

RISE Delaware™ Update: State Worker United Letter to G.A. Members

Below is a letter written by "State Workers United" explaining their reasons for supporting House Substitute No. 1 for House Bill No. 350. This bill is being heard in the House Administration Committee tomorrow at noon in the House Chamber. The purpose of the bill is to rein in the costs of healthcare in Delaware (which ranks fourth highest in the nation).

March 26, 2024

Dear Senator or Representative:

We are writing you on behalf of State Workers United for a Better Delaware ("SWU"), a coalition of public sector unions representing state and public school employees to express our support for House Substitute No. 1 for House Bill No. 350 ("HS 1 for HB 350") which creates the Diamond State Hospital Cost Review Board. HS 1 for HB 350 will address a well-documented problem with healthcare pricing in Delaware that continues to negatively impact the working families we represent and create long-term budget challenges for the State. To say that this legislation is long overdue would be an understatement.

In December 2015, the State Employees Health Plan Task Force ("Task Force") established by HS 1 for HB 225 issued a report which noted that "hospital costs in Delaware are greater than appropriately-adjusted surrounding states."

1 This comment references a presentation made by Highmark Delaware to the Task Force on October 22, 2015. Included in the Highmark Delaware presentation were the following statements:

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- Delaware hospital market is dominated by a single hospital or system in each region.
- Hospital acquisitions of physician practices have accelerated and increase costs to the system.
- Hospital payments per casemix adjusted commercial admission are significantly higher in Delaware than other Highmark markets.
- Hospital payments from Medicaid and Medicare are significantly lower than commercial payments for similar services.
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Comparing Delaware to other Highmark markets, hospital payments for Delaware hospitals met or exceeded the Highmark Central Pennsylvania Average, ranging from 100% to 146%, and the Highmark West Virginia Hospital Average, ranging from 100% to 145%.

3 The Task Force considered governmental determination of payments, through the creation of a Hospital Services Cost Review Commission, among the major payment reform pathways it reviewed.⁴ However, no progress was made until the filing of HB 350 on March 12, 2024.

Unfortunately for all Delawareans the system did not, and has not, healed itself. Rather there have been continual warning signs that something needed to be done or the price of healthcare in Delaware would remain unchecked.

Here are just a few examples:

First, the Johns Hopkins Bloomberg School of Health presented a report on Inpatient Hospital Prices and Margins in Delaware to a combined meeting of the Financial and Health Policy and Planning

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Subcommittees of the State Employee Benefits Committee on February 13, 2020. Included in the summary of initial findings were the following:

- In 2017, the private sector price for an inpatient “basket” of common services was 2.41 times the Medicare price in Delaware. This is above the national average price differential of 2.13.
- The differential between the private and Medicare price for the inpatient basket in Delaware (2.41) was higher than in neighboring states; Pennsylvania (1.91) and Maryland (1.35).
- Median overall hospital margin in Delaware was 11% in 2017, compared to a national median of 3.6%. Hospital profit margins are high in Delaware compared to other states.
- As a percentage of total expenses, hospital-level spending on community benefits as defined by the IRS was lower in Delaware (6.96%) than the national average (9.28%). A smaller percent of total expenses was spent on charity care and on unreimbursed Medicaid costs among Delaware hospitals compared to hospitals nationally.

Included in the summary of conclusions were the following:

- Delaware hospitals have profit margins significantly above the national average.
- The differential between what private insurers are paying and what Medicare pays is higher in Delaware than in many other states, and higher than in neighboring states.
- Delaware hospitals provide a smaller percentage of charity care than other hospitals in other states (1.1% total expenses compared to 2.0% nationally).
(Emphasis added).

Second, in April, 2023, the Delaware Department of Insurance, Office of Value-Based Health Care Delivery presented to the State Employee Benefits Committee a “Brief Update & Moving Toward Value-Based Care in Delaware”. The presentation cited the RAND, Supplemental Report, 2022, as follows:

RAND reports disparities in Professional versus Hospital pricing as a percent of Medicare

- Commercial hospital prices in Delaware are among the highest in the nation
 - o 281% of Medicare rates for inpatient facility services
 - o 369% of Medicare rates for outpatient facility services
 - o Delaware ranks 11th in the nation for inpatient facility prices and 9th in the nation for outpatient facility prices
- Delaware physician prices averaged 115% of Medicare, ranking the lowest in the nation. (Emphasis in the original).

Again, HS 1 for HB 350 is long overdue. This letter documents nearly a decade of evidence presented to public bodies calling out the fact that hospital prices in Delaware are simply too high. On behalf of not only the members of SWU, but all Delawareans who our members faithfully and dedicatedly serve every day, we thank the sponsors of HS 1 for HB 350 for answering the call and taking a very meaningful step necessary to address the problem of healthcare pricing in Delaware. To be clear, the members of SWU fully and completely support HS 1 for HB 350, and we ask that you do the same for our members and the communities they serve.

Respectfully,

Tom Brackin
Executive Director
Delaware State Troopers Assoc.

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Jeff Taschner
Executive Director
Delaware State Education Assoc.

Michael A. Begatto
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Endnotes:

1. Final Report of the State Employees Health Plan Task Force, December 15, 2015, p. 3
2. Highmark Delaware Presentation to State Employees Health Plan Task Force, October 22, 2015, p.3.
3. Highmark Delaware Presentation to State Employees Health Plan Task Force, October 22, 2015, pp. 4-5; Final Report of the State Employees Health Plan Task Force, December 15, 2015, p. 20
4. Final Report of the State Employees Health Plan Task Force, December 15, 2015, pp. 21; 24; and 40

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Checks may be made payable to: RISE Delaware

Address: RISE Delaware, P.O. Box 7262, Newark, DE 19714

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