

# Making Sense of Healthcare Dollars

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American Federation of Teachers

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*A Union of Professionals*

**AFT Nurses and  
Health Professionals** 

# HOW DO WE UNDERSTAND IT?

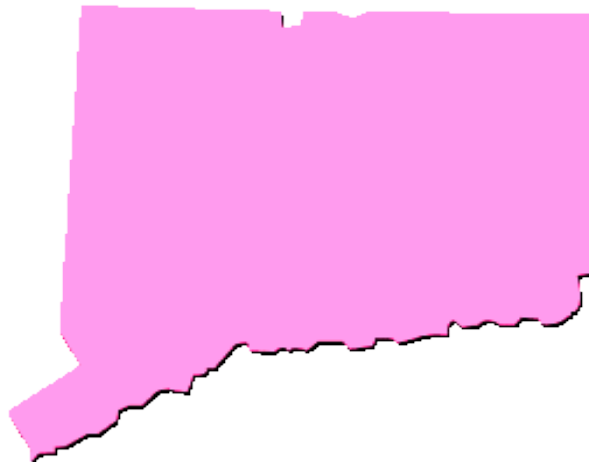


HOW DO WE USE IT?



# AFT Connecticut

- 30,000 members
  - 90 Locals
- Healthcare/Education/State
- 7,000 Healthcare Workers
- 10 Acute care Hospitals



# 5 Campaigns

## 3 Not For Profit Hospitals

- Windham Hospital
- L+M Hospital
- Backus Hospital

# Understanding the Data



# 30,000 Feet

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- **Market consolidation.** In a given service area, a larger percentage of providers are subordinate to the same corporate parent. These arrangements range from direct ownership to looser “affiliations.”
- **Clinical decentralization.** Many services typically performed in the hospital setting are migrating to the outpatient setting located off-site.

# What Is a Blue H?

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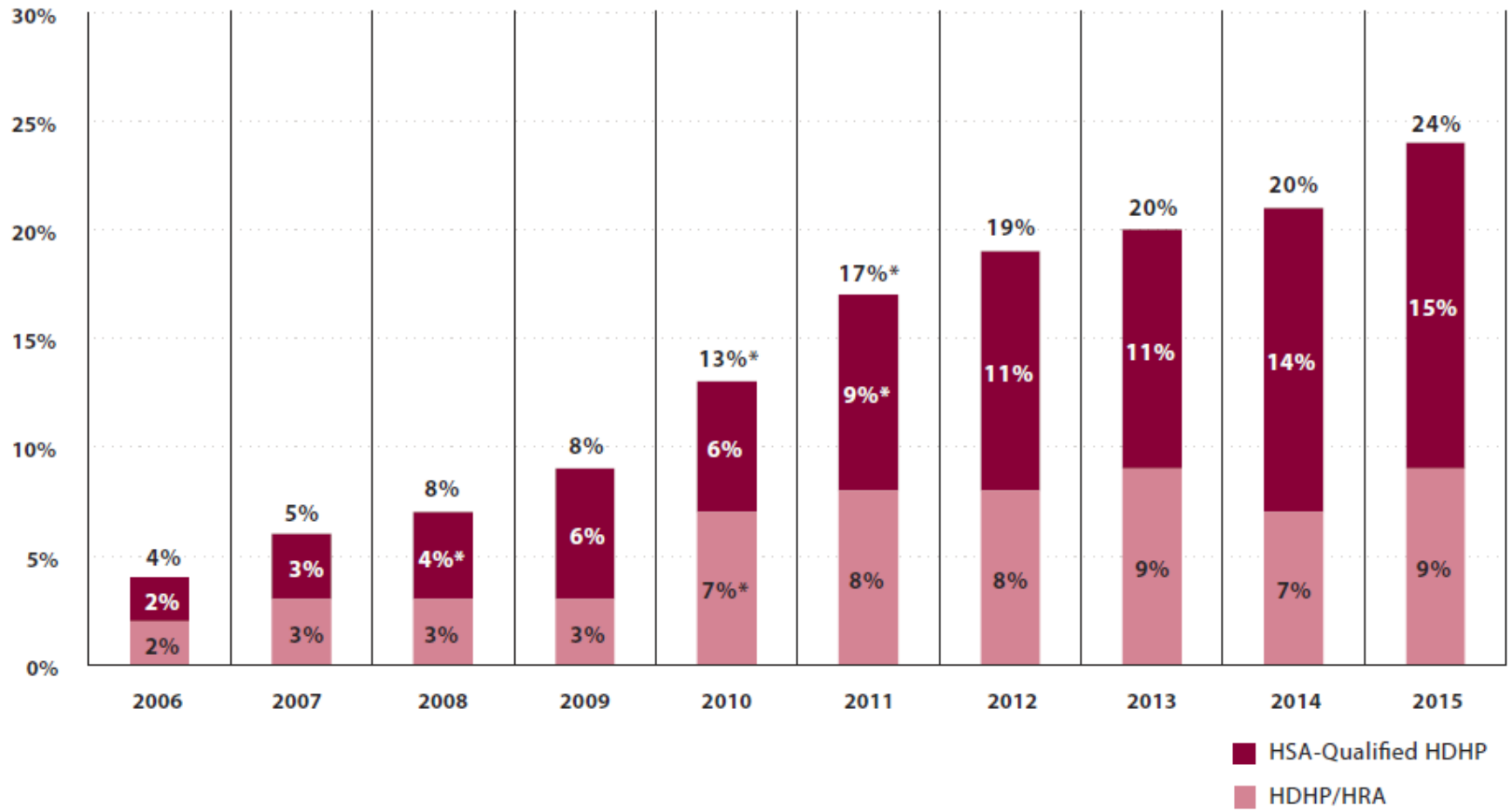


# Assumptions Underlying New Delivery Models

- 1. Consumers are more cost conscious.** High-deductible health plans are becoming the norm. 1 in 4 workers are enrolled in HDHPs, up from 4% in 2006. Consumers increasingly have access to information on price & quality.
- 2. Providers must share in the risks and rewards of cost containment.** Hospitals and health systems are increasingly responding to financial incentives to provide higher quality care at a lower cost.
- 3. Care coordination is critical to patient outcomes.** Providers are looking at new models to provide earlier and more frequent contact with patients.

# High Deductible Plans Becoming the Norm

Percentage of Covered Workers Enrolled in an HDHP/HRA or HSA-Qualified HDHP, 2006-2015

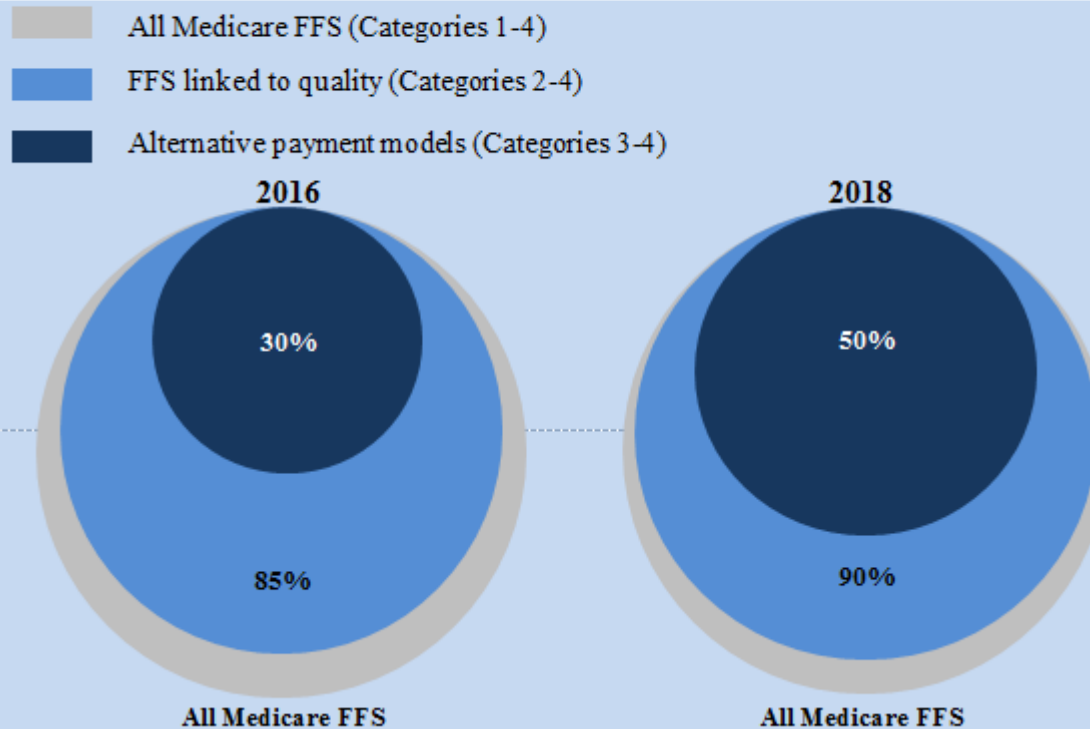


Source: Kaiser

# 50% of Medicare Payments Based on APMS by 2018

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## Target percentage of Medicare FFS payments linked to quality and alternative payment models in 2016 and 2018



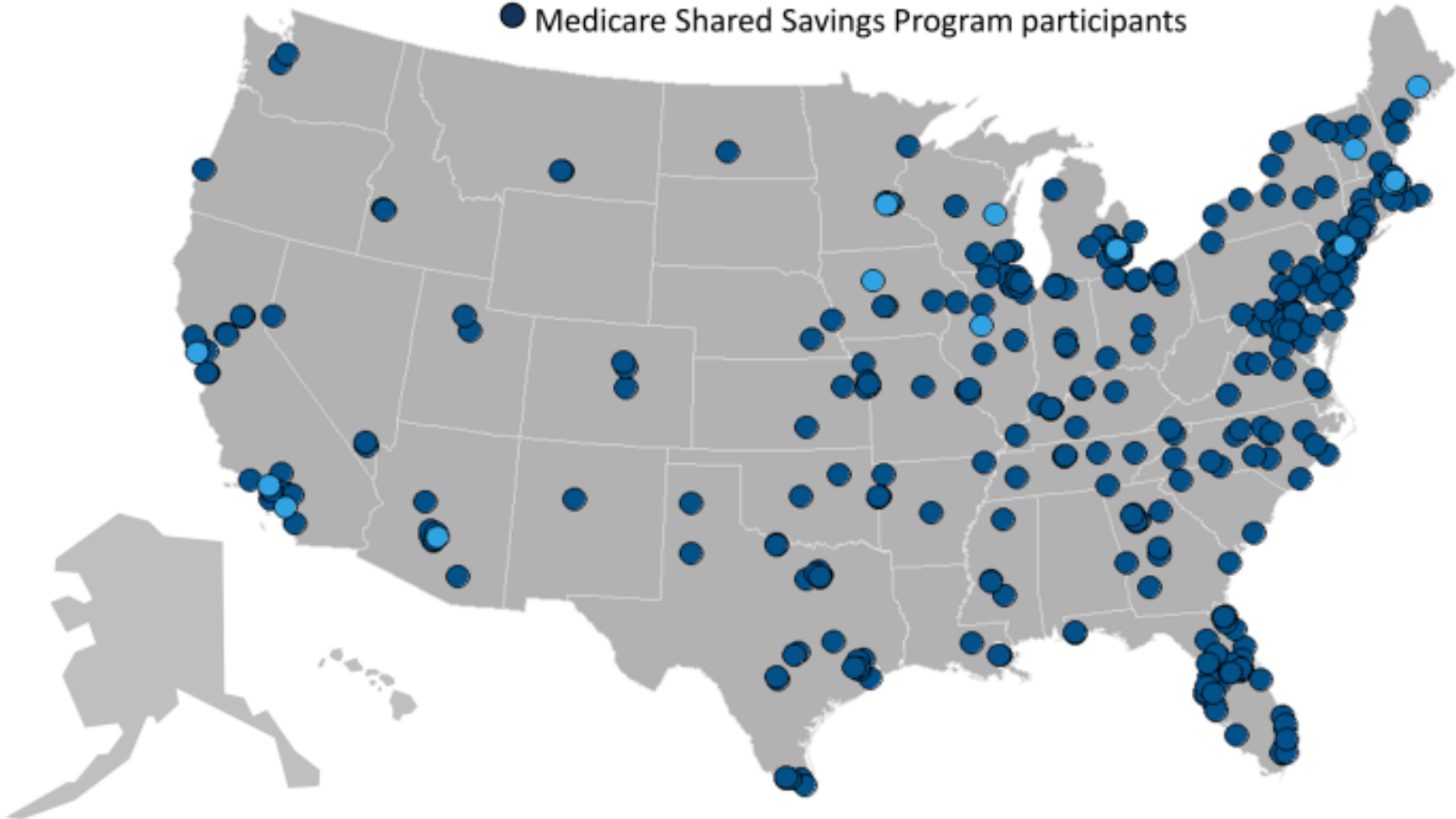
# Example: Accountable Care Organizations (ACO)

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- Created by the Affordable Care Act
- One example of larger trend toward care coordination
- Networks of doctors, hospitals, and other providers who provide coordinated care to Medicare patients, especially those with chronic illnesses
- Providers in a given ACO agree to **risk-based contracts** in which they receive rewards/penalties based on savings generated and health outcomes of Medicare beneficiaries
- Primary care physicians the “linchpin of the program”
- Unlike HMOs, patients can access providers outside of the ACO network

# Accountable Care Organizations (ACOs) in Medicare, 2015

- Pioneer ACO participants
- Medicare Shared Savings Program participants



NOTE: Medicare Shared Savings Programs (MSSPs) include 35 Advanced Payment Model participants. Two MSSP participants in Puerto Rico are not displayed on the map.

SOURCE: Kaiser Family Foundation analysis of data on ACOs, as of March 4, 2015 from Data.CMS.gov.

# Horizontal & Vertical Consolidation

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1. **Horizontal.** Hospitals and hospital chains acquiring other hospitals; physicians practices acquiring other practices; etc.
  2. **Vertical.** Hospitals acquiring (a) physicians practices and (b) offering insurance products.
- **Tension in the ACA between clinical integration and cost containment.** The ACA incents consolidation through risk-sharing contracts and other programs that emphasize care coordination. However, consolidation is associated with higher spending and is at odds with affordability.

# THE WALL STREET JOURNAL.

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<http://www.djreprints.com>.

<http://www.wsj.com/articles/health-care-providers-insurers-supersize-1442850400>

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## Health-Care Providers, Insurers Supersize

Dozens of mergers among hospitals, medical practices are side effect of health-care law

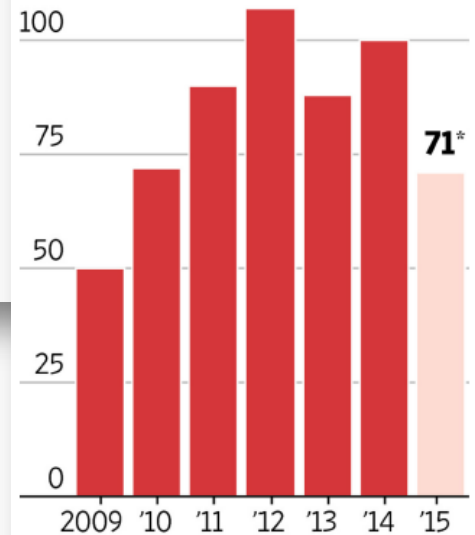
### Hospitals: Bulking Up for Purchasing and Negotiating Power

Moody's (July 2015)

We expect that both for-profit and not-for-profit hospitals will actively look to increase revenue growth by pursuing targets that have faster growth potential than the inpatient acute care business, such as ambulatory surgery and other outpatient services, including imaging and urgent care. They will also

### Healthy Pace

The pace of hospital deals so far this year has been rapid.



\*Through Aug. 31

Source: Irving Levin Associates

# Consolidation doesn't lower operating costs.

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*Empirical Research*

## **Is the System Really the Solution? Operating Costs in Hospital Systems**

Medical Care Research and Review  
2015, Vol. 72(3) 247–272

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### **Conclusions**

One major finding is that membership in hospital systems is not associated with lower operating costs. A second major finding is that the lack of system effects has been fairly stable over time. Despite changes in information technology and vertical inte-

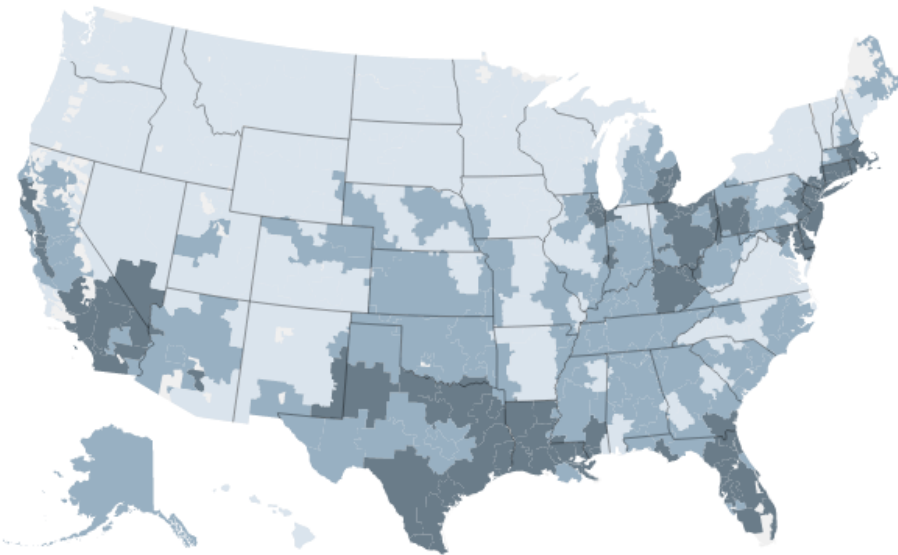


# Medicare and Commercial Spending Have Different Causes

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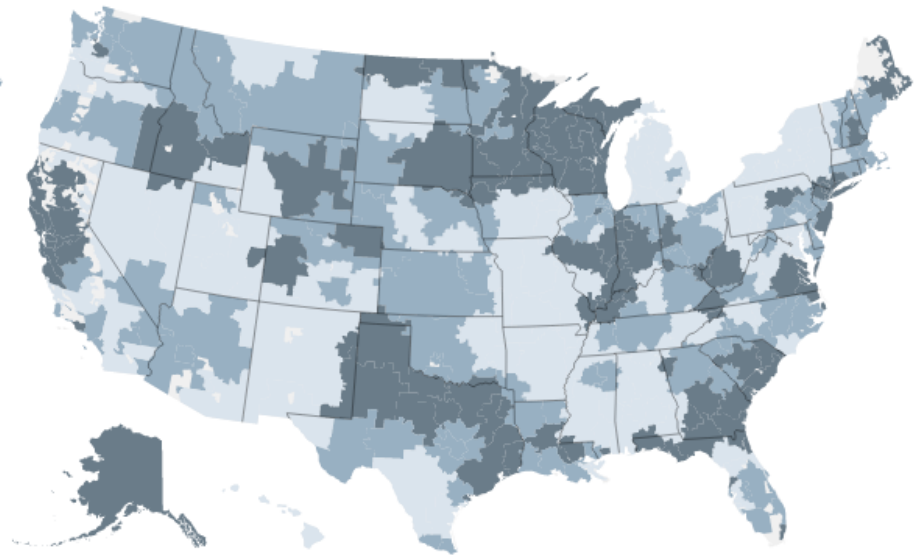
**These maps look nothing alike.** Their big differences are forcing health experts to rethink what they know about health costs in Washington and across the country.

**Medicare** spending per capita

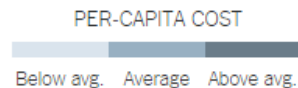


A lot of what we know about health care costs comes from Medicare data.

**Private insurance** spending per capita

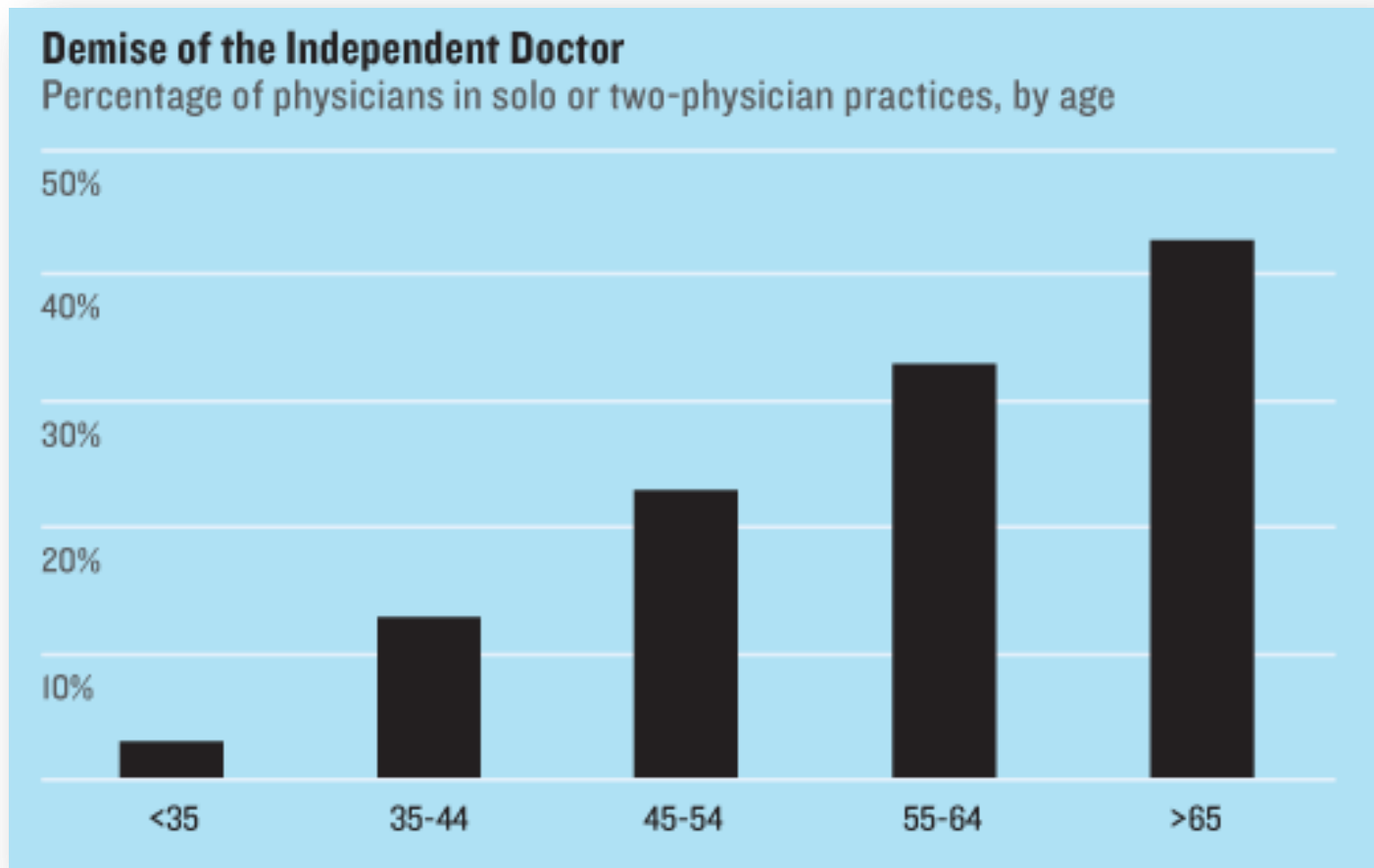


But a new study suggests that places spending less on Medicare do not necessarily spend less on health care over all.



“The Experts Were Wrong About the Best Places for Better and Cheaper Health Care.” *New York Times*, 12/15/15.

# Younger Physicians More Likely To Be Employees



Source: MIT Technology Review, 2012

# Vertical Integration: Access to Patients & Higher Prices

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## The Effect of Hospital/Physician Integration on Hospital Choice

Laurence C. Baker, M. Kate Bundorf, Daniel P. Kessler

**NBER Working Paper No. 21497**

**Issued in August 2015**

**NBER Program(s): HC**

In this paper, we estimate how hospital ownership of physicians' practices affects their patients' hospital choices. We match data on the hospital admissions of Medicare beneficiaries, including the identity of their admitting physician, with data on the identity of the owner of the admitting physician's practice. We find that a hospital's ownership of an admitting physician's practice dramatically increases the probability that the physician's patients will choose the owning hospital. We also find that patients are more likely to choose a high-cost, low-quality hospital when their admitting physician's practice is owned by that hospital.

By Laurence C. Baker, M. Kate Bundorf, and Daniel P. Kessler

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## Vertical Integration: Hospital Ownership Of Physician Practices Is Associated With Higher Prices And Spending

# New Care Settings for New Care Workers

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- Shift to ambulatory setting, “bring care to the patient”
  - Urgent care centers, community wellness programs, school-based clinics, retail clinics, and telemedicine/e-visits
- More care coordination across the continuum
  - Workers increasingly expected to work “at the top of their license, education, and experience” to take on a greater range of responsibilities
  - New job categories oriented toward “concierge services” like navigators, care coordinators, and community health workers
  - Greater emphasis on “soft skills” to engage patients on care, cost, and quality as information becomes more accessible

## Surge in Urgent Care

Rising demand for high-quality, noncritical care is fueling growth of urgent-care centers. Forecasts are for numbers to grow further as the population ages and more people have health insurance.



Source: WSJ, "Traditional Providers Get Into the Urgent-Care Game", 3/20/16.

# What Administrators Are Thinking

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University of California  
San Francisco

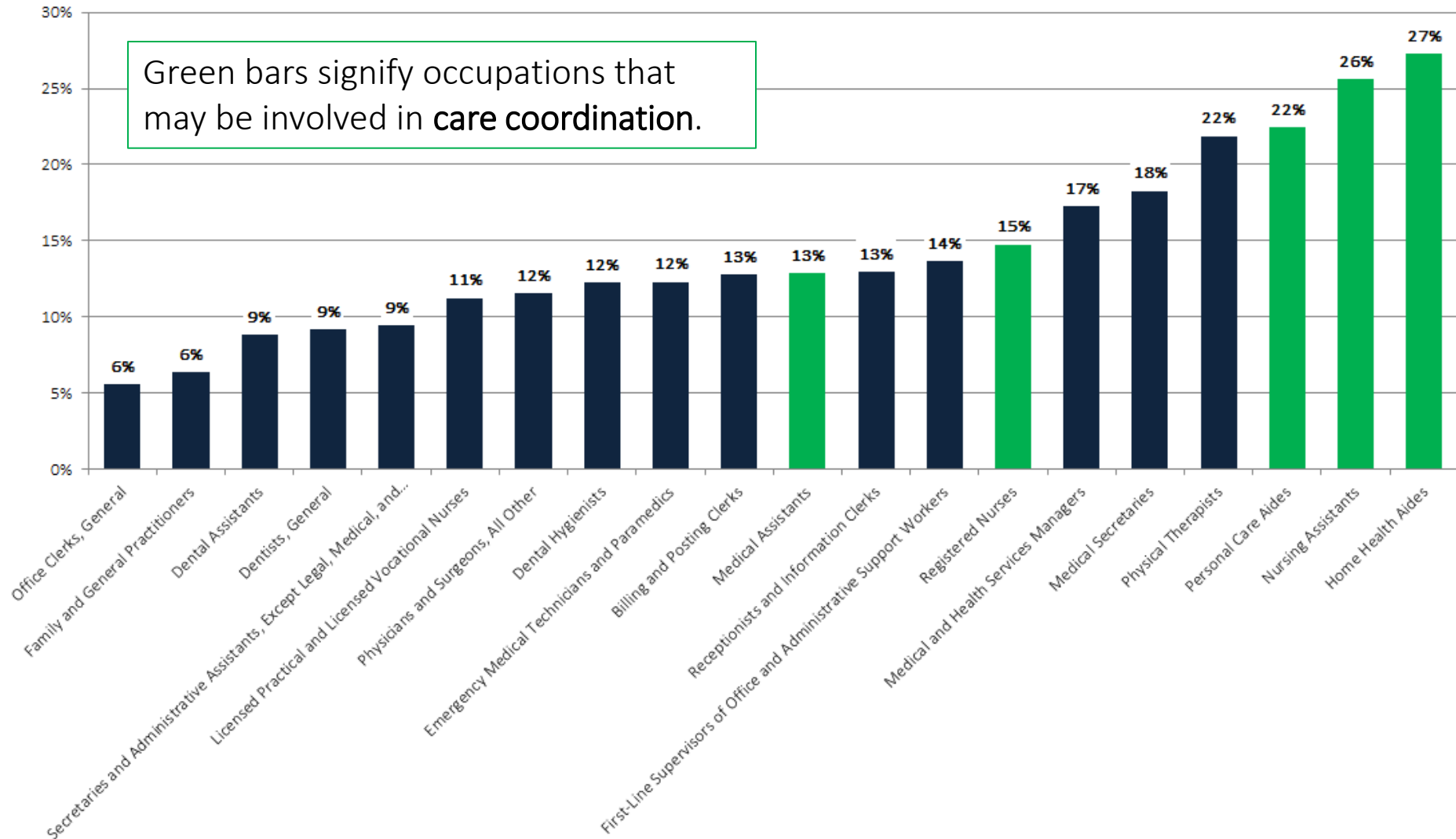


Many of the leaders we interviewed felt that the current education system produces graduates with **strong technical skills**, but is not designed to produce the skills and knowledge needed of health care workers as these new trends gain momentum. New graduates tend to **lack overall knowledge of how the health care system is organized and operates**, and many need more focused attention on **soft-skills** such as interpersonal communication, how to work in teams, how to adapt quickly to changes in the environment, and greater critical thinking skills. In addition, many health care workers, especially **nurses are trained largely in inpatient settings and are not prepared to work in ambulatory care settings**. Education programs that are

Source: UCS "Impact of the 2010 Affordable Care Act on the California Health Care Labor Force", 11/16/15.

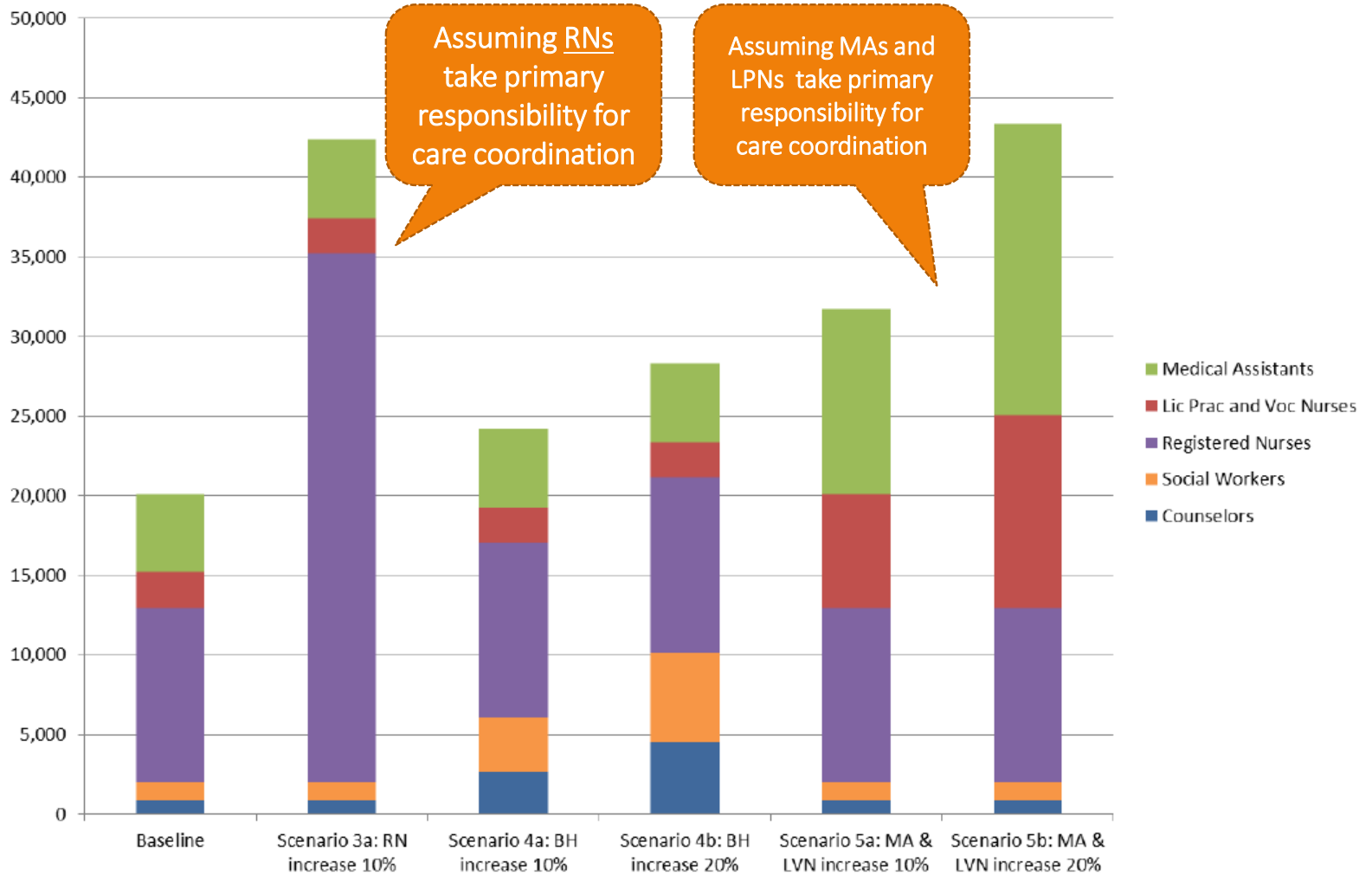
# Fastest Growing Ambulatory Occupations (>75k)

Ambulatory Healthcare Services: Percent Growth in Number Employed, 2010-15



# Growth Depends on Who's Doing the Coordinating

**Changes in Employment of Selected Occupations**  
**Scenarios 3-5: Care coordination**





# Questions Raised by New Delivery Models

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- **Scope of the bargaining unit**

- A unionized employer may provide direction to employees of a nonunion ACO partner. Does that make the nonunion partner's employees part of the unit?
- If the hospital and the ACO have employees who do similar work, and the hospital sends patients to the ACO partner, is that contracting out of unit work?

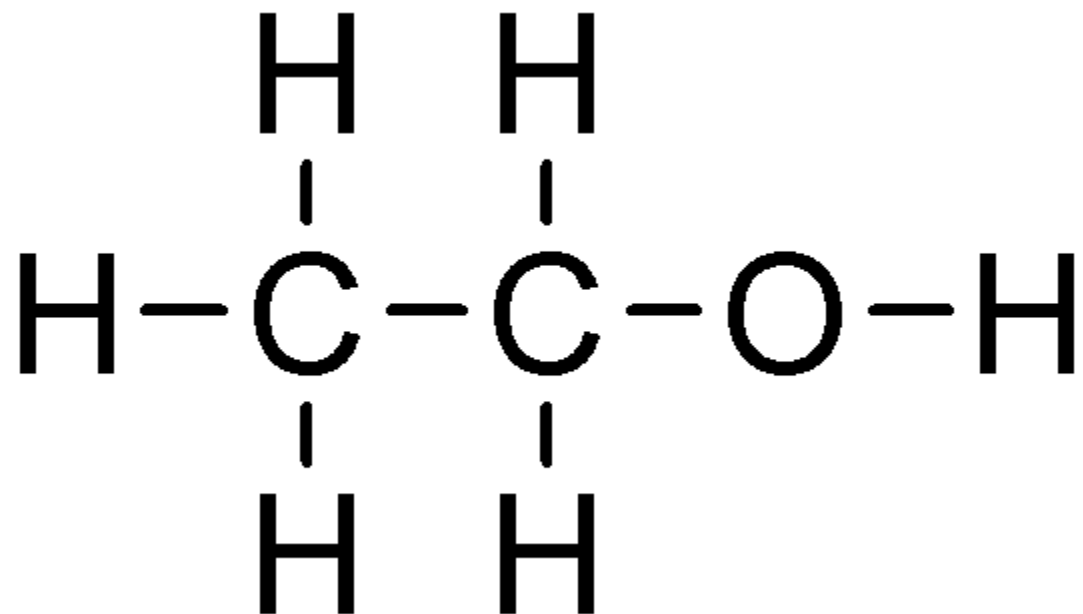
- **“Bread and butter”**

- The hospital may change job descriptions to add more flexibility. Is that a negotiable change in working conditions?
- The employer may want to move away from traditional compensation structures to a pay-for-performance model linked to patient satisfaction or some other metric. When, if at all, is this acceptable?

# The Boundaryless Hospital

1. **Creation of new positions** oriented toward (a) care coordination and (b) patient navigation. Still unclear which occupations will take on these responsibilities. Opportunity to bargain for workforce training & development funds.
2. **Services migrating to the ambulatory setting.** Not always clear when such arrangements constitute “subcontracting” of bargaining unit work.
3. **Transfer of ownership/control** as hospitals and other facilities consolidate into larger systems through mergers, acquisitions, and other nebulous “affiliations.”
4. **Greater emphasis on community health** as hospitals increasingly held accountable for the health of the surrounding community. Opportunities to negotiate for innovative “bargaining for the common good” proposals like payments in lieu of taxation (PILOT) funds to support community health partnerships.

Turning Knowledge into .....



# Action



# Windham Hospital reduction of services

- Willimantic, CT
- 800 members in 2 locals
- Taken over by Hartford Hospital in 2009
- 2015-16 Closing of ICU

# Windham Hospital

- Acquired by Hartford Healthcare 6 years ago
- Marginally profitable
- 6 years of increased transfers to Hartford leading to decreased volume and losses
- Increased reimbursement rates at Hartford Hospital
- July 2015 announced closing of ICU
- 6 area legislators call for press conference leading to 2 community forums and a coalition of legislators/union/community groups

# Windham Forum



# “Don’t be the next Windham”

- Unsuccessful in stopping ICU closure
- Bills on tighter Certificate of Need process, cap on hospital Executive compensation
- New Commissioner of DPH
- Executive Order placing hold on mergers and forming of an advisory committee
- Coalitions



# L+M Hospital

- New London, CT
- 1600 members in 3 locals
- 2013 4 day ULP strike/17 day illegal lockout
- 2016 attempted takeover by Yale Hospital

# L+M Strike/Lockout

- 2013- 4 day ULP strike/17 day illegal lockout
- Excessive Executive compensation
- Cayman Island account
- 2<sup>nd</sup> most profitable hospital in Connecticut

# 2013 L+M strike/lockout

- Corporate campaign “I am L+M” based on profitability of the hospital, CEO pay, Cayman Island accounts
- Picket line with strong Labor+community support
- Commercials on social media and cable TV
- Cable TV appearances
- Community outreach

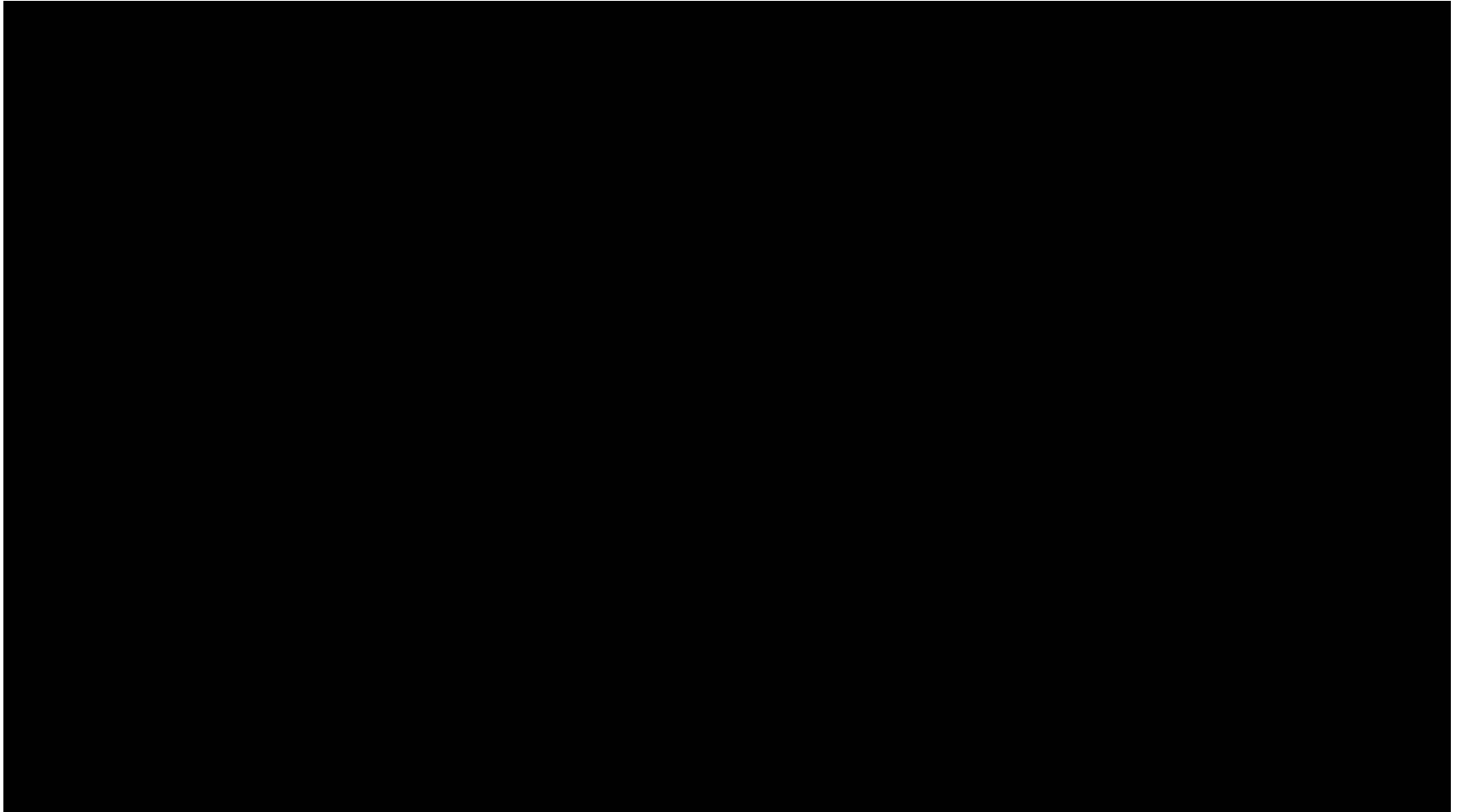
I am L+M



# L+M 2016 Yale takeover

- 3 contracts up for negotiations
- Coalition of community and Labor
- Community forums
- High Yale foreclosure rates and DRGs
- Fear of transfers from New London to New Haven

# Yale/L+M Community Forum



# L+M Contract

- 3 new contracts
- 2%, 2%, 2%
- Hard dollar freeze on healthcare
- Maintains Pension
- Subcontracting protection
- DRG protection
- Minimum pay of \$12.10/hr
- Free to speak out on merger in CON process

# Backus Hospital

- Norwich, CT
- 370 Registered Nurses organized in 2011
- Taken over by Hartford Hospital in 2013
- Organizing Campaign
- First Contract Campaign
- Second Contract Campaign



# Backus info

- Most profitable hospital in Connecticut
- Salary and Bonuses of executives
- Land acquisition
- Money spent on consultants
- Overfunding of self insured medical plan

# Backus 2011 Organizing/First Contract Campaign

- Executive Salaries
- Increase of \$11 million on consultants
- Jackson-Lewis (union busting firm)
- Informational picket and rally
- “they’re spending \$11 million to keep their own nurses from having a voice”
- “Where’s my bonus” when the hospital gave the usual year end bonus, but not to the nurses

**Where's**  
**MY**  
**Bonus?**



BACKUS NURSES UNITED

AFT Connecticut



# Grinch of the Year

# Finally

- Hard fought organizing campaign
- 18 months of negotiations for 1<sup>st</sup> contract
- Corporate campaign, pickets, rallies, buttons, job actions, ULPs, commercials

# Silver Bullet



# Land Deals

(or)

(they're so greedy they can't help themselves)



# Backus Hospital 2015 contract

- 2<sup>nd</sup> contract
- First contract took 16 months
- Over estimating costs of self insured health insurance plan
- Mobilized members on this issue and obtained a reasonable deal on health insurance



# Self insured Health Plans

- Cost per member **\$20,000**
- Cost for 400 members **\$8,000,000**
- % per contract **20%**
- Members share **\$1,600,000**

# Overestimating Cost

- Cost per member                      \$20,000              **\$30,000**
- Cost/400 members    \$8,000,000
- % per contract                      20%
- Members share                      \$1,600,000

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- % per contract    20%
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# Overestimating Cost

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- Cost/400 members    \$8,000,000    \$12,000,000
- % per contract    20%
- Members share                      \$1,600,000      \$2,400,000
  
- Stolen from members                      **\$800,000/year**

# Conclusion

- Financial research is an important part of any corporate campaign
- Ask for help early!!!!
- AFT Strategic Initiative Dept. should be an integral part of the campaign
- Collective Bargaining without Collective Action is ineffective
- Don't wait for the silver Bullet
- Because it may not exist and is as elusive as a.....



# Thank you!

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