MOST POPULAR STORIES

1. Twisters kill at least 16 in Ark.; 1 in Okla.
2. KC-area couple sentenced for $2.7M embezzlement, check-kiting scheme
3. 24 things successful businesspeople believe
4. Former Bank of America CFO settles with N.Y. attorney general
5. House committee handling Nixon impeachment resolutions
6. Mo. secretary of state cautions investors on bitcoin
7. Cities where home prices are hitting new highs
8. Water more valuable than gold
9. St. Louis native named Facebook CFO
10. Springfield CVB launches international marketing campaign

5/2/2013 8:45:00 AM

Patients, insurers ask, 'How much?'

Ed Peaco
Contributing Writer

Robert Steele: Mercy targets a 4 percent profit margin.

As American **health care costs** continue to rise, the debate centered around **health** insurance is switching gears. At one time, patients and insurers were generally concerned with who paid, but as the cost of **health** goods and services skyrockets, patients and insurers are starting to ask another question: How much?

U.S. **health care** expenditures, as a proportion of gross domestic product, increased to 18 percent in 2011 from 13.6 percent in 1995, according to World Bank research, representing 2011 **health care** spending of $2.7 trillion.

According to a March report from America's **Health** Insurance Plans – a group that advocates for value over volume in reimbursements – inpatient hospital prices rose 8 percent annually 2008-10 and varied widely within cities and states.

Health **care** players in all corners are now facing new challenges to their pricing and **costs**. Still on the horizon, in 2014, regulatory changes brought about by the Affordable **Care** Act promise to create upheaval in **costs** across the board.

Accountability
Mercy Hospital Springfield targets a 4 percent profit margin to sustain its system and provide for growth in services so that patients don't have to leave Springfield for **care**, said President Robert **Steele**.

Mercy Springfield Communities reports that for the year ended June 30, 2012, the system, which includes six hopitals and 85 clinics in southwest Missouri and Arkansas, had operating revenues of $1.6 billion with a profit of $91.3 million, or 5.6 percent. In fiscal 2011, operating revenues were $1.6 billion, with a profit of $81 million, or 5 percent.

Steele touted Mercy's integrated approach as a model that assures quality and efficiency in **health care**, combining outpatient, inpatient and home **care** under one umbrella, with a staff of physicians working among all facets of **care** and electronic records spanning the system.

"What integration does for us is it ties all these together and allows us to make the transition from volume to value," he said.

Steele said inpatient **care** is the most expensive **care** category, noting under Mercy's approach, **health** systems are motivated to minimize hospital stays.

Hospitals already are held accountable for their performance, **Steele** said, pointing to Medicare as an example. The program sets standards and reimbursement levels for cost, patient satisfaction and quality metrics such as hospital infections and readmissions.

For the metric of minimizing readmissions – a key issue in America's **Health** Insurance Plans' agenda for payment reform – the Centers for Medicare and Medicaid Services rated Mercy the best in the state in the agency's September 2012 report.

Other industry trends often cited as factors in rising **costs** are hospital consolidations and expansions.

SEARCH
Advanced Search

YOUR SETTINGS

Welcome, Ed Peaco!
LOGOUT
MANAGE YOUR ACCOUNT | MANAGE YOUR E-NEWS

Subscribe to the Daily Update | Connect to SBJ on LinkedIn | Follow @sbjnet on Twitter | Be a fan of SBJ on Facebook

CALENDAR OF EVENTS

< April >

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

FULL CALENDAR

Currently under contruction in the Ozarks, Mercy tallies nearly $200 million in construction projects, including a $105 million orthopedic hospital, a $28 million rehabilitation hospital, a $19 million phase 1 expansion of the children's hospital, a $34 million urgent **care** clinic in Branson and renovations to the Eye and Ear Clinic. CoxHealth is also on a building boom, with $25 million in renovations to Cox Medical Center Branson and and the recently announced $130 million Cox South patient tower.

CoxHealth executives declined to be interviewed for this story, citing scheduling difficulties.

Steele said Mercy has to weigh **costs** against anticipated needs and demands, adding the new centers are designed to address population trends and provide services that otherwise would require patients to travel.

Transparency
A September 2011 report from the U.S. Government Accountability Office detailed how lack of price transparency prohibits consumers from making informed decisions about cost and quality of **care**.

Catalyst for Payment Reform and the **Health Care** Incentives Improvement Institute teamed up to review state-specific laws focused on price transparency for **health care**. Grading states on its level of public access to price information, Missouri was among 29 states to receive a failing grade. Only two states received an A and five a B grade. Hospitals are required to keep a price list of tens of thousands of line items, **Steele** said.

However, according to the GAO report, consumers have trouble obtaining prices or estimates before they are treated.

Insurers – always looking for the best discounted pricing arrangement – typically focus on big-ticket items such as MRIs or specific surgeries, not on the huge volume of small items, **Steele** said. He noted that hospitals share insurers' hesitancy to negotiate over myriad line items.

Kevin Krueger, president and owner of Capstone Insurors in Bolivar, said consumer-driven plans have gained traction as a solution.

Insurance companies are trying to sell policies with up-front deductibles and higher initial cost shares even though consumers' out-of-pocket risk might be little changed.

"By paying their share up front, they tend to be more aware of what the treatment is and how much it **costs**," Krueger said, citing Blue Cross Blue Shield, which has introduced a cost-comparison feature so that policyholders can check the cost of procedures at various providers.

Steele said employers have told him that they don't want to become experts in **health care** services and operations; they just want to see the total cost of **care** under control.

ACA concerns
Every year, four or five months before a **health** coverage renewal, human resources executive Steve Makoski starts researching the best **health** coverage at the best price for his company, Springfield-based Rapid Robert's Inc.

The key is forcing insurers to compete for his business, he said. This approach has paid off in the past two years, as the company has broadened coverage for employees and saved money, he said. In previous years, 10 percent to 20 percent increases were routine.

Rapid Robert's, which owns 23 convenience stores mostly in southwest Missouri, employs an annual average of 140 employees, roughly 100 of whom are insured. The company offers employees a basic plan covering 100 percent of the premiums, with 20 percent co-pays that apply to a $5,000 deductible. Upgrades to standard and premium plans entail more **costs** to employees, he said, noting the basic coverage exceeds the requirements of the federal Affordable **Care** Act.

However, Makoski said he's concerned that regulations mandated by the ACA might drive the cost of the company's coverage higher than it is willing to pay.

"The question comes now: Do we continue to provide that benefit for the employee and take that risk of additional funds coming away from the bottom line in order to provide that benefit?" he said.

Krueger said ACA factors causing concern include: elimination of pre-existing condition clauses; extension of coverage for a policyholder's children through age 26; requiring businesses with more than 50 employees to provide full-time employees a minimum level of coverage,

while businesses with smaller staffs are not required to provide any coverage; and removal of annual and lifetime limits on coverage.

With the prospect of a spike in insurance rates in 2014, Makoski said he'll analyze **costs** for a range of options; reduce coverage, possibly to only what the ACA requires; and convert full-time employees to part time, perhaps to get under the ACA cutoff of 50 full timers. He'll also assess the potential consequences.

"What happens to customer service; does it degrade? If that is the case, then would we lose business?" he said, also citing attrition as a risk that could hurt the company's performance. "There are just so many variables."

Article Comment Submission Form

Please feel free to submit your comments.

Article comments are not posted immediately to the Web site. Each submission must be approved by the Web site editor, who may edit content for appropriateness. There may be a delay of 24-48 hours for any submission while the Web site editor reviews and approves it. Comments may also be considered for the "Week on the Web" section of the print edition.

Note: All information on this form is required. Your telephone number is for our use only, and will not be attached to your comment.

Submit an Article Comment

First Name: *Required*	
Last Name: *Required*	
Telephone: *Required*	
Email: *Required*	
Comment: *Required*	
Passcode: *Required*	2JM3Y1 Click here to see a new mix of characters. This is an anti-SPAM device. It is not case sensitive.

Submit Reset