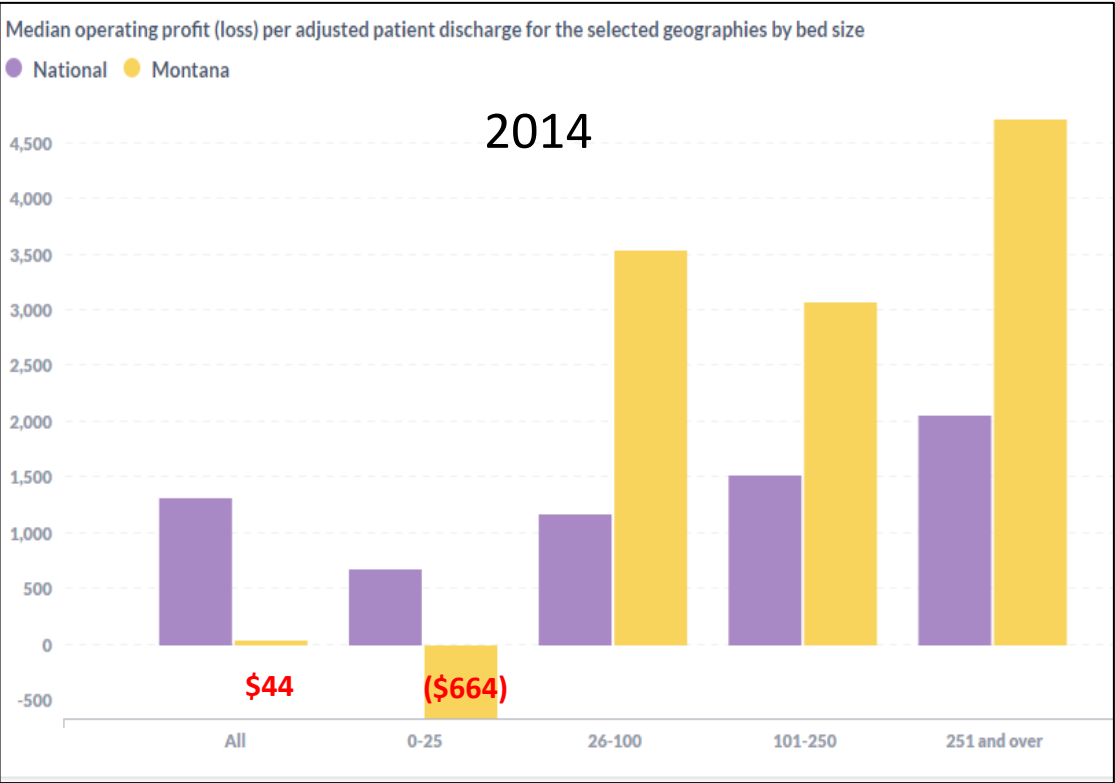
### 62 Hospitals

- ✓ 0-25 Beds (49)
- ✓ 26-100 Beds (6)
- ✓ 101-250 Beds (4)
- ✓ 251+ Beds (3)

### Range

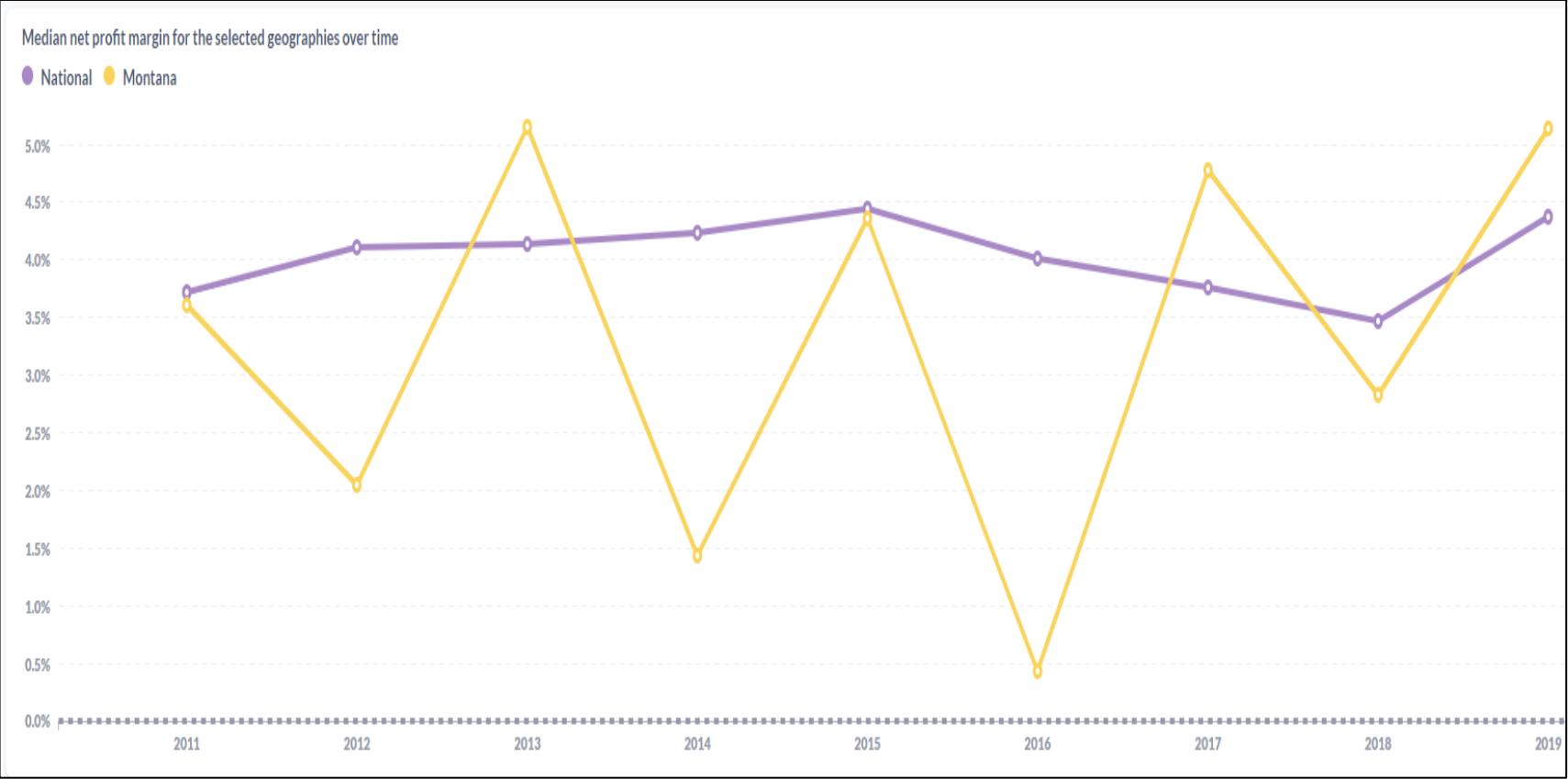
- ✓ \$486 (0-26 Beds)
- ✓ \$6,826 (251+ Beds)

# Montana– Impact of 42 CAHs on Medians



Source: NASHP Hospital Cost Tool

# Montana and National - Net Profit Margin

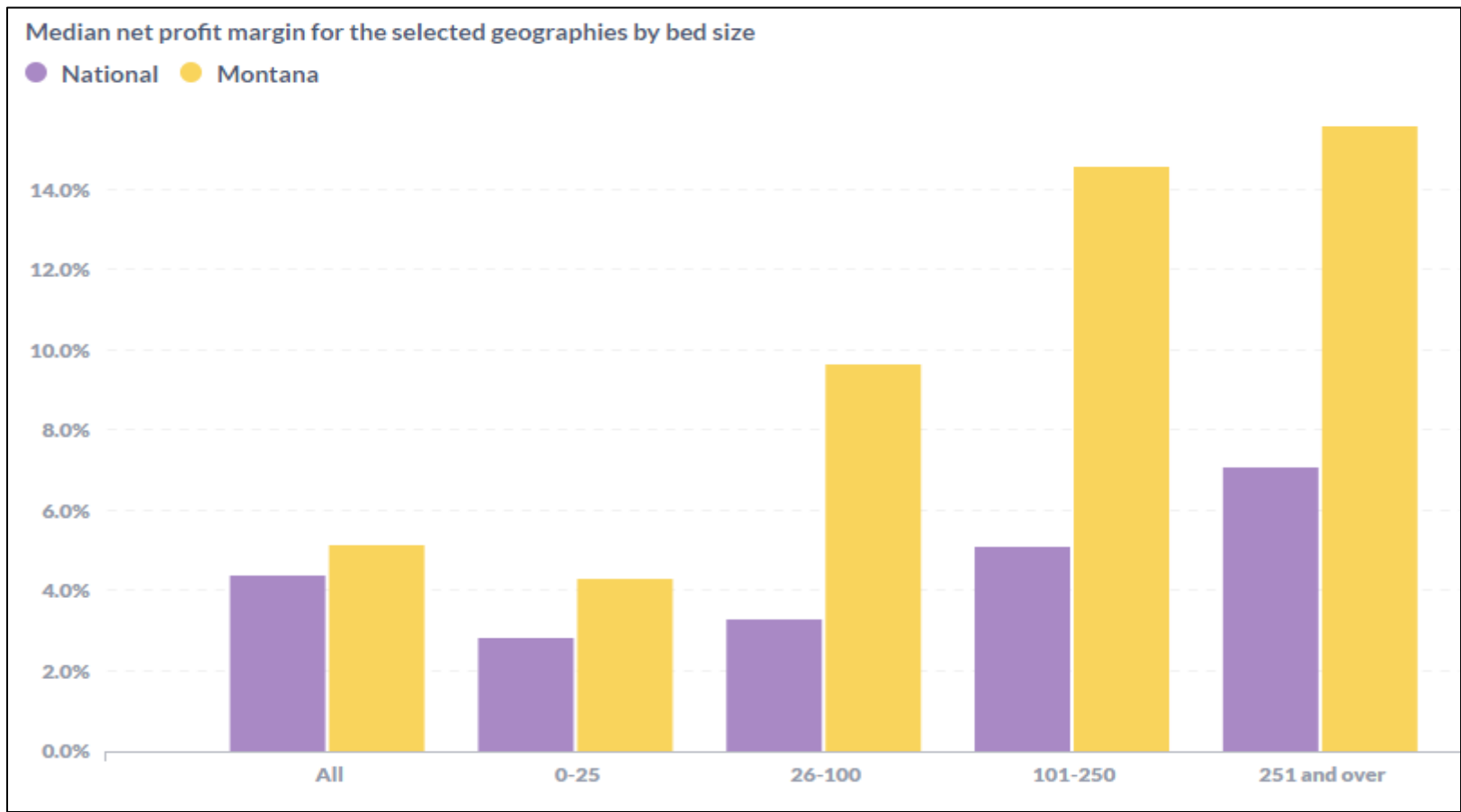


Median Net Profit Margin

5.1% in 2019: CAH 4.3%  
1.4% in 2014: CAH (0.5%)

Can compare to other states or  
national benchmark

# Montana and National – Comparing by Bed Size



Median Net Profit Margin-2019

- Range
- ✓ 4.3% (0-25 Beds)
  - ✓ 15.6% (251+ Beds)

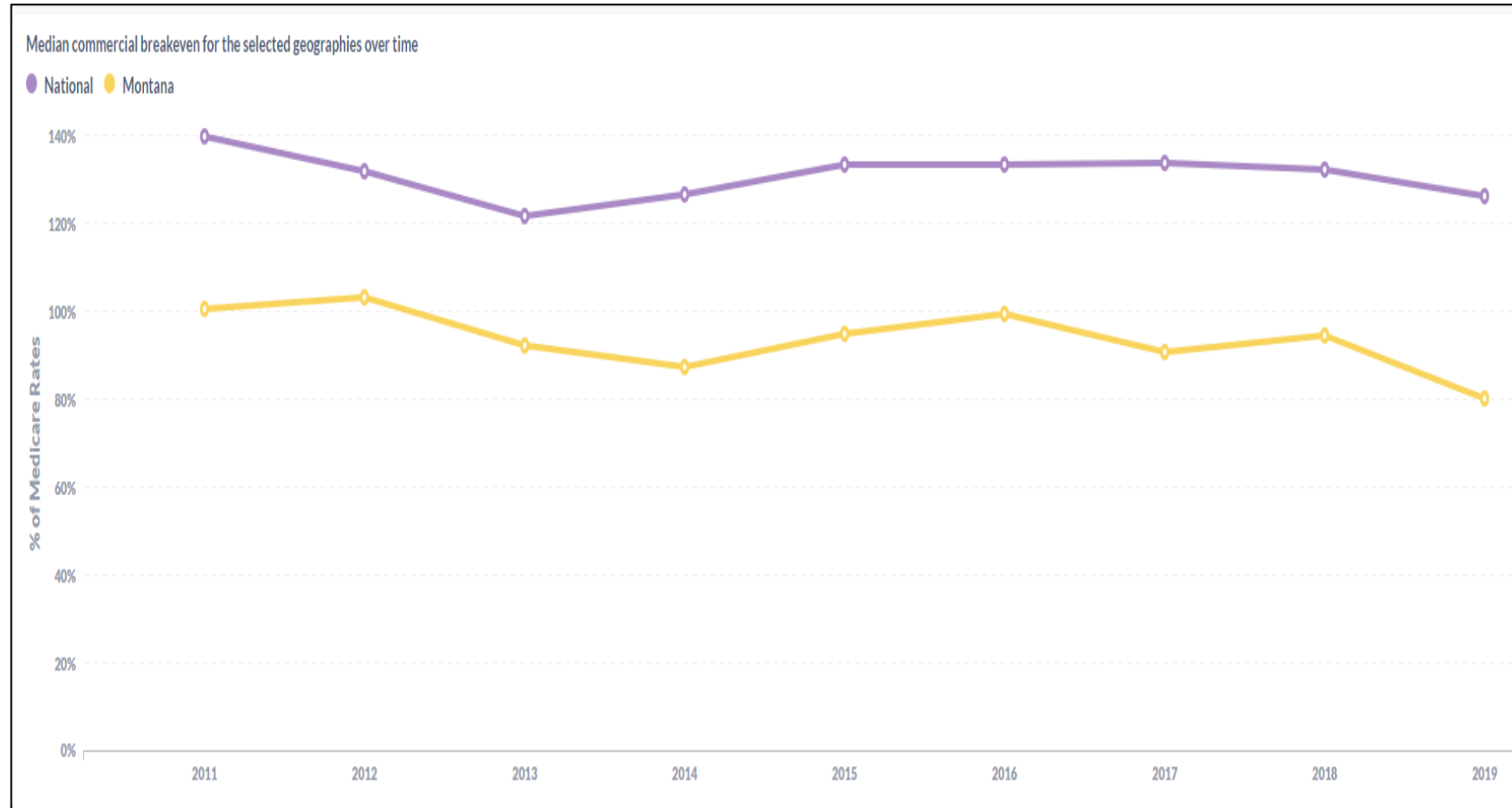


# Breakeven Analysis

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- **NASHP's Hospital Cost Tool** calculates a hospital's breakeven point: **Revenue = Expenses**
- **NASHP Commercial Breakeven** – how much a hospital needs to be reimbursed by commercial payers in order to cover commercial patient hospital costs, losses from other payers, charity care, uninsured, all Medicare disallowed costs, and other income/other expense.
- **Physician General Services** included – Direct patient service revenue and expense paid through other systems (RBRVS, Fee Schedules, Provider Network, etc.)
- **RAND 3.0 Commercial Price** – how much a hospital was reimbursed by commercial payers in aggregate from 2016 to 2018 for **inpatient and outpatient**. Calculated using data from the RAND Corporation's [Nationwide Evaluation of Health Care Prices Paid by Private Health Plans](#)
- **Breakeven and Price** expressed as multiples of the individual hospital's [Medicare rates](#) for comparability purchases

# Montana and National - Commercial Breakeven



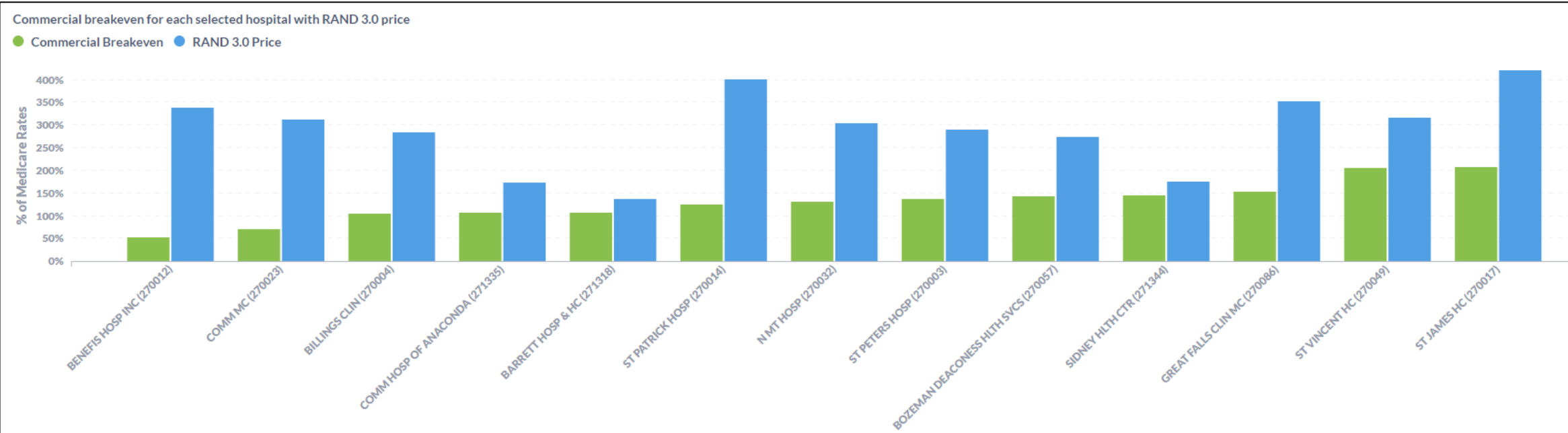
Breakeven allows:

- *Comparability*
- *Trending*
- *Transparency*

Not advocating for hospital prices to be set at Breakeven

Add profit component

# Montana Hospitals



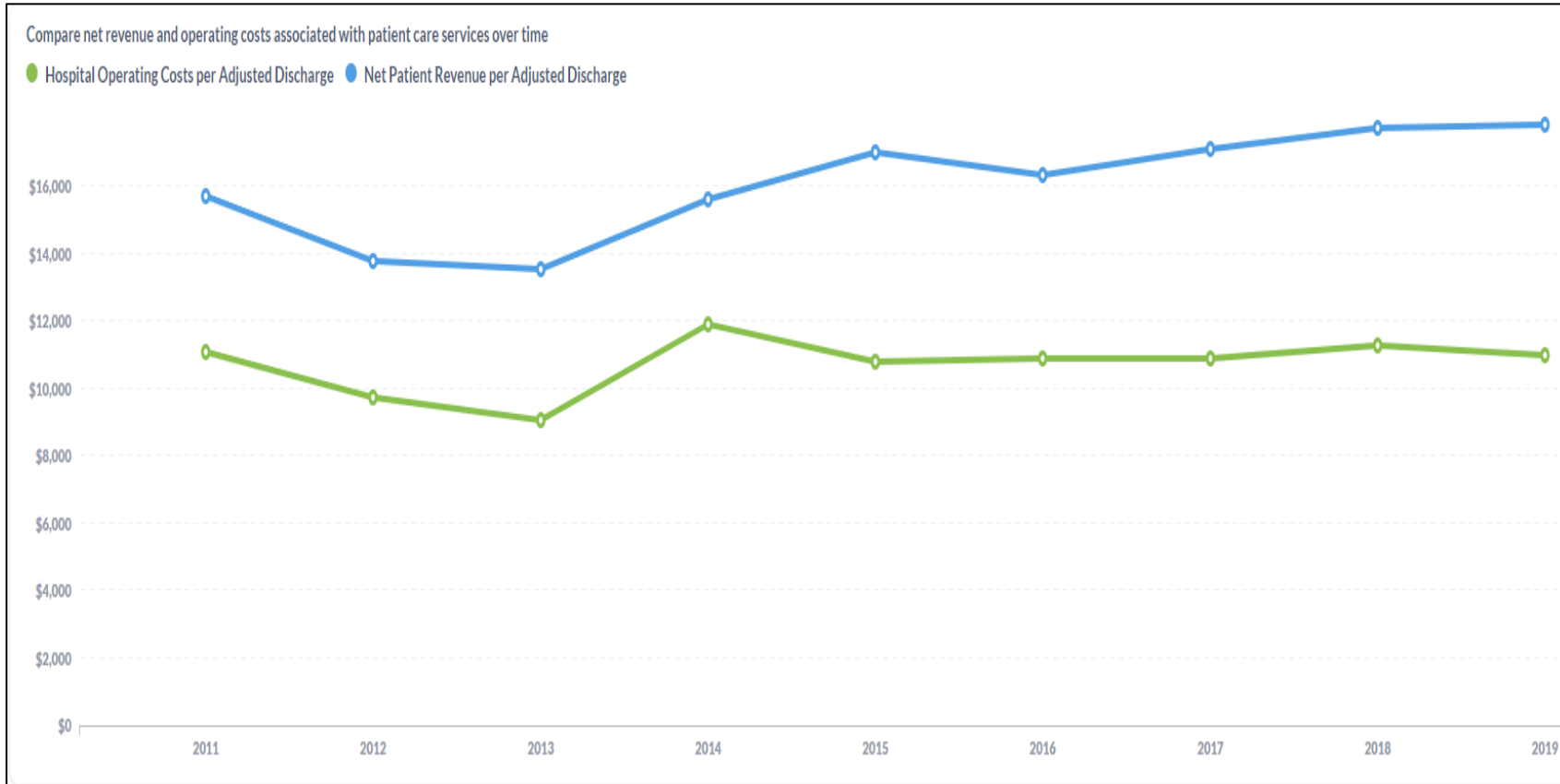
Source: NASHP Hospital Cost Tool

- 2019 Hospital Cost Tool Breakeven
  - RAND 3.0 Aggregate Price for Inpatient and Outpatient (2016-2018)
- Note: Published RAND 3.0 prices included physician services, showing lower prices, as physician services have lower reimbursements*

# Factors That May Impact Breakeven

- **Medicare Payment rate** – A hospital's Breakeven is based on its own Medicare reimbursement rates. If a hospital makes a profit on Medicare patients, Breakeven would be lower.
- **Hospital Other Income** – If a hospital receives significant other income (e.g., return on investments, federal relief payments), Breakeven would be lower.
- **Reimbursement from Other Payers** – Profits and losses from other payers (Medicaid, Medicare, CHIP and other local/state programs, Medicare Advantage) are reflected in the commercial payer Breakeven calculation.
- **Reporting Error** – Medicare Cost Reports are completed by the hospital or their contractor and may contain reporting errors, impacting Breakeven calculations.

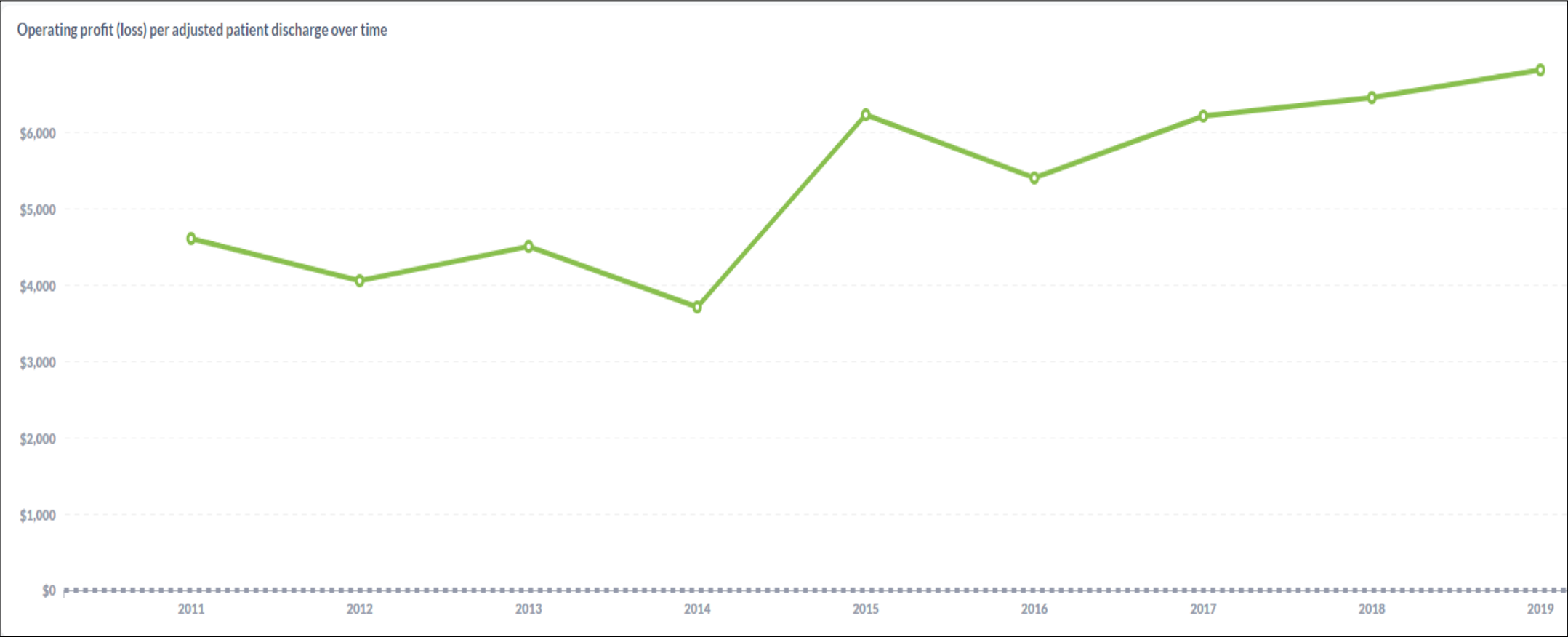
# View a Hospital – Benefis Hospital



- 2011-2019 Trend
- Adjusted Discharge (Outpatient + Inpatient)
- Net Patient Revenue minus Operating Costs = *Operating Profit*

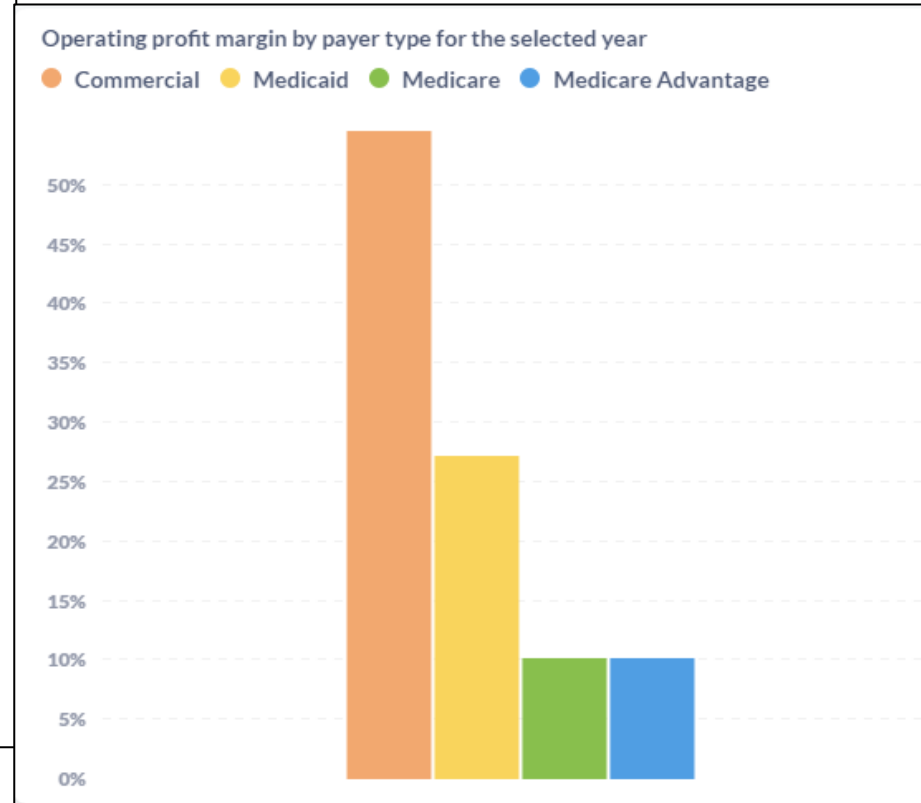
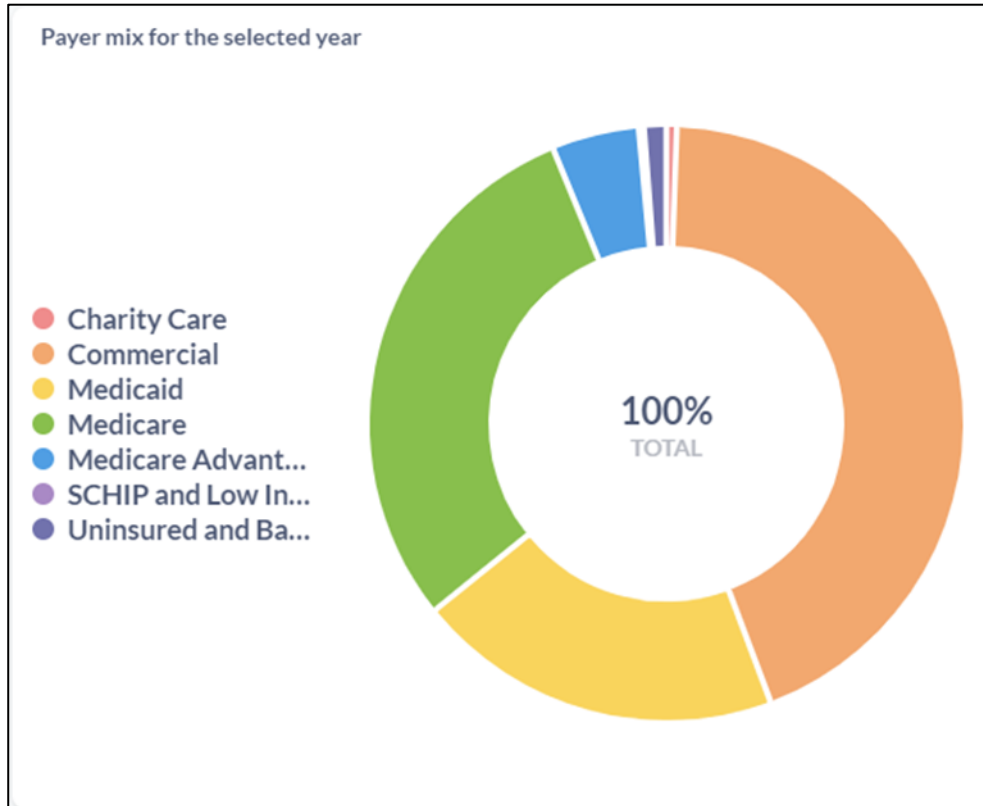
Source: NASHP Hospital Cost Tool

# Benefis Hospital – Operating Profit



Source: NASHP Hospital Cost Tool

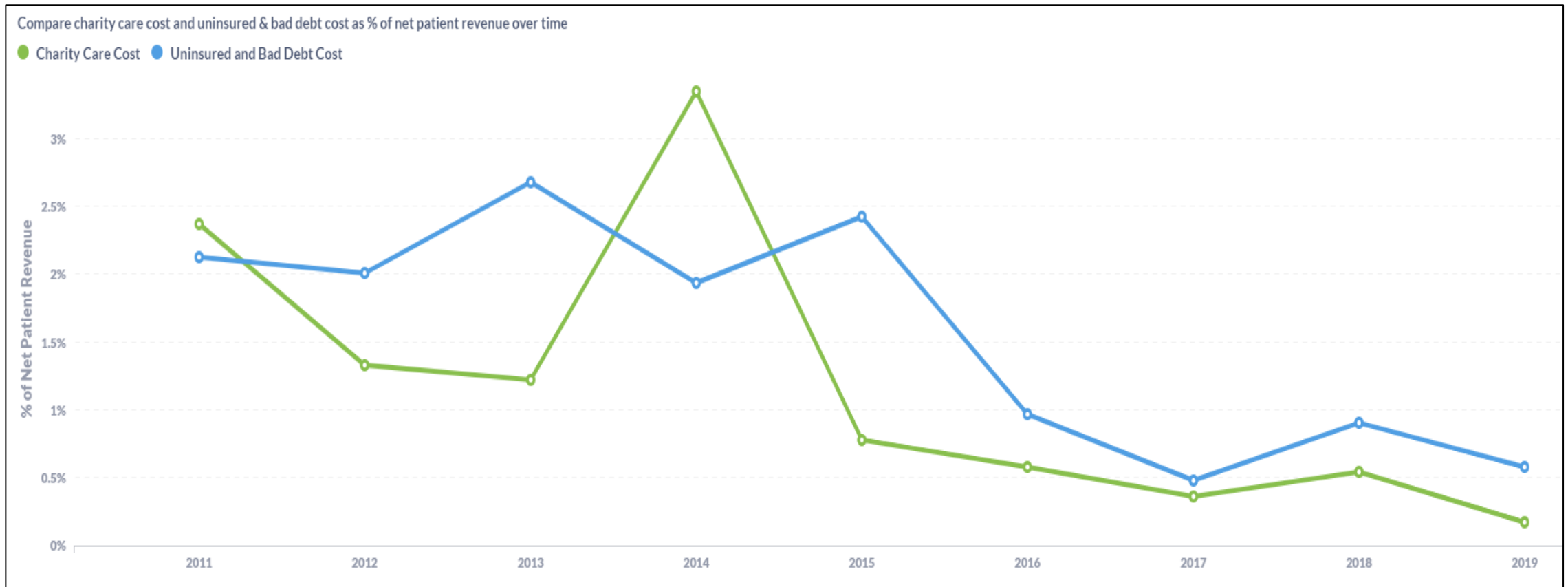
# Benefis Hospital – Payer and Profit Mix



- 2019 Payer Mix and Operating Profits
- (Net Patient Revenue minus Operating Costs)
- 20% Medicaid; 27% Profit
- 30% Medicare; 10% Profit
- 5% Med Adv; 10% Profit
- 44% Commercial; 55% Profit

Source: NASHP Hospital Cost Tool

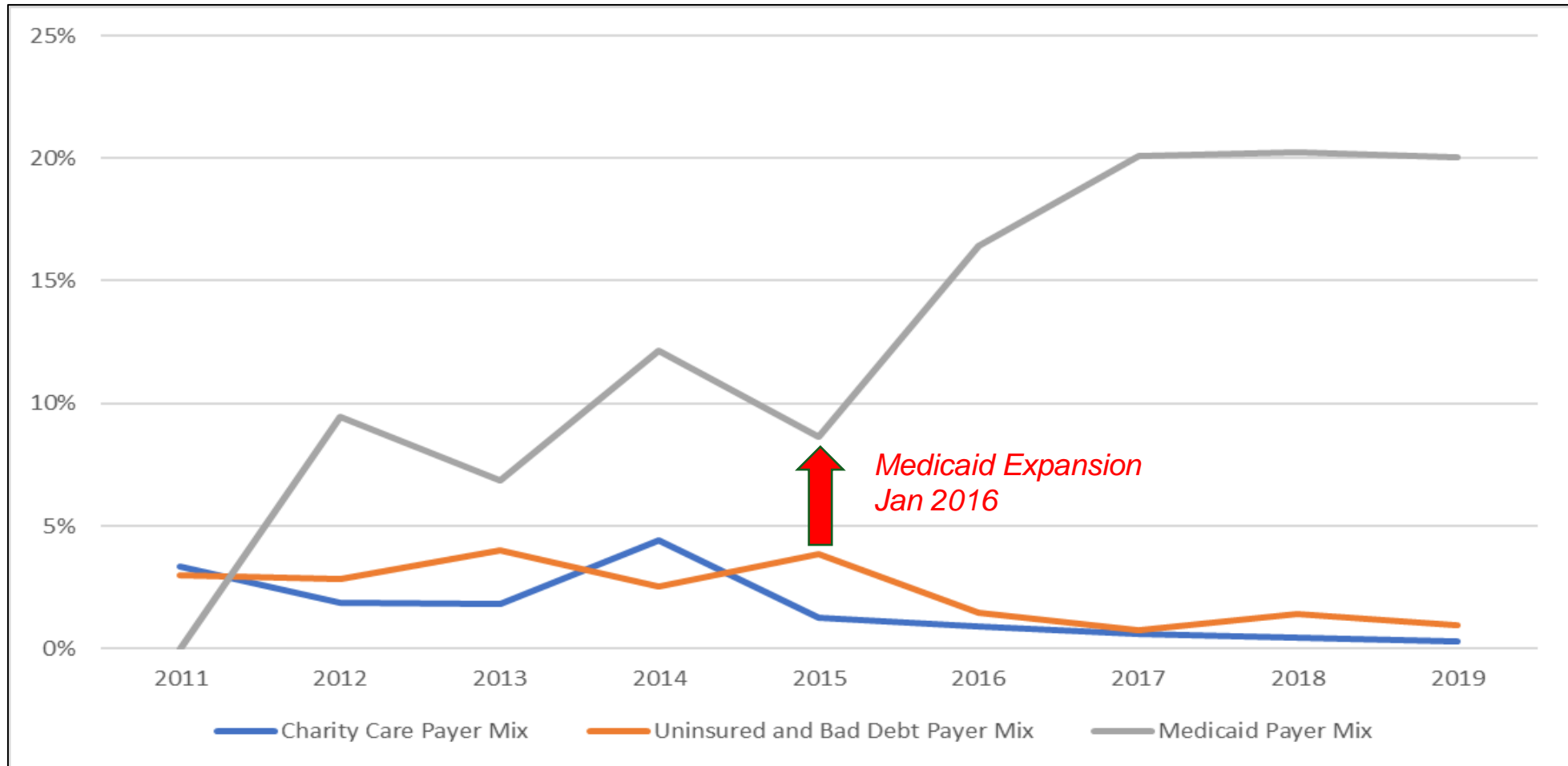
# Benefis Hospital – Uncompensated Care



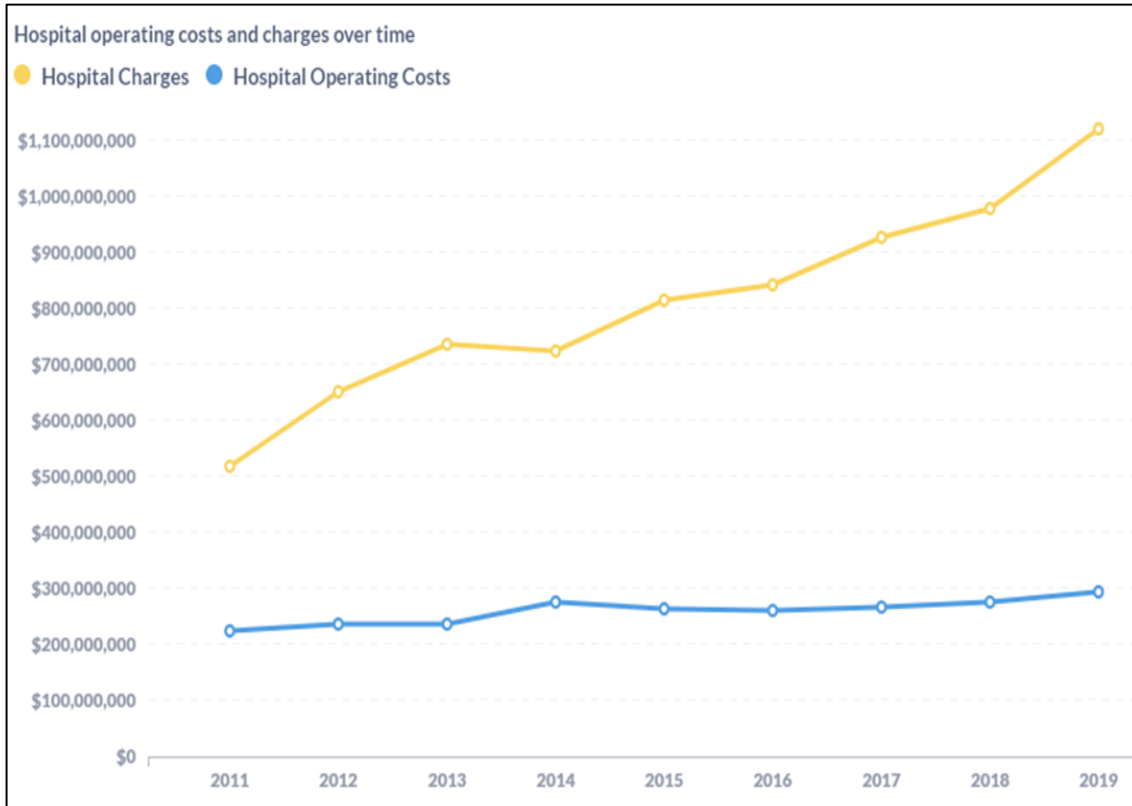
Source: NASHP Hospital Cost Tool



# Benefis – Medicaid and Uncompensated Care

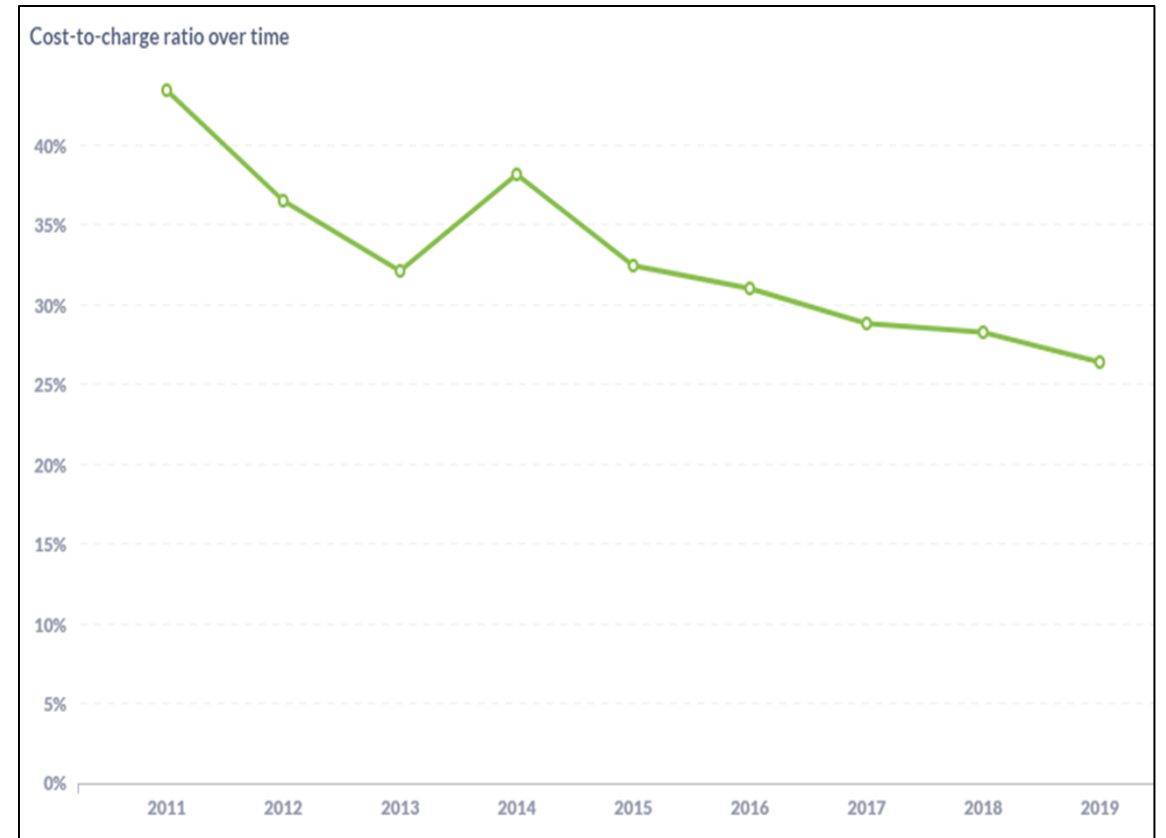


# Benefis Hospital – Cost to Charge Ratio



Source: NASHP Hospital Cost Tool

## Lowering the Cost to Charge Ratio?



# Benefis Hospital – Net Profit Margin



Source: NASHP Hospital Cost Tool

# Hospital Cost Tool Demo

<https://d3g6lgu1zfs2l4.cloudfront.net/>

# Hospital Cost Tool as a Resource

## States

- Health Policy
- State Agencies – As regulator and purchaser
- Pre and Post Mergers, Acquisitions, COPAs

## Employer Alliances and Employer Self-Funded Health Plans

## Researchers

## Education

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# Next Steps...

## Release 2.0 – October 2022

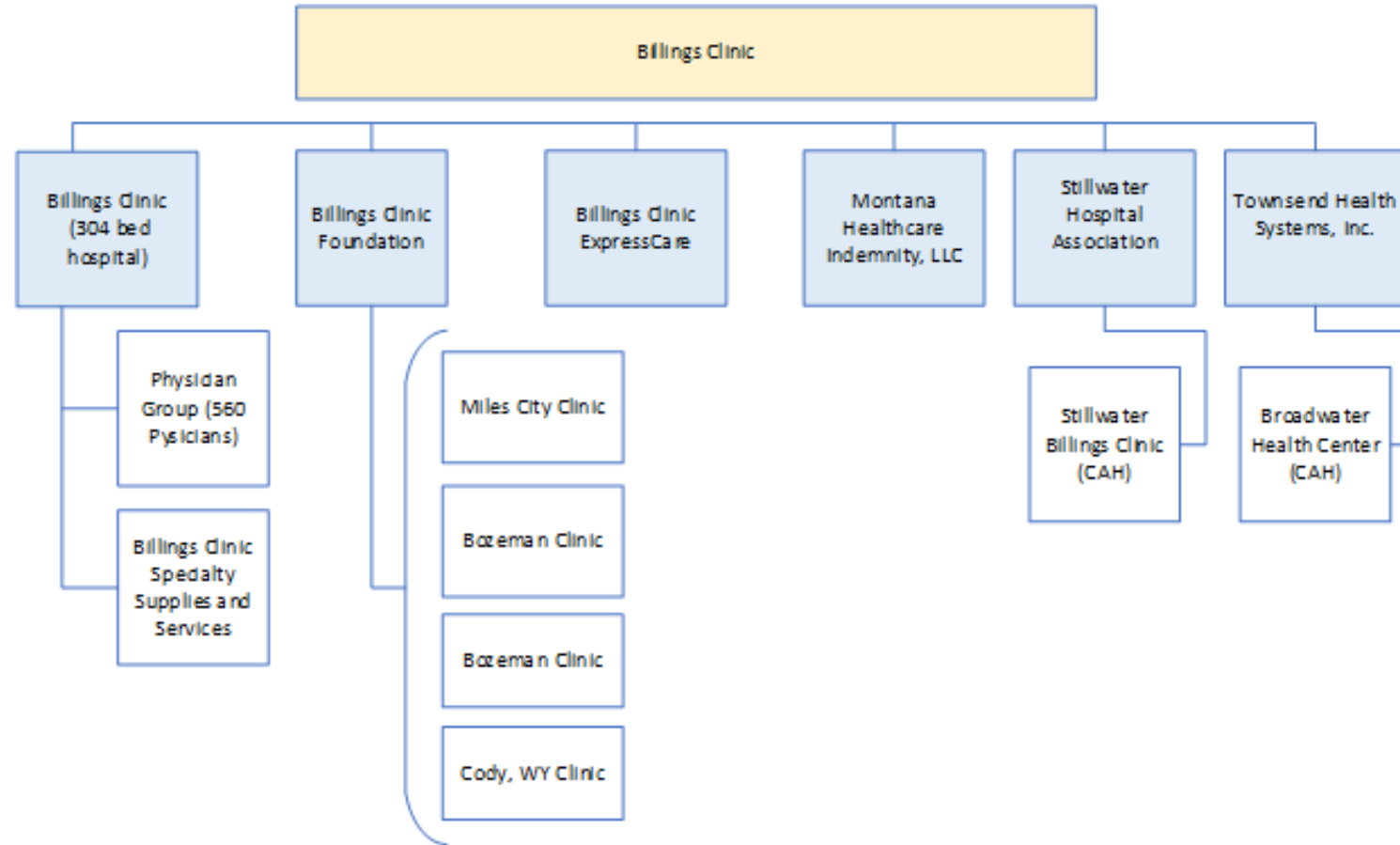
- Updated with 2020 Medicare Cost Report Data and Rand 4.0
- Enhancements

# Additional Resources

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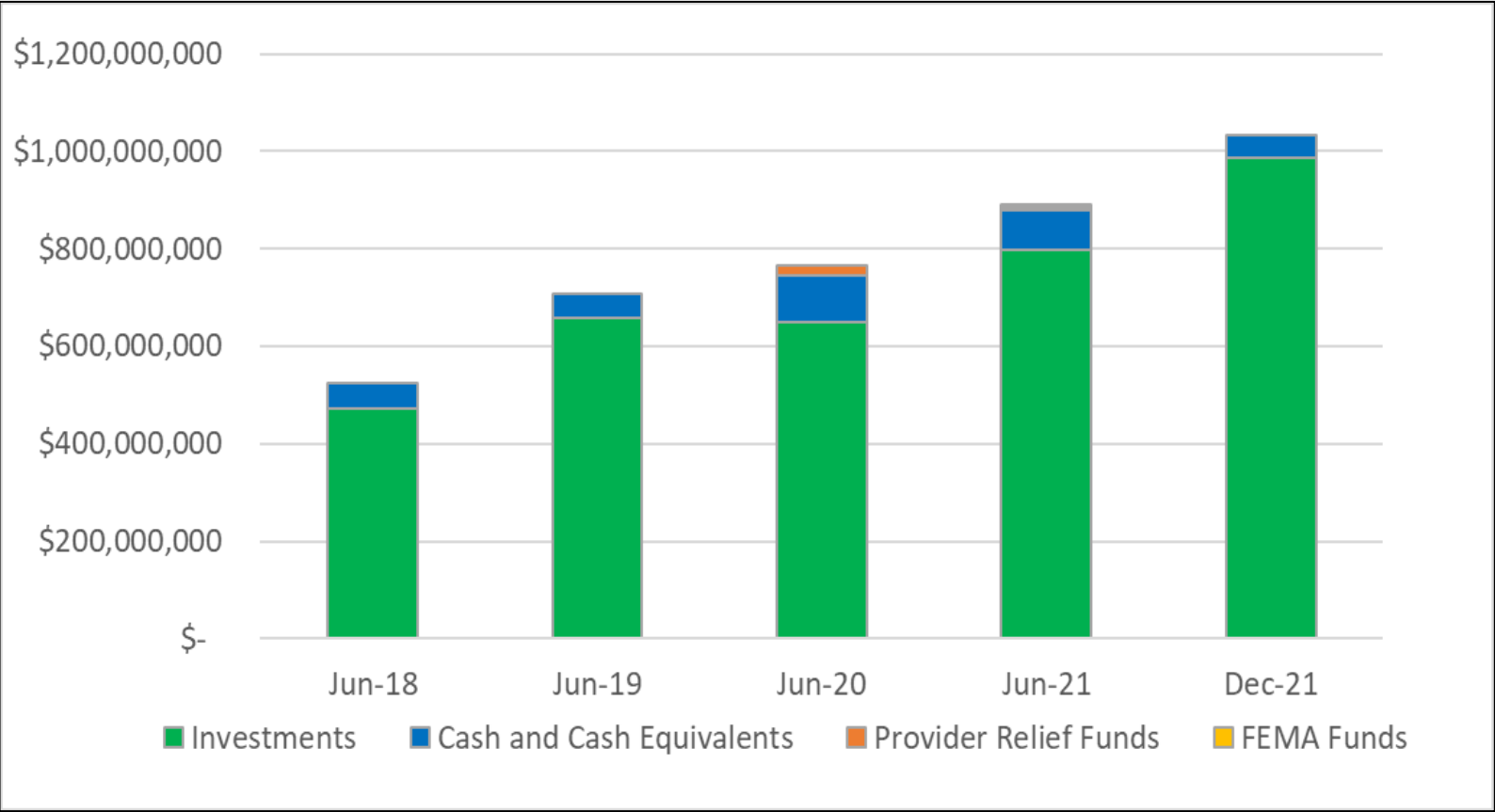
- Not for Profit Hospitals securing Municipal Bond Debt
- Mutual Securities Reporting Bureau
- Electronic Municipal Market Access [Municipal Securities Rulemaking Board::EMMA \(msrb.org\)](https://www.msrb.org)
- Financial and Operating Data
  - Audited Financial Statements – Health System
  - Monthly, Quarterly, Annual Reporting
  - Rating Agency Presentations and Evaluations
  - Bond Documentation

# Billings Clinic





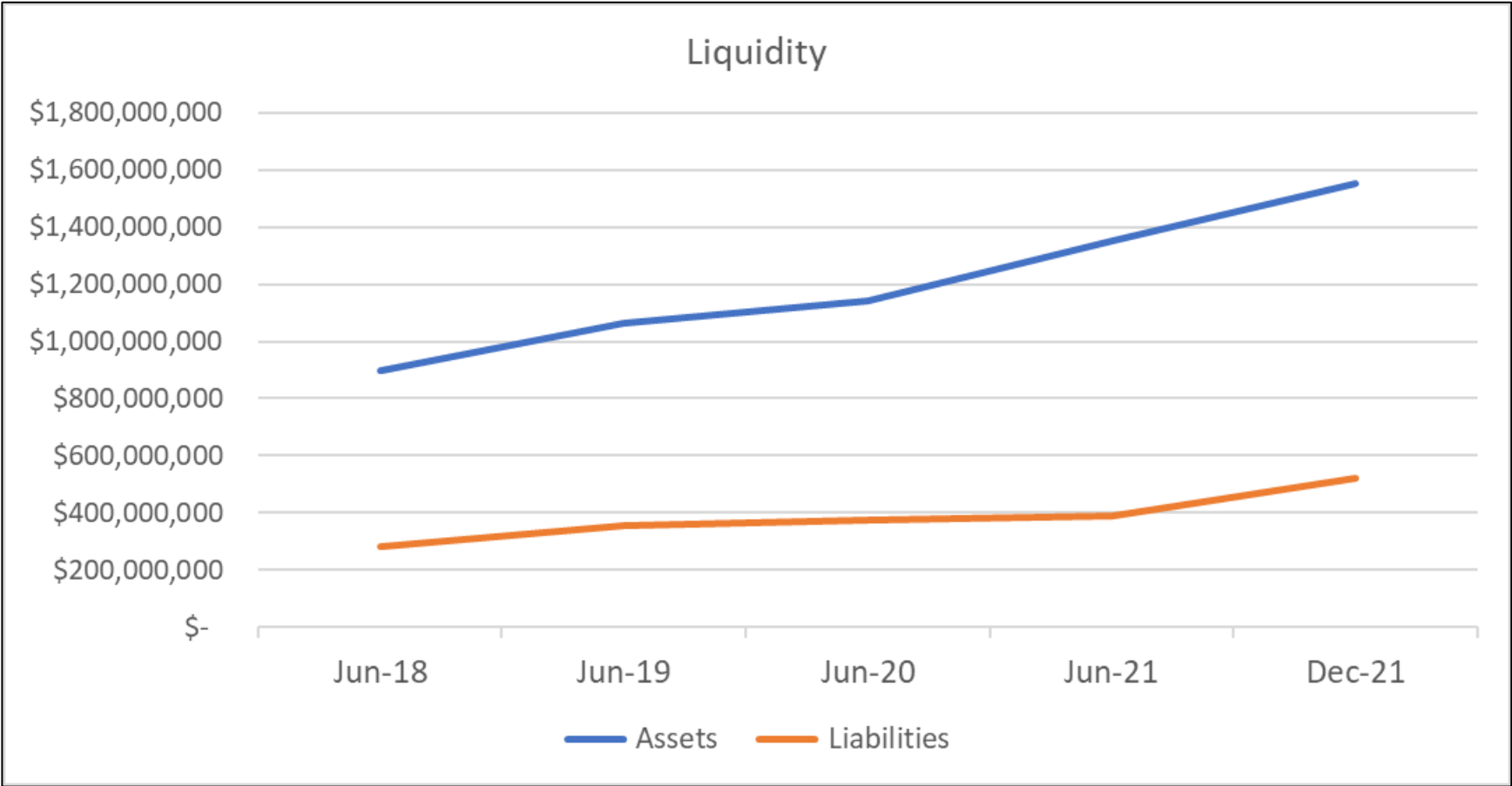
# Billings Clinic – Cash and Investments



June 2021

Financial assets available to meet  
general expenditures within 12  
months = **\$886,997,000**

# Billings Clinic – Liquidity

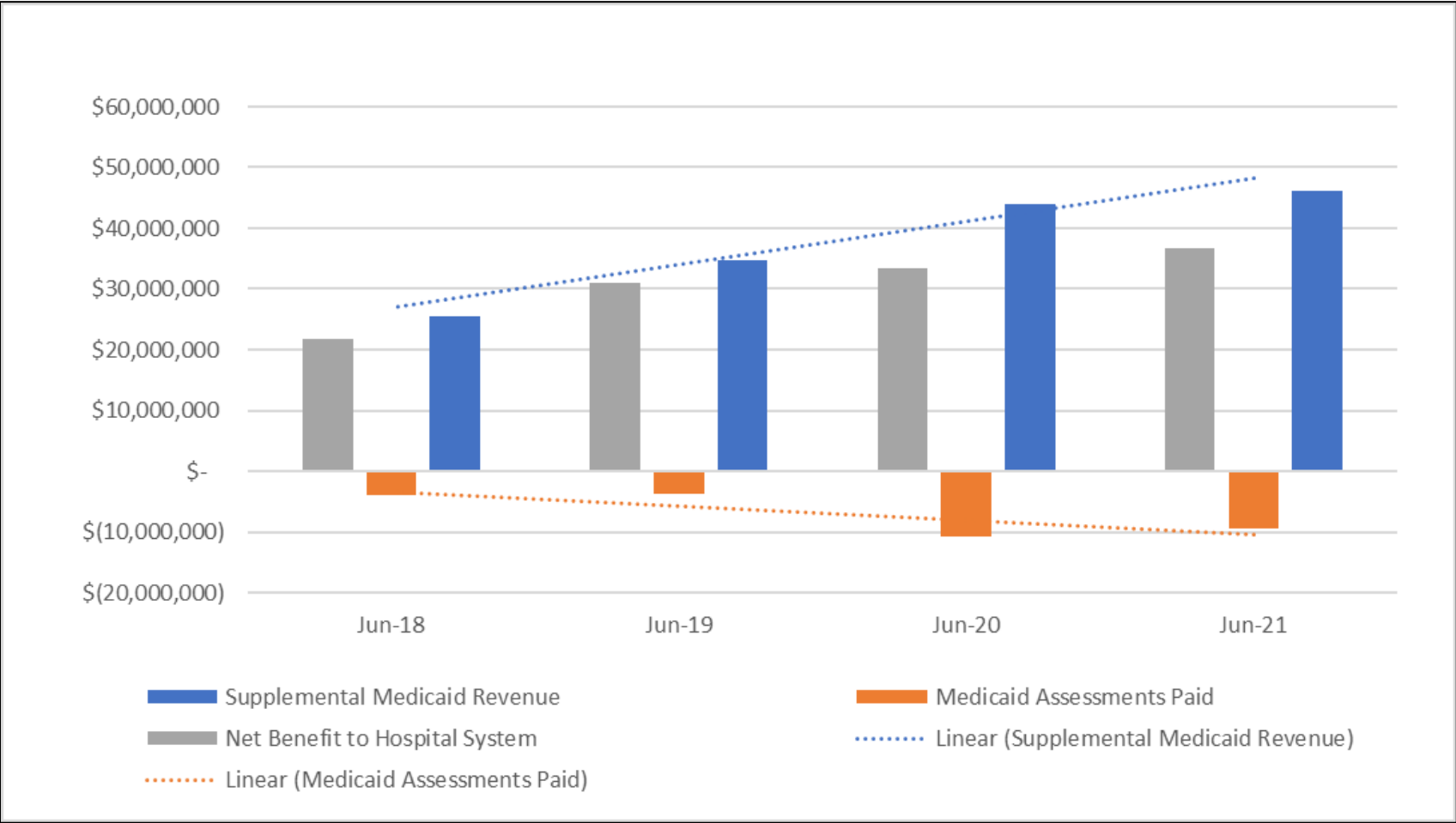


**Dec 2021**

Secured \$150 million additional bond debt Nov 1, 2021

Series 2021A Bonds payable solely from Revenues pledged by Billing Clinic obligated group

# Billings Clinic – Medicare Assessments



## Additional Resources

- [Home Page - Centers for Medicare & Medicaid Services Data \(cms.gov\)](https://data.cms.gov)

Data.CMS.gov

# Montana Hospitals

Hospital	DISCHARGES	CHARGE	Total Paid	Charge as % of Paid
St Peters Hospital	150	\$ 34,155	\$ 14,060	243%
Billings Clinic Hospital	229	\$ 33,324	\$ 14,626	228%
Benefis Hospitals Inc	119	\$ 47,222	\$ 14,617	323%
St Patrick Hospital	497	\$ 35,874	\$ 15,365	233%
St James Healthcare	101	\$ 57,104	\$ 15,215	375%
Community Medical Center	208	\$ 42,854	\$ 14,836	289%
Northern Montana Hospital	26	\$ 45,204	\$ 17,164	263%
St Vincent Healthcare	553	\$ 44,758	\$ 14,030	319%
Kalispell Regional Med Center	243	\$ 45,223	\$ 13,822	327%
Bozeman Health Deaconess	199	\$ 37,163	\$ 13,317	279%
Great Falls Clinic Hospital	174	\$ 37,301	\$ 12,413	300%
The Healthcenter	34	\$ 24,911	\$ 12,918	193%

2019 Medicare Claims

DRG 470: Major Hip and  
Knee Joint Replacement

Total Paid = Patient +  
Medicare

[Search Data.CMS.gov](https://data.cms.gov) - Centers for Medicare & Medicaid Services Data

# Thank you!

Hospital Cost Calculator and Tool

<https://www.nashp.org/policy/health-system-costs>

<https://d3g6lgu1zfs2l4.cloudfront.net/>



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