

# Hospital Budgets and Insurance Premium Rates

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Ruth Greene and Sara Teachout

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# Key Points

- Higher than budgeted revenue from commercial patients means commercial premiums were not adequate to cover projected hospital medical costs
- Unit costs and patient utilization combined equal total hospital medical revenue
- Unit price adjustments made sooner will have a larger impact on hospital medical spending

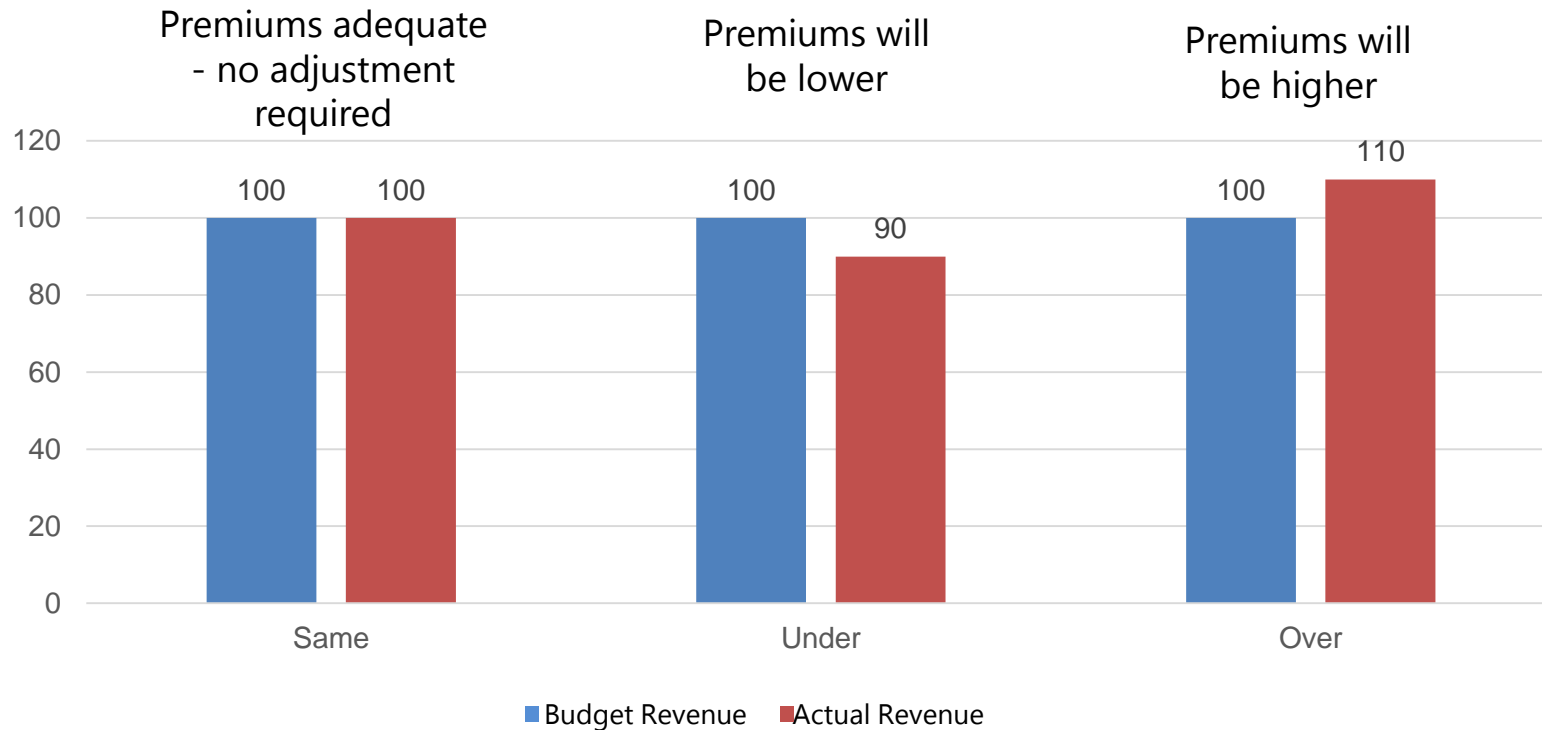
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# Hypothetical Budget Scenarios



Assumptions for simplicity:

- One insurer and one hospital; premiums and budgets match
- Commercial portion of budget only
- Hospital medical spending portion of premium

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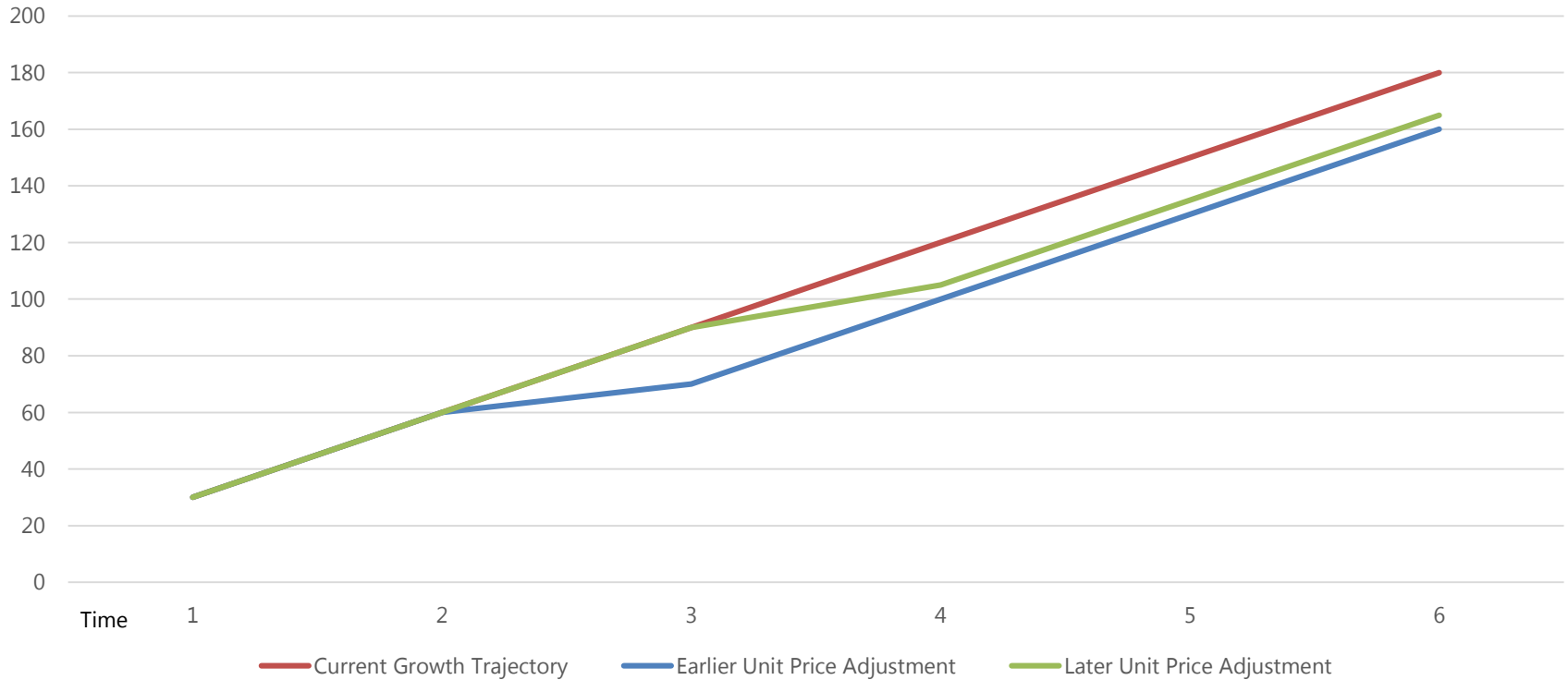
# Hospital Medical Revenue (commercial portion)

	Unit Price	Utilization	Total Revenue
Current	\$100	50	\$5,000
Budget = Premiums	+1.0%	+0.0%	+1.0%
	\$101	50	\$5,050
Actual = Premiums Increase	+1.0%	+2.0%	+3.0%
	\$101	51	\$5,151
Adjust Unit Price to Match Premiums	-1%	Actual Utilization	
	\$99	51	\$5,050

# Timing of Adjustments

Medical  
Cost/Revenue

Medical Cost/Revenue Growth



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