JUNE STRATEGY SESSION
The Healthcare Market: A Financial Profile
Thursday, June 13, 2019
Meeting 12:00 pm to 3:00 pm – Lunch & Networking 11:30 am – 12:00 pm
Kaiser Permanente Lone Tree, 10240 Park Meadows Drive, Lone Tree, CO
Bluffs Room, 5th Floor

MEETING OVERVIEW
An examination of the economics of healthcare: how funds flow through the system, whether the “cost shift” to employers is necessary, how financial incentives result in increased prices and oftentimes lower quality, and how it could be more efficient. Additionally, we will look at healthcare benefits as a risk management/fiduciary responsibility issue (as well as an HR issue) for employers.

WHO SHOULD ATTEND
Senior level staff with fiduciary responsibility for their organization – including HR Directors, Benefits Managers and Chief Financial Officers (CFOs).

AGENDA

<table>
<thead>
<tr>
<th>Topic/Description</th>
<th>Speaker</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lunch &amp; Networking</td>
<td>All</td>
<td>11:30am - 12:00pm</td>
</tr>
<tr>
<td>Welcome/Introductions</td>
<td>Jeanne Thrower Aguilar, President, CBGH Board</td>
<td>12:00 pm</td>
</tr>
<tr>
<td>Review of Meeting Purpose and Agenda</td>
<td>Bob Smith, Exec. Director, CBGH</td>
<td>12:05 pm</td>
</tr>
<tr>
<td>Healthcare Spending by Payer/Service Type -- Why Cost Shifting is a Myth</td>
<td>John Bartholomew, Finance Office Director, Health Care Policy &amp; Financing, State of CO</td>
<td>12:15 pm</td>
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<tr>
<td>Break</td>
<td></td>
<td>1:00 pm</td>
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<tr>
<td>Improving Margins Through Controlling Costs and Not Just Increasing Revenues</td>
<td>Greg D'Argonne, CFO, HCA Healthcare/Continental Div.</td>
<td>1:10 pm</td>
</tr>
<tr>
<td>Self-Funded Employers as Small Insurers – One CFO’s Experience Managing Risk</td>
<td>Glenn Gustafson, CPA, Deputy Superintendent/CFO Colorado Springs School District 11</td>
<td>1:50 pm</td>
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<tr>
<td>Panel Discussion</td>
<td>Moderator: Bob Smith</td>
<td>2:20 pm</td>
</tr>
<tr>
<td></td>
<td>Panelists: John Bartholomew, Greg D’Argonne, Glenn Gustafson</td>
<td></td>
</tr>
<tr>
<td>Adjourn</td>
<td>Bob Smith</td>
<td>3:00 pm</td>
</tr>
</tbody>
</table>
--- MEET THE SPEAKERS ---

John Bartholomew
Finance Office Director
Department of Health Care Policy & Financing, State of Colorado

John Bartholomew is the Finance Office Director of the Department of Health Care Policy and Financing (HCPF) with the State of Colorado. John has been a member of the HCPF team for over 16 years. Prior to taking on his role as the Chief Financial Officer, John served as an economist, a statistical analyst, the director of the Rates and Analysis Division, and the Budget Director for the Department. In the past few years, he has played an instrumental role in finding departmental budget savings and assisting the Governor's budget office in submitting balanced budgets.

Prior to joining the Department, Bartholomew was the lead economist at the Business Research Division at the University of Colorado, Boulder. He has served on the board of the Denver Association of Business Economists from 2000 to 2009 and completed a fellowship at the Colorado Health Foundation. John has a Master’s degree in Economics from the University of Colorado, Boulder and received his bachelor’s degree from the University of California, Santa Barbara.

Greg D’Argonne
Chief Financial Officer
HCA Healthcare/Continental Division

Mr. D’Argonne joined HCA in 1984 and served as the Assistant Controller at Parkland Hospital in Baton Rouge, LA and Controller at North Monroe Hospital in Monroe, LA. Mr. D’Argonne has served as CFO for HealthONE and the HCA Continental Division since 2001. Prior to that, Mr. D’Argonne served as Controller and then CFO at Wesley Medical Center from 1994 to 2001. Mr. D’Argonne earned his Bachelor of Science degree in Accounting from Louisiana State University in 1981. Mr. D’Argonne is a member of various health care related organizations.

Glenn Gustafson, CPA
Deputy Superintendent & Chief Financial Officer
Colorado Springs School District 11

Mr. Gustafson has been with School District 11 since January 1992. His current position is Deputy Superintendent/Chief Financial Officer. His duties include oversight of Fiscal Services; Facilities, Operations, and Transportation; Risk Management; Budget and Planning; Food and Nutrition Services; Procurement and Contracting; Production Printing; charter school administration and legislative services. Mr. Gustafson was formerly the Director of Finance for the city of Fountain, Colorado. He received his BSBA in accounting from the University of Colorado in 1982 and his MBA with an emphasis in finance from the University of Colorado at Colorado Springs in 1990.
June Strategy Session
The Healthcare Market: A Financial Profile
Thursday, June 13, 2019
The U.S. Can’t Fix Health Care Without Better Price Data

by Lovisa Gustafsson, Shanoor Seervai, and David Blumenthal
MAY 30, 2019

Larry Washburn/Getty Images

The recently released RAND report on hospital pricing has fur flying over what hospitals charge and whether it has the right numbers. The study provided employers a glimpse into the high and variable prices they pay for health care services for their employees. As soon as the data was released, the study faced an onslaught of criticism: that the sample was too small, not representative, and only included data from about half the states. Hospitals questioned whether Medicare rates were a fair comparator, among other things.

Controversy over methodology aside, the RAND report makes one point absolutely clear: The most basic information needed to create a functioning health care market — data on health care prices — is lacking in the United States. Even assembling RAND’s incomplete sample of hospital prices required heroic effort by a very talented and credible analytic team.

“For advocates of market-based solutions to containing health care costs, the lack of price data is a crippling barrier to success.”
Welcome to the Employer Price Transparency Project

Compare Hospital Prices >>
Conducted by the Rand Corporation

Download Full Rand 2.0 Report
Compare Hospital Pricing
Download PowerPoint Presentations
Follow News and Reactions
Find Prices for Health Care Services

Majority of total price for common health care services related to facility payments – which vary widely and wildly.
Commercial Relative Price TREND Varies at the State Level: Comparison of 5 States

Source: White, 2019, Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely—Findings from an Employer-Led Transparency Initiative
Hospitals in Colorado that are...

At or above **400%** of Medicare (all services)

<table>
<thead>
<tr>
<th>Hospital name</th>
<th>Hospital system or, if independent, IPPS/CAH</th>
<th>Relative price for outpatient services</th>
<th>Relative price for inpatient services</th>
<th>Relative price for IP &amp; OP services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado Plains Medical Center</td>
<td>LifePoint Health</td>
<td>782%</td>
<td>329%</td>
<td>573%</td>
</tr>
<tr>
<td>St Anthony Summit Medical Center</td>
<td>CHI</td>
<td>697%</td>
<td>336%</td>
<td>503%</td>
</tr>
<tr>
<td>North Suburban Medical Center</td>
<td>HCA Healthcare</td>
<td>698%</td>
<td>289%</td>
<td>461%</td>
</tr>
<tr>
<td>Poudre Valley Hospital</td>
<td>University of Colorado</td>
<td>575%</td>
<td>331%</td>
<td>430%</td>
</tr>
<tr>
<td>St Anthony Hospital (Lakewood)</td>
<td>CHI</td>
<td>500%</td>
<td>394%</td>
<td>430%</td>
</tr>
<tr>
<td>Medical Center Of The Rockies</td>
<td>University of Colorado</td>
<td>483%</td>
<td>389%</td>
<td>429%</td>
</tr>
<tr>
<td>Sterling Regional Medcenter</td>
<td>Banner Health</td>
<td>546%</td>
<td>245%</td>
<td>419%</td>
</tr>
<tr>
<td>Valley View Hospital Association</td>
<td>Independent (IPPS)</td>
<td>478%</td>
<td>301%</td>
<td>399%</td>
</tr>
</tbody>
</table>

Thursday, June 13th, 2019
Should Rand 2.0 make both sellers and buyers uneasy?

- **Sellers:** Are these prices and increases...
  - Reasonable? Related to “costs.”
  - Responsible? Fair?
  - Sustainable without government intervention?

- **Buyers:** What is our fiduciary responsibility to change purchasing and benefits practices to...
  - Employees
  - Tax payers/shareholders

Thursday, June 13th, 2019

**20 Years of Price Changes in The United States**
Selected Consumer Goods & Services, Wages (January 1998 to December 2018)

*Articled Sources:*
- https://howmuch.net/articles/price-changes-in-us-over-20-years/
Average hospital expenses per inpatient day across 50 states

Ayla Ellison - Friday, January 4th, 2019

United States
- State/local government hospitals — $2,052
- Nonprofit hospitals — $2,488
- For-profit hospitals — $1,889

Colorado
- State/local government hospitals — $2,423
- Nonprofit hospitals — $3,119
- For-profit hospitals — $2,692
About Today’s Agenda…

• Continuation of a series intending to address key questions:
  • **What’s required** to make “health care” function as other markets function?
  • How can we know if hospital pricing is **reasonable**?
  • **How can we change purchasing practices** to encourage increased efficiency?
  • What is an employer’s **fiduciary responsibility** to change purchasing & benefits?

• **Topics & Speakers**
  • “**Why Cost Shifting is a Myth,**” John Bartholomew, CFO, HCFP
  • “**Improving Margins Through Controlling Costs,**” Greg D’Argonne, CFO, HCA
  • “**One CFO’s Experience Managing Risk,**” Glen Gustafson, CFO D-11
Health Care Spending by Payer/Service Type

Why Cost Shifting is a Myth

Presented by: John Bartholomew, CFO
Colorado Department of Health Care Policy and Financing

May 3, 2019
# Health Care Payer Landscape

<table>
<thead>
<tr>
<th>Payer</th>
<th>Who uses services</th>
<th>How they pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>• On average, healthier population</td>
<td>• Charged by providers</td>
</tr>
<tr>
<td></td>
<td>• Employers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Individuals</td>
<td></td>
</tr>
<tr>
<td>Medicare (federal)</td>
<td>• Adults 65 years+</td>
<td>• Pay a set rate</td>
</tr>
<tr>
<td></td>
<td>• People with disabilities</td>
<td></td>
</tr>
<tr>
<td>Medicaid (state)</td>
<td>• People with low incomes</td>
<td>• Pay a set rate</td>
</tr>
<tr>
<td></td>
<td>• People with disabilities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Children</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Almost half of Colorado births</td>
<td></td>
</tr>
<tr>
<td>Other/Self-pay/CICP</td>
<td></td>
<td>• Varies</td>
</tr>
</tbody>
</table>
Spending by Service Type, 2016

Note: Prescription drugs category shows retail spending. Rx drug spending is also part of the Hospital and Physician Services categories.

Source: National Health Expenditure Accounts, CMS, Office of the Actuary, 2011 and 2014; Colorado Commission on Affordable Health Care
The Cost Shift Story

Government programs → Health Care providers
Government programs pay less than charged
Commercial insurers charge more
Health Care providers charge

Health Care providers → Commercial insurers
Health Care providers charge more
Commercial insurers pay more
Commercial insurers → Government programs
Commercial insurers pay more
Government programs pay less than charged
Government programs → Health Care providers
Government programs pay less than charged
Health Care providers charge

Health Care providers → Government programs
Health Care providers charge
Government programs pay less than charged
Government programs → Commercial insurers
Government programs pay less than charged
Commercial insurers charge more
The Cost Shift Story

Cost shift is exacerbated by:

- Government programs serve sickest, highest-needs populations resulting in high costs
- Hospitals are also absorbing bad debt and providing charity care
Cost Shift Matters Because:

- Health care costs are rising
- It’s hard to know how much health care actually costs
- Costs are passed on to consumers via higher insurance premiums
Rising Costs


- Total Cost Growth %
- Adjusted Discharge Growth
Rising Costs in context

Health consumption expenditures per capita, U.S. dollars, PPP adjusted, 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Expenditure (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$10,224</td>
</tr>
<tr>
<td>Switzerland</td>
<td>$8,009</td>
</tr>
<tr>
<td>Germany</td>
<td>$5,728</td>
</tr>
<tr>
<td>Sweden</td>
<td>$5,511</td>
</tr>
<tr>
<td>Austria</td>
<td>$5,440</td>
</tr>
<tr>
<td>Netherlands</td>
<td>$5,386</td>
</tr>
<tr>
<td>Comparable Country Average</td>
<td>$5,280</td>
</tr>
<tr>
<td>France</td>
<td>$4,902</td>
</tr>
<tr>
<td>Canada</td>
<td>$4,826</td>
</tr>
<tr>
<td>Belgium</td>
<td>$4,774</td>
</tr>
<tr>
<td>Japan</td>
<td>$4,717</td>
</tr>
<tr>
<td>Australia</td>
<td>$4,543</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>$4,246</td>
</tr>
</tbody>
</table>

Notes: U.S. value obtained from National Health Expenditure data. Health consumption does not include investments in structures, equipment, or research.

Source: KFF analysis of OECD and National Health Expenditure (NHE) data • Get the data • PNG
Price Changes (January 1998 to December 2018)
Selected US Consumer Goods and Services, Wages

- Hospital Services
- College Textbooks
- College Tuition
- Childcare
- Medical Care Services
- Average Hourly Wages
- Housing
- Food and Beverage
- Cars
- Household Furnishings
- Clothing
- Cellphone Service
- Computer Software
- Toys
- TVs

Overall Inflation (56.0%)
Why are costs rising?

• COST SHIFT:
  • Low payments by government programs
  • More bad debt and charity care

• HOSPITAL FACTORS:
  • Rising margins
  • Trends in cost
  • Hospital consolidations and expansions
If the problem is cost shift...

- **COST SHIFT:**
  - Low payments by government programs
  - More bad debt and charity care

- government should pay more
- decrease the number of uninsured
So that’s exactly what we did!

• Colorado Health Care Affordability Act (2009)
  • Hospitals see an increase in rates
  • Fewer people now uninsured with the expansion for public insurance program eligibility
  • (sunset June 30, 2017, CHASE enacted July 1, 2017)

• Affordable Care Act (2010, Medicaid expansion January 2014)
  • Fewer uninsured people than expected
  • Half the rate of uninsured and 60% decline in bad debt/charity care write-offs
Good News: the ACA and the CHASE Fee lowered hospital bad debt and charity care

Colorado Hospitals Bad Debt and Charity Care

Source: CHASE 2017 Report, CHA DATABANK
Why are costs rising?

- COST SHIFT:
  - Low payments by government programs
  - More bad debt and charity care

- HOSPITAL FACTORS:
  - Rising margins
  - Trends in cost
  - Hospital consolidations and expansions
Hospital Margins are Rising

TOTAL MARGIN PER ADJ. DISCHARGE

- CO
- NATL


$1,256 $1,256 $1,256 $1,256 $1,256 $1,256 $1,256 $2,677

$563 $563 $563 $563 $563 $563 $563 $1,155

$500 $500 $500 $500 $500 $500 $500 $1,000

$1,000 $1,000 $1,000 $1,000 $1,000 $1,000 $1,000 $1,500

$1,500 $1,500 $1,500 $1,500 $1,500 $1,500 $1,500 $2,000

$2,000 $2,000 $2,000 $2,000 $2,000 $2,000 $2,000 $2,500

$2,500 $2,500 $2,500 $2,500 $2,500 $2,500 $2,500 $3,000

$3,000
Colorado Total Assets ($billions)

Percent Growth from 2009

- Total Assets = 96%
- Current Assets = 65%
- Fixed Assets = 50%
- Other Assets = 239%
Percent Growth from 2009

- Colorado = 239%
- UCHealth = 513%

Investments/Other Long Term Assets ($billions)
Grand Junction Net Worth

St Mary's Medical Center Liabilities & Fund Balance

- Total Liabilities & Fund Balance, $492.0M
- Total Liabilities & Fund Balance, $728.7M
- $46.3M
- $406.5M
- $39.2M
- $42.4M
- $406.5M
- $713.9M

2009  2017*

Community Hospital Liabilities & Fund Balance

- Total Liabilities & Fund Balance, $107.9M
- Total Liabilities & Fund Balance, $24.2M
- Total Liabilities & Fund Balance, $65.6M
- Total Liabilities & Fund Balance, $33.0M
- Total Liabilities & Fund Balance, $15.1M
- Total Liabilities & Fund Balance, $12.4M
- Total Liabilities & Fund Balance, $5.5M
- Total Liabilities & Fund Balance, $18.0M

2009  2017

*Negative liabilities removed
Trends in Cost

• More hospital care at higher prices
  • Huge variation in price between hospitals (RAND):
    • Inpatient: 96%-329% of Medicare
    • Outpatient: 123%-782% of Medicare

• Growth in prescription drug prices

• Patients treated at higher cost sites of care
More than 40% of Medicaid’s Rx expenditure is spent on just 1.25% of prescriptions, which are specialty drugs. This is in line with national and commercial carrier trends.
Pharmacy trends: Price increases on generics

We are seeing “extraordinary price increases” more often — those drugs whose price is at least doubling in price year-to-year.
No, the High Cost is NOT Due to Research

Drug companies spend about $40B a year MORE on marketing and administrative expenses than on research and the development of new drugs.

FIGURE 3-3 Comparison of total aggregate research and development and marketing-plus-administrative (including executive compensation) expenditures by 12 large pharmaceutical companies from 2003 to 2015.
Hospital consolidations/expansions

2009:
six entities owned or were affiliated with 23 hospitals

2018:
seven entities owned or were affiliated with 41 hospitals

<table>
<thead>
<tr>
<th>Entity</th>
<th>Range</th>
<th>2009</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banner</td>
<td>2 to 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UCHHealth</td>
<td>1 to 10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centura</td>
<td>10 to 17</td>
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</tbody>
</table>
Hospital Construction: second highest in the nation
Horizontal and Vertical Integration

Hospitals (horizontal)

Physician Groups (horizontal)

Hospitals + Physician Groups (vertical)
Hospital-Owned Versus Non-Hospital Owned Care

Medicare data: Medicare pays more for certain episodes of care in an outpatient department setting than in a physician-owned office.

Effects

2009 Commercial
Statewide average: 1.55

2017 Commercial
Statewide average: 1.66

Source: Colorado Hospital Association

2009 Overall
Statewide average: 1.05

2017 Overall
Statewide average: 1.08
Focus on the Problem

• Rising hospital costs
• Rising hospital margins
• Rising pharmacy costs
• Rising hospital construction and acquisitions

Are incentives properly aligned for tax-exempt hospitals to be cost efficient?
Solution: Drive more Consistency in Hospital Price and Quality.

Drive the community to the higher quality, lower cost locations (sometimes called Centers of Excellence).

This will require legislation.
Polis-Primavera Roadmap to Saving Coloradans Money on Health Care

In the Short Term

- Establish a Reinsurance Pool to Reduce Premiums
- Lower Hospital Prices
- Lower the Cost of Prescription Drugs
- Increase Hospital Price Transparency
- Negotiate to Drive Down the Cost of Health Insurance
- Reduce Out-of-Pocket Costs

In the Mid and Long Term

- Launch a state-backed health insurance option
- Reward primary and preventive care
- Expand the health care workforce
- Increase access to healthy food
- Improve vaccination rates
- Reform the behavioral health system
- Support innovative health care delivery and reform models

Thanks!

john.bartholomew@state.co.us
303-866-2854
We exist to give people a healthier tomorrow.
Our Mission
Above all else, we are committed to the care and improvement of human life. In recognition of this commitment, we strive to deliver high quality, cost effective healthcare in the communities we serve.

Cost Containment Agenda

- Leverage Scale and Best Practice
- Focus on Quality and Innovation
- Care Efficiency
- Prevention

Challenges
Leveraging Scale

- 5% of all healthcare services delivered in the U.S.
- 249,000+ Employees
- 87,000 nurses
- 185 hospitals in 21 states and the United Kingdom
- 106 hospitals on The Joint Commission’s lift of Top Performers on Key Quality Measures

HCA named one of the “WORLD’S MOST ETHICAL COMPANIES” for nine years in a row.
Focus on Quality and Innovation

<table>
<thead>
<tr>
<th>Hospital</th>
<th>10/28/2016</th>
<th>04/25/2017</th>
<th>10/31/2017</th>
<th>04/30/2018</th>
<th>10/31/2018</th>
<th>04/30/2019</th>
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</thead>
<tbody>
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<td>Rose Medical Center</td>
<td>A</td>
<td>A</td>
<td>A</td>
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<td>A</td>
</tr>
<tr>
<td>The Medical Center of Aurora</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Sky Ridge Medical Center</td>
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<td>A</td>
<td>A</td>
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<td>A</td>
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</tr>
<tr>
<td>Swedish Medical Center</td>
<td>B</td>
<td>B</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
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<tr>
<td>North Suburban Medical Center</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
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<td>A</td>
</tr>
<tr>
<td>Presbyterian/St. Luke’s Medical Center</td>
<td>A</td>
<td>A</td>
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</table>

<table>
<thead>
<tr>
<th>Hospital</th>
<th>10/31/2016</th>
<th>04/30/2017</th>
<th>10/31/2017</th>
<th>04/24/2018</th>
<th>11/07/2018</th>
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<tbody>
<tr>
<td>System 1; Hospital 1</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>B</td>
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<tr>
<td>System 1; Hospital 2</td>
<td>B</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>System 2; Hospital 1</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td>A</td>
</tr>
<tr>
<td>System 3; Hospital 1</td>
<td>B</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>System 1; Hospital 3</td>
<td>B</td>
<td>B</td>
<td>B</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>System 4; Hospital 1</td>
<td>A</td>
<td>B</td>
<td>A</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>System 1; Hospital 4</td>
<td>B</td>
<td>A</td>
<td>B</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>System 1; Hospital 5</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>System 4; Hospital 2</td>
<td>C</td>
<td>C</td>
<td>B</td>
<td>B</td>
<td>B</td>
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<tr>
<td>System 4; Hospital 3</td>
<td>B</td>
<td>B</td>
<td>A</td>
<td>A</td>
<td>A</td>
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<tr>
<td>System 1; Hospital 6</td>
<td>A</td>
<td>A</td>
<td>No Score</td>
<td>No Score</td>
<td>B</td>
</tr>
<tr>
<td>System 4; Hospital 4</td>
<td>B</td>
<td>A</td>
<td>B</td>
<td>B</td>
<td>B</td>
</tr>
</tbody>
</table>
A 5-month pilot of our “Guardian” system reduced ICU admits at a single hospital by 603 bed days, and saved $1.2M in avoided cost.
HealthONE was a leader in adopting the “39 week rule” (not allowing elective deliveries before 39 weeks gestation). This has trimmed 5,820 NICU patient days annually and saves payers $25M a year.
Focus on Quality and Innovation

Reducing Ventilator Duration

2018 YOY % Change: Commercial/Managed Care

Additional Lives:
- 90 Survived
- 56 Discharged Directly Home

Quality Indicators

Vent Days/Case: -19%
ALOS: -3%
Survival Rate: +5%
Routine D/C Home: +9%
Reimb./Case: -3%

Cost of Care

Exclusions: DRGs 003-004; Dx Codes Z9911, Z930 (ICD10), V46.11, V440 (ICD9); any Tracheostomy Procedures; and Any Patient with > 20 Vent Days, Inclusions: Age 18+

Vent Duration Initiative Started in 2017, HealthONE Results
Focus on Quality and Innovation

Sepsis Initiative

2018 Over 2014 % Change: Commercial/Managed Care

Primary and Secondary ICD 10 / (9) Diagnosis Codes R6520 (995.92) Severe Sepsis and R6521 (785.52), Age 18+

Sepsis Initiative Started in 2014, HealthONE Results
Care Efficiency

HealthONE is not just:
- 6 acute care hospitals
- 1 children’s hospital
- 1 free-standing rehab hospital
- 1 behavioral health campus

Our system includes a myriad of **low-cost options** as an alternative to hospital care:
- 19 ambulatory surgery centers
- 7 urgent care centers
- 20 outpatient imaging and mammography centers in a partnership
Care Efficiency

HealthONE provides a number of highly tertiary services:

- Area’s largest Level IV NICU
- Area’s largest bone marrow transplant program
- Liver and kidney transplant
- Highly tertiary pediatric care
- Level 1 trauma and burn center
HealthONE has robust programs for navigation in oncology, cardiovascular disease and maternal/fetal health. Benefits of navigation include:

- More consistent completion of follow-up care
- Prevents avoidable ER visits
- Prevents readmissions
- Prevents unnecessary duplicate tests/referrals and ensures patients stay “on pathway”
- Shorter intervals between diagnosis and treatment (delays in treatment are associated with lower survival rates)
Our clinically integrated network provides care management services to over 110,000 lives to ensure highly efficient care is delivered by preferred specialists. CCP's ER cost trend is 14% better than the Denver market, and higher utilizing patients reduced ER visits by 40% in the first year.
Changed site of service for some joint procedures from higher cost hospital environment to lower cost ambulatory surgery center for low risk, healthy patients. This saves an average of $5,000/procedure.
Care Efficiency/Prevention

HCA was the first national health system to mandate flu vaccines for employees.

We offer flu shots for the community throughout vaccination season.

Our system offers smoking cessation classes as smoking is still a large driver of healthcare expense.
Our Cost Challenges

• The cost of medical care is a small part of the determinants of healthcare costs: about 20% according to one study
• Salaries, Wages and Benefits
  • Denver Cost of Living
  • Industry Growth and Competition for Employees
• Cost of Technology
• Exploding Pharmacy Expense
• Increasing number of Coloradans on government plans that do not cover the cost of their care

Three 25 year old women are in labor at Swedish Medical Center
• Sally lives in Highlands Ranch and has commercial insurance
• Mary lives in subsidized housing in downtown Englewood and has Medicaid
• Tammy is homeless and uninsured

What is the difference in the quality of care they receive?

NONE
Colorado Springs School District 11

Risk Related Activities Department
And Employee Benefits

GLENN GUSTAFSON
COLORADO SPRINGS D-11
Risk Related Activities Department

- Established in 1993
- 3 Departments – Benefits, Risk Mgmt, & Safety

FY 2019/20 adopted budget:
- Fund 18 – Risk Management - $6,219,140 (W/C, G/L, E&O, and Other Ins)
- Fund 64 – Employee Benefits - $38,584,705 (Health, Dental, Vision, Life, Disability)

District Contributions –
- 75 percent medical premium
- 75 percent vision, dental plans and life insurance plans (EE Only).
- Long term disability (LTD) is fully paid for by the employee for tax reasons

Insurance Committee
- 6 Teachers
- 4 ESP
- 2 Administrators
- 1 Retiree
District 11 is self-insured and since July 2004 has participated in a Co-op with BEST Health Plan for medical coverage. The Boards of Education Self-Funded Trust (“BEST”) is a self-funded non-federal governmental health plan.

Two dental plans are offered
- Delta Dental Preferred Provider Organization (Premier Plan)
- Delta Dental Preferred Provider Organization (In-Network Only Plan).

The group term life insurance plan is through Sun Life.

Sun Life also underwrites the Short Term and Long Term Disability Insurance (LTD) which provides a weekly/monthly benefit of up to 60% of an employee’s basic salary.

The District provides vision care (routine eye exams and hardware) through Eye Med Vision Care.
Employees and spouses will receive a lower deductible and annual pocket by participating in the Health Promotion Program (annual physical, biometric and online health risk assessment).

Review medical provider network and exclusive contract with CHI-Penrose.

Review premium Structure (2 tier vs 4 tier).
Health Care Costs Containment Strategy’s

- Incorporate value-based programs
  - Chronic disease mgmt.
  - Enhanced Rx Drug Benefits
  - Employee Health Clinic
  - Co-Pays
- Premium increases and Max OOP
- Employer vs Employee Premiums
- Outcome-Based Models
Key Cost-Savings Strategies

- Keeping employees and spouses actively engaged in their healthcare. When they are actively engaged, there is a benefit of a better plan design.
- More engagement from members with the six Centura Primary Care Groups ($0 PCP copay),
- Integrated behavioral health,
- Case management,
- Wellness advocate/coach,
- Extended office hours, same day appointments, specialists.
- This will allow the members more of a Patient Center Medical Home where the patient is surrounded by a medical team that can offer services above and beyond the standard care a primary care office would offer.
BEST Self-Funded Pool

- BEST Program (Boards of Education Self-Funded Trust)
  - 3 Groups
    - D-11 (Original Founding Member)
    - San Luis Valley
    - NE School Districts
- Advantages of BEST
  - Pooling of Risk, if desired
  - Creative Ideas
  - Cost-sharing of Costs
    - Pharmacy Benefit Mgr
    - Stop-Loss Insurance
    - Administrative Costs
Trust Owned Life Insurance (TOLI)

**Trust-Owned Life Insurance #1**

- **Insurance Company**
  - Premium
  - Death Benefit

- **BEST Trust**
  - Loan
  - Paymen
  - Lives

- **D-11**

- **Bank/ Lending Inst**
  - Loans Money to BEST
<table>
<thead>
<tr>
<th>As of date</th>
<th>Total cash value</th>
<th>Surrender value</th>
<th>Face amount</th>
<th>Age at issue</th>
<th>Approximate death benefit</th>
<th>Total premiums paid</th>
<th>BEST/ SLVUG</th>
<th>BEST/ D11</th>
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<tbody>
<tr>
<td>02/28/2019</td>
<td>135,183.84</td>
<td>135,183.84</td>
<td>300,000.00</td>
<td>59</td>
<td>300,000.00</td>
<td>94,413.33</td>
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<td>4.2030%</td>
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<td></td>
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<td>129,502.03</td>
<td>287,390.92</td>
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| Total      | 358,707          | 680,890         | 8,175,779   | 15,519,111   |

TOLI Detail
D11 Medical History – (OLD)

Colorado Springs School District No. 11
Risk Related Activities Fund
Medical Financial History
FY 99-00 Through FY 08-09

Medical Costs

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Medical Costs</th>
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<tbody>
<tr>
<td>FY 99-00</td>
<td>12,028,091</td>
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<tr>
<td>FY 00-01</td>
<td>14,499,252</td>
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<td>FY 01-02</td>
<td>16,480,451</td>
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<tr>
<td>FY 02-03</td>
<td>19,084,494</td>
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<tr>
<td>FY 03-04</td>
<td>19,668,115</td>
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<tr>
<td>FY 04-05</td>
<td>20,498,383</td>
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<tr>
<td>FY 05-06</td>
<td>23,934,246</td>
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<tr>
<td>FY 06-07</td>
<td>24,801,534</td>
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<tr>
<td>FY 07-08</td>
<td>27,976,804</td>
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<tr>
<td>FY 08-09</td>
<td>24,724,684</td>
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</table>
Colorado Springs School District 11
Total Costs by Month
## Colorado Springs School District 11
Employee Benefits 2011-12 through 2018-19 (thru Jan 2019)

<table>
<thead>
<tr>
<th>Month</th>
<th>Net Claims</th>
<th>Stop/Loss Recoveries</th>
<th>Rx</th>
<th>Stop/Loss Insurance</th>
<th>TPA</th>
<th>BEST</th>
<th>Wellness</th>
<th>Other</th>
<th>Total</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 11/12</td>
<td>18,076,820</td>
<td>(1,037,779)</td>
<td>4,499,735</td>
<td>777,336</td>
<td>675,899</td>
<td>287,633</td>
<td>465,946</td>
<td>65,555</td>
<td>23,811,145</td>
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<td>FY 12/13</td>
<td>17,995,666</td>
<td>(584,952)</td>
<td>3,966,613</td>
<td>890,970</td>
<td>737,029</td>
<td>275,276</td>
<td>263,015</td>
<td>119,271</td>
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<tr>
<td>FY 13/14</td>
<td>17,376,306</td>
<td>(712,327)</td>
<td>4,001,832</td>
<td>1,007,869</td>
<td>661,441</td>
<td>269,132</td>
<td>88,008</td>
<td>193,496</td>
<td>22,885,757</td>
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</tr>
<tr>
<td>FY 14/15</td>
<td>13,752,597</td>
<td>(356,083)</td>
<td>4,316,837</td>
<td>1,494,348</td>
<td>654,534</td>
<td>232,777</td>
<td>528,906</td>
<td>191,392</td>
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<td>-9.05%</td>
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<tr>
<td>FY 15/16</td>
<td>13,368,649</td>
<td>(193,527)</td>
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<td>1,385,500</td>
<td>651,064</td>
<td>230,684</td>
<td>664,531</td>
<td>245,551</td>
<td>21,210,535</td>
<td>1.90%</td>
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<tr>
<td>FY 16/17</td>
<td>15,527,871</td>
<td>(96,668)</td>
<td>5,383,684</td>
<td>1,411,721</td>
<td>665,672</td>
<td>266,642</td>
<td>311,077</td>
<td>349,794</td>
<td>23,819,793</td>
<td>12.30%</td>
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<tr>
<td>FY 17/18</td>
<td>18,367,864</td>
<td>(4,411,795)</td>
<td>5,852,134</td>
<td>1,532,011</td>
<td>941,023</td>
<td>268,801</td>
<td>303,313</td>
<td>216,244</td>
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<td>-3.15%</td>
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<td>FY 18/19</td>
<td>8,287,296</td>
<td>(1,645,161)</td>
<td>2,275,158</td>
<td>969,002</td>
<td>460,969</td>
<td>186,186</td>
<td>102,454</td>
<td>120,677</td>
<td>10,756,581</td>
<td>-53.37%</td>
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</tbody>
</table>
Risk Strategies & Wrap-up

- Self-Funding saves money!
- Every Plan is a combination of Insurance and self-funding
- Manage your risk with Stop-loss Insurance
- Use your reserves wisely and strategically
- Manage your claims effectively
- Communicate and Educate
- Involve your employees (Benefit Ins Comm)
- Don’t let claims get out of control
- Don’t let claimant attorneys hijack the process