

Contact: Keith Saunders

UIHC PROPOSED RATE INCREASE FOR FY 2017

Action Requested: Consider a FY 2017 hospital rate increase of 6%.

Executive Summary: The Board, as University of Iowa Hospitals and Clinics (UIHC) Trustees, is requested to approve a 6% rate increase at University of Iowa Hospitals and Clinics effective July 1, 2016.

Background: To determine the annual proposed increase in charges, UIHC conducts a detailed review of all charge items. Internal costs and external benchmarks are used in charge rate setting. UIHC 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 UIHC uses is where they are versus peers regarding charge levels. UIHC charges are relatively low compared to peer institutions. In the most recently issued University HealthSystem Consortium (UHC) comparison, UIHC acuity adjusted charges are at the 28th percentile of all consortium (UHC) hospitals.
- ▶ The second factor is limits on charge increases in UIHC's payer contracts. Many commercial payers limit annual facility charge increases to no more than 6%.

Given UIHC's low charge levels, it would be 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%.