

Contact: Keith Saunders

UIHC PROPOSED RATE INCREASE FOR FY 2016

Action Requested: Consider a hospital rate increase of 6% for FY 2016.

Executive Summary: The Board, as UIHC Trustees, is requested to approve a 6% rate increase at University of Iowa Hospital and Clinics effective July 1, 2015.

Background: To determine the annual proposed increase in charges, UIHC does a detailed review of all charge items. Internal costs and external benchmarks are used in charge rate setting. Our charges have some impact on prospective rates set by payers. They also directly impact current reimbursement for payers who use percent of charge as part of their payment structure. This could be an overall payer methodology, or may just affect certain contract carve-outs and outlier payments.

Determining the overall proposed charge master increase is directly driven by two factors:

- ▶ The first factor is where we are versus peers regarding charge levels. The University of Iowa Hospitals and Clinics charges are currently relatively low compared to our peers. In the most recently issued University HealthSystem Consortium (UHC) comparison, the University of Iowa acuity adjusted charges are at the 32nd percentile of all consortium (UHC) hospitals.
- ▶ The second main factor is limits on charge increases that are in some of our contracts. Many of our commercial payers limit annual facility charge increases to no more than 6%.

Given the UIHC's low charge levels, it would reasonable to increase charges more than 6%. However, given the cap on charge increases in many of our contracts, we feel it is most prudent to cap the increase proposal to 6%.