



Think Cleverley

Variations Between Georgia, Non-CON States, and CON States



Questions to be Addressed

1. Are there differences in operating performance between CON and Non- CON states?
2. How do Georgia hospitals compare to both CON and Non-CON states?
3. Does Medicaid Expansion have an impact on hospital performance.





Major Arguments Used to Retain CON Provisions

Cost Control

CON laws aim to prevent oversupply, which can lead to higher costs for patients and payers.

Quality Assurance

CON laws can promote quality assurance by ensuring that new healthcare facilities meet certain standards before they are established.

Access to Care

CON laws can encourage the distribution of healthcare facilities and services across a state, making it easier for patients to access care.

Public Interest

CON can prevent predatory practices, such as providers opening unnecessary facilities purely for financial gain.



Data Sources

Public-use file data for all US acute-care hospitals and Ambulatory Surgery Centers

- ✓ Medicare cost reports (2017 to 2021)
- ✓ Medpar (2017 to 2021)-All Hospital Medicare Inpatient Claims
- ✓ HOPPS (2017 to 2021)- All Hospital Medicare Outpatient Claims
- ✓ Part B Carrier Files (2017 to 2021)—All Medicare Part B Claims Submitted on a CMS 1500
- ✓ 35 States are designated as CON
 - ✓ 28 of those have Medicaid Expansion (80%)
 - ✓ 7 have not adopted Medicaid Expansion(20%)
- ✓ 15 States do not have CON
 - ✓ 11 of those have Medicaid Expansion (73%)
 - ✓ 4 have not adopted Medicaid Expansion (17%)



State Composition of CON and Medicaid Expansion

	Medicaid Expansion		
CON	Yes	No	Total
Yes	28	7	35
No	11	4	15
Total	39	11	50



Areas of Performance Reviewed

- Pricing of healthcare services
- Costs incurred by hospitals in producing healthcare services
- Profits Realized by Healthcare Providers

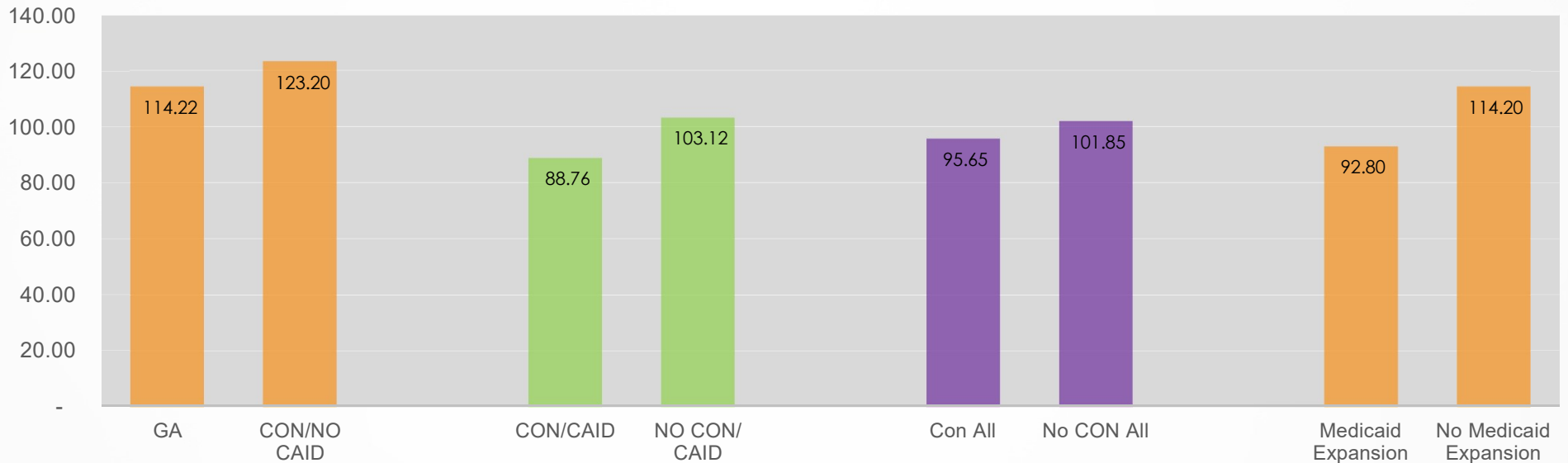


Price Metrics

- Hospital Charge Index—See Appendix for Definition
- Average Emergency Room Rate (WI Adj)
- Average OP Colonoscopy Rate in Ambulatory Surgical Centers
- Net Patient Revenue per Equivalent Discharge (WI Adj)-See Appendix for Equivalent Discharge definition

Average Hospital Charge Index 2017 to 2021

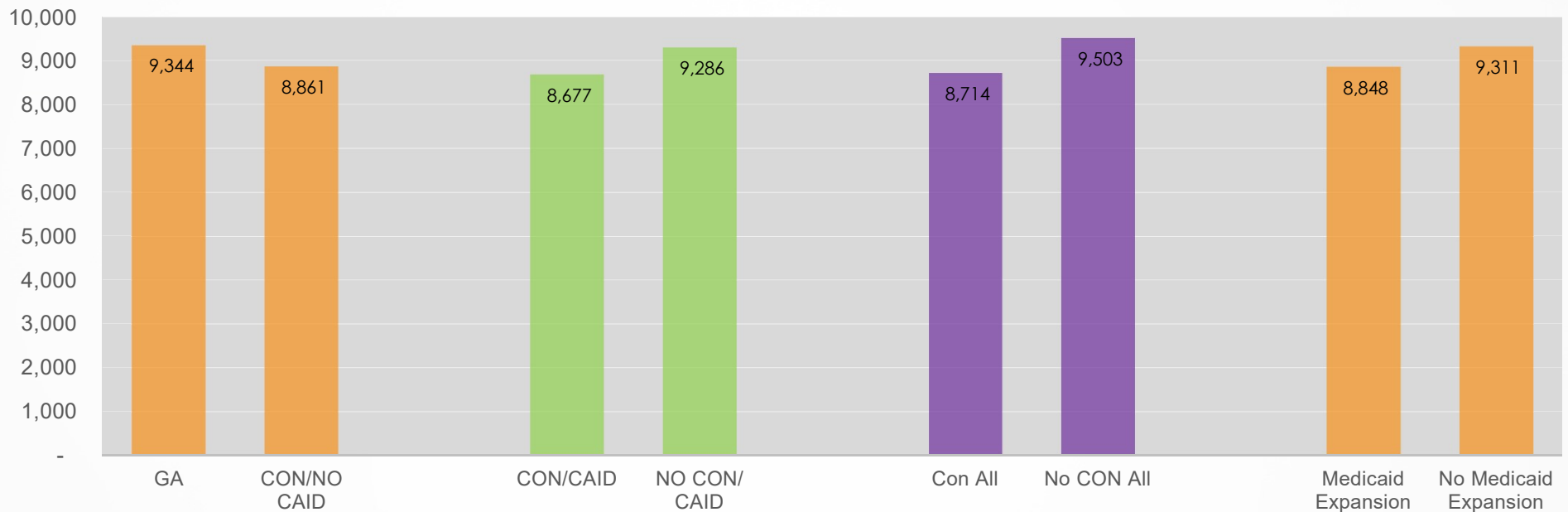
In states where Medicaid expansion is present, charges appear to be much lower. The average HCI in Medicaid Expansion states was 92.8 compared to 114.2 in states without Medicaid expansion. Georgia's HCI is below the average HCI of states with CON but without Medicaid expansion.





Average Net Patient Revenue per Equivalent Discharge (WI Adjusted) – 2017 to 2021

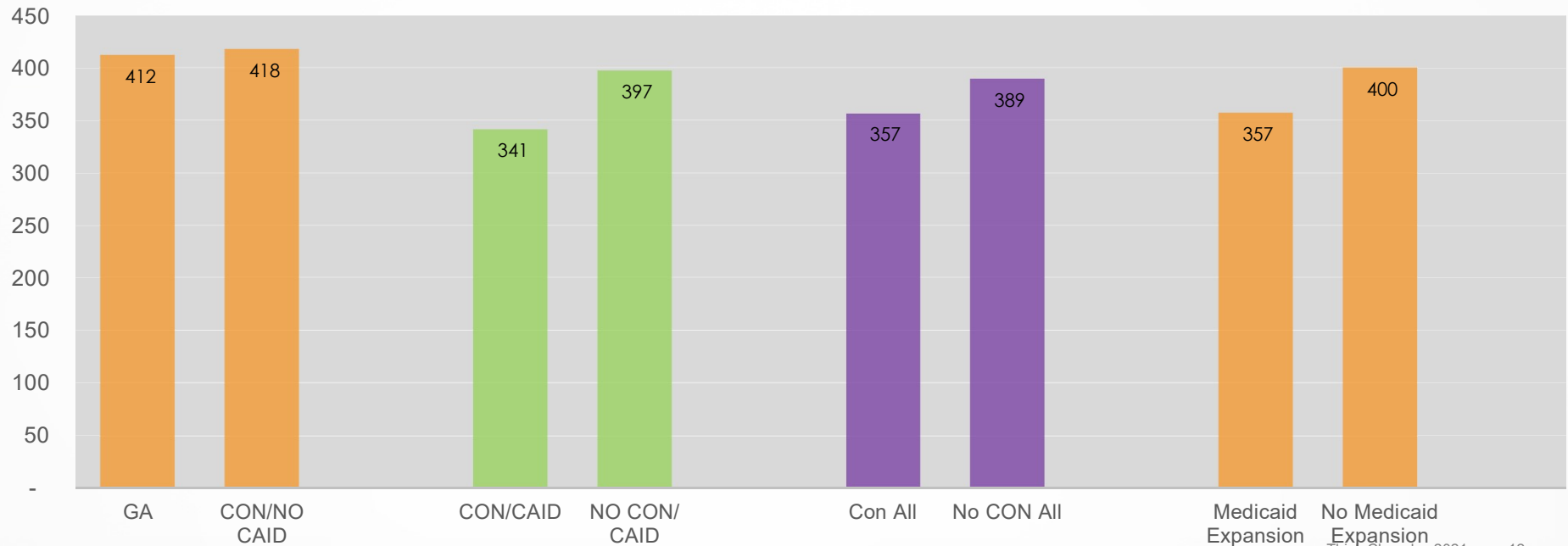
CON states have lower levels of payment per equivalent unit of service than non-CON states regardless of their adoption of Medicaid Expansion. Georgia's payment levels are similar to CON states without Medicaid Expansion.





Emergency Room Charges Adjusted for APC Weight and Wage Index 2021

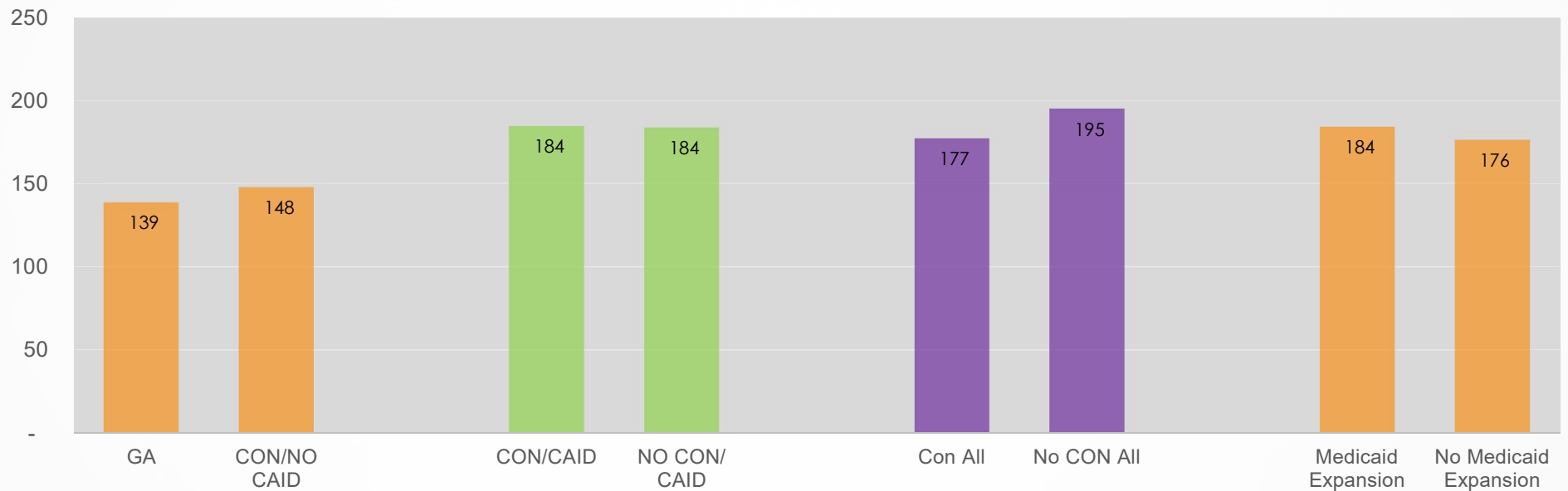
Charges for ER services are lower in states with CON and also lower in states with Medicaid expansion. Georgia's ER rates are similar to those in states without Medicaid expansion.





Outpatient Colonoscopy Charge in ASC's Adjusted for APC Weight and Wage Index 2021

Free standing ASC's do not appear affected by Medicaid expansion, but CON states do have lower overall charges. Rates in Georgia are below all peer averages.





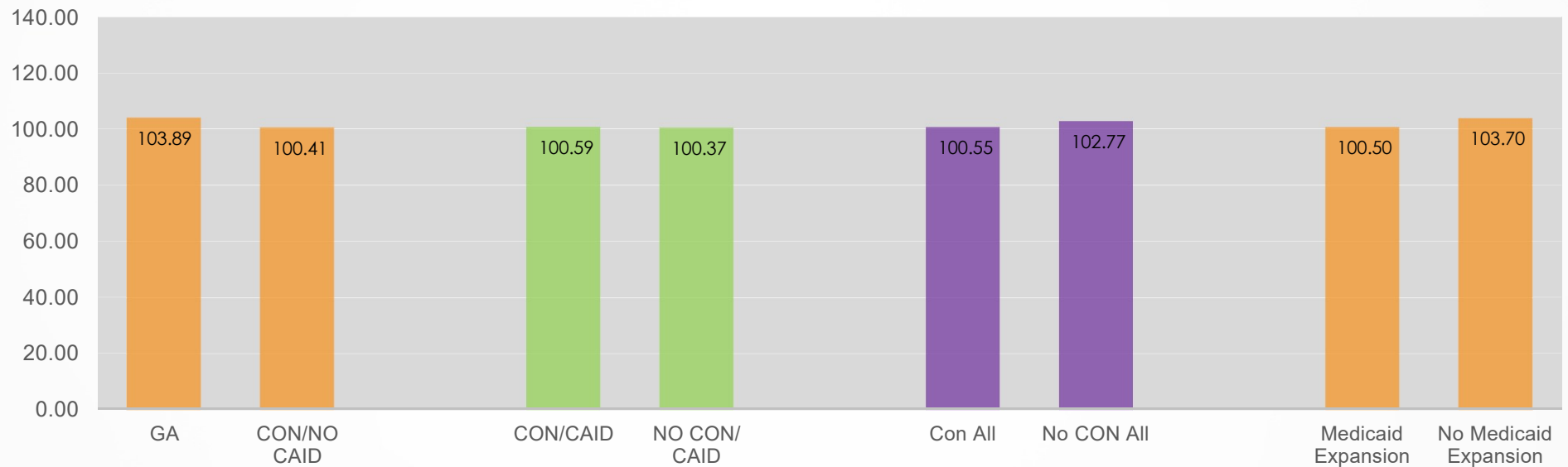
Cost Metrics

- Hospital Cost Index –See Appendix for Defintion
- Medicare LOS (CMI Adj)
- Charity Care %



Hospital Cost Index 2017 to 2021

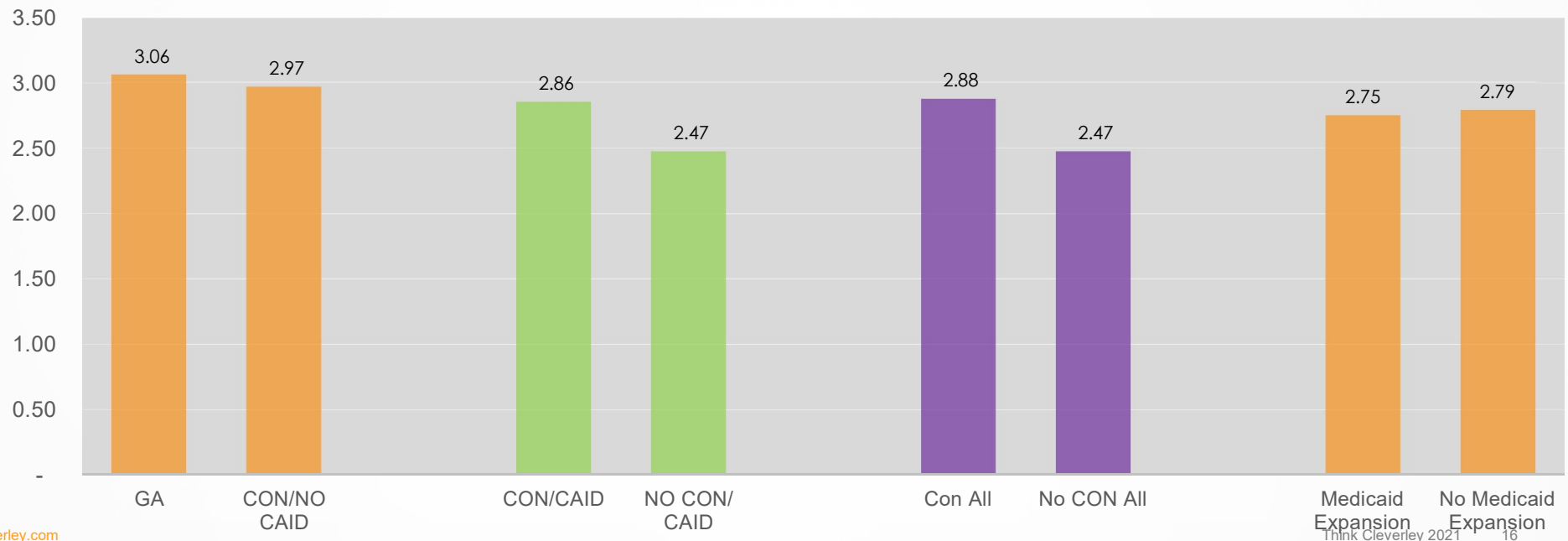
There does not appear to be major variation associated with either CON status or Medicaid expansion. Georgia's cost structure is almost identical to the no Medicaid expansion state average.





Average Medicare LOS (CMI Adjusted) 2017 to 2021

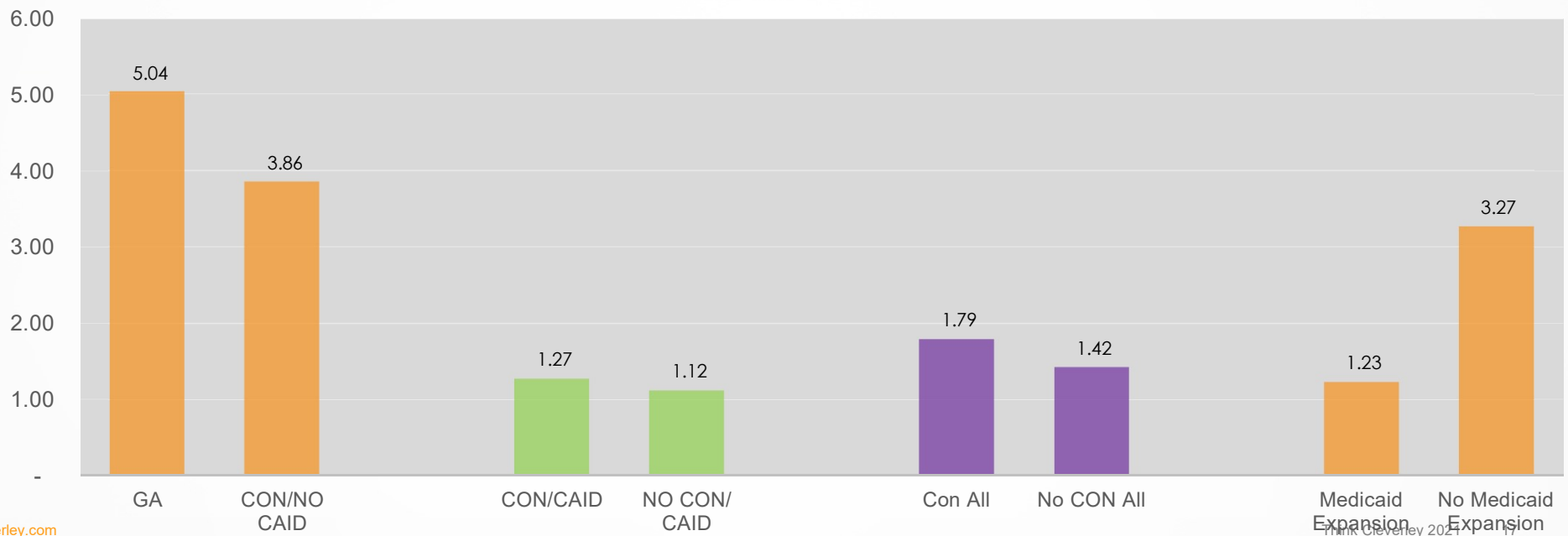
LOS appears to be higher in states that have CON status. LOS in Georgia is high but similar to CON states who have not adopted Medicaid.





Charity Care % 2017 to 2021

States without Medicaid expansion are providing higher levels of charity care than those states that have adopted Medicaid expansion. Georgia's level of charity care is the third highest average in the US.





Profit Metrics

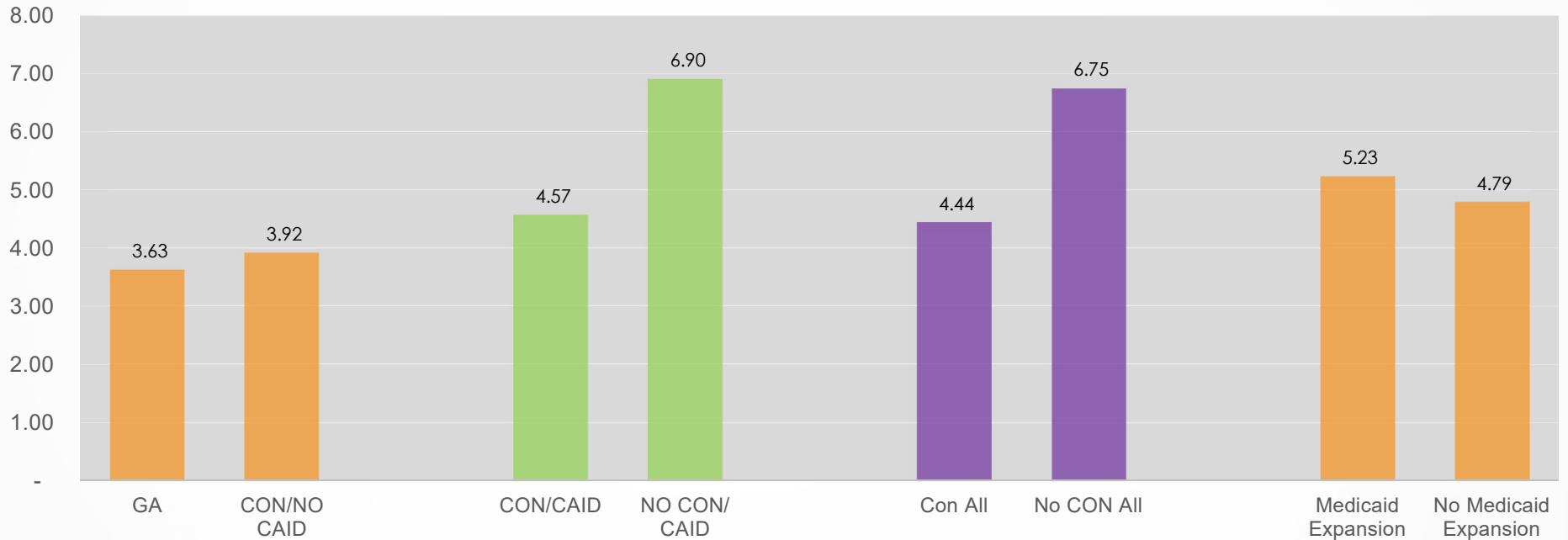
- Operating Margin





Operating Margin % 2017 to 2021

Operating profitability is lower in states with CON compared to states without CON. The presence of Medicaid expansion is also associated with higher operating margins. Georgia's operating profitability is low, but similar to states with CON who have not adopted Medicaid expansion.





Summary – CON and Medicaid Expansion Assessment

- Charges are lower in states that have both CON status and also have adopted Medicaid expansion. However Medicaid expansion appears to be more important in the pricing of hospital services.
- Actual payment of hospital services is lower in states that have both CON and Medicaid expansion.
- CON states also are providing more charity care in their communities than Non-CON states. However, Medicaid expansion status appears to have a greater influence. Georgia's has the 3rd highest level of charity care in the US and is most likely affected by the state's non-adoption of Medicaid Expansion.
- Cost structures do not appear to be materially different in CON and non-CON states. Adoption of Medicaid Expansion may have a greater influence on costs. Georgia's cost structure is above US averages but is similar to those states that have not adopted Medicaid expansion.



Summary – CON and Medicaid Expansion Assessment continued

- We have not included any data on quality of care and cannot make any assessments on quality levels in the states.
- Operating profitability appears to be higher in states that do not have CON regulation regardless of their adoption of Medicaid expansion.
- To summarize our review using the four criteria for continuation of CON statutes, we find the following:
 1. *Cost Control*: CON states have lower levels of both charges and payments when compared to Non-CON state, but adoption of Medicaid expansion is also an influencing factor.
 2. *Quality*: No assessment of quality was made.
 3. *Access to Care*: CON states are providing greater levels of charity care than Non-CON states which is one possible measure of access to care. The presence of Medicaid Expansion however is the primary causal factor.
 4. *Public Interest*: CON states have lower levels of profitability than Non-CON states which supports the argument that CON hospitals are less likely to open facilities for purely financial gain.



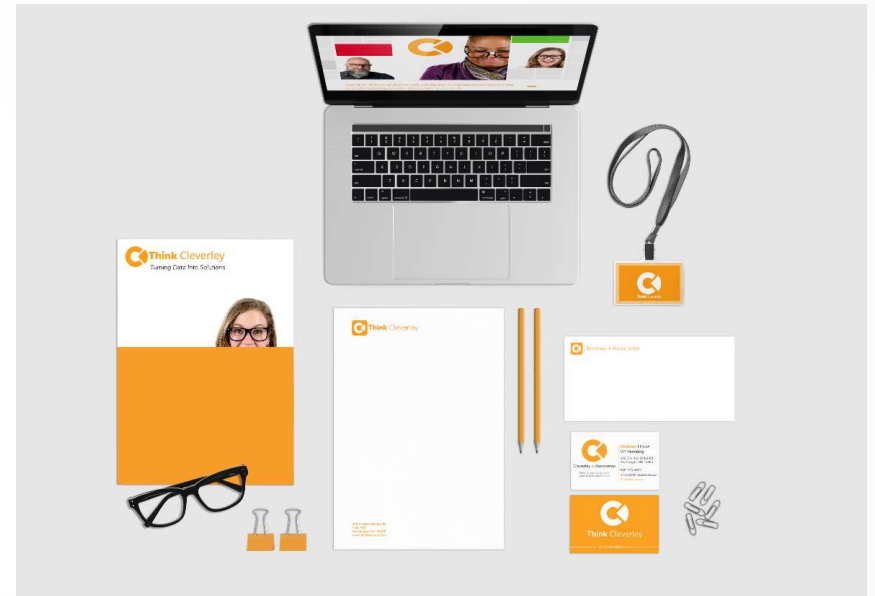
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Appendix

- Hospital Charge Index
- Hospital Cost Index
- Equivalent Discharges

Appendix



Facility-level charge measure: Hospital Charge Index[®]



Inpatient Charges

Inpatient Charge Index

Formula:

Your Medicare Charge
per Discharge (CMI/WI adj)
US Median Medicare Charge
per Discharge (CMI/WI adj)

Outpatient Charges

Outpatient Charge Index

Formula:

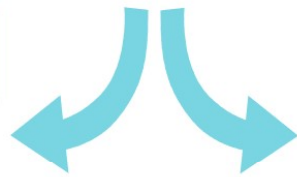
Your Medicare Charge
per Visit (RW/WI adj)
US Median Medicare Charge
per Visit (RW/WI adj)

The Hospital Charge Index[®], developed by Cleverley + Associates, compares the Medicare Charge per discharge and Medicare charge per visit at the hospital (both adjusted for case complexity and wage index differences) to the US median value for each measure. The result is the most objective overall charge comparison available. A high index score indicates a higher relative charge position.

Appendix



Facility-level cost measure: Hospital Cost Index[®]



Inpatient Costs

Inpatient Cost Index

Formula:

Your Medicare Cost
per Discharge (CMI/WI adj)
US Median Medicare Cost pe
r Discharge (CMI/WI adj)

Outpatient Costs

Outpatient Cost Index

Formula:

Your Medicare Cost
per Visit (RW/WI adj)
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Appendix

Computing Equivalent Discharges™ from PUF Data

Inpatient Volume

Formula:

$$\frac{\text{Total Gross Inpatient Charges}}{\text{Hospital Average Charge per Discharge (C MI adj)}}$$

=

OF EQUIVALENT IP DISCHARGES

+

OF EQUIVALENT OP DISCHARGES

=

EQUIVALENT DISCHARGES

Outpatient Volume

Formula:

$$\frac{\text{Total Gross Outpatient Charges}}{\text{Hospital Average Charge per Visit (RW adj)}}$$

=

OF EQUIVALENT OP VISITS



Multiply by Medicare payment conversion factor