

Contact: Andrea Anania

UIHC PROPOSED RATE INCREASE FOR FY 2021

Action Requested: Recommend the Board approve a FY 2021 hospital rate increase of 6%.

Executive Summary: The Board, as University of Iowa Hospitals and Clinics (UIHC) Trustees, is requested to approve a 6% chargemaster rate increase at University of Iowa Hospitals and Clinics effective July 1, 2020. Board action on this proposed rate increase of 6% is scheduled on April 2, 2020, in the Consent Agenda.

Background: To determine the annual proposed increase in gross 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 contractual rates set by payers. They also directly impact current reimbursement for payers who use percent of charge as part of their payment structure. Charge rates can impact overall payer methodology or may just affect certain contract carve-outs and outlier payments.

UIHC reports that determining the overall proposed chargemaster increase is directly driven by two factors:

- ▶ The first factor is a comparison of UIHC's charge levels relative to its peers. UIHC charges are relatively low compared to peer institutions. Over the past three years of Vizient comparison data, UIHC acuity adjusted charges have ranged between the 27th percentile to 41st percentile of all Midwest Academic Centers.
- ▶ 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 its contracts, it is most prudent to cap the increase proposal to 6%. This is the same rate of increase the Board has approved for several prior years. The effective yield of a 6% price increase is a 0.6% yield (or increase to net revenue).