# Office of Affordable Health Care

Advisory Council Meeting, July 2<sup>nd</sup>, 2025

### Agenda

- Nomination of New Members & Introductions
- Update on Payment and Utilization Dashboards
- Hospital Financial Performance Measurement and Analysis

# OAHC Analytic Planning



### Complete In Progress Not Yet Started

### Analysis Planning

OAHC Clain	ns Dashboards	MHDO and MQF Reporting	<b>OAHC Non-claims Analyses</b>	
Health Ex	penditures	Drug Spending Dashboards	Household Spending on	
Dashboards		Primary Care Spending Report	Health Care	
Hospital	Professional	Behavioral Health Care Spending Report	Access and Equity Dashboards	
Payment and Utilization	Services Payment and	Hospital Quality Data		
Dashboards	Útilization	Hospital Financial Data	Clinical Quality Metric Dashboards	
Facility Level	Cost Driver	Health Care Payments in Maine V 2.0		
Payment and Utilization	Deep-Dives	CompareMaine: Payment and Quality Data	Provider Cost Analysis	

## Facility Level Payment and Utilization Dashboards



# Review of Hospital Level Payment and Utilization Dashboards

**Overview:** Working with MHDO, we will create hospital level dashboards to measure payments and utilization across hospitals in Maine.

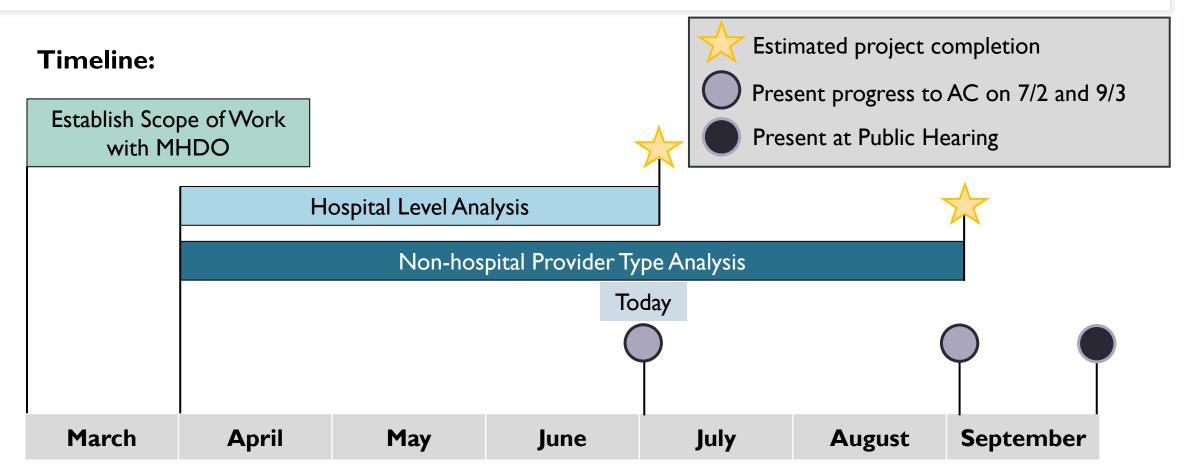
**Purpose:** To identify and describe variation in payments and utilization across Maine hospitals and for select services.

Metrics: For each hospital we will report -

- Total payments, cost sharing payments, payments per unit by hospital inpatient, outpatient, and professional services
- Total utilization by hospital inpatient, outpatient, and professional services
- Select service level total payments, cost sharing payments, payments per unit
- Select service level total utilization

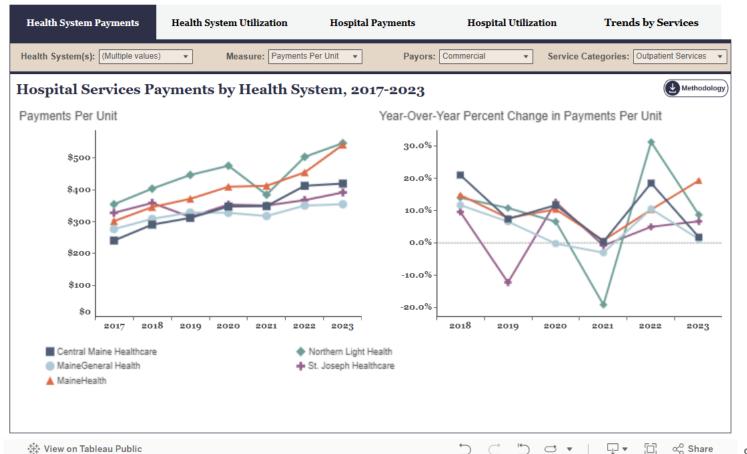
Data Source: MHDO All Payor-Claims Datab, January 2017-December 2023

# Hospital Level and Non-hospital Provider Payment and Utilization Dashboards – Tentative Timeline



### Hospital Level and Non-hospital Provider Payment and Utilization Dashboards – Updates

- STATUS In final discussions and review for the hospital level dashboards.
- TODAY overview • the functionality.

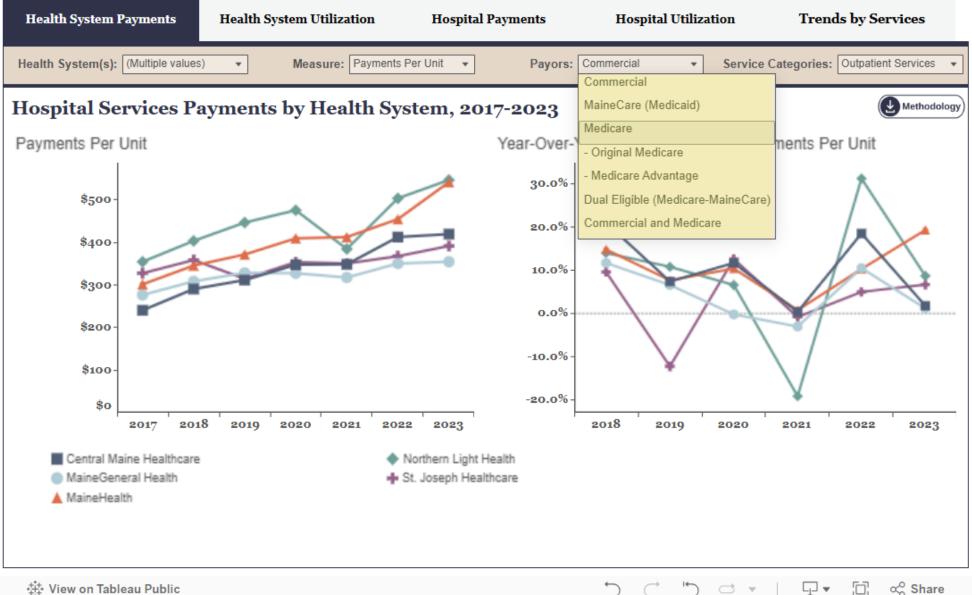


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### Health Systems/Hospitals Tab – 3 payment views

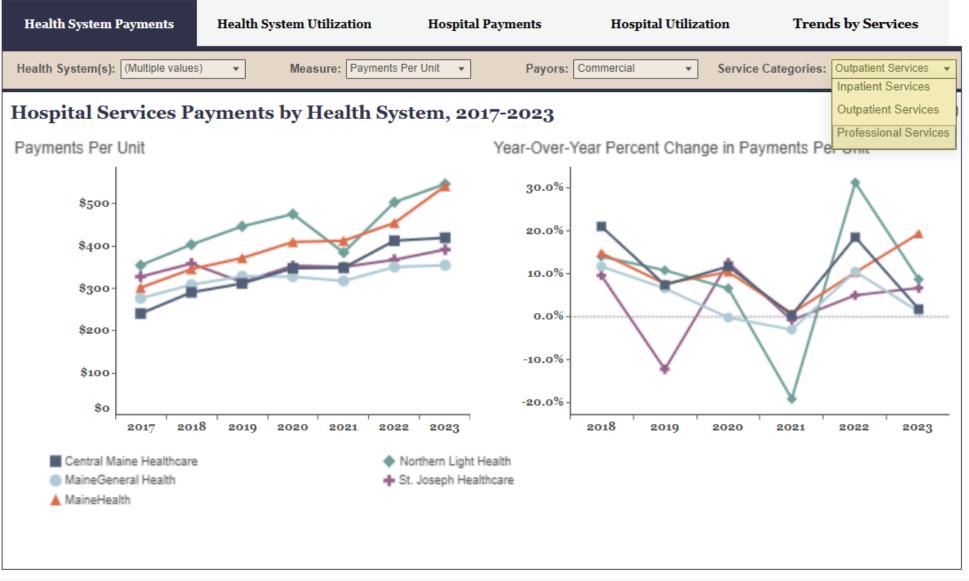


### Health Systems/Hospitals Tab – 7 payor types



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### Health Systems/Hospitals Tab – 3 types of service categories



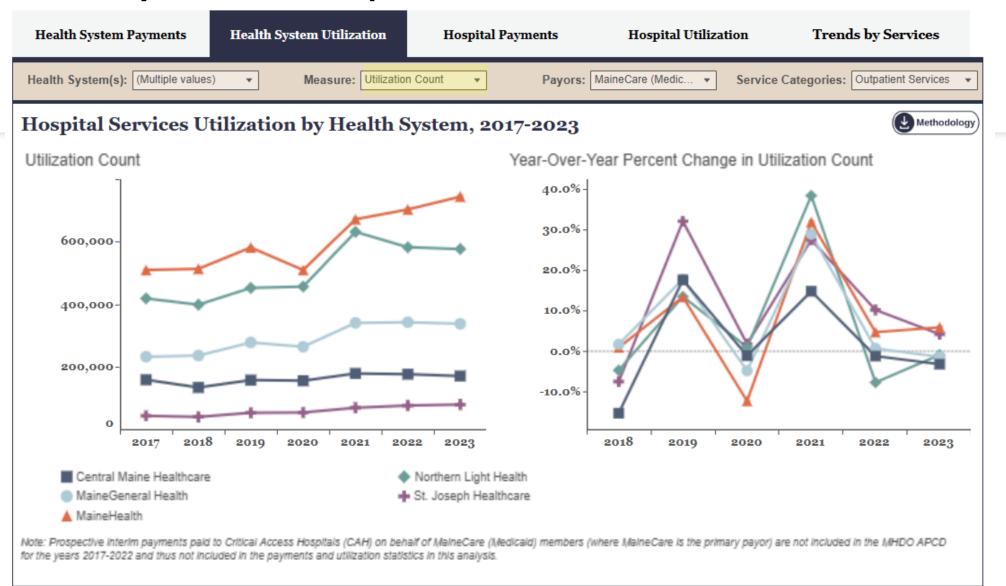
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### Health Systems/Hospitals Tab – Utilization count



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### Hospitals Tab – 35 Maine hospitals represented

Health System I	Payments Health System Utilization	Hospita	l Payments	Hos	pital Utiliz	ation	Tren	nds by Ser	vices
Hospital(s):	(Multiple values)   Measure: Total	°ayments ▼	Payors:	Commercial	*	Service	Categories	: Inpatient S	Services 💌
Hospital Se	,	017-20	23						Methodology
Total Payments	Cary Medical Center		Year-Over-	Year Perc	ent Chan	ge in Tot	tal Payme	ents	
\$20,000,000-	Down East Community Hospital     Houlton Regional Hospital     MaineGeneral Medical Center		40.0%-		A				/
\$15,000,000-	MaineHealth Behavioral Health MaineHealth Franklin Hospital MaineHealth Lincoln Hospital		20.0%-				$\wedge$	$\searrow$	
\$10,000,000-	MaineHealth Maine Medical Center Biddeford MaineHealth Maine Medical Center Portland MaineHealth Mid Coast Hospital		0.0% - -20.0% -	1				V	
\$5,000,000-	<ul> <li>MaineHealth Pen Bay Hospital</li> <li>MaineHealth Stephens Hospital</li> <li>MaineHealth Waldo Hospital</li> </ul>		-40.0%-					¥	
<b>\$</b> 0-	Millinocket Regional Hospital Mount Desert Island Hospital	<b>F</b>	-60.0%-			¥			
	New England Rehabilitation Hospital of Portla     Northern Light A.R. Gould Hospital	nd 2023	Γ	2018	2019	2020	2021	2022	2023
Bridgton H	Northern Light Acadia Hospital	entral Maine	Medical Center						
Calais Cor	Northern Light Blue Hill Hospital	wn East Cor	mmunity Hospital						
🔺 Cary Medi	Northern Light Eastern Maine Medical Center Northern Light Inland Hospital								
	Northern Light Maine Coast Hospital								
	Northern Light Mayo Hospital								
	Northern Light Mercy Hospital								
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### Trends by Services Tab – DRG and CPT level comparisons

Health System Payments	Health System Utilizatio	n	Hospital Payme	nts	Hospital Utiliz	ation	Trends by	Services
1. Choose Display 🕇	Hospital Services	Paym	ents and Ut	ilization	: Outpatie	nt Servi	ces	Methodology
2. Select Categories —	Payments Per Unit (\$) All Services Combined							
Measure Payments Per Unit	Hospital Name	<b>201</b> 7	2018	2019	2020	2021	2022	2023
Payors Commercial	Bridgton Hospital	\$535	\$670	\$648	\$611	\$792	\$801	\$776
Measure Value Yearly Values	Calais Community Hospital	\$445	\$461	\$492	\$465	\$533	\$529	\$493
Service Categories Outpatient Services	Cary Medical Center	\$713	\$618	\$727	\$768	\$768	\$768	\$791
3. Refine Selections —	Central Maine Medical Center	\$587	\$624	\$674	\$815	\$1,044	\$1,099	\$1,106
Reset Step 3 dropdowns to "All" before making new selections in Step 2.	Down East Community Hospital	\$505	\$496	\$574	\$520	\$540	\$665	\$571
Service Subcategories Emergency Room Service Types	Houlton Regional Hospital	\$464	\$523	\$864	\$692	\$677	\$647	\$749
Emergency Department Serv •								
DRG or CPT Code   99284 Emergency departme	Note: Trend lines are incomplete for services with very low total p the table display.							
Hospitals (All)								

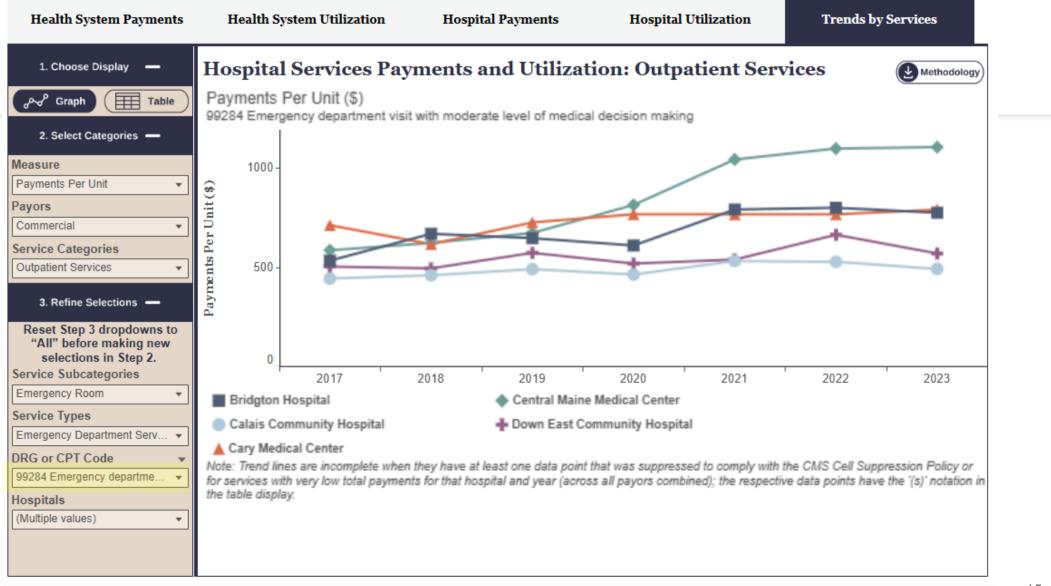
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### Trends by Services Tab – DRG and CPT level comparisons



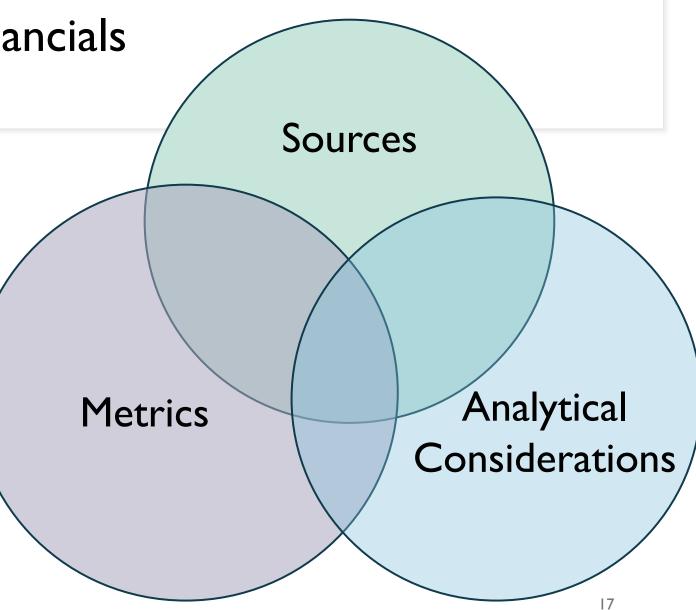
# Hospital Financial Analyses



### Measuring Hospital Financials

#### **Overview:**

- What sources are available for Maine hospital financial information?
- What metrics are commonly reported and what do they tell us?
- Are there additional considerations we should make when reporting on hospital financial measures?



### Measuring Hospital Financials

### **Hospital Level**

#### **Overview:**

- Describes the financial wellbeing of the individual hospital.
- Hospital level analyses center on patient related activities.
- Hospitals also hold investments and debt, but at smaller scales than systems.
- Activities of the system can impact hospital level financial wellbeing not captured at this level of analysis

### System Level

#### **Overview:**

- Describes the financial wellbeing of the entire system.
- Systems participate in joint ventures, large scale investments and borrowing – otherwise uncaptured at the hospital level.
- Systems can move cash from one entity to another, impacting facility level financial metrics.

### Sources for Measuring Hospital Financial Performance

Source	Overview	Pros	Cons	Availability
Audited Financial Statements	Submitted by hospitals and health systems to obtain and maintain bond financing and support lender and private investor transparency.	Audited, timely, and rich information – provided at hospital and system level	Labor intensive, hard to compare to other states	MHDO collects and annually reports AFS information
Medicare Cost Reports	Submitted by all Medicare-certified institutional providers to CMS and are used for determining government payment rates and other funding types.	Easy comparability to other states	Time lag (~ 2 years), less detailed, only includes hospital level info	Requires analytical expertise to pull and clean the data. NASHP provides subset dataset.
IRS 990	Submitted by non-governmental not-for-profit hospitals and health systems to the IRS relevant to tax-exemption.	More detail on revenues and expenses, ownership, community benefit.	Only applicable to not-for-profit, resource intensive, hard to compare	Maine Hospitals provide 990 data to DHHS.
Rating Agency Reporting	Released by credit rating agencies (e.g. Moody's) using information from Audited Financial Statements and other financial disclosures related to assessing a hospital or health system's financial risk.	Unique third-party analysis of financial position	Not standardized and difficult to compare hospital to hospital	Difficult to access – either hard to find or requires payment

### Common Metrics for Measuring Hospital Financials

Metric	Category	Definition
Total Margin (%)	Profitability	Are the hospital's total activities profitable?
Operating Margin (%)	Profitability	Are the hospital's core activities profitable?
Days Cash on Hand, Incl. Board Designated & Undesignated Investments	Liquidity	How long could the hospital operate and pay its bills without additional income?
Days in Accounts Receivable	Liquidity	How long does it take the hospital to collect payments from payers and patients?
Debt Service Coverage with Prior Year	Debt Capacity & Solvency	Are the hospital's earnings high enough to pay its debt?
Cash Flow Divided by Total Debt	Debt Capacity & Solvency	How much of their total debt could they pay off this year?
Average Age of Plant (years)	Capital Investment	How old, on average, are the hospital's fixed assets?
Capital Expenditure as portion of Depreciation Expense	Capital Investment	Is the hospital replacing fixed assets as they age and investing in new assets?

Pauly, N., Sears, L., Zhan, A., McAvey, K., Kinsler, A., Hayes, P., Romera-Gutierrez, C., *Guide to Understanding Hospital Spending through Financial Analysis*. Manatt Health Strategies and Bailit Health. https://www.milbank.org/wp-content/uploads and Bailit, M. (2024). /2024/03/Hospital-Financial-Analyses.pdf

### Additional Metric Considerations - EBITDA

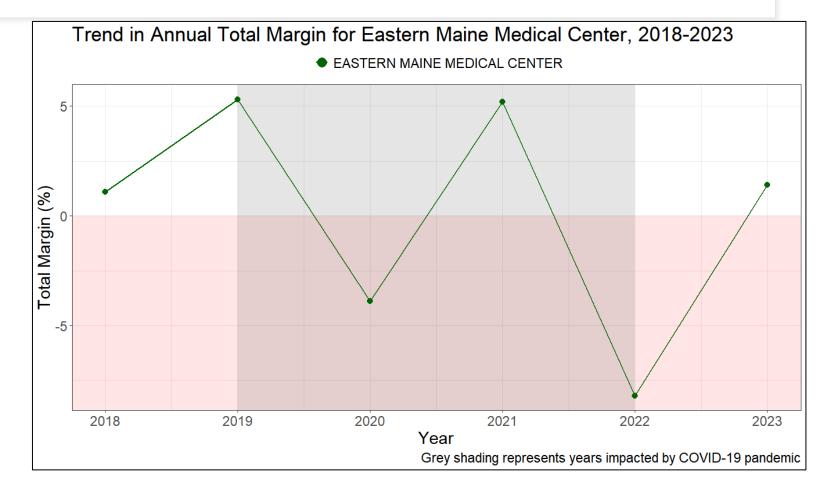
EBITDA = <u>Earnings</u> <u>Before</u> <u>Interest</u>, <u>Tax</u>, <u>Depreciation</u> and <u>Amortization</u>.

- Some financial analysts recommend calculating financial margins (total, operating, and debt service coverage) using EBITDA.
- EBITDA margins aid analysts in understanding the underlying operating results of a hospital or health system without considering the influence of how an organization finances its operation.
- EBITDA does this by excluding non-cash expenses and not accounting for how a company uses its debt, equity, cash, or other capital sources to finance its operations.
- Use of EBITDA metrics varies among analysts and financial resources.

### Financial Metrics Can Vary Significantly Year to Year

## Financial metrics are highly volatile to, among other things,:

- changes in demand for service
- economic swings (esp. with investments)
- changes in reimbursements and onetime payments (e.g. COVID-19 supplemental payments)



**Source:** Maine Health Data Organization. Report A: 2019-2023 Select Hospital Data Elements and Ratios. https://mhdo.maine.gov/hospital\_financials.htm

### Analytical Considerations for Measuring Hospital Financial Performance

Analyses should consider ways to mitigate metric volatility to better understand the long-term financial outlook

- Addressing volatility
  - Consider multiple years and multiple metrics.
  - Use medians when considering multiple facility performance.
  - Consider the influence of unrealized and realized gains in investments.
  - Compare similar facilities that are likely to be impacted by changes in similar ways.
  - Consider political, economic, and other circumstances that could influence financial performance.

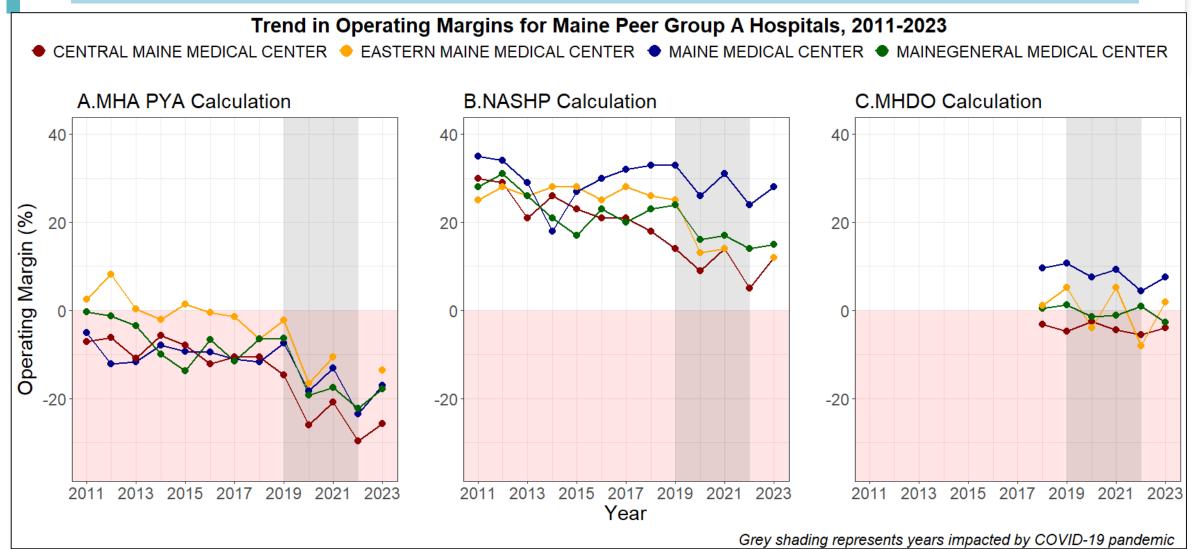
### Analytical Considerations for Measuring Hospital Financial Performance

#### How you calculate metrics matter.

- Even though some metrics seem standard, there are several different ways to calculate financial metrics. It is important to consider what is and is not included in these calculations.
- For example –

Source	Operating Margin Calculation	Median Value for Maine GAC Hospitals 2023
MHA PYA Calculation	Assumed: (Net Patient Revenue – Operating Expenses)/ Net Patient Revenue	-12%
MHDO Calculation	((Net Patient Revenue + Other Operating Income) – Operating Expenses)/ Net Patient Revenue + Other Operating Income)	-2%
NASHP Calculation	(Net Patient Revenue – Hospital Operating Costs)/ Net Patient Revenue	11%

### How You Calculate Metrics Matter



Source: Medicare Cost Reports and Maine Health Data Organization Hospital Financial Reports B

### Next Steps

- Establishing a core set of "key metrics" for assessing hospital and health system financial performance for ongoing monitoring
  - Identifying performance target ranges based on best practices nationally and in other states
- Developing options to assess the contributing factors to financial performance