



State of the State Presentation

IONL Fall Conference



State of Health Care in Indiana

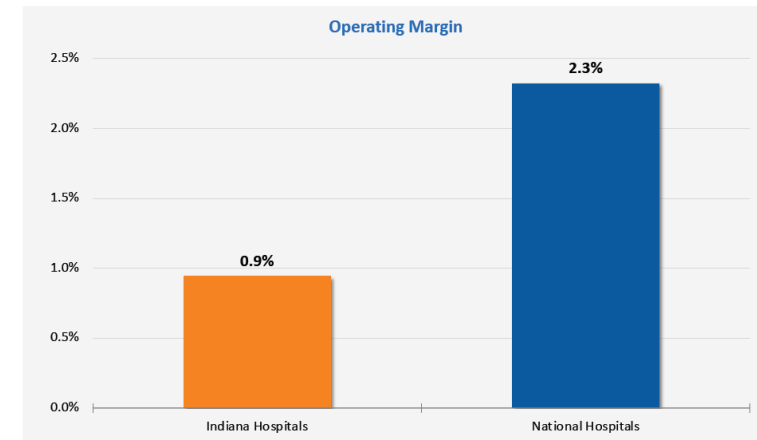
Before we begin...

First and foremost, IHA appreciates its partnership with IONL and looks forward to partnering during the 2025 legislative session and beyond, on initiatives across the spectrum.

Financial Performance of Indiana Hospitals

- According to a May 2024 Kaufman Hall analysis:
- Cumulative Operating Margins:
 - CY 2022: -2%
 - CY 2023: 0.9%
 - Nationally for CY 2023: 2.3%
- Operating expenses increased 4.6%, a higher rate than national levels
 - Costs for medical supplies and other non-labor expenses increased faster than national averages
- Net Patient Revenue Per Adjusted Discharge:
 - CY 2023: -1%
 - Nationally for CY 2023: Increased by 0.6%

Indiana Hospital Operating Margins Grew to 0.9% in 2023, But Remain Highly Depressed Relative to the Nation



KEY TAKEAWAYS

- **Improved Indiana Hospital Performance:** Total hospital operating margins for Indiana reached 0.9% in 2023, lagging national margins of 2.3%.
- **Historically Low National Margins:** While U.S. hospital operating margins reached 2.3% in 2023, margins have historically hovered between 4%-6% and are not sustainable at current levels.
- **Prior to the pandemic,** Indiana hospitals had a median operating margin of 2.6% in 2019, which was below the national median.

Payor Behavior Contributes to Cash Crunch

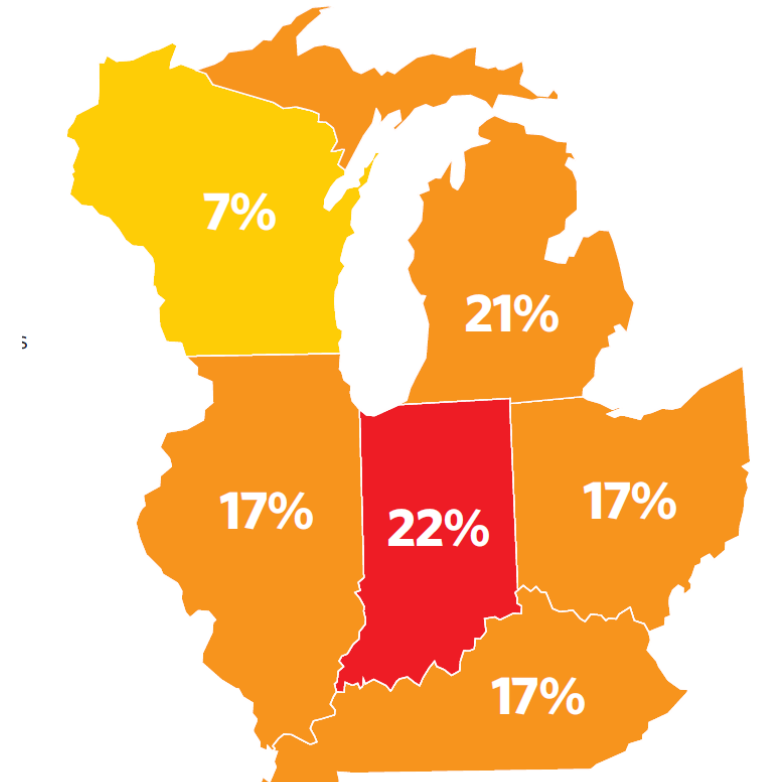


Indiana Payor Scorecard Snapshot

Indiana Payor Scorecard: Indiana 1/1/23- 11/30/2023						
Kodiak Payor Group	Measure	Final Denial Write-Offs			True AR Aged > 90	
		Bad Debt (% of GPSR)	(% Of NPSR)	Initial Denial Rate	Days	True AR Days
Commercial / All Managed Care	Numerator	162,234,605	42,025,712	243,683,259	3,991,330,170	13,486,145,465
	Denominator	7,234,379,354	3,399,730,218	2,206,203,798	11,436,807,694	225,067,548
	Metric	2.2%	1.2%	11.0%	34.9%	60
Medicaid - Managed Care	Numerator	401,862	26,416,187	214,864,712	1,061,974,389	5,185,258,139
	Denominator	3,911,746,267	825,368,312	1,425,648,252	3,852,518,786	133,049,676
	Metric	0.0%	3.2%	15.1%	27.6%	39
Medicaid - Traditional	Numerator	327,665	2,602,311	11,482,151	234,470,986	883,740,783
	Denominator	563,347,138	57,977,563	22,559,733	650,703,365	23,220,217
	Metric	0.1%	4.5%	50.9%	36.0%	38
Medicare - Managed Care	Numerator	21,792,465	26,911,378	205,971,282	1,252,596,531	7,946,777,199
	Denominator	6,345,232,723	1,068,367,794	2,371,772,424	5,738,218,519	185,886,325
	Metric	0.3%	2.5%	8.7%	21.8%	43
Medicare - Traditional	Numerator	16,074,726	7,558,827	51,246,372	407,946,836	6,375,489,223
	Denominator	5,958,067,533	1,142,512,123	1,673,230,500	4,259,743,904	178,055,687
	Metric	0.3%	0.7%	3.1%	9.6%	36

Rural Hospitals & Birthing Unit Closures

- Indiana has the highest risk of rural hospital closures in the region
 - 12 Indiana rural hospitals are at high risk for closure, with 500 rural hospitals across the country at risk
- Indiana has seen the closure of 13 birthing units across the state in just the past 5 years – with 9 of those occurring within the past 2 years
- IHA is bringing proactive solutions to the Indiana General Assembly



PERCENTAGE OF RURAL HOSPITALS
AT RISK OF CLOSING

Source: Center for Healthcare Quality and Payment Reform July 2022



HAF Redesign Efforts

Upcoming Indiana General Assembly

- The 2024 legislative session was a “short,” non-budget writing session that began in January and ended in March.
 - 752 bills were introduced, and 191 were enacted into law.
- The 2025 legislative session will be a “long,” budget-writing session that will begin in January and end in April.
 - Approximately 1,000 bills are introduced in a long session, and updating the Hospital Assessment Fee (“HAF”) will be IHA’s priority for the 2025 legislative session.

Current State: Medicaid Underpayment

- Indiana Medicaid only covers **57 cents for every dollar** on average of hospitals' cost to provide care under the program.
- Indiana's low Medicaid reimbursement results in as much as **\$2.7 billion** in unpaid statewide health care costs each year.
 - The state also continues to take **28.5% of the HAF assessments** paid by hospitals each year, reaching almost \$300M in SFY 2024, without known benefits to the state's Medicaid program.
- Many Indiana hospitals **cannot sustain access to current service lines or maintain independence** without immediate changes to Indiana's Medicaid program.

FOR EACH DOLLAR OF CARE
PROVIDED IN MEDICAID

43¢

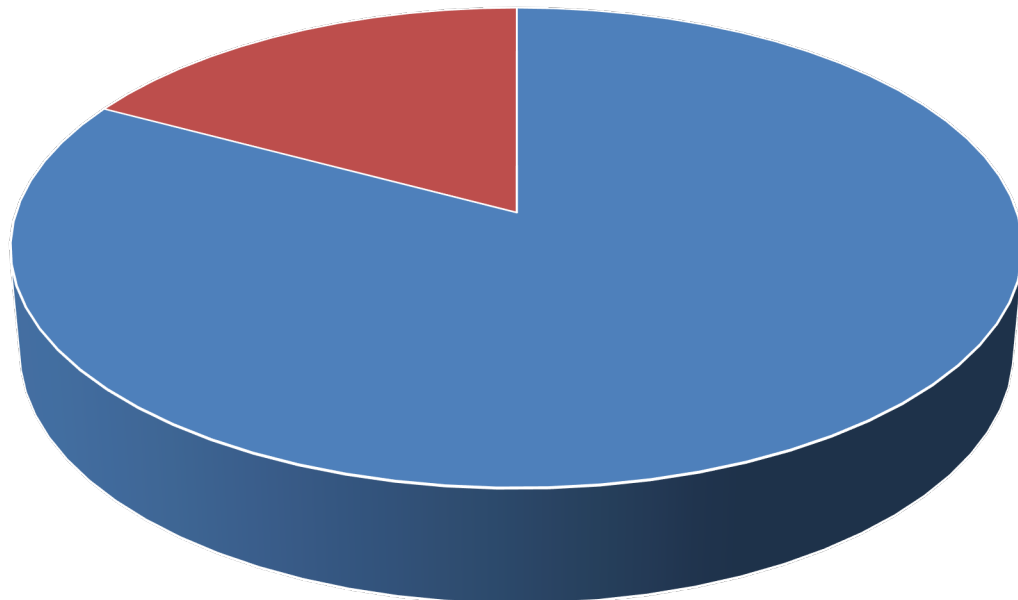
**SHORTFALL OF
UNPAID COSTS**

57¢

**MEDICAID
REIMBURSEMENT**

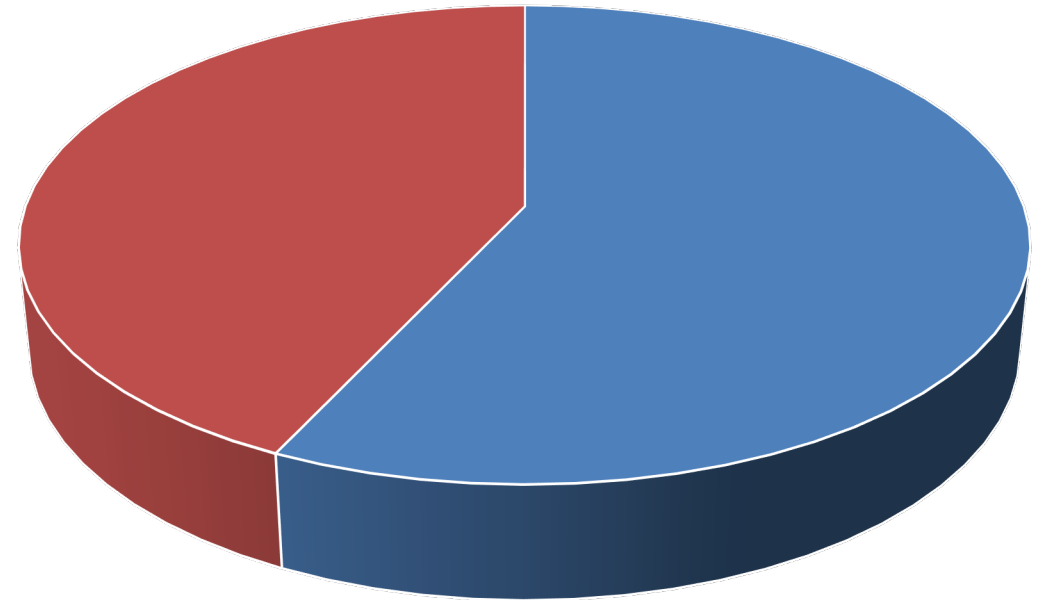
Government Underpayment Generally

Medicare Covers 82% of Costs



■ Medicare ■ Uncompensated

Medicaid Covers 57% of Costs – *With the Supplemental Payments*



■ Medicaid ■ Uncompensated

Current Opportunity: HAF Redesign

- Updating the HAF under new federal regulations (the “State Directed Payment Program” model) would allow hospitals to be assessed up to the federally allowable maximum, thereby increasing Medicaid reimbursement without an impact to the General Fund.
 - 38 states/territories have already moved to the State Directed Payment Program model, 35 of those specifically for hospital reimbursement.
 - If Indiana does not act, we are leaving our tax dollars on the table and putting ourselves at a competitive disadvantage to other states and the health care ecosystem they can provide patients and employers.
- Overall Estimates:
 - The increase in fees could provide an average increase in hospital reimbursement of 29% (with no changes to the state’s 28.5% administrative fee)

Current Opportunity: HAF Redesign

- Moving to a State Directed Payment Program would also:
 - Align the HAF Program and the state’s Medicaid quality strategy
 - Ensure the enhanced Medicaid funding more closely follows the patient
 - Move Indiana’s hospitals away from reliance on DSH payments, as the uncertainty of federal changes / cuts remains.
- **This additional funding could bring Medicaid reimbursement up to around 80% of cost if the state’s 28.5% administrative fee is eliminated in statute and replaced with another funding source. While it still would not cover the total cost of care, it would help protect access to the critical services Hoosiers rely on and help decrease the reliance of hospitals on higher reimbursement from employer-sponsored health plans.**

HAF Redesign Quality Workgroup Recommendations



- The following metrics were recommended and approved by the IHA Board:
 - Readmission within 30 Days (All Cause) for Medicaid Patients – Excludes Freestanding Behavioral Health and Psychiatric Hospitals
 - Maternal Substance Use Disorder (SUD) Screening for Medicaid Patients – All Birthing Hospitals
 - Health-Related Social Needs Screening for Medicaid Patients – All Hospitals
- Must obtain CMS approval
- Expected to evolve over time

Other Legislative Items

- New Administration's Legislative Agenda
- Ongoing Cost of Care Discussions
 - Kaiser: Indiana is not an outlier in its premium rates; health insurance premiums in Indiana for family coverage were below the national average in 2022,
 - RAND Study: Focuses on market share as key driver of prices rather than quality or payor mix
 - HAF redesign will likely intersect with these cost of care discussions
- Nonprofit Status
 - IHA Community Benefit Study

GOVERNMENT & POLITICS HEALTH & ENVIRONMENT

Indiana hospital prices 8th-highest in nation, study finds, but hospitals dismiss analysis

U.S. Sen. Mike Braun honored at health care transparency conference

BY: WHITNEY DOWNARD - MAY 14, 2024 7:00 AM



Other Legislative Items

- Public Health Funding – “Health First Indiana”
 - \$200M per year request over the biennium
 - All IHA acute care members have signed the Health First Pledge
- Prior Authorization Reform
- Protections for Health Care Workers
 - Potential expansion of enhanced penalties for all health care workers, regardless of license status or location
 - IHA’s Safe & Sound initiative



Safe and Sound using the AHA Framework

RISE Pilot

Notice.Talk.Act training

Violence is not acceptable
banners

HEA 1021



AHRQ Culture of Patient Safety Surveys

AHRQ Workplace Safety Supplemental Survey
Statewide Benchmark

Unified Code of Conduct Principles

IAHSS – Indiana Chapter

To learn more about the AHA's **Hospitals Against Violence** initiative, visit www.aha.org/HAV.

IHA Annual Member Meeting



The flyer features the IHA logo at the top left and a decorative pattern of small circles at the top right. The title "2024 ANNUAL MEETING" is prominently displayed in the center. Below the title is a grid of eight headshots of speakers, each with their name underneath. At the bottom, a registration link is provided.

Indiana
Hospital
Association


2024 ANNUAL MEETING

 John Volanthen	 Marcus Engel	 Stephen Shedletzky	 Joel Bervell
 Nicole Malachowski	 Steve Berkowitz	 Domenico Montanaro	 Craig Deao

REGISTER: [CVENT.ME/RYAVBN](https://cvent.me/ryavbn) ↘

- Nov. 13 & 14
- Westin Downtown Indianapolis
- To learn more and access the agenda and registration information, visit [2024 Annual Meeting Flyer \(Final\).pdf \(ihaconnect.org\)](https://ihaconnect.org/2024-Annual-Meeting-Flyer-Final.pdf)

IHA Hosted Trauma Symposium



Mark Your Calendar 2024
INDIANA STATEWIDE
TRAUMA
AND EMERGENCY MEDICINE
SYMPOSIUM

Wednesday Dec. 4,
Full-day trauma and
emergency medicine symposium
and Thursday, Dec. 5
Optional educational offerings



Registration is Open

The 2024 Indiana Statewide Trauma and Emergency Medicine Symposium is an educational event providing information on innovative approaches to trauma and emergency care. Regional and national speakers will address topics to enhance the quality of care for adult and pediatric trauma patients.

[Learn more and register here.](#)