

November 3, 2022

Re: Markets & Cost Shifting

Dear PPC Commissioners,

At the last Commission meeting, excellent questions were raised regarding the Nevada health insurance market and the impact of cost shifting. We would like to provide some information on both topics.

Nevada Health Insurance Market

More than half of Nevada’s insurance market is comprised of government payors and the uninsured. Approximately 1,581,000 Nevadans are Medicaid beneficiaries, Medicare beneficiaries or uninsured. Payments made by these government payors to healthcare providers are nonnegotiable and fail to keep pace with inflation. Most importantly, they do not cover the actual cost of the care provided by hospitals. Costs not paid by these government payors and uninsured payors are shifted to the other 49% of payors.

Health Insurance Coverage by Source of Coverage in Nevada

Medicaid / Children’s Health Insurance Plan	20%
Medicare / Medicare Advantage	17%
Uninsured Estimate	11%
Tricare / VA Health Care	3%
Total	51%

Source: Nevada Division of Insurance - 2021 Market Report

The private market in Nevada includes four groups – small, individual, large, and self-funded. The largest group is self-funded plans at 32% of the market. This group is comprised of large employers in large industries. Under the federal Employment Retirement Income Security Act of 1974, self-funded plans are exempt from state regulation. They also have tremendous bargaining power.

Health Insurance Coverage By Source of Coverage in Nevada

ERISA Group Market (Self-Funded)	32%
Large Group Market (Fully Insured)	10%
Individual Market	4%
Small Group Market	3%
Total	49%

Source: Nevada Division of Insurance -2021 Market Report

Cost Shifting

Patients treated at Nevada hospitals are disproportionately Medicare and Medicaid beneficiaries. Medicaid and Medicare beneficiaries represent 37% of the insurance market, but they comprise **seventy percent of the patients treated** in Nevada hospitals. Beneficiaries in these two groups utilize hospital services disproportionately to the overall population. This distinction is important because Medicaid and Medicare payments do not cover the cost of care. Nevada's Medicaid base rate covers approximately 53% of the cost of care (Some hospitals receive supplemental Medicaid payments, but not all hospitals). Medicare payments nationally cover approximately 87% of the cost of care.

Additionally, approximately 5% of hospital patients are uninsured. Typically, they are unable to pay the full cost of their care.

If hospitals receive less than the cost of providing care to seventy-five percent of patients, who pays the difference? The answer is: people with private insurance. In Nevada, there is a significant cost shift. The cost of care is shifted from one group to another. To eliminate this cost shift, government payors must pay at least the cost of the care provided to their beneficiaries.

The Nevada Hospital Association prepared a short video explaining cost shifting. You may access it on YouTube at the Nevada Hospital Association channel, or you may access it by clicking this link. <https://www.youtube.com/channel/UCNhwIUjns0gdaSyLQAYBEKg>

As you focus on the cost of private health insurance, it's important to examine one of the root causes – Medicaid and Medicare cost shifting.

It's also important to place things in perspective. Compared to the rest of the nation, Nevada's health care expenditures per capita are low. In fact, Nevada has

the third lowest health care expenditures per capita in the United States. Nevada is \$1,843 per person less than the national average.

Source: Kaiser Family Foundation.

Nevada's biggest problem is access to care. We simply do not have enough healthcare providers to meet current demand. The situation will worsen without intervention because our elderly healthcare providers will retire as our population continues to grow.

Very truly yours,



Patrick D. Kelly
CEO
Nevada Hospital Association.