



St. Louis Hospital Industry Overview

*Volume 1: Hospital Quality and
Finance*

2024

Table of Contents

Executive Summary	2
Section 1. Quality and Patient Safety	4
How Does Overall Quality Vary Across St. Louis Hospitals?	4
CMS Overall Star Ratings	4
Safety of Care Measures	5
Methicillin-resistant <i>Staphylococcus aureus</i> (MRSA) Blood Infections	5
<i>Clostridium difficile</i> (C. diff) Intestinal Infections	5
Catheter-Associated Urinary Tract Infections (CAUTI)	6
Timely & Effective Care Measures	6
Combination Computed Tomography (CT) Scans	6
Appropriate Care for Sepsis	7
Readmission	7
Hospital Return Days for Pneumonia	7
Are St. Louis Hospitals Prioritizing Patient Safety?	8
Leapfrog Hospital Safety Grades	8
Section 2. Finance	9
St. Louis Area Hospitals' Net Patient Revenue Cumulative Growth Compared to Local and National Economic Indicators	9
2022 St. Louis Hospital Revenue and Profits	10
How Much Could Hospitals Charge Commercial Payers to Break Even?	11
2022 Commercial Breakeven, as a Percent of Medicare Reimbursement Rates	11
Are Hospitals Charging Commercial Payers a Fair Price?	12
Commercial Price, as a Percent of Medicare Reimbursement Rates	12
Commercial Prices Higher Than Needed to Cover Hospital Costs	13
Difference Between Commercial Price and 2022 Commercial Breakeven, as a Percent of Medicare Reimbursement Rates	13
Commercial Breakeven and Commercial Price for St. Louis Hospital Systems	14
Value of St. Louis Area Hospitals	15
About This Report and the BHC	16

Executive Summary

St. Louis Hospital Industry Overview

As health care costs in the United States continue to rise, health care purchasers and the public must advocate diligently for high-value care and choose care wisely. Since its inception over 40 years ago, the St. Louis Area Business Health Coalition's (BHC) employer members have tracked the rapid escalation of health care spending and the increasing financialization of health care with growing concern. BHC serves as an advocate for affordable, safe, and high-quality health care in the St. Louis region and nationally. It has produced this longstanding *St. Louis Hospital Industry Overview* report since the 1980s. By aggregating and simplifying publicly available data, BHC seeks to support its members and community partners in understanding health care quality and financial performance. The goals of this report are to:

1. Analyze and document hospital quality and financial trends, providing insights to purchasers that enable elevated conversations with providers.
2. Drive competition and innovation by recognizing improvements in health care spending and patient outcomes.
3. Spur constructive and collaborative change that leads to higher value health care delivery.

Financial metrics in this report are based on publicly available tools, such as the NASHP Hospital Cost Tool, that present data submitted by hospitals to the Centers for Medicare and Medicaid (CMS) through annual Medicare cost reports. BHC depends upon the accuracy of the data reported by hospitals in these cost reports. For more information, see "Data and Limitations" on page 16. Changes in previously reported data are based on the most current information available, including Medicare cost report restatements.

Quality measures in this report are sourced from CMS and Leapfrog, national entities that provide patients and purchasers with publicly available data on patient safety and care quality. These consumer-friendly tools have overall quality scores, as well as more specific domains and measures, which can be used to inform care choices. In addition to helping consumers in selecting care, public reporting of quality performance drives improvements in care delivery and patient outcomes through public accountability.

BHC remains committed to addressing health care cost and quality issues. Through the *St. Louis Hospital Industry Overview*, BHC aims to achieve a transparent health care market and provide information on hospital quality and financial performance to support all people in the St. Louis region in choosing safe, effective, and affordable health care for themselves, family members, and friends.

Why Such a Strong Focus on Cost?

Health care spending in the United States as a percentage of gross domestic product (GDP) has been steadily growing for decades. In 2022, health care spending comprised 16.6% of GDP, 4 percentage points higher than the 12.5% seen in 2000 and more than double the 8.2% seen in 1980. Continued growth in health care spending is unsustainable and hinders families' ability to spend money on other needed goods and services. Since 2013, the average Missouri family premium for health insurance has grown faster than Missouri workers' wages, meaning families have less money to spend on food, housing, childcare, and other basic needs.^{1,2}

¹ U.S. Bureau of Labor Statistics

² Agency for Healthcare Research and Quality

Key Takeaways

Quality & Patient Safety

1. St. Louis is home to **4 hospitals** that received a top score of **5 stars** for the Centers for Medicare and Medicaid (CMS) Overall Star Rating in July 2023: **Missouri Baptist Medical Center, Missouri Baptist Sullivan Hospital, Mercy Hospital St. Louis, and St. Luke's Hospital.**
2. **Over 60%** of St. Louis area hospitals performed **better than the national benchmark** for **C. diff** infections. Yet, **MRSA infections** persisted, with **4 hospitals performing worse** than the national benchmark for the infection rate and **no hospitals performing better.**
3. **Six St. Louis hospitals** received Leapfrog Safety Grades of **"A"** in spring 2024 – 3 BJC, 2 Mercy, and 1 OSF hospital.

Finance

*Sourced from the National Academy for State Health Policy (NASHP), a hospital's **commercial breakeven** is the percentage of a hospital's Medicare payment rate that, if charged to commercial payers, would enable the hospital to break even **across all payer types.**³*

*Developed in the RAND Corporation's Nationwide Evaluation of Health Care Prices Paid by Private Health Plans, the RAND 4.0 Commercial Price (**commercial price**) represents the percentage of a hospital's Medicare payment rate that the hospital was reimbursed by commercial payers from 2018 - 2020.⁴*

1. St. Louis hospitals' **net patient revenue** grew approximately 50% between 2013 and 2022, outpacing the growth in the St. Louis Consumer Price Index (CPI) by 30 percentage points and Missouri workers' wages by 20 percentage points.
2. Only 4 hospitals in the St. Louis area had a 2022 **commercial breakeven** higher than 200%, but 17 hospitals had a **commercial price** greater than 200%.
3. The average **commercial price** across St. Louis hospitals, weighted by volume, was 234%.
4. Of the 17 hospitals with a **commercial price** greater than 200%, 9 had differences between their **commercial price** and **commercial breakeven** greater than 100% of their Medicare reimbursement rates, indicating a level of markup that was unnecessary and resulted in excess profits.
5. BJC Healthcare had the highest **commercial breakeven** and **commercial price** of the 4 largest St. Louis health systems, along with the largest difference between **commercial price** and **commercial breakeven** at 109 percentage points.
6. St. Luke's had the smallest difference between **commercial price** and **commercial breakeven** at 68 percentage points.

³ Understanding NASHP's Hospital Cost Tool: Commercial Breakeven. NASHP. March 28, 2022. Accessed March 15, 2024

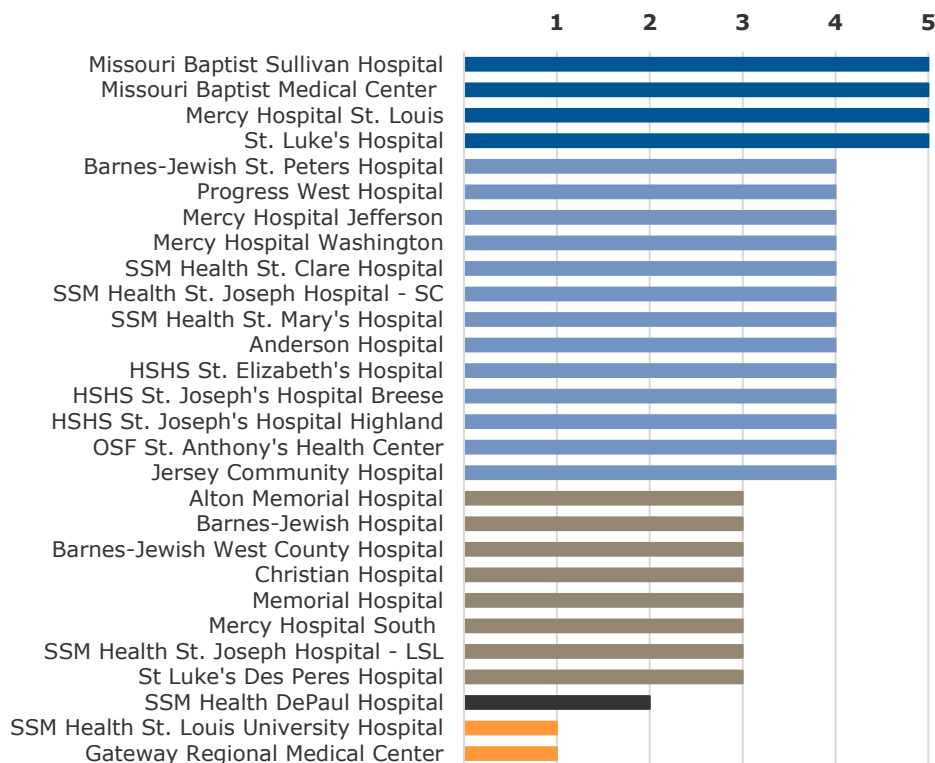
⁴ Whaley CM, Briscoe B, Kerber R, O'Neill B, Kofner A. Prices Paid to Hospitals by Private Health Plans Findings from Round 4 of an Employer-Led Transparency Initiative. May 17, 2022. Accessed March 15, 2024.

Section One: Quality & Patient Safety

Health care quality measurement and reporting is an essential tool for ensuring the community is receiving top-quality care from hospitals and commensurate value for its abundant investments in health care. Too often in health care, high cost is not correlated with high quality.⁵

How Does Overall Quality Vary Across St. Louis Hospitals?

CMS Overall Star Ratings, July 2023⁶



The Centers for Medicare & Medicaid Services (CMS) **Overall Hospital Quality Star Rating** provides an aggregate, consumer-friendly view of the quality of care provided by general acute care hospitals. Hospitals report data directly to CMS for 47 measures (see right) within 5 measure groups: Mortality, Safety, Readmission, Patient Experience, and Timely & Effective Care to calculate a hospital's Overall Star Rating, which ranges from 1 star (lowest score) to 5 stars (highest score).

In July 2023, 10.4% of hospitals nationwide received a 5-star Overall Star Rating. The graph above shows the performance of hospitals in St. Louis. Congratulations to the 4 hospitals that received a 5-star rating.

⁵ Hussey PS, Wertheimer S, Mehrotra A. The association between health care quality and cost: a systematic review. *Ann Intern Med.* 2013;158(1):27-34. doi:10.7326/0003-4819-158-1-201301010-00006

⁶ Overall hospital quality star rating. Data.CMS.gov. Accessed March 15, 2024.

CMS Overall Star Rating Measures

Mortality (22%)

- Heart attacks
- Coronary artery bypass graft
- COPD
- Heart failure
- Pneumonia
- Stroke
- Serious treatable complications after surgery

Safety (22%)

- Infections:
 - CLABSI
 - CAUTI
 - MRSA
 - *C. diff*
- Surgical site infections from:
 - Colon surgery
 - Abdominal hysterectomy
- Hip/knee replacement complications
- Serious complications

Readmission (22%)

- Hospital return days for:
 - Heart attack
 - Heart failure
 - Pneumonia
- Rate of Readmission for:
 - Coronary artery bypass graft
 - COPD
 - Hip/knee surgery
 - After discharge from hospital
- Rate of unplanned hospital visits:
 - After outpatient colonoscopy
 - After outpatient chemotherapy
 - After outpatient surgery
- Rate of ED visits for patients receiving outpatient chemotherapy

Patient Experience (22%)

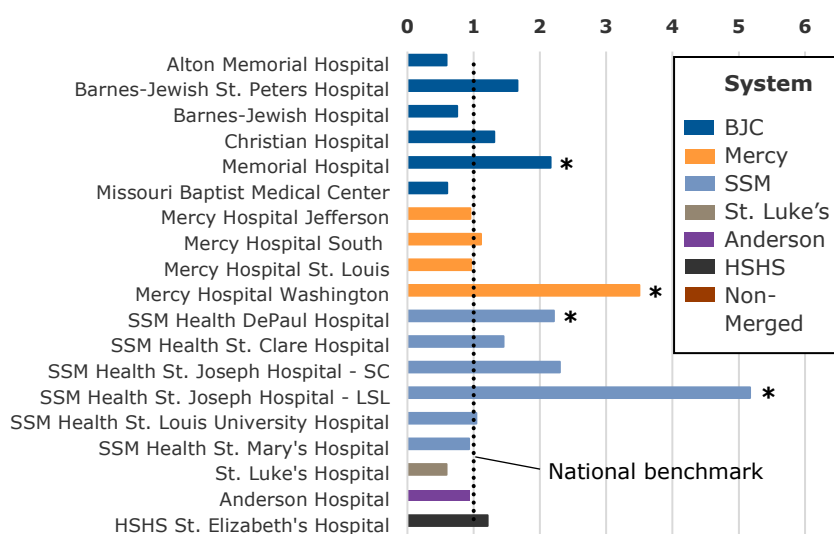
- Nurse communication
- Doctor communication
- Staff responsiveness
- Medication communication
- Hospital cleanliness and quietness
- Discharge information
- Understood care when left hospital
- Overall rating/willingness to recommend hospital to friends/family

Timely & Effective Care (12%)

- Personnel influenza vaccination
- Personnel COVID-19 vaccination
- Patients who left ED before being seen
- Brain scan within 45 minutes for stroke in ED
- Appropriate colonoscopy follow-up
- Medically unnecessary elective early deliveries
- Appropriate care for sepsis
- Aspirin on arrival
- Average time before hospital transfer for specialized care for chest pain
- Average time in ED before leaving
- Outpatient MRI for low-back pain
- Combination abdominal CT scans
- Outpatient cardiac imaging stress tests

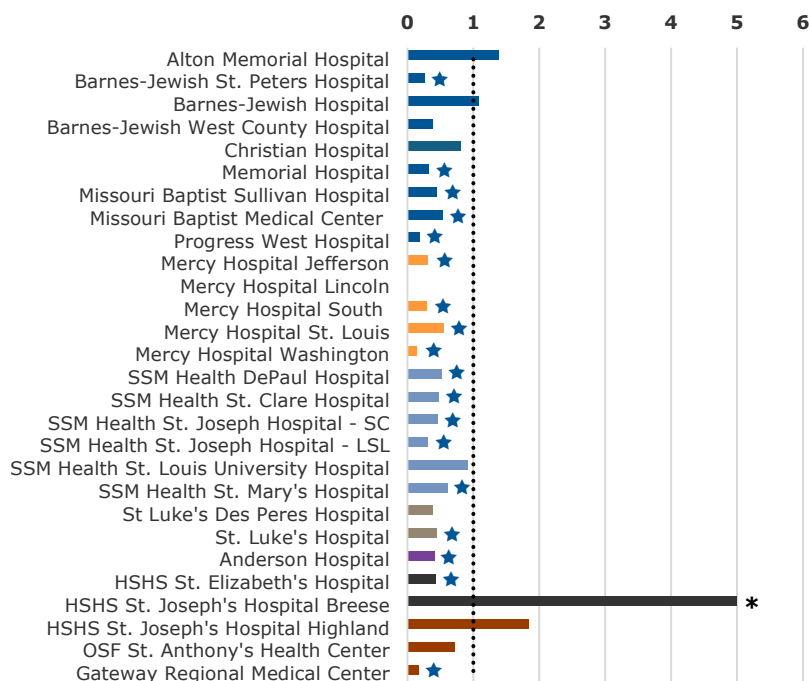
Safety of Care Measures

This group of measures predominantly assesses healthcare-associated infections and contributes 22% in the calculation of the CMS Overall Star Rating. The healthcare-associated infection measures show how often certain infections are contracted by patients during a hospital stay and compares the rates to those of similar hospitals.⁷ A hospital is classified as performing better or worse than the national benchmark if the entire 95% confidence interval is above or below the benchmark (see note below the figures).



* Denotes hospitals that performed worse than the national benchmark

infections continue to challenge St. Louis hospitals. Four St. Louis area hospitals performed worse than the national benchmark, and no St. Louis area hospitals performed better than the national benchmark.



* Denotes hospitals that performed worse than the national benchmark.

★ Denotes hospitals that performed better than the national benchmark.

Methicillin-resistant *Staphylococcus aureus* (MRSA) blood infections

↓ Lower numbers are better.

MRSA, bacteria resistant to certain antibiotics, may be contracted in hospital settings and can lead to an infection of the bloodstream. With appropriate precautions, hospital staff can help prevent MRSA from being spread to patients.

This measure assesses the number of MRSA-positive blood samples collected after patients entered the hospital. This number is compared to a national benchmark set at 1.0. MRSA blood

Clostridium difficile (*C. diff*) intestinal infections

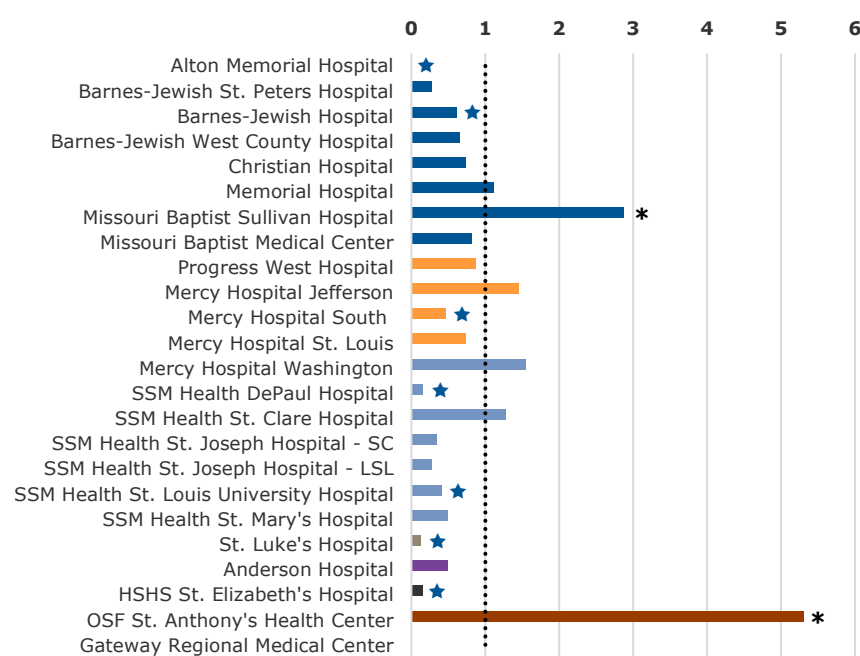
↓ Lower numbers are better.

C. diff, bacteria that cause colon inflammation, can lead to severe gastrointestinal symptoms and fever. By taking appropriate precautions, hospital staff can prevent *C. diff* infections in patients.

This measure compares the number of *C. diff*-positive stool samples after patients are admitted to the hospital to a national benchmark set at 1.0. One St. Louis area hospital performed worse than the national benchmark, while 18 hospitals performed better than the national benchmark.

Source: CMS, January 2023

⁷ Complications & deaths. Data.CMS.gov. Accessed March 15, 2024.



* Denotes hospitals that performed worse than the national benchmark.
 ★ Denotes hospitals that performed better than the national benchmark.

Catheter-associated urinary tract infections (CAUTI)

↓ Lower numbers are better.

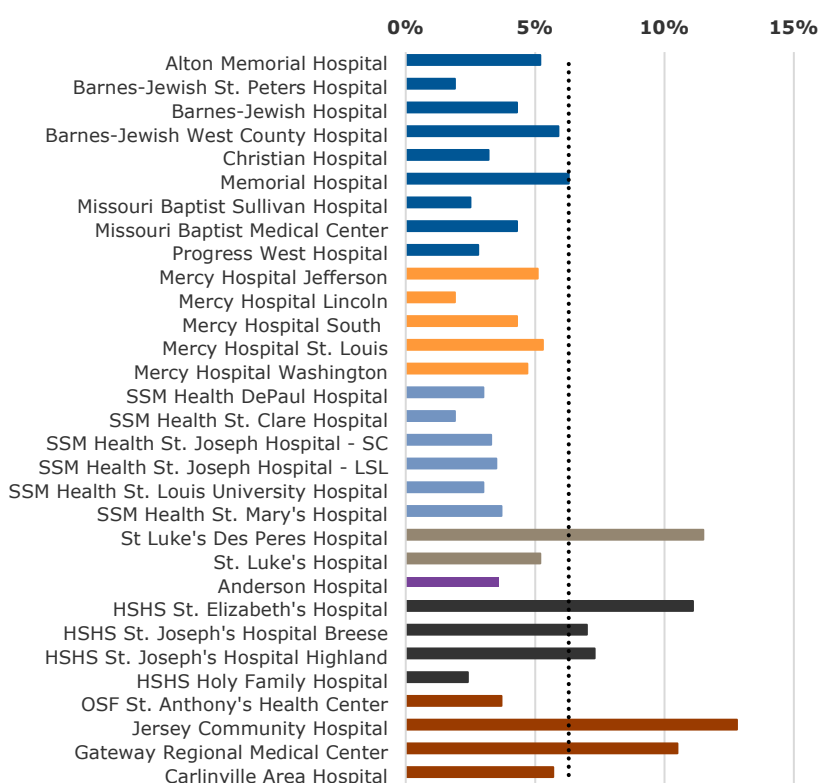
Catheters, when left in place for too long, contaminated during insertion, or not kept clean, create an easy entry point for germs. This can lead to serious urinary tract infections which are avoidable when hospital staff practice appropriate preventive care.⁸

This measure compares the number of CAUTIs in hospital ICUs and select wards to a national benchmark set to 1.0. Two St. Louis area hospitals performed worse than the national benchmark, while 7 performed better than the national benchmark on this measure.

Source: CMS, January 2023

Timely & Effective Care Measures

This set of measures addresses outpatient medical imaging use by hospitals, as well as how quickly or often hospitals respond to patients with certain conditions that will result in the best outcomes.⁹



Percentage of Outpatient Computed Tomography (CT) Scans of the Abdomen that were Combination Scans

↓ Lower percentages are better.

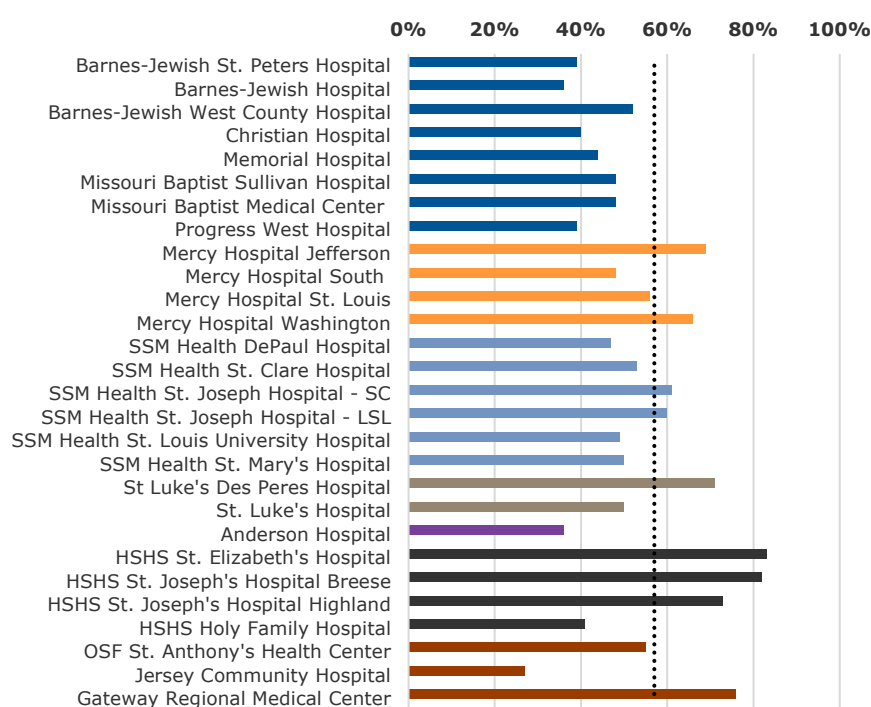
For some CT scans, "contrast" is used to create a clearer picture of the body. Contrast comes with risks, such as allergic reactions or kidney harm and should only be used when necessary. A combination CT scan is when a patient receives two scans, one with and one without contrast, resulting in twice the radiation exposure. For most patients, abdominal combination scans are not appropriate.

The national average for this measure is 6.3%. St. Louis area hospital scores range from 1.9% to 12.8%. Higher scores may indicate that a facility is using more combination scans than necessary.

Source: CMS, January 2023

⁸ Complications & deaths. Data.CMS.gov. Accessed March 15, 2024.

⁹ Timely & Effective Care. Data.CMS.gov. Accessed March 15, 2024.



Appropriate care for severe sepsis and septic shock

Higher percentages are better.

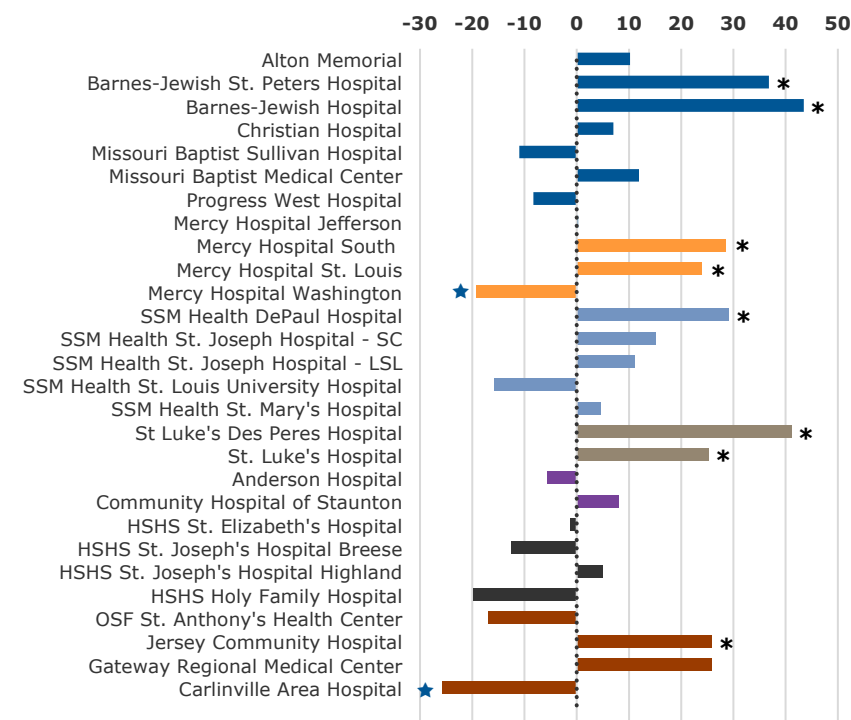
Each year in the United States, over 250,000 people die from sepsis, a serious complication following infection. The risk of death can be lowered with early identification and appropriate care of sepsis.¹⁰

This measure assesses the percentage of patients who received appropriate care at the hospital for severe sepsis and septic shock. The national benchmark for this measure is 57%. Rates for appropriate care for sepsis at St. Louis area hospitals range from 27% to 83%.

Source: CMS, January 2023

Readmission Measures

This group of measures reflects the rates of unplanned returns and readmissions to the hospital after outpatient and inpatient procedures.¹¹



* Denotes hospitals that performed worse than the national benchmark.

★ Denotes hospitals that performed better than the national benchmark.

Hospital Return Days for Pneumonia

Scores less than 0 are better.

Hospital return days for pneumonia assesses the total number of days in an inpatient hospital unit, under observation, or in an emergency department for any unplanned care within the first 30 days after a pneumonia patient leaves the hospital.

The average amount of return days per 100 discharges is set to 0. Two hospitals had fewer return days than average for pneumonia. Eight hospitals had more return days than average. A hospital is classified as performing better or worse than the national benchmark if the entire 95% confidence interval is above or below the benchmark (see note below the figures).

Source: CMS, January 2023

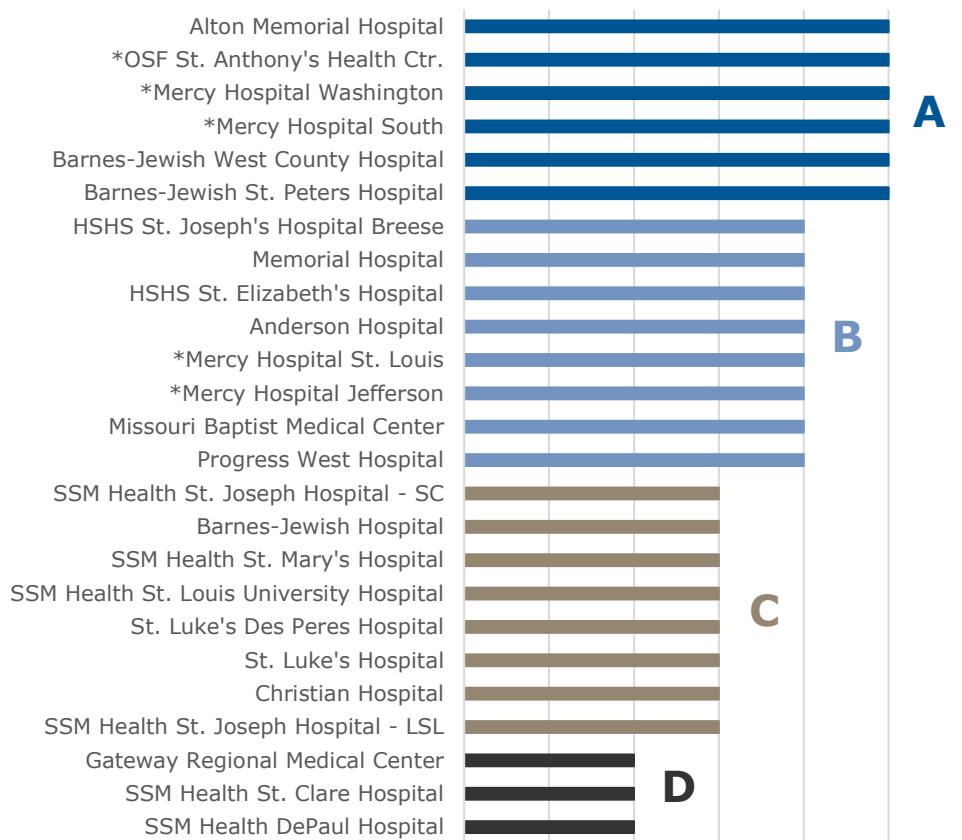
¹⁰ Timely & Effective Care. Data.CMS.gov. Accessed March 15, 2024.

¹¹ Unplanned Hospital Visits. Data.CMS.gov. Accessed March 15, 2024.

Are St. Louis Hospitals Prioritizing Patient Safety?

Leapfrog Hospital Safety Grades, Spring 2024

The Leapfrog Group was founded by health care purchasers to spur “giant leaps” forward in the safety and quality of U.S. health care through the power of transparency. A key driver of hospital safety improvements, the **Leapfrog Hospital Safety Grade** is a letter grade assigned to general acute-care hospitals, indicating the level of safety for patients.



*These hospitals report data directly to The Leapfrog Group via the annual Leapfrog Hospital Survey. BHC encourages all hospitals to report directly to Leapfrog.

Leapfrog Safety Grades are not assigned to critical access hospitals.

This system uses 22 different patient safety measures (see right) to calculate an A, B, C, D, or F letter grade that allows easy communication to purchasers about hospital safety. This enables purchasers to make informed care choices and hold hospitals accountable for their performance as Safety Grades are updated twice a year.¹²

In Missouri, 23.1% of hospitals received an “A” grade in spring 2024 compared to 20.6% of hospitals in fall 2023. Six St. Louis hospitals (dark blue bars above) received an “A” grade in spring 2024, indicating they are the highest performers in patient safety in the region.

Leapfrog Safety Grade Measures

Process & Structural Measures (50%)

- Computerized Physician Order Entry
- Bar Code Medication Administration
- ICU Physician Staffing
- Culture of Leadership Structures and Systems
- Culture Measurement, Feedback, & Intervention
- Total Nursing Care Hours per Patient Day
- Hand Hygiene
- Nurse Communication
- Doctor Communication
- Staff Responsiveness
- Medication Communication
- Discharge Information

Outcome Measures (50%)

- Foreign Object Retained
- Air Embolism
- Falls and Trauma
- CLABSI
- CAUTI
- Surgical site infection: Colon
- MRSA
- *C. Diff.*
- Death rate among surgical inpatients with serious treatable complications
- CMS Medicare PSI 90: Patient safety and adverse events composite
 - Pressure ulcer
 - Iatrogenic pneumothorax
 - In-hospital fall with hip fracture
 - Perioperative hemorrhage or hematoma
 - Postoperative acute kidney injury requiring dialysis
 - Postoperative respiratory failure
 - Perioperative pulmonary embolism or deep vein thrombosis
 - Postoperative sepsis
 - Postoperative wound dehiscence
 - Abdominopelvic accidental puncture or laceration

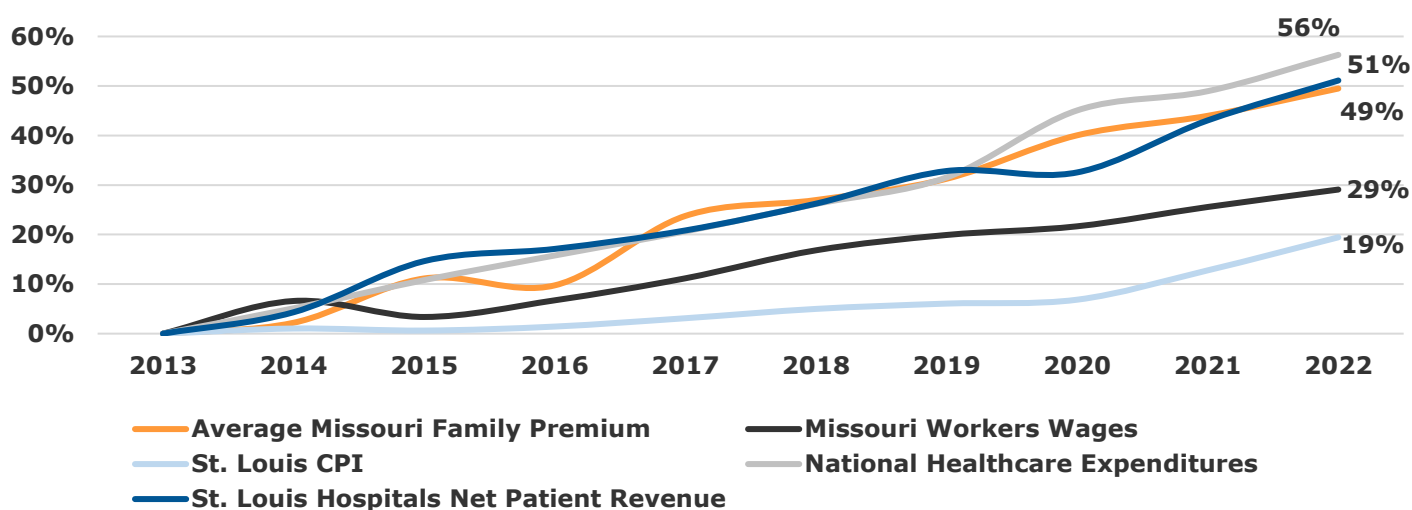
¹² About the Grade. Leapfrog Hospital Safety Grade. Accessed March 15, 2024.

Section Two: Hospital Finances

It is important to monitor trends in hospital expenses, revenues, and profits. In 2022, health care expenditures represented 16.6% of the United States' gross domestic product (GDP), similar to pre-pandemic levels after spiking to 18.8% in 2020.¹³ KFF reports the average percentage of GDP spent on health care in comparable countries (those with both national income and income per person above the median) as 11.2%, with the highest among them (Germany) at 12.7%.

Health care spending in the United States as a percentage of GDP has been steadily growing for decades. 16.6% in 2022 is 4 percentage points higher than the 12.5% seen in 2000, and more than double the 8.2% seen in 1980. Growth in hospital revenues that outpaces the American economy ultimately comes at the expense of workers and families both directly, through their out-of-pocket spending on health care, and indirectly, through increasing insurance premiums, slowed growth in wages, higher property and income taxes, and higher priced goods and services.

St. Louis Area Hospitals' Net Patient Revenue Cumulative Growth Compared to Local and National Economic Indicators



Source: Medicare Cost Reports, Agency for Healthcare Research and Quality, U.S. Bureau of Labor Statistics, Centers for Medicare and Medicaid, St. Louis Federal Reserve

St. Louis hospitals' net patient revenue had a **cumulative growth of approximately 50% since 2013**, outpacing the growth in Missouri workers' wages by 20 percentage points and the growth in the St. Louis consumer price index (CPI) by 30 percentage points, and contributing to a similar 50% growth rate in the average Missouri family premium.

Financial metrics in this report are primarily based on Medicare cost reports submitted by hospitals to the Centers for Medicare and Medicaid (CMS). Sources are noted under each figure. For more information, see "Data and Limitations" on page 16.

Medicare cost reports may be submitted for partial or multiple years due to change in ownership, fiscal year, or status with the Medicare program (initiation or termination). Given the infrequency of partial or multiple year cost reports, there should be minimal effect on aggregate measures, such as St. Louis Hospitals Net Patient Revenue (above).

Note: Changes in previously reported data are based on the most current information available, including Medicare cost report restatements.

¹³ Wager E, McGough M, Rakshit S, Krutika A, Cox C. How does health spending in the U.S. compare to other countries? February 15, 2023. Accessed November 27, 2023.

2022 St. Louis Hospital Revenue and Profits

Though St. Louis area hospitals, in aggregate, had an operating loss in 2022, net income (excess of revenues over expenses), which includes non-operating revenue and expenses, was positive at \$232 million. This surplus is approximately 75% less than the surplus in 2021.

	Net Patient Revenue (\$)	Operating Expenses (\$)	Patient Service Income (Loss) (\$)	Net Income (Loss) (\$)	Patient Profit Margin (%) ^{vi}
BJC					
Alton Memorial Hospital	175,790,620	174,145,284	1,645,336	(10,928,040)	0.9
Barnes-Jewish Hospital	2,418,252,342	2,465,580,342	(47,328,000)	34,527,159	-2.0
Barnes-Jewish St. Peters Hospital	176,993,196	172,131,638	4,861,558	4,227,372	2.7
Barnes-Jewish West County Hospital	221,133,104	210,190,956	10,942,148	(1,131,718)	4.9
Christian Hospital	340,912,180	363,480,377	(22,568,197)	(34,642,063)	-6.6
Memorial Hospital ⁱ	375,059,764	513,262,455	(138,202,691)	(151,039,549)	-36.8
Missouri Baptist Medical Center	716,010,101	697,938,584	18,071,517	4,706,306	2.5
Missouri Baptist Sullivan Hospital	73,429,845	71,423,724	2,006,121	2,160,759	2.7
Progress West Hospital	111,973,331	98,718,735	13,254,596	9,112,218	11.8
St. Louis Children's Hospital ⁱⁱ	886,103,946	829,466,953	56,636,993	84,484,525	6.4
Network Total	5,495,658,429	5,596,339,048	(100,680,619)	(58,523,031)	-1.8
Mercy					
Mercy Hospital Jefferson ⁱⁱⁱ	191,756,657	190,254,973	1,501,684	7,519,678	0.8
Mercy Hospital Lincoln	48,625,871	42,223,952	6,401,919	9,164,023	13.2
Mercy Hospital South	567,939,197	551,349,202	16,589,995	27,929,777	2.9
Mercy Hospital St. Louis	1,288,920,418	1,102,155,599	186,764,819	214,846,888	14.5
Mercy Hospital Washington	187,086,292	166,376,971	20,709,321	30,335,372	11.1
Network Total	2,284,328,435	2,052,360,697	231,967,738	289,795,738	10.2
SSM					
SSM Health DePaul Hospital	469,267,627	524,685,503	(55,417,876)	(16,219,737)	-11.8
SSM Health St. Clare Hospital	225,465,778	219,237,255	6,228,523	13,321,014	2.8
SSM Health St. Joseph Hospital - LSL	208,382,457	205,163,823	3,218,634	6,515,329	1.5
SSM Health St. Joseph Hospital - SC	222,980,940	272,245,717	(49,264,777)	(17,789,202)	-22.1
SSM Health St. Louis University Hospital	772,163,011	821,492,905	(49,329,894)	(4,884,889)	-6.4
SSM Health St. Mary's Hospital ^{iv}	792,773,498	792,919,521	(146,023)	63,899,161	0.0
Network Total	2,691,033,311	2,835,744,724	(144,711,413)	44,841,676	-5.4
St. Luke's					
St. Luke's Des Peres Hospital	72,109,681	91,228,386	(19,118,705)	(16,867,659)	-26.5
St. Luke's Hospital	528,071,149	521,156,009	6,915,140	5,617,803	1.3
Network Total	600,180,830	612,384,395	(12,203,565)	(11,249,856)	-2.0
Anderson					
Anderson Hospital	176,757,504	178,704,330	(1,946,826)	(14,396,343)	-1.1
Community Hospital of Staunton	20,559,407	19,396,702	1,162,705	1,249,645	5.7
Network Total	197,316,911	198,101,032	(784,121)	(13,146,698)	-0.4
HSHS					
HSHS Holy Family Hospital	20,862,484	27,732,627	(6,870,143)	(4,587,412)	-32.9
HSHS St. Elizabeth's Hospital	284,780,695	285,363,803	(583,108)	4,124,522	-0.2
HSHS St. Joseph's Hospital Breese	69,865,144	56,649,435	13,215,709	5,441,367	18.9
HSHS St. Joseph's Hospital Highland	49,917,316	43,716,674	6,200,642	7,157,741	12.4
Network Total	425,425,639	413,462,539	11,963,100	12,136,218	2.8
Illinois Non-Merged					
Carlinville Area Hospital	36,662,979	41,111,664	(4,448,685)	(1,933,105)	-12.1
Gateway Regional Medical Center	98,807,449	111,149,603	(12,342,154)	(7,371,499)	-12.5
Jersey Community Hospital	54,196,715	56,338,229	(2,141,514)	1,895,820	-4.0
OSF St. Anthony's Medical Center	91,433,241	100,362,963	(8,929,722)	(8,037,590)	-9.8
Tourette Regional Hospital	52,640,745	66,065,151	(13,424,406)	(1,408,152)	-25.5
Missouri Non-Merged					
South City Hospital ^v	45,434,531	63,101,192	(17,666,661)	(14,559,954)	-38.9
Aggregate for St. Louis Hospitals	12,073,119,215	12,146,521,237	(73,402,022)	232,439,567	-0.6%

Source: NASHP Hospital Cost Tool

ⁱ Memorial Hospital Belleville and Memorial Hospital Shiloh report in a consolidated manner as "Memorial Hospital."

ⁱⁱ Data for St. Louis Children's Hospital was sourced directly from the Medicare Cost Report, because pediatric hospitals are not available in the NASHP Hospital Cost Tool.

ⁱⁱⁱ The net patient revenue value from 2021 was used for Mercy Hospital Jefferson, because this value was not available for 2022.

^{iv} SSM Cardinal Glennon reports in a consolidated manner with SSM St. Mary's Hospital.

^v South City Hospital closed in 2023.

^{vi} Patient Profit Margin = $\frac{\text{Net Patient Revenue} - \text{Operating Expenses}}{\text{Net Patient Revenue}}$

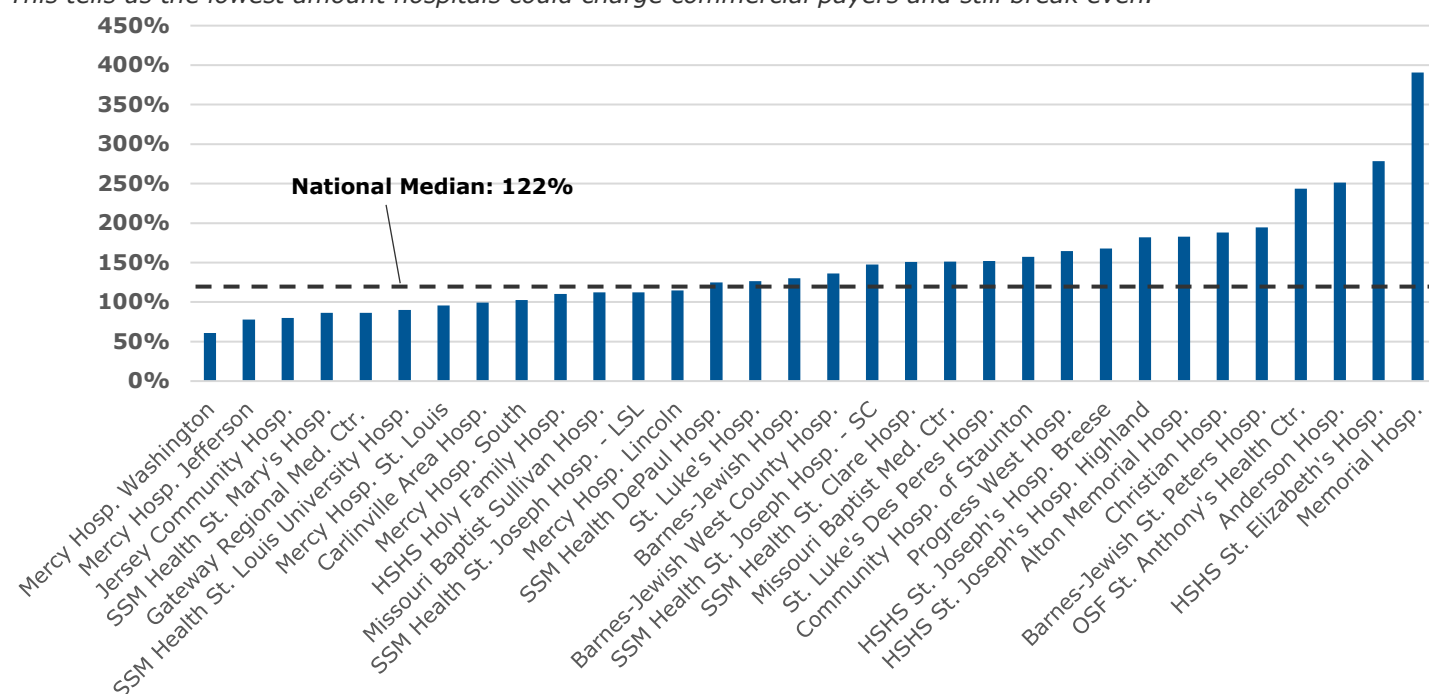
How Much Could Hospitals Charge Commercial Payers to Break Even?

Sourced from the National Academy for State Health Policy (NASHP), a hospital's **commercial breakeven** is the percentage of a hospital's Medicare payment that, if charged to commercial payers, would have resulted in the hospital breaking even **across all payer types** on all inpatient and outpatient services and non-operating expenses. The **commercial breakeven** includes hospital revenue from all sources, including non-operating income.¹⁴ Note that the **commercial breakeven** is expressed as a percentage of that specific hospital's Medicare payment rates, which vary from hospital to hospital, due to a variety of adjustments, such as add-on payments for teaching hospital or critical access hospital status.

A high **commercial breakeven** can indicate inefficiency, adverse payer mix, or both. Other income, such as donations, research funding, investment gains, federal relief payments, or 340B profits will lower the breakeven. Having higher Medicare reimbursement rates also lowers the breakeven.

2022 Commercial Breakeven, as a Percent of Medicare Reimbursement Rates

This tells us the lowest amount hospitals could charge commercial payers and still break even.



Source: NASHP Hospital Cost Tool

Commercial breakeven was not available for Touchette Regional Hospital or St. Louis Children's Hospital.

Two Mercy hospitals, Mercy Hospital Washington and Mercy Hospital Jefferson, had the lowest 2022 **commercial breakevens**, with 61% and 78%, respectively. Memorial Hospital had the highest (390%), followed by HSHS St. Elizabeth's Hospital (278%).

19 of 31 hospitals had **commercial breakevens** above the national median of 122% in 2022.

¹⁴ Understanding NASHP's Hospital Cost Tool: Commercial Breakeven. NASHP. March 28, 2022. Accessed March 15, 2024.

Are Hospitals Charging Commercial Payers a Fair Price?

Commercial price is sourced from the RAND Corporation's *Nationwide Evaluation of Health Care Prices Paid by Private Health Plans*. The RAND 4.0 Commercial Price, shown below, represents the percentage of a hospital's Medicare payment rates that the hospital was reimbursed for inpatient and outpatient services by commercial payers in aggregate from 2018 - 2020.¹⁵ **Commercial price** can be evaluated with two key questions.

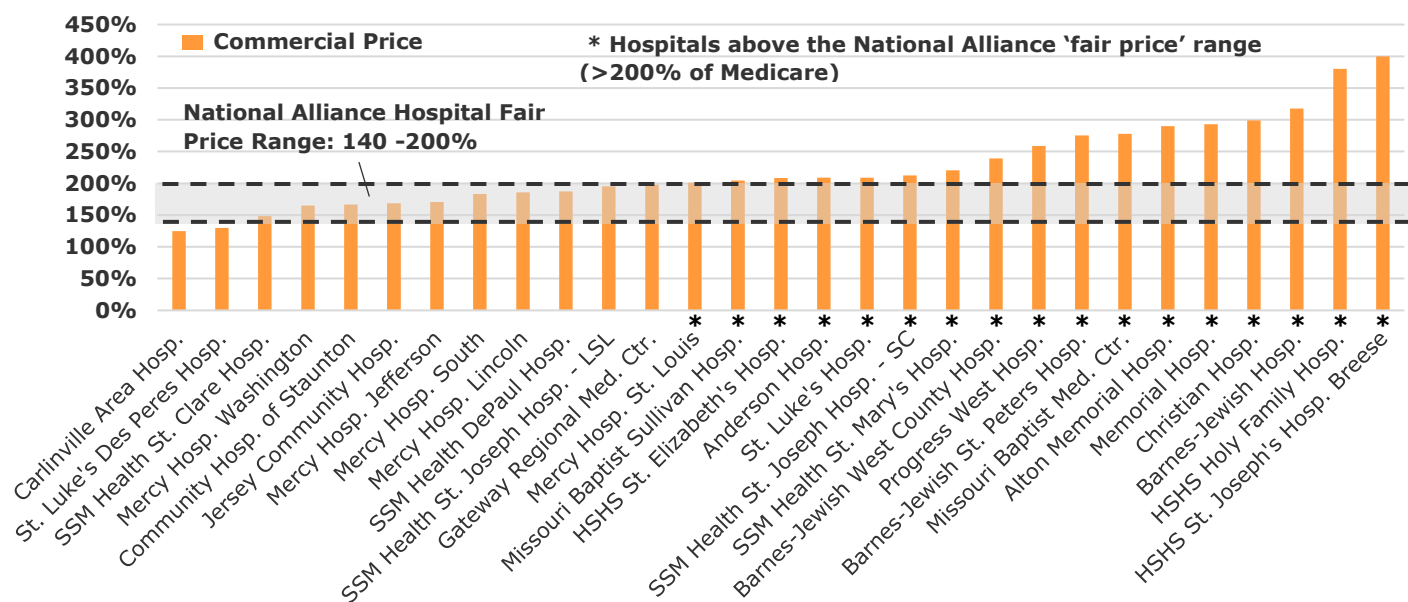
Question 1: Is the **commercial price** within the **"fair price"** range?

The National Alliance of Healthcare Purchaser Coalitions finds that a **"fair price"** for hospital rates for privately insured patients is **140% - 200%** of Medicare rates for the same services, which allows for a "reasonable markup from verifiable costs."¹⁶

A commercial price outside of the fair price range (greater than 200%) can indicate inefficiency, adverse payer mix, or excess profits.

Commercial Price, as a Percent of Medicare Reimbursement Rates

This tells us how much commercial payers actually paid.



Source: NASHP Hospital Cost Tool, The RAND Corporation

Commercial price was not available for HSLS St. Joseph's Hospital Highland, OSF St. Anthony's Medical Center, St. Louis Children's Hospital or SSM St. Louis University Hospital. These hospitals are excluded from the graph above.

The average **commercial price** across St. Louis hospitals, weighted by volume, was 234%. **17 hospitals in the St. Louis area had a commercial price over 200% of Medicare** - denoted in the graph above with an asterisk (*). Commercial payers paid these hospitals over double what Medicare would reimburse these hospitals for the same services and procedures.

¹⁵ Whaley CM, Briscoe B, Kerber R, O'Neill B, Kofner A. Prices Paid to Hospitals by Private Health Plans Findings from Round 4 of an Employer-Led Transparency Initiative. May 17, 2022. Accessed March 15, 2024.

¹⁶ Setting the Record Straight: The Urgency of Achieving Hospital Fair Price. National Alliance of Healthcare Purchaser Coalitions. September 19, 2023. Accessed March 15, 2024.

Commercial Prices Higher Than Needed to Cover Hospital Costs

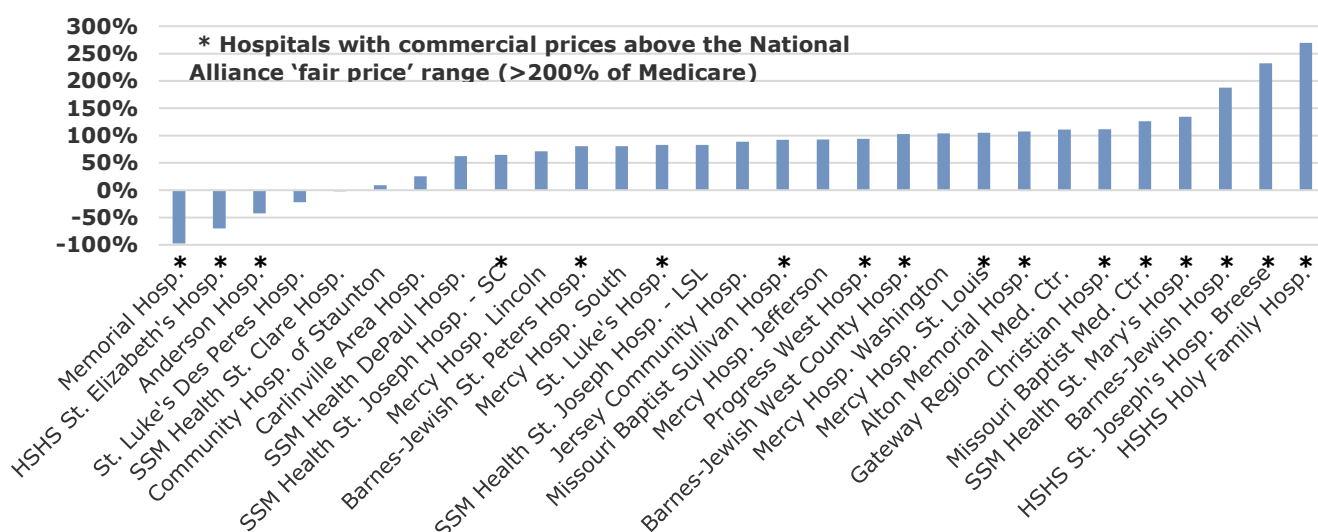
Question 2: How does the **commercial price** compare to the **commercial breakeven**?

If the **commercial price** exceeds the fair price range, is it because the **commercial breakeven** (the lowest price that the hospital could have charged its commercial payers and achieved break-even across all payer types) was also outside of the fair price range? A large difference between **commercial price** and **commercial breakeven** indicates that a hospital could accept lower prices from commercial payers and still cover all of their expenses across all payer types and business lines.

Only 4 hospitals in the St. Louis area had a 2022 **commercial breakeven** higher than 200%, meaning that **most St. Louis hospitals could have covered all 2022 expenses by charging commercial payers less than 200%** of Medicare, including losses on publicly insured patients. **Comparatively, 17 had commercial prices over 200%** of their Medicare rates. This suggests that there are a disproportionate number of hospitals charging higher commercial rates.

Difference Between Commercial Price and 2022 Commercial Breakeven, as a Percent of Medicare Reimbursement Rates

This tells us the difference between the amount commercial payers actually paid hospitals and the amount the hospitals could have charged commercial payers and still broken even.



Source: NASHP Hospital Cost Tool, The RAND Corporation

Commercial breakeven was not available for Touchette Regional Hospital or St. Louis Children's Hospital. Commercial price was not available for HSHS St. Joseph's Hospital Highland, OSF St. Anthony's Medical Center, St. Louis Children's Hospital or SSM St. Louis University Hospital. These hospitals are excluded from the graph above.

Differences between commercial breakeven and commercial price may have been greater in 2022 than depicted because commercial price data is sourced from commercial claims from 2018 – 2022.

Of the 17 hospitals with commercial prices greater than 200%, 9 had a difference between their **commercial price** and their **commercial breakeven** that was **greater than 100%** of their Medicare reimbursement rate.

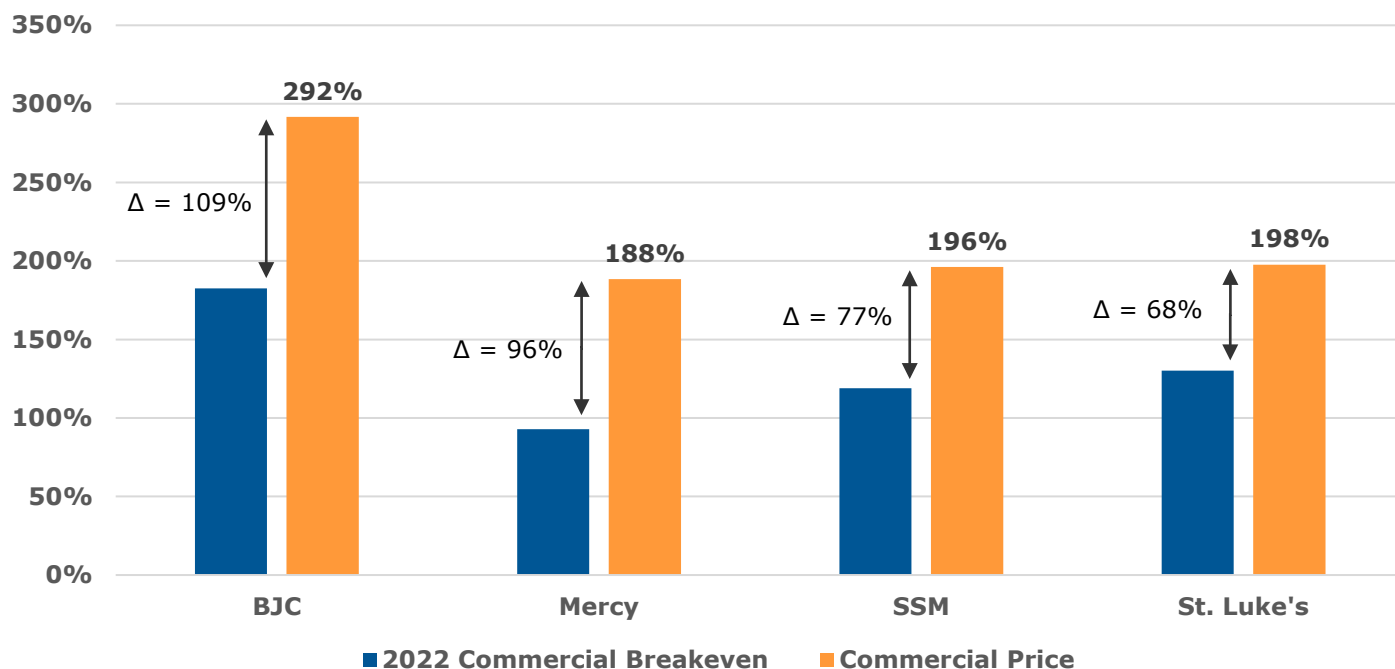
This demonstrates that these hospitals are charging higher rates for care to commercial payers not out of necessity to break even and that these higher rates are resulting in **excess profits**.

The 3 hospitals with the highest commercial prices (1. HSHS St. Joseph's Hospital Breese, 2. HSHS Holy Family Hospital, and 3. Barnes-Jewish Hospital) also had the 3 **highest differences** between their commercial price and commercial breakeven.

Commercial Breakeven and Commercial Price for St. Louis Hospital Systems

2022 Commercial Breakeven & Commercial Price, as a Percent of Medicare Reimbursement Rates

Four Largest St. Louis Hospital Systems



Source: NASHP Hospital Cost Tool

Commercial breakeven is the percentage of a hospital's Medicare payment that, if charged to commercial payers, would have resulted in the hospital breaking even across all payer types on all inpatient and outpatient services and non-operating expenses. The commercial breakeven includes hospital revenue from all sources, including non-operating income. See page 11 for more detail.

System-level values were calculated by averaging across a system's hospitals within the St. Louis area, after weighting by hospital volume (adjusted discharges).

These metrics only include hospitals within the St. Louis Metropolitan Statistical Area (MSA). These hospitals are shown in the table on page 10.

Values for SSM exclude St. Louis University Hospital, which does not have a RAND 4.0 commercial price. Values for BJC exclude St. Louis Children's Hospital, which does not have a commercial breakeven or RAND 4.0 commercial price.

BJC Healthcare had the highest **commercial breakeven** and **commercial price** of the 4 largest St. Louis health systems, along with the largest difference between **commercial price** and **commercial breakeven** at 109 percentage points.

Mercy had the lowest **commercial price** and **commercial breakeven**. SSM and St. Luke's **commercial prices** were within 10 percentage points of Mercy, and all 3 of these systems were under 200% of Medicare reimbursement.

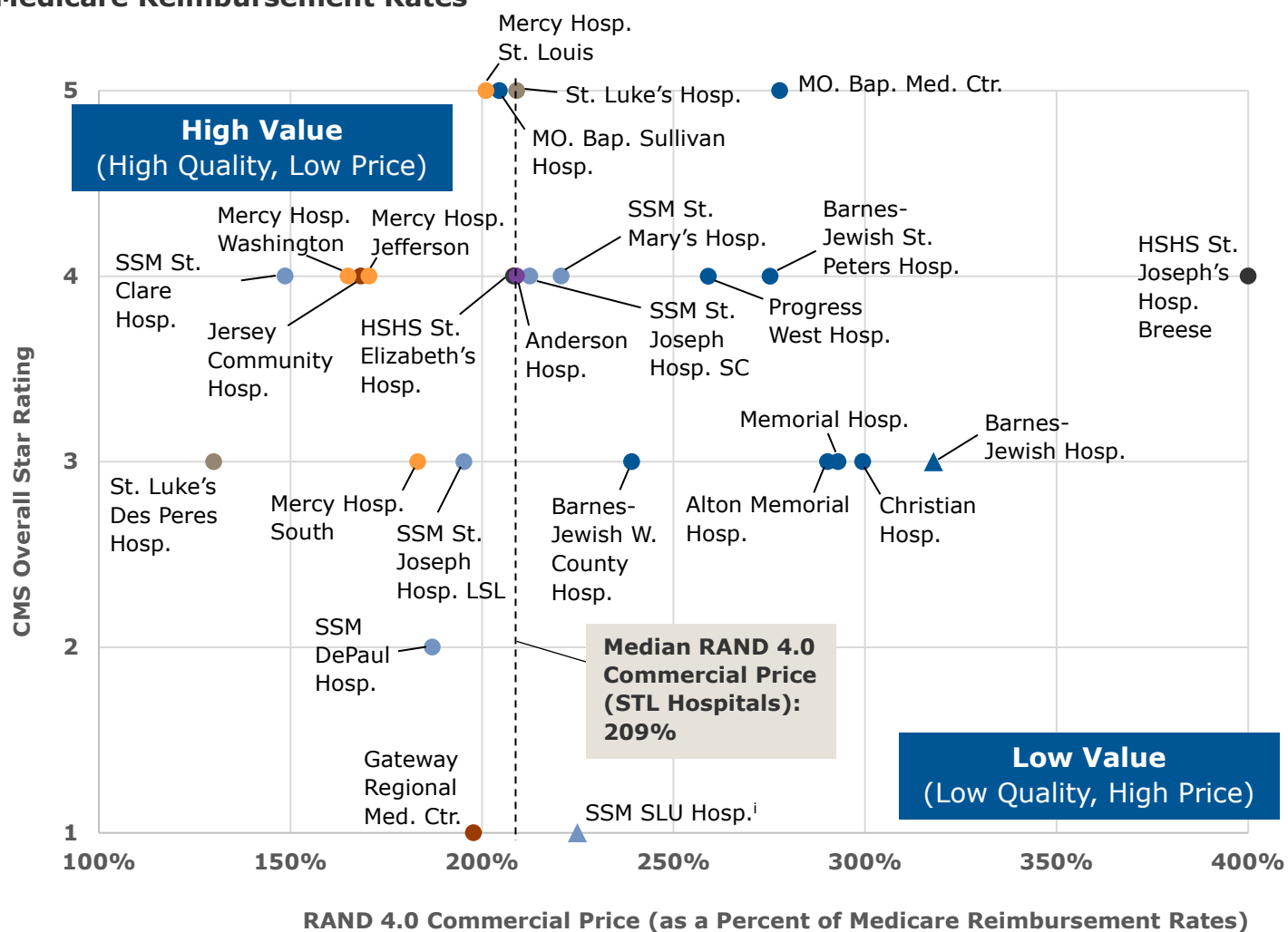
St. Luke's had the lowest difference between **commercial breakeven** and **commercial price** at 68 percentage points.

Value of St. Louis Area Hospitals

Together, quality and price metrics provide insight into hospital value. In the graph below, the x-axis represents **commercial price**, increasing from left to right. The median **commercial price** of St. Louis hospitals was 209% of Medicare, marked with a dashed vertical line. The y-axis represents CMS Overall Star Rating, increasing in quality from bottom to top. Value increases towards the upper left corner of the graph, as price decreases and quality of care increases. Value decreases towards the bottom right corner.

Of the 5-star hospitals, Mercy Hospital St. Louis had the lowest **commercial price**. Missouri Baptist Sullivan and St. Luke's are also 5-star hospitals that are at or below the median **commercial price**.

2023 CMS Overall Star Rating and RAND 4.0 Commercial Price, as a Percent of Medicare Reimbursement Rates



● BJC ● Mercy ● SSM ● St. Luke's ● HSHS ● Anderson ● Non-Merged
▲ Triangles denote academic medical centers.

Source: CMS, NASHP Hospital Cost Tool, the RAND Corporation

ⁱSSM St. Louis University Hospital had no commercial price available in the RAND 4.0 study. RAND 5.0 commercial price was used.

Hospitals without a CMS Overall Star Rating or RAND commercial price are not included in the graph.

About This Report and the BHC

Hospital Industry Overview

Since its inception 40 years ago, BHC's employer members have been concerned about the rampant growth in health care spending and the increasing financialization of health care in our community. The *St. Louis Hospital Industry Overview* has been the St. Louis region's premier source for information on the local health care market. Through this resource about the financial and quality performance of St. Louis area hospitals, BHC seeks to broaden transparency in the health care market, spur competition, and provide information to support all people in the St. Louis region in choosing safe, effective, and affordable health care for themselves, family members, and friends.

Data and Limitations

The information presented in this report is obtained from public data sources based on information reported by the hospitals, themselves, such as Medicare cost reports submitted by hospitals to the Centers for Medicare and Medicaid (CMS) and public quality data from CMS and the Leapfrog Group. BHC has made every effort to provide accurate information. As with any analysis of hospital industry data, a note of caution is recommended. BHC depends upon the accuracy of the data reported by hospitals in their Medicare cost reports and cannot guarantee the complete accuracy and comparability of all data in this report. Changes in previously reported data are based on the most current information available, including Medicare cost report restatements.

Additionally, Medicare cost reports may be submitted for partial or multiple years due to changes in ownership, fiscal year, or status with the Medicare program (initiation or termination). Given the infrequency of partial or multiple year cost reports, there should be minimal effect on aggregate measures, such as St. Louis Hospitals Net Patient Revenue.

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About the BHC

The St. Louis Area Business Health Coalition (BHC) is a nonprofit organization representing nearly 70 leading employers, which provide health benefits to thousands of lives in Missouri and millions nationally. For 42 years, the BHC has worked to achieve its mission of supporting employer efforts to improve the well-being of their employees and enhance the quality and overall value of their investments in health benefits. To accomplish these aims, the BHC centers its work on providing pertinent research, resources, and educational opportunities to help employers understand best practices for the strategic design, and informed use, of benefits to facilitate high-quality, affordable health care.

BHC would like to thank its members for providing the support and thought leadership that enable this important work in creating this resource for our community.

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