



ATTACHMENT: *Assessing the Potential for Competition to Improve Inpatient Health Care Costs in Quincy, IL* (BSGA white paper with analyses)

April 13, 2021

To: Patty Williamson  
Chief Financial Officer  
Quincy Medical Group

CC: Courtney Avery, Administrator  
Illinois Health Facilities and Service Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, WI 6271

RE: Quincy Medical Group Hospital, Project No. 20-044

Benefit Services Analytics, LLC (BSGA) was commissioned by Quincy Medical Group to assess the existing hospital inpatient infrastructure in Quincy, IL, as well as the potential impact of a new, small-format hospital on medical service affordability.

For more than 30 years, BSGA has provided data analytics to employers, insurers and health care providers throughout the United States, giving it a unique, 360-degree perspective of how health care is purchased and delivered.

BSGA conducted seven separate analyses using multiple data sets to compare Blessing's commercial pricing and charges to market averages. In each of the analyses, Blessing was significantly higher than the market median. In fact, Blessing's prices were significantly higher for more than two-thirds of the procedures analyzed, which is in contrast to the more balanced mix of above-average and below-average prices we typically see with hospitals.

A careful reading of the report from Blessing's own consulting firm, Guidehouse, also shows that Blessing's commercial prices are approximately 50 percent higher than the market median for rural Illinois hospitals. Guidehouse called the variation "reasonable," but the employers we work with would disagree. Health care costs continue to be a major financial concern and a hospital charging 50 percent more than similarly classified hospitals is problematic, especially when that hospital has 95 percent of the market share.

I would also like to note that the Guidehouse analysis of Medicare data relies on a case-mix adjustment that is applied to aggregated inpatient and outpatient costs. Through our extensive data analytic work with Medicare and commercial data, we have found that the Medicare case-mix adjustment is not a good proxy for assessing commercial pricing, due to the significant variation in

the types of treatments and illness burden of Medicare patients when compared to the working population. This is why our analysis focused on measuring pricing differences for specific inpatient stays and outpatient procedures prevalent in the commercial market.

Given Blessing's higher pricing and a significant migration of medical services to communities more than an hour's drive from Quincy, there is significant financial room for a market alternative, especially if it focuses on coordinating professional, inpatient and outpatient care. In other analyses BSGA has conducted unrelated to this project, we have found that efficiently delivered integrated health care can reduce the utilization of medical service by 3 to 8 percentage points.

We believe that lowering unit prices and improving the efficiency of health care delivery would have a multiplier effect that would make health care more affordable for Quincy-area residents, increase the economic competitiveness of Quincy-area employers, and make it easier to recruit and retain businesses and employees in the region.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald W. Frye". The signature is fluid and cursive, with a long horizontal stroke at the end.

Gerald W. Frye, CLU, CEBS, ChFC, RHU, REBC, GBA, RPA, CASL  
CEO  
BSG Analytics LLC (BSGA)



## **ASSESSING THE POTENTIAL FOR COMPETITION TO IMPROVE INPATIENT HEALTH CARE COSTS IN QUINCY, IL**

### **Executive Summary**

- Inpatient and outpatient pricing at Blessing Hospital, the dominant hospital within 100 miles of Quincy, IL, is significantly higher than other hospitals in the area
- BSG Analytics LLC found that:
  - Blessing's billed inpatient charges are on average 26% higher than area hospitals when measured as a percentage of Medicare reimbursement, and its costs for newborn deliveries are 31% to 112% higher, depending on the type of delivery, than the median prices of the other hospitals analyzed.
  - Blessing's outpatient charges are 33% higher than the median of the nine hospitals analyzed
  - Blessing charged commercial insurers almost a third more on average for imaging procedures (CAT scans, MRIs, X-Rays, ultrasounds and nuclear medicine procedures) and its cash price for people without insurance was 20% higher on average
- Forty-two percent of the inpatient care for two medium-size, Quincy-area employers is leaving the Quincy area based on a BSGA analysis of their claims. If the employers' outmigration experience is representative of the Quincy-area business community, even a one-third reduction in inpatient outmigration would return \$20 million in medical care to the Quincy community.
- Given Blessing's significantly higher commercial allowed and cash prices, an alternative, acute-care inpatient facility located in Quincy could offer employers inpatient health care services at rates more in line with other area hospitals
- An effective, physician-led integrated health care delivery system could further reduce costs by increasing the efficiency of the medical services utilized to provide care by 3% to 8%

## Background

- In late 2018, Quincy Medical Group requested permission from the Illinois Health Facilities and Services Review Board to open an ambulatory surgery center in Quincy. The application was approved in 2019.
- The Certificate of Need (CON) application process revealed significant employer discontent with health care costs, a major business expense that for many employers is increasing at a rate two to three times faster than wages<sup>i</sup>
- A 2019 survey of Quincy-area employers by the Employers Healthcare Coalition found that:
  - Nearly 80% of employers believe trending health care costs represented “a threat to our business operations”<sup>ii</sup>
  - Almost 60% of respondents rank hospital costs as the primary cost driver of health care spend<sup>iii</sup>
  - Nearly 80% of respondents say competition in the health care marketplace could lower health care spend<sup>iv</sup>
- Employers expressed concern that the area’s high health care costs were due to a lack of competition in the area
- The Quincy market is dominated by Blessing Hospital, a 327-bed, acute-care hospital,<sup>v</sup> which operates 95% of the hospital beds in its planning area (E-05)<sup>vi</sup>
- Blessing Hospital is an affiliate of Blessing Health System, which consists of Blessing Hospital; Blessing Care Corp. (which does business as Illini Community Hospital, a 25-bed, critical-access hospital located in Pittsfield); Blessing Health Keokuk, a 71-bed, acute-care hospital located in Keokuk, IA (acquired in March 2021); Hannibal Clinic, a Missouri multi-specialty group with more than 35 physicians; Denman Services, Inc., which sells and rents medical equipment; Current Health Solutions, a third-party administrator; and The Blessing Foundation.
- The hospital with the next highest Medicare market share is Hannibal Regional Hospital, a 99-bed hospital located in Hannibal, MO.<sup>vii</sup>
- Several studies have demonstrated that the lack of hospital competition can drive up commercial health care prices:
  - A study by researchers at Yale University, University of Pennsylvania, and Carnegie Mellon University concluded that monopoly hospitals’ prices are, on average, 12% higher than hospital prices in competitive markets<sup>viii</sup>
  - A 2010 study published in *Health Affairs* concluded that hospitals in non-competitive markets tend to have higher costs due to the lack of market discipline: “The apparent chain of causation is as follows. Strong market power leads hospitals to reap higher revenues from private payers. This in turn leads these hospitals to have weaker cost controls. The weaker cost controls lead to higher costs per unit of service.”<sup>ix</sup>
- The Illinois Health Facilities and Services Review Board granted Quincy Medical Group’s application for an ambulatory surgery center after the evidence indicated competition for outpatient services could improve the area’s health care cost climate.
- As a result of continuing concerns regarding high health care costs in the Quincy area, BSG Analytics, a data analytics, consulting and research firm based in Pewaukee, WI, was tasked with determining whether additional health care cost improvements could be achieved with an alternative inpatient setting

## Blessing Hospital Inpatient Charges

- BSGA conducted two analyses of Blessing Hospital’s inpatient charges relative to other hospitals serving the area. The first analysis used data recently made available due to a federal hospital pricing transparency rule that took effect Jan. 1, 2021. The second analysis was based on cost reports hospitals are required to file with the Centers for Medicare and Medicaid Services (CMS).
- **Analysis of Federal Hospital Pricing Transparency Data**
  - Effective Jan. 1, 2021, the federal government requires hospitals to publish gross charges, discounted cash prices and payer-specific negotiated discounts for the medical services they provide.
  - BSGA analyzed commercial pricing information for vaginal and C-section deliveries, two of the more common inpatient procedures for commercial purchasers. The analysis looked at billed charges, cash price and the median allowed price (the actual prices paid by the insurers).<sup>x</sup>
  - The analysis found that Blessing had the highest billed charge, cash price and median allowed price for both vaginal and C-section deliveries
  - When compared to Hannibal Regional Hospital, its closest competitor, Blessing’s median allowed price for vaginal delivery was 188% higher and its median allowed price for C-section deliveries was 45% higher

TABLE 1. COMPARISON OF HOSPITAL PRICING FOR NEWBORN DELIVERY				
	Blessing	Hannibal	Barnes Jewish – West County	Barnes Jewish
	Quincy, IL	Hannibal, MO	Creve Coeur, MO	St. Louis, MO
<b>Vaginal Delivery</b>				
Billed Charge	\$13,189	\$6,672	\$7,233	\$7,579
Cash Price	\$7,913	\$4,003	\$4,340	\$5,329
Average Allowed (Median)	\$7,583	\$2,627	\$5,802	\$7,579
<b>C-Section</b>				
Billed Charge	\$29,616	\$23,580	\$11,200	\$11,922
Cash Price	\$17,770	\$14,148	\$6,720	\$7,153
Average Allowed (Median)	\$18,258	\$12,562	\$8,593	\$9,224

- **Hospital Cost Reports**
  - BSGA’s analyzed Medicare inpatient billing and reimbursement data for nine hospitals serving the Quincy area (Table 2)
  - The analyses found that:
    - Blessing Hospital has higher inpatient charges (as a percent of Medicare) than all of the other nine area hospitals
    - Blessing’s inpatient charges average 26% higher than the nine hospitals, while its Medicare inpatient reimbursement rate averaged 6% higher than the hospitals analyzed

TABLE 2. INPATIENT BILLED CHARGES FOR SELECT HOSPITALS <sup>xi</sup>		
Hospital	Location	Hospital Inpatient Billed Charges Compared to Blessing
University of Missouri	Columbia, MO	19% less
HSHS St. John's	Springfield, IL	21% less
Memorial	Springfield, IL	21% less
Hannibal Regional	Hannibal, MO	28% less
Boone Hospital Center	Columbia, MO	30% less
Barnes-Jewish	St. Louis, MO	31% less
Barnes-Jewish St. Peters	Saint Peters, MO	37% less
Barnes-Jewish West County	Creve Coeur, MO	40% less
BSGA calculated average billed charges (as a percent of Medicare payments) for 12 common inpatient admissions and then compared the billed charges against Blessing's billed charge as a percent of Medicare.		

- A BSGA analysis of Illinois Department of Public Health's Hospital Report Card data found that Blessing's billed charges for two dozen inpatient DRGs were 24% above the average of seven area hospitals<sup>xii</sup>
- Blessing Hospital has been designated a Sole Community Hospital (SCH), which entitles it to an increased reimbursement rate for Medicare services. The SCH program was designed to help ensure the viability of rural hospitals that might not have sufficient private-sector revenue (commercial insurance) to offset the losses they incur treating Medicare patients. In 2019, Blessing Hospital's percentage of private-sector inpatient revenue was almost double the median of the 10 Illinois hospitals participating in the SCH program (Table 3). It was also higher than eight out of 10 Illinois hospitals.<sup>xiii</sup>

TABLE 3. COMMERCIAL INSURANCE AS PERCENT OF TOTAL INPATIENT REVENUE	
Sole Community Hospitals	Commercial Insurance as % of Inpatient Revenue
Sara Bush Lincoln Health Center (Mattoon)	52.7%
<b>Blessing Hospital (Quincy)</b>	<b>43.8%</b>
Saint James Hospital (Pontiac)	38.3%
<b>STATE AVERAGE</b>	<b>37.7%</b>
Graham Hospital Association (Canton)	27.0%
McDonough District Hospital (Macomb)	25.7%
<b>MEDIAN OF SOLE COMMUNITY HOSPITALS</b>	<b>23.9%</b>
HSHS Good Shepherd Hospital (Shelbyville)	22.1%
Richland Memorial Hospital (Olney)	21.0%
Harrisburg Medical Center (Harrisburg)	17.6%
Passavant Area Hospital (Jacksonville)	16.1%
Iroquois Memorial Hospital (Watseka)	13.6%

## Blessing Hospital Outpatient Charges

- Blessing Hospital's high inpatient prices mirror its outpatient pricing. A 2019 BSGA analysis conducted for the Quincy Medical Group's ambulatory surgery center project identified the following:
  - Blessing's outpatient costs, as calculated by Medicare, were 14-17% higher than 25 hospitals based in western Illinois, eastern Missouri, and eastern Iowa<sup>xiv</sup>

- Blessing's outpatient fees were 16-43% higher than what employers pay for outpatient services at similar-size hospitals in the area<sup>xv</sup>
- Blessing's outpatient margins were 6-8% higher than the median average of hospitals analyzed<sup>xvi</sup>
- For outpatient procedures, Blessing charges hospital facility fees, which are significantly higher than the facility fees charged by ambulatory surgery centers. For example, Medicare's conversion factor for hospital facility fees is 71% higher than the conversion factor for ambulatory surgery centers.<sup>xvii</sup> Commercial rates for procedures performed in hospital outpatient settings can be double the rates for procedures performed in ambulatory surgery centers.<sup>xviii</sup>
- At the 2019 Certificate-of-Need hearing for Quincy Medical Group's ambulatory surgery center, Blessing Hospital officials pledged to reduce its outpatient pricing to ambulatory surgery center (ASC) levels. An analysis of five outpatient procedures indicates that Blessing Hospital does not appear to have honored this pledge (Table 4). Blessing did decrease outpatient billed charges for the procedures by 26%-44% in 2019, but increased the billed charges by 7%-105% in 2020. This is significant because Blessing's fee structure for commercial payers is based on a percent of billed charges, which means the increase in billed charges will result in an identical increase in the prices charged commercial insurers and self-funded employers.<sup>xix</sup>

TABLE 4. BLESSING HOSPITAL CHANGE IN OUTPATIENT PRICING <sup>xx</sup>						
OUTPATIENT PROCEDURE	CPT CODE	2017	2018	2019	2020	2019-20 Change
Cataract Removal	66984	\$3,893	\$4,088	\$2,862	\$3,277	+14.5%
Colonoscopy	45378	\$3,476	\$3,650	\$2,683	\$2,858	+6.3%%
Colonoscopy	45380	\$3,650	\$4,691	\$2,683	\$3,072	+14.5%
Esophagogastroduodenoscopy	43239	\$3,086	\$3,650	\$2,863	\$3,072	+7.3%
Laparoscopy Cholecystectomy	47562	\$10,210	\$9,592	\$5,301	\$10,880	+105%

- BSGA's analysis of Blessing's Medicare rates found that Blessing had both higher billed charges relative to other hospitals (median = 133%) and higher Medicare reimbursement rates (median = 116%), indicating that Blessing's higher-than-average commercial charges are a function of its dominance in the market and are not related to its Medicare reimbursement rates.
- Hospitals contend that they must charge higher commercial rates to offset the losses they incur treating Medicare and Medicaid patients. Based on this logic, hospitals could be expected to have higher-than-average billed charges if they had lower-than-average Medicare reimbursement rates.
- BSGA compared Blessing's Medicare outpatient billing to other hospitals in the area using reimbursement data for 39 procedures that were selected based on their prevalence in commercial medical claims.<sup>xxi</sup>
  - The analyses found that:
    - Blessing Hospital's billed charges, when measured as a percent of Medicare, were higher than all but one hospital (HSHS St. John's) included in the analysis (Table 5). This would not be expected given Blessing's higher reimbursement rates due to its designation as a Sole Community Hospital. A higher Medicare reimbursement rate should result in percent-of-Medicare charges that are more closely aligned with other hospitals.
    - Blessing's billed charges were one-third higher than the median of the nine hospitals analyzed. For the selected procedure codes analyzed, its billed charges were more than double those charged by Boone Hospital Center and Hannibal Regional Hospital.

TABLE 5. OUTPATIENT CHARGES FOR SELECT HOSPITALS <sup>xxii</sup>		
Hospital	Location	Billed Charges Compared to Blessing
HSHS St. John's	Springfield, IL	68% more
Barnes-Jewish	St. Louis, MO	3% less
University of Missouri	Columbia, MO	7% less
Memorial	Springfield, IL	13% less
Barnes-Jewish West County	Creve Coeur, MO	24% less
Barnes-Jewish St. Peters	Saint Peters, MO	25% less
Boone Hospital Center	Columbia, MO	35% less
Hannibal Regional	Hannibal, MO	59% less
BSGA calculated average billed charges as a percent of Medicare payment for more than three dozen common outpatient procedures and then compared them to Blessing's average billed charge as a percent of Medicare.		

- BSGA also conducted two different analyses of Blessing's outpatient prices based on federal transparency regulations that took effect Jan. 1, 2021. The analyses included 47 procedures and four hospitals and provides the most accurate picture of the actual health care costs being paid by insurers, employers and employees.<sup>xxiii</sup>
  - An analysis of the actual amounts Blessing receives from commercial insurers and insured patients found that Blessing receives an average (median) of between 49% and 124% more than the other three hospitals analyzed (Table 6)

TABLE 6. COMMERCIAL ALLOWED AMOUNTS <sup>xxiv</sup>			
	Blessing Commercial Allowed Amounts Compared to:		
Category	Hannibal Regional (Hannibal, MO)	HSHS St. John's (Springfield, IL)	Barnes-Jewish Hospital (St. Louis, MO)
Hospital Beds	99	397	1,331
Overall	+49%	+23%	+124%
CAT Scans	+63%	+13%	+135%
MRI Scans	+161%	+66%	+185%
X-Rays	+41%	+20%	+173%
Ultrasounds	+36%	+21%	+107%
Nuclear Medicine	+78%	+80%	+126%
Other (Non-Imaging)	-14%	+48%	-28%

- An analysis of the cash prices paid by people without commercial insurance, Medicare or Medicaid found that Blessing charges more for the majority of services provided at two of the three hospitals analyzed (Table 7)



TABLE 7. CASH PRICES <sup>xxv</sup>			
	Blessing Cash Prices Compared to:		
Category	Hannibal Regional (Hannibal Mo)	HSHS St. John's (Springfield, IL)	Barnes-Jewish Hospital (St. Louis, MO)
Hospital Beds	99	397	1,331
CAT Scans	+\$986	-\$242	+\$563
MRI Scans	+\$1,656	+1,214	+\$2,602
X-Rays	+\$135	-\$46	+\$9
Ultrasounds	+\$304	-\$13	+\$188
Nuclear Medicine	+\$1,279	+1,665	+\$4,413

- A third BSGA analysis of Illinois Department of Public Health's Hospital Report Card data found that Blessing's billed charges for 19 outpatient procedures were 20% above the average of seven area Illinois hospitals<sup>xxvi</sup>

## Outmigration

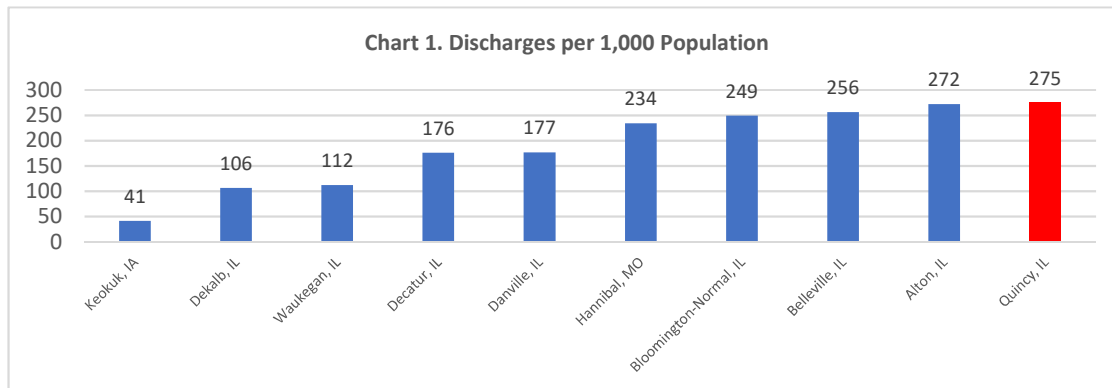
- BSGA analyzed 2019-2020 claims data from two medium-size, Quincy-area employers to determine the amount and type of inpatient care that was leaving Quincy. Transplants and similar catastrophic claims, as well as claims from children's hospitals, were excluded to mitigate distortion.
- Forty-two percent of total inpatient spend for the two employers migrated to non-Blessing inpatient facilities, with 14% going to Barnes-Jewish Hospital in St. Louis, which is located 135 miles from Quincy. Six percent went to HSHS St. John's in Springfield (110 miles away) and 6% went to Hannibal Regional Hospital (25 miles away).<sup>xxvii</sup> Given the distances involved, patients using these hospitals could incur additional costs for gas, food and lodging.
- The greatest percentage of inpatient spend migrating out of Quincy was for musculoskeletal issues, followed by pregnancy/delivery and circulatory (cardiac) issues (Table 8)

TABLE 8. OUTMIGRATION (PERCENT OF INPATIENT SPEND AT NON-BLESSING FACILITIES)				
	Total Out-Migration	Circulatory (Cardiac)	Musculoskeletal	Pregnancy & Delivery
2019 Inpatient Only	42%	33%	78%	35%
2019 Inpatient, Outpatient And ASC	37%	39%	54%	32%

- If the experience of the two employers is representative of the Quincy-area business community, even a one-third reduction in inpatient outmigration would return \$20 million in medical care to the Quincy community.<sup>xxviii</sup>

## Hospital Capacity

- One way to measure hospital bed saturation is to look at the number of discharges relative to the community's population
- A BSGA analysis of 10 comparable communities in Illinois, Missouri and Iowa found that Quincy's discharges-per-1,000 population was the highest of the communities analyzed and 34% higher than the median (Chart 1)<sup>xxix</sup>



- Blessing Hospital's relatively high rate of discharges combined with the significant number of medical services leaving the community based on BSGA's out-migration analysis suggests that there is room for additional hospital bed capacity in the community

## The Potential Impact of Covid-19

- Due to the unprecedented challenges hospitals faced in 2020 due to the Covid-19 pandemic, BSGA was asked to assess the potential short-term and long-term impacts on hospital services in Quincy
- A Kaufman Hall analysis prepared at the request of the American Hospital Association provided two scenarios to measure the potential impact on hospitals: an optimistic scenario, which assumed that the vaccine roll-out would be fast and effective, and that people would continue to follow social-distancing guidelines; and a pessimistic scenario, which was based on the assumption that there would be challenges with the vaccine roll-out and that people would stop following social-distance guidelines before herd immunity is reached.
- The analysis concluded that even under the pessimistic scenario, inpatient stays and outpatient visits would be within 5% of pre-Covid levels by March 2022. Under the optimistic scenario, inpatient stays and outpatient visits would return to normal in this summer (2021). Emergency department visits are expected to remain 10%-25% below pre-Covid levels through 2022 under both scenarios.<sup>xxx</sup>

## Health Care Integration

- Medical services can be more efficiently utilized by coordinating care and providing services in the most appropriate setting for the patient, diagnosis and treatment, a central aim of physician-driven integrated health care delivery systems.

- In 2019, BSGA conducted an analysis of four large integrated health systems in southeastern Wisconsin using an all-payer claims database containing 7 million commercial episodes from all of the major insurers in Wisconsin.<sup>xxxix</sup> The analysis found that when medical care was contained within an integrated health care delivery system, efficiency was improved by 3 to 8 percentage points.<sup>xxxix</sup>

## Conclusions

- Blessing Hospital dominates the Quincy area as the most advanced medical center in a 100-mile radius. Many Quincy-area employees travel to Springfield, IL, and St. Louis, MO to access a similar level of health care services
- Every analysis comparing Blessing charges to area hospitals found that Blessing's charges were significantly higher
  - Blessing's billed inpatient charges are on average 26% higher than area hospitals when measured as a percentage of Medicare reimbursement, and its costs for newborn deliveries are 31% to 112% higher, depending on the type of delivery, than the median prices of the other hospitals analyzed.
  - Blessing's outpatient charges are 33% higher than the median of the nine hospitals analyzed
  - Blessing charged commercial insurers almost a third more on average for imaging procedures (CAT scans, MRIs, X-Rays, ultrasounds and nuclear medicine procedures) and its cash price for people without insurance was 20% higher on average
- Quincy-area employers are concerned about high health care costs in the area, with nearly 80% believing they pose a threat to their business operations; 60% of the employers surveyed believe hospital costs are the primary driver and 80% believe competition could lower health care costs
- 42% of hospital medical care is leaving the Quincy area based on the analysis of claims from two Quincy-area employers. Blessing Hospital has the highest commercial allowed rates and cash prices for both vaginal and C-section deliveries.
- Despite pledging to charge outpatient procedures at lower ambulatory surgery center rates, Blessing continues to use hospital outpatient rates that are consistently higher than other area hospitals
- Given Blessing's significantly higher commercial allowed and cash prices, an alternative, acute-care inpatient facility located in Quincy could offer employers inpatient health care services at rates more in line with other area hospitals
- An effective, physician-led integrated health care delivery system could further reduce costs by increasing the efficiency of the medical services utilized to provide care by 3% to 8%
- The Covid-19 pandemic is unlikely to have a long-term impact on hospital capacity in Quincy. Inpatient stays and outpatient visits are expected to be within 5% of pre-Covid levels by March 2022 at the latest.

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<sup>i</sup> According to the Bureau of Labor Statistics, year-to-year wage growth has averaged between 2% and 3% over the last several years. Health care premiums have increased at an average rate of between 5% and 8% during the same time.

<sup>ii</sup> The July 2019 survey found that 37% “strongly agreed” and 42% “agreed” with the statement that “trending healthcare costs represents a threat to our business operations”

<sup>iii</sup> 58% of respondents ranked it as the number-one health care cost driver, 16% ranked it as the number-two driver and 5% ranked it as the number-three driver

<sup>iv</sup> When asked to rank the highest cost drivers, 58% ranked hospitals number one, 16% ranked hospitals number two and 5% ranked number three

<sup>v</sup> According to the American Hospital Directory, Blessing Hospital has 248 acute-care beds, 41 psychiatric beds, 18 rehabilitation beds and 20 skilled nursing beds

<sup>vi</sup> Illinois Health Facilities and Services Review Board, Hospital Profile, CY 2019

<sup>vii</sup> American Hospital Directory

<sup>viii</sup> “The Price Ain’t Right? Hospital Prices and Health Spending on the Privately Insured,” Zack Cooper, Stuart Craig, Martin Gaynor, et al., National Bureau of Economic Research, December 2015, Updated May 2018

<sup>ix</sup> “Private-Payer Profits Can Induce Negative Medicare Margins,” Jeffrey Stensland, Zachary Gaumer and Mark Miller, *Health Affairs* May 2010

<sup>x</sup> Information was downloaded from the pricing transparency sections of the respective hospitals’ websites in March 2021

<sup>xi</sup> BSGA analysis based on common inpatient Diagnosis Related Groups (DRGs) using charge information from the American Hospital Directory

<sup>xii</sup> Analysis included billed charges between April 1, 2018 and March 31, 2019 for two dozen Diagnosis-Related Groups (DRGs)

<sup>xiii</sup> Calculation based on HFSRB 2019 Annual Hospital Questionnaire and *List of SCHs by State* prepared by the Rural Hospital Coalition

<sup>xiv</sup> BSGA analysis of CMS hospital cost reports and CareTracks® hospital profiles

<sup>xv</sup> BSGA analysis of Quincy Medical Group employee plan claims

<sup>xvi</sup> BSGA analysis of CMS hospital cost reports

<sup>xvii</sup> “HOPDs vs. ASCs: Understanding Payment Differences,” Healthcare Financial Management Association, April 2019

<sup>xviii</sup> “7 Mistakes Hospitals Make When Converting an HOPD to an ASC,” Becker’s Hospital Review, Dec. 15, 2020

<sup>xix</sup> “Our reimbursement is not based on a multiple of Medicare allowables, rather it is a discount off of the established charge price,” Jan 24, 2019 testimony of Timothy A. Moore, vice president of finance and chief accounting officer for Blessing Hospital before the Health Services and Facilities Review Board (lines 8-10, page 151 of transcript prepared by Alaris Litigation Services)

<sup>xx</sup> 2017-2020 billed charge data from Quincy area employers

<sup>xxi</sup> The data came from the American Hospital Directory, a service that aggregates information from hospitals nationwide based on their CMS cost reports

<sup>xxii</sup> BSGA analysis based on common outpatient CPTs using charge information from the American Hospital Directory

<sup>xxiii</sup> The four hospitals were Blessing; Hannibal Regional Hospital in Hannibal, MO; HSHS St. John’s Hospital in Springfield, IL; and Barnes-Jewish in St. Louis, MO. The analysis was more limited than the percent-of-Medicare analyses conducted by BSGA because hospitals are in varying stages of compliance with the new federal regulations and several have not yet posted the data needed for the analysis

<sup>xxiv</sup> The analysis of the median amount paid by commercial insurers included 10 CAT scan procedures, 12 X-Ray procedures, 7 ultrasound procedures, 5 nuclear medicine procedures, 3 MRI procedures and 9 other non-imaging procedures. BSGA included all measures (except lab procedures) reported by Blessing Hospital that had a single CPT code and were also reported by at least two other hospitals.

<sup>xxv</sup> Cash prices, as published by the hospitals, for the procedures outlined in the endnote above.

<sup>xxvi</sup> Analysis included billed charges between April 1, 2018 and March 31, 2019 from 19 outpatient procedures

<sup>xxvii</sup> The remaining went to a variety of hospitals in Illinois, Missouri, Iowa, Kansas and Texas

<sup>xxviii</sup> Based on Blessing Hospital’s commercial inpatient net revenue of \$83.2 million (based on the HFSRB 2019 Annual Hospital Questionnaire) and 42% outmigration

<sup>xxix</sup> Community populations based on 2019 U.S. Census estimates; Discharge information (Commercial, Medicare and Medicaid) based on CMS cost reports accessed through American Hospital Directory

<sup>xxx</sup> “Covid-19 in 2021: The Potential Effect on Hospital Revenues,” Kaufman, Hall & Associates, LLC (February 2021)

<sup>xxxi</sup> The data used in the analysis came from the DM18 version of the Wisconsin Health Information Organization all-payer claims database. The database includes commercial, Medicaid and Medicare Advantage claims paid by virtually all Wisconsin insurers. Approximately 8.1 million episodes were included in the analysis, which was limited to commercial claims.

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<sup>xxxii</sup> Contained episodes included wholly contained episodes (episodes in which all of the medical care was provided within the same health system) and mostly contained episodes (episodes in which the care starts and is completed within the same system, but a small amount of medical care might be provided outside the system)