

UPDATED KHA CON ANALYSIS

Prepared for KHA by

 **ASCENDIENT**

2023

Study Overview

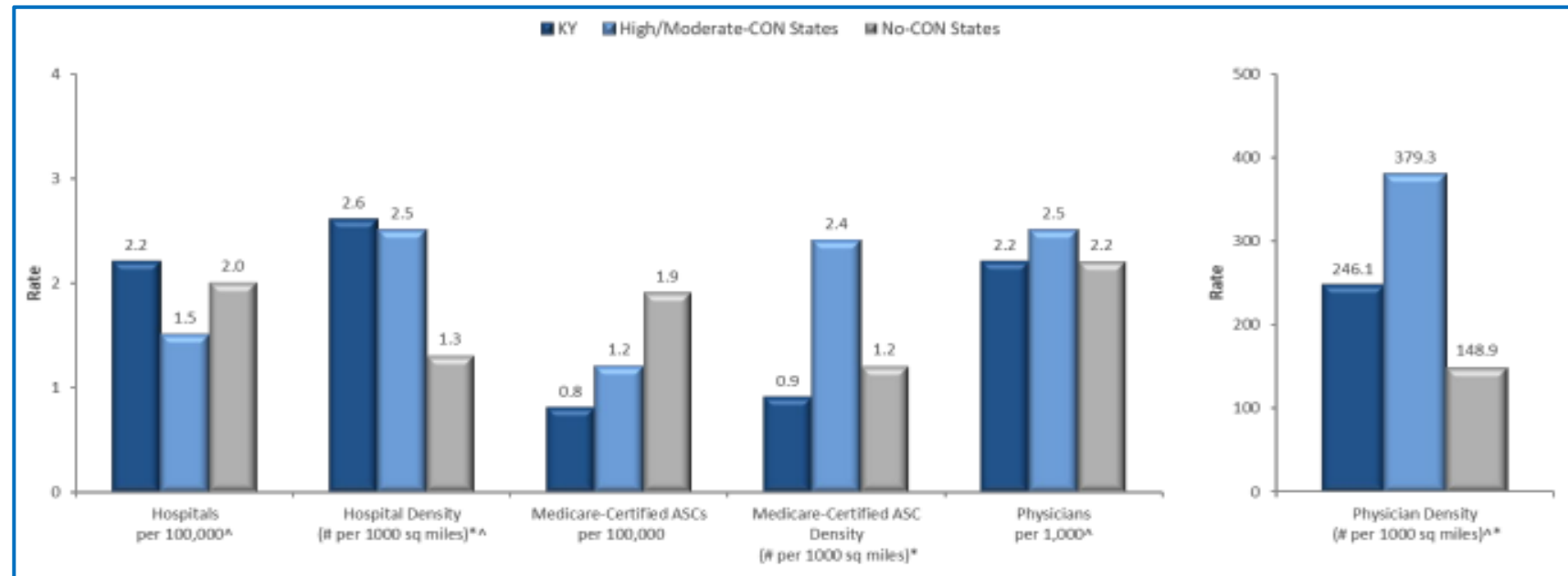
- ▶ **Database of Relevant Metrics compiled to measure:**
 - CON States to No CON States
 - Kentucky to No-CON States
 - Kentucky's Comparable States
 - None of the 16 no-CON states are comparable to KY
- ▶ **Impact of Repeal if Kentucky were to mirror the No CON States**
 - Cost Growth following CON repeal
 - ASC and Hospital Growth following repeal (Case studies)

Same Key Findings as in 2019

- ▶ **Kentucky outperforms No-CON states** on a number of measures:
 - Kentucky has **better access to hospitals and physicians**, and similar access to ASCs, than No CON states
 - Kentucky has **lower prices** – inpatient health care net prices are **10% lower** – than No CON states
 - Kentucky provides considerably **higher value** than No-CON states (as measured by utilization over spending) particularly **given its more vulnerable population**

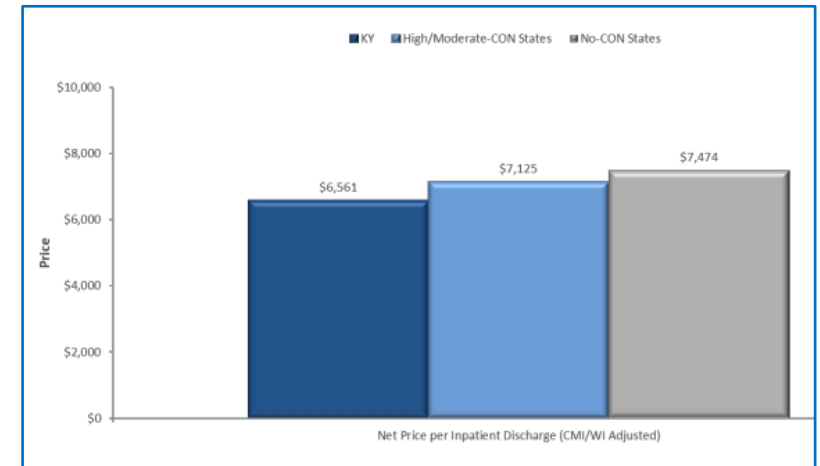
CON Assures Access

- ▶ **High/Moderate CON states have better access than No-CON states based on population density**
 - Kentucky's **hospital density is double** the median of No-CON states
 - Kentucky's **physician density is more than 1 ½ times** the No CON states
 - Kentucky's Medicare certified ASC density is **similar** to No CON states but KY **combined hospital + ASC density is higher** than No CON states (3.5 vs 2.6)



CON Helps Keep Costs Low

- ▶ High/Moderate CON states have **lower hospital prices** than No-CON states
 - **The median net price** (payment) per inpatient discharge (wage and CMI adjusted) in **no-CON states is 5% higher** than in high-moderate CON states
 - **Kentucky's net price per inpatient discharge** is nearly **\$ 1,000 lower** than the median of No- CON states (**>10% lower**) and is the **10th lowest in the US**



CON States Provide Better Value

- ▶ Value = Utilization/Spending (Total Per Capita Spending)
- ▶ High/Moderate CON states provide better value than No-CON states
- ▶ Kentucky provides excellent value because:
 - Our **per capita health spending** is similar to the median of all high/moderate CON states and **only 1% higher than median of No-CON states while serving a sicker population** (measured by higher utilization of inpatient and ED services)
 - *KY inpatient admissions and ED visits/1000 are **39%-49% higher than No CON states***

Kentucky Hospitals Serve a More Vulnerable Population

▶ Kentucky is less healthy

- **Life expectancy is lower** than all NO-CON states (except New Mexico), and **more than 3 years lower than the median** of No CON states
- Kentucky's **state health score is worse** than all No-CON states
 - *There is more than a 15-fold difference between the median state health score of CON versus No CON states, with population health worse in CON states*
- Kentucky's **population is poorer** than all No-CON states, based on median income and percent of population below poverty (Except New Mexico)

Profile of Kentucky, No CON, and Neighboring No-CON States

Measure	Kentucky	Indiana	Ohio	No CON States
Net Price per Inpatient Discharge	\$ 6,561 (10 th Lowest)	\$ 7,847	\$ 7,005	\$ 7,474
% IP Discharges Medicaid	25.1% (9 th Highest)	23.2%	23.5%	21.4%
% IP Discharges Medicare/Medicaid	71.3% (7 th Highest)	69.4%	69.7%	65.4%
Median Household Income	\$ 55,573 (7 th Lowest)	\$ 62,743	\$ 62,262	\$ 67,044
Pop % Below Poverty	16.5% (5 th Highest)	12.2%	13.4%	11.6%
State Health Score	-0.76 (6 th Worst)	-0.27	-0.49	0.03
Life Expectancy	73.5 (5 th Worst)	75	75.3	76.9
% Adults Reporting Fair or Poor Health	22.6% (2 nd Highest)	16.7%	16.8%	13.8%

CON Leads to Urbanization of Healthcare

- Distribution statistics indicate that **when not regulated, healthcare services tend toward urban centers**, reducing access for rural areas.
- If Kentucky's hospitals were distributed in the same patterns as its physicians (which are not regulated), **Kentucky would have only 33 rural hospitals rather than the 78 it has today.**

Case Studies

▶ Georgia – Repealed CON for Single Specialty ASCs in 2008

- Added more than **180 single specialty ASCs** in first year after repeal
- Outpatient surgical volume increased dramatically: **+60% from 2007-2008**
- **Volume shifted out of small rural markets** (-10%) into suburban (+97%) and urban (+>50%)
- Georgia **OP surgical hospital market share dropped 23%** from 69% (2007) to 46% (2014), single specialty ASCs held 41%, and CON approved ASCs dropped 18% to a 13% share
- **7 of 9 hospitals that closed were adjacent to one or more counties with multiple single specialty ASCs**

▶ Pennsylvania – ASC CON Repeal (1996)

- ASCs increased by nearly 200 from 2001-2019, with the **vast majority in rural and suburban counties**
- ASCs provided **60% less care to Medicaid patients** and had a higher % of commercial than PA hospitals
- **KY could experience an increase of 120 ASCs** in rural and suburban counties

▶ Ohio – ASC CON Repeal (1995-1997)

- In first 3 years, **ASCs increased by more than 150**

▶ Ohio – Hospital CON Repeal (1995-1997)

- In first 3 years, Ohio **lost at least 14 hospitals, 15% of its supply**

Impact of CON Repeal

- ▶ **If Kentucky were to mimic the No-CON states:**
 - Kentucky would **lose 10 hospitals**
 - An **ASC would be developed in virtually every Kentucky county**, at the expense of struggling rural hospitals
 - Kentuckians and their payors would **pay \$ 450 million more** per year for inpatient services if KY prices mimicked No CON states
 - Proliferation of unnecessary lower volume facilities (GA) will exacerbate the healthcare workforce crisis

Kentucky Can't Afford to be like No-CON states

- ▶ In each of the case study states, expenditures were growing at a rate below the US average before CON repeal
- ▶ They grew at a higher rate in the years following repeal and OH and PA grew higher than the US average
- ▶ **KY Per capita spending would exceed the US average by 19%**

