

Contact: Andrea Anania

UI HEALTH CARE PROPOSED RATE INCREASE FOR FY 2025

Action Requested: Recommend the Board approve 6% rate increase for FY 2025.

Executive Summary: The Board, as Trustees, is requested to approve a 6% chargemaster rate increase for the University of Iowa Health Care's clinical enterprise effective July 1, 2024.

Background: To determine the annual proposed increase in gross charges, UI Health Care conducts a detailed review of all charge items. Internal costs and external benchmarks are used in charge rate setting.

UI Health Care charges have some impact on some prospective contractual rates set by payers. They also directly impact current reimbursement for payers who use percent of charge as part of their payment structure. Charge rates can impact overall payer methodology or may just affect certain contract carve-outs and outlier payments.

UI Health Care reports that determining the overall proposed chargemaster increase is directly driven by two factors:

- ▶ The first factor is a comparison of UI Health Care's charge levels relative to peers. UI Health Care charges are relatively low as compared to peer academic institutions.
- ▶ The second factor is limits on charge increases in UI Health Care's payer contracts. Many commercial payers limit annual facility charge increases to no more than 6%. Given UI Health Care's low charge levels, it would be reasonable to increase charges more than 6%. However, given the cap on charge increases in many of its contracts, it is most prudent to cap the increase proposal to 6%.

This is the same rate of increase the Board has approved for several prior years.