



# Ascension St. Vincent

March 31, 2022

Dear President Pro Tempore Bray and Speaker Huston,

Thank you for providing Ascension St. Vincent the opportunity to share our market-oriented approaches to reducing healthcare costs for Hoosiers. As a member of the Indiana Hospital Association, we are in agreement with their March 24 response to your letter dated December 17, 2021, and are presenting additional examples of how Ascension St. Vincent is employing market-driven strategies to reduce actual costs while improving the health of the communities that we're privileged to serve.

Ascension St. Vincent's strategic vision is built on the fundamental goal of holistically caring for our communities, with special attention to those living in poverty and and most vulnerable. An important part of this work is to strengthen the overall continuum of care, so that we are improving health outcomes by providing care at the Right Place, Right Time and Right Cost.

## **Transparency**

Ascension St. Vincent is pleased to have partnered with the Indiana General Assembly on the topic of price transparency in recent years. Our work together has included a prohibition on surprise medical billing, good faith estimates for patients and the creation of an All- Claims Database. Our state work has been only enhanced by federal payment rules on the same topics.

We fully support greater transparency and believe that it should be meaningful for consumers. Consumers should be able to confirm prior to service, to the extent possible, how much they may expect to pay out of pocket for obtaining planned or foreseeable healthcare services. While the federal rule required that we post prices, Ascension St. Vincent has chosen to go beyond the minimum requirements and provide a consumer-friendly price estimator for all hospital and related ancillary services. In the case that an estimate is not reflected, or if there are questions related to financial assistance or affording the service, we also include a phone number which consumers can call to receive a personalized estimate.

As part of our commitment to continuous improvement, we are developing additional capabilities to apply real-time insurance benefits information and to integrate the price estimator into other points of the patient's care journey.

## **Understanding additional contributors to cost**

We believe that increased hospital price transparency has been a helpful tool for consumers and employers. However, there is more to do in order to provide consumers and employers the

information they need to make informed decisions, as the consumers' costs are ultimately determined by the coverage they purchased and the benefit plan design. Hospital reimbursement is a part of that, but the consumers' ultimate costs are most significantly impacted by additional factors as well, such as broker fees, pharmaceutical costs, etc.

The reimbursement rate agreed upon between a healthcare provider and insurance company is only a starting point in the price that is ultimately offered to the end consumer. For example, an employer that works through a health insurance company is subject to the insurance company's underwriting process – or reselling model – over which the health system has no control or influence.

The underwriting process varies but in general works as follows:

1. The insurance industry blends together the costs from numerous health systems, which could include both healthcare costs in the state as well as out of state, depending on where an employer's covered lives reside. When a premium is created for the employer group, it represents a blended set of expected healthcare costs, insurance company overhead costs and profit assumptions for the insurance company that drives stock price growth. This approach also allows large, incumbent insurance companies to establish a "market price" that is very heavily influenced by employer group size rather than healthcare needs. Additionally, this process intends to set the expectation that all services are equal. This further subordinates quality and healthcare needs while elevating employer group size and purchasing power as the key drivers to an employer group's healthcare expense.
2. This is followed by adding the insurer's own cost structures and targeted net operating income – marketing, billing, reinsurance, overheads, sales incentives, executive compensation, stock options and other targeting income expectations. In other words, the cost for the insurance company to do business and to reach its anticipated margin is added to the base rate.
3. In addition, the underwriter adds costs for anticipated risk factors or health of the covered population, including but not limited to the industry of the employer (e.g., tech firms versus manufacturing), average age of the employer's beneficiaries, historical high cost beneficiary history, bad debt risk of the employer's industry, or the employer's Dun & Bradstreet rating or bond rating, etc.

The underwriting process typically weighs these factors based on the size of the organization being underwritten, as measured by the number of beneficiaries. The larger the organization (or transaction) the lesser the markup and conversely so with a smaller employer.

Said another way, the "price" a purchaser/consumer of a service from a health system through an insurance company has already been significantly altered from the price that the health system provided to the insurer. In addition, smaller employers tend to face the higher markup as the large employers represent a larger slice of business.

## **Ascension Employer Solutions**

An alternative process that Ascension St. Vincent has embraced is providing employers the ability to work with us directly to offer a uniquely designed plan for their employees through Ascension Employer Solutions.

Ascension Employer Solutions offers a true population health approach to helping employers manage healthcare costs while improving the health of the workforce. We bring together industry-leading clinicians, researchers, data analysts, and business leaders to deliver improved health outcomes and lower costs.

Allowing for direct purchasing eliminates markups associated with insurance company overhead and removes the necessity to weigh the risk. Instead, employers are able to self-insure or meet and negotiate directly with their reinsurer as they like or to create an ERISA-compliant plan for their employees at a significant reduction in costs.

Additionally, employers are able to negotiate directly with their third-party administrator of claims to ensure visibility and increased transparency of administrative expenses and commissions.

## **Partnering to improve the health of populations and lower the overall cost of care**

We are able to save employers the most money when we actively partner with them through direct contracting. One of the most important changes required of our healthcare financing is to move from systems based on the volume of care to models that are based on the quality of care, outcomes, and total cost of care. Very clearly, the hospital is the most intense and expensive site of care in the healthcare system. To reduce overall costs, our goal should be to keep individuals out of the hospital with better management of chronic disease and a focus on wellness. Direct contracting arrangements are an important innovation toward better management of health and lower overall costs. With direct contracting, benefit plan design is variable and dependent on the health, wellness and financial goals of the employer. For example, if a company wants to encourage greater access to primary care, it can incentivize a wellness visit by rewarding the patient with a financial incentive or by waiving deductibles and out-of-pocket costs.

Ascension St. Vincent's definition of value includes both cost savings as well as improved health for a defined population. Employers will also have specific goals and outcomes in mind. Measurable outcomes are developed in coordination with employers based on their goals. Together, we identify where the opportunities are and set mutually agreed upon outcomes. While each employer is unique, goals typically include the following:

- Employee participation in primary care services
- Completion of annual wellness visits
- Chronic condition management with focus on high blood pressure and diabetes
- Care compliance, including vaccinations and recommended screenings
- Navigation to convenient care and helpful resources

The contracts that prove most successful are a collaboration between the employer and provider with the assistance of data analytics. Understanding an employer's spend and population health goals helps providers identify necessary areas of focus and/or areas where spend is being wasted.

## **Next steps**

Ascension St. Vincent has hosted numerous educational opportunities in recent years to introduce employers to the concept of direct contracting through Ascension Employer Solutions. Additional audiences have included the Employers Forum, the Indiana Manufacturers Association and Legislators. Several of the presentations included brokers and data analytics experts to provide advice and examples on the type of questions employers should be asking their brokers, insurers, and others about their opportunities to reduce their costs and improve the wellness of their employees.

While we have had success with many employers, there is significant opportunity for employers to embrace a direct contracting model. Some employers remain reluctant to consider different approaches such as narrow networks or other solutions, even when presented with a significant savings opportunity. Historically, Indiana employers have preferred open networks with little utilization of data analytics as a way to pinpoint opportunities for savings. We understand that digging deeper into claims data and analytics takes additional work, but it also has the capacity to increase the reward, specifically savings. We have worked with more than one mid-size employer that has been able to save more than \$1 million a year after narrowing its network and reconfiguring its benefit plan design to focus on improving specific health concerns of its employees.

Ascension St. Vincent welcomes the opportunity to share additional detail regarding the savings many of our employer partners have achieved and to answer any questions.

## **Community Benefit and Charity Care**

We are also working to make healthcare accessible and more affordable for those who need it the most. Ascension provides a healthcare safety net for millions of people who might otherwise go without healthcare – particularly those who are poor and uninsured.

Traditional charity care covers the cost of medical care provided to people who are unable to pay for services. Ascension's commitment to charity care goes much further, ensuring every patient receives personalized care that meets his/her individual needs and unique personal circumstances, regardless of ability to pay.

## **Investment in Public Health**

Through our community benefit programs, Ascension provides access to medical care beyond the walls of our hospitals and directly to individuals who need it most. We work in the communities we serve to improve access to care, enhance the health of communities, advance medical or healthcare knowledge and relieve the burden on other community efforts.

Lastly, we look forward to working with the Governor, Indiana General Assembly, and our corporate and non-profit partners to advance the health status of Indiana. As often pointed out, Indiana ranks poorly in public health outcomes and ranks 45th in public health spending. We

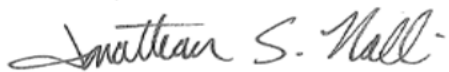
appreciate the fact that the Governor has convened a Public Health Commission, and we look forward to the Public Health Commission's recommendations on how to positively impact the health of our populations, both within the healthcare system and in the community at large.

## **Conclusion**

We appreciate your concern regarding the quality and cost of healthcare for Hoosiers. We share that concern and have developed several important initiatives to address both. Our goal is to improve health outcomes by providing care at the Right Place, Right Time and Right Cost.

Thank you for the opportunity to contribute to this valuable discussion. We look forward to working with you to ensure our employers are aware of resources that currently exist to both lower costs and improve health outcomes.

Regards,

A handwritten signature in black ink that reads "Jonathan S. Nalli". The signature is written in a cursive style with a horizontal line underneath.

Jonathan S. Nalli  
Senior Vice President, Ascension, and Ministry Market Executive, Ascension Indiana