



## Healthcare 101: Oklahoma Hospitals

### Hospital Pricing Transparency

The Oklahoma Hospital Association created a user-friendly Web site that allows consumers to view inpatient prices for hospitals in their communities.

- The site, [www.OKHospitalPricing.org](http://www.OKHospitalPricing.org), enables consumers to search a database of hospital prices for most inpatient hospital admissions.
- Consumers can conduct searches for inpatient procedures and diagnoses, such as a C-section or total knee replacement.
- Pricing information for these services is taken from inpatient discharge data reported to and provided by the Oklahoma State Department of Health.
- Users can see the average length of stay and the average and median charges for the service at that hospital.

### The Oklahoma Hospital Association

Established in 1919, the Oklahoma Hospital Association (OHA) is the voice of Oklahoma's hospital industry. The Association is a privately owned, non-profit trade association funded by organizations and individuals who purchase memberships in exchange for services. In addition to hospitals, the Association offers memberships to businesses, agencies and individuals who are interested in networking with those in Oklahoma's health care industry.

Currently, the OHA represents more than 130 hospitals and health care entities across the state of Oklahoma. OHA's primary objective is to promote the welfare of the public by leading and assisting its members in the provision of better health care and services for all people.

### Economic Impact

#### The Health Care Industry in Oklahoma

The health care industry is the second largest employing sector in Oklahoma. It is a major economic engine for Oklahoma and considered key to the state's efforts to recruit and retain new and expanding businesses. The health care industry:

- Provided 198,636 jobs with approximately 141,032 additional jobs created indirectly in other industry sectors according to 2004 data.
- Directly contributed \$6.5 billion to Oklahoma's Gross State Product (GSP) in 2003.
- Directly and indirectly contributed \$11.7 billion to the state's Gross State Product (GSP) in 2003.

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## Types of Hospitals

There are numerous terms that define hospitals, their ownership or control, or the services that they provide. Generally, Oklahoma law defines hospitals under Title 63:1-701. The term “hospital” includes general medical surgical hospitals, specialized hospitals, critical access and emergency hospitals, and birthing centers.

## Hospital Financing

Oklahoma’s 156 hospitals have total annual expenses of \$7.74 billion according to the American Hospital Association’s 2007 Annual Survey. These counts exclude federal hospitals such as Veterans Administration hospitals, Indian Health Service facilities and state-owned facilities such as Griffin Memorial Hospital.

In terms of revenue, most Oklahoma hospitals depend heavily on reimbursement from services provided to Medicare and Medicaid patients. These two programs cover approximately one quarter of the population, but provide close to half of the typical hospital’s revenue.

**Hospitals charge the same prices to all patients.** This is a requirement of the Medicare program. But different payers pay different amounts to hospitals. Government payers usually pay the lowest rates, while private health plans pay rates that are negotiated between the payer and the hospital through contracts.

As an example, Preferred Provider Organizations (PPOs) negotiate payment rates with hospitals and refer to their contracting hospitals as a network. PPO members receive the highest level of benefit from their plan by using a network (contracting) hospital, and typically have higher out-of-pocket costs to use hospitals outside the network.

## Funding Sources – Government payers

Government health programs, such as Medicare, Medicaid, and many government employee benefit plans, set hospital payment amounts through the regulatory process. These payment amounts are non-negotiable.

### Medicare

Established in 1965, Medicare, a federal program, is available to most people beginning at age 65 and to those with end stage renal (kidney) disease or total disability.

Medicare pays predetermined fixed amounts for services, based on the patient’s diagnosis and treatment. This is known as a DRG, which means a diagnostic related group.

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Medicare payments vary between geographic regions to reflect local wage rates. Hospitals in Oklahoma's cities receive higher payment rates from Medicare than rural facilities.

## **Medicaid**

Also established in 1965, Medicaid is jointly funded by the federal and state governments. The program is operated by the states and overseen at the federal level by the Centers for Medicare and Medicaid Services (CMS).

Oklahoma's Medicaid program is known as SoonerCare. The Oklahoma Health Care Authority is the regulatory agency. Medicaid does not provide coverage to all low income people. To qualify for Medicaid coverage persons must meet:

- income eligibility criteria;
- certain categorical criteria such as being aged, blind, and disabled (ABD);
- resource eligibility limits;
- immigration criteria; and
- state residency requirements.

Even the extremely poor do not qualify for Medicaid if they do not fit into one of these categories. Therefore, healthy working age adults without children are never eligible for Medicaid in Oklahoma.

## **Federal Upper Payment Limit (UPL)**

Under federal law, state Medicaid programs are allowed the flexibility to reimburse health care providers up to the reimbursement rate allowed for the same treatment to a Medicare patient. Currently the state funds about one-third of this amount and the federal government matches the amount two to one for funding SoonerCare.

This is critical funding for Oklahoma's hospitals for patient care. Should the state make funding cuts, Oklahoma will lose the corresponding federal match.

## **Uncompensated Care**

Oklahoma hospitals provide more than \$500 million in uncompensated care annually, according to the Uncompensated Care in Oklahoma Hospitals 2006 Report, based on 2005 data.

Uncompensated care includes charity care, Medicaid underpayments, legislated care underpayments and bad debt. These shortfalls must be "cost-shifted" to insurance companies, self-insured businesses and others who pay for health care services.

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## **InsureOklahoma - Public/Private Health Insurance Partnership**

InsureOklahoma is a health coverage subsidy to help small business owners provide health insurance to their low to moderate income employees and employees' spouses. The health coverage plans are commercial insurance plans available in the private market.

- An individual plan is also available for Oklahoma residents between the ages of 19 and 64 whose income meets qualifying guidelines.
- 60 percent or more of the employee's premium cost and 85 percent or more of the premium cost for the employee's spouse.
- Funding for the program comes from Oklahoma's tobacco tax which is the state's share and is matched about \$2 for every \$1 by the federal government.

For more information visit: [www.insureoklahoma.org](http://www.insureoklahoma.org).

## **Indian Health Service**

The Indian Health Service provides health care services to American Indians in federally- and tribally-operated health care facilities. Services Indians cannot receive in Indian hospitals, such as specialty services or emergency services, are sometimes authorized in other hospitals by the IHS.

The IHS has compacted with some tribes to operate health facilities for Indians, including hospitals.

As federal facilities, Indian Health Service hospitals are not subject to regulation by the Oklahoma State Department of Health.

## **Community Benefit**

Contributions made by Oklahoma hospitals to their communities go well beyond providing patient care.

Community benefit is described as programs or services that address community health needs - particularly those of the poor and other underserved groups - and provide measurable improvement in health access, health status and use of health care resources.

As community partners, hospitals possess a social and moral obligation to improve the lives of individuals, thereby enhancing the quality of life for the entire community, 24 hours a day, seven days a week. Hospitals are committed to improving the well being of their communities beyond patient care by:

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- Providing medical, nursing, and allied health education/training
- Offering medical treatment at or below the cost of providing care
- Performing medical research
- Donating funds or services to community organizations
- Serving as community volunteers
- Offering essential health services for citizens which generate a negative profit margin, such as burn centers and trauma centers.

## Quality and Patient Safety

Ensuring quality and patient safety is a never-ending job in a hospital. Hospitals continually strive to raise their quality standards, keep patients safe and improve their efforts.

Hospitals spend significant resources on identifying, implementing and monitoring the quality and safety of care provided to patients. While quality and safety programs are mandated by both state and federal entities, many hospitals also seek accreditation from entities recognized in the health care industry as having developed exceptional standards to which a hospital can be compared.

## Public Reporting - General

To monitor the quality of care in a hospital, Medicare and the state of Oklahoma (through the Oklahoma State Department of Health) require that hospitals report certain aspects of care. This includes whether or not the hospital has followed evidence based standards of care for certain types of patients and the rate at which certain events occur.

### Hospital Advisory Council

In 1999, the Oklahoma Legislature passed HB 1184 which gave the Oklahoma State Department of Health the ability to collect quality and safety data from hospitals. As a result of the legislation, a Hospital Advisory Council was created which continually considers what “hospital indicators” would be of value to the public and should be publicly reported. The Hospital Advisory Council is an advisory council to the State Board of Health. Hospital indicators include the examples of evidence based standards and events that were described in the two previous paragraphs.

### Public Reporting of Quality Measures

In 2004, hospitals nationwide began to report 10 quality measures to a data warehouse that is funded by Medicare. In 2009, hospitals will be reporting 31 inpatient quality measures and seven outpatient quality measures. This data may be viewed by the public on the internet at [www.hospitalcompare.hhs.gov](http://www.hospitalcompare.hhs.gov) or on the Oklahoma Hospital Association sponsored Web site at

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[www.okhospitalquality.org](http://www.okhospitalquality.org). This information is also reported in an Oklahoma Department of Health yearly report. Beginning in 2010, hospitals will be reporting 42 inpatient measures.

## **Resources**

The Centers for Disease Control and Prevention (CDC), in conjunction with the Healthcare Infection Control Practices Advisory Committee has developed extensive guidelines for infection control procedures in hospitals. Through its National Healthcare Surveillance Network, the CDC has also created a database to track hospital-acquired infection rates.

## **Public Reporting of Patient Safety Measures**

In 2005, the Oklahoma Legislature passed HB 2842, the comprehensive Medicaid Reform Act, which required infection rate reporting to be included in the annual quality indicator report.

In July 2008, 50 Oklahoma hospitals began reporting ventilator-associated pneumonia and device-related blood stream infection rates in adult intensive care units to the Oklahoma State Department of Health. These rates will be reported in the Oklahoma State Department of Health annual report. Failure to report this data to the Health Department could affect hospital licensure.

While it is not required, 31 hospitals with adult ICUs have agreed to work on a specific **MRSA** (methicillin resistant staphylococcus aureus) reduction project that will take place in 2009. MRSA is an organism that causes infections and is especially seen in hospitals because it most often attacks ill and vulnerable people.

This project will involve performing surveillance to detect patients with MRSA and implementing cleansing, barrier and isolation techniques to prevent the spread within the hospital.

## **Contact Information**

### **Oklahoma Hospital Association**

(405) 427-9537  
4000 Lincoln Blvd.  
Oklahoma City, OK 73105  
[www.okoha.com](http://www.okoha.com)

Lynne White, Chief Lobbyist  
[lwhite@okoha.com](mailto:lwhite@okoha.com)

For more information about the Oklahoma Hospital Association and the information in this document, contact Marie Hailey at [marie@okoha.com](mailto:marie@okoha.com) or (405) 427-9537.