

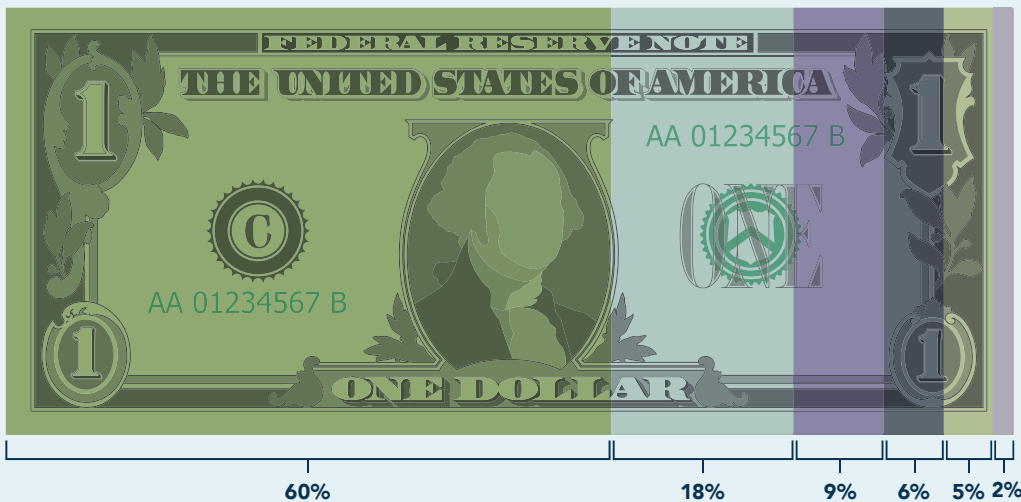
Hospitals Help: Making Healthcare Affordable

- ▶ **Hospitals share a commitment to keep our communities healthy by reducing costs and maintaining access to care.**

Why Are Healthcare Costs Increasing?

- **Prescription drugs** are the fastest growing expense for hospitals, with growth outpacing labor and service costs.
- **People are older and sicker**, as evidenced by the fact that the average length-of-stay for the most severe patients has increased by 22% since 2019.
- **Government cuts** to Medicaid reimbursement and reductions in enrollment will slash more than \$6.5 billion from hospitals through 2032 and increase uncompensated care.
- **Elimination of enhanced premium tax credits** has caused insurance costs to increase on average by 20% on the individual marketplace for Michigan residents.
- **Labor** dominates the overall share of expenses, as hospitals need skilled clinicians and support staff to provide the best patient care experience. Inflation and workforce shortages have led to unprecedented increases in labor costs in recent years.

WHERE HOSPITAL SPENDING GOES...

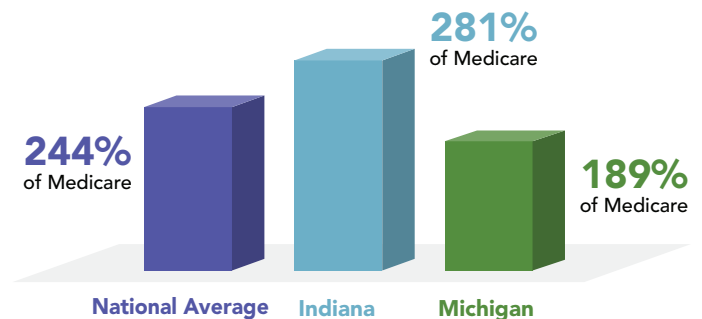


- 60%** LABOR
- 18%** SUPPLIES
- 9%** DRUGS
- 6%** BUILDINGS & EQUIPMENT
- 5%** OVERHEAD & CLAIMS PROCESSING
- 2%** IT

How are Michigan hospitals operating in this environment?

- **Michigan is one of the most affordable states for hospital pricing**, ranking third in the country for the lowest hospital prices compared to Medicare.
- Innovations in clinical practice allow hospitals to offer services in the most cost-effective settings that uphold safety and quality standards while **maintaining access to services** in their communities.
- Every hospital in Michigan now offers or works with **telehealth** to lower costs and make healthcare more accessible, especially in rural areas.

Michigan's Commercial Payer Prices 3rd Lowest in the Nation



Source: *RAND Hospital Price Transparency Study

Hospitals Help: Making Healthcare Affordable

How Are Michigan Hospitals Helping Patients?

- Hospitals offer free or reduced-cost medical care for patients with limited income.
- Collectively, Michigan hospitals provided \$208 million in financial assistance and wrote off an additional \$461 million in bad debt in fiscal year 2023.
- Hospitals invest in primary care and patient engagement to reduce avoidable emergency visits and hospitalizations.
- Hospitals are adopting payment models where reimbursement is based on patient, quality and cost outcomes.

What Needs To Be Done?



DON'T MAKE IT WORSE

- Reject government mandates.
- Maintain existing state funding for healthcare in the FY 2027 budget.
- Delay H.R. 1 cuts.



LOWER DRUG PRICES

- Allow innovative state purchasing of drugs.
- Crack down on Pharmacy Benefit Managers.
- Eliminate the single Preferred Drug List to increase access to lower-cost generic options.
- Require drug companies to invest in Michigan.



REDUCE ADMINISTRATIVE WASTE

- Prohibit retroactive claims denials from insurers.
- Enforce prompt pay from insurers.
- Mandate payment for services, procedures, prescriptions and equipment after prior authorization is required.
- Streamline clinical credentialing.
- Cut regulatory red tape.
- Eliminate frivolous lawsuits.



INCREASE INSURANCE OPTIONS

- Pursue a state-backed reinsurance pool.
- Consider allowing association health plans.



MAKE MICHIGAN HEALTHIER

- Implement state-based health savings accounts (HSAs) to complement federal HSAs.
- Appropriately fund preventative health services.
- Embrace Food as Medicine programs.