

# Diamond State Hospital Cost Review Board Meeting

Herman Holloway Health and Social Services Campus  
The Chapel  
1901 North DuPont Highway  
New Castle, Delaware 19720

March 10, 2026



# Agenda

- I: Welcome/Call to Order
- II: Review/Approval of February 10 Meeting Minutes
- III: Discussion of Administrative Regulation and Data Collection
- IV. Resolution regarding submission of hospital audits
- V: Discussion of public posting of materials submitted to the board.
- VI: Public Comment
- VII: Closing Remarks
- VIII: Adjourn





# Welcome/Call to Order

David Singleton, Chair



# Discussion of Administrative Regulation and Data Collection

Freedman



# Discussion of Administrative Regulation and Data Collection:

## Threshold Questions and Uniform Reporting Manual

Diamond State Hospital Cost Review Board  
March 10, 2026



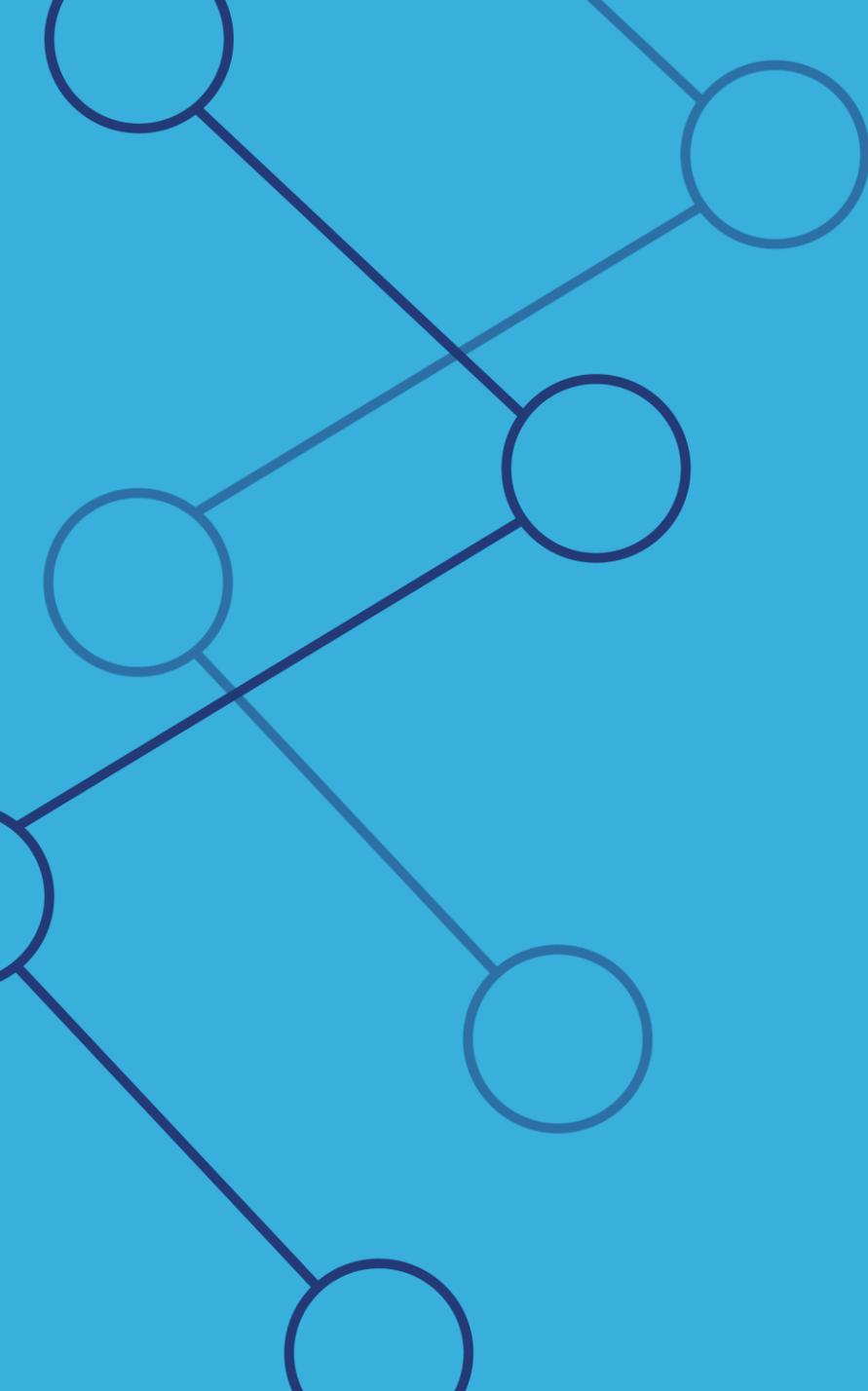
# Background

## **Phase 1: Administrative Regulation (\*we are here)**

- Communicate standards for review
- Focus on key financial and performance indicators

## **Phase 2**

- Meaningful cost containment arrangements
- Benchmark compliance plan parameters



01. **Threshold Topics** | Application of Health Care Spending Benchmark
02. **Threshold Topics** | Defining the Health Care Spending Benchmark for Hospitals
03. **Threshold Topics** | Review of Hospital Financial Information; What Constitutes Hospital Cost?
04. **Uniform Reporting Manual** | Categories for Proposed Data Collection
05. **Proposed Schedule for Submission and Review**



# 01.-03. Threshold Topics

# 01. Application of Health Care Spending Benchmark: Background

## **SB 213 of 2026**

Anchors Board's retrospective review of hospital financial information with the central question of whether the hospital adhered to the *health care spending benchmark*.

### **Health Care Spending Benchmark Performance in Narrative**

Offers that the Board can require hospitals to submit narrative information describing actions the hospital has taken and will take in the coming year to adhere to the health care spending benchmark.

### **Health Care Spending Benchmark Performance: Findings of Fact**

Offers that the Board issue written findings of fact and determinations on whether a hospital has satisfied the State's health care spending policy directives, including, as applicable, the health care spending benchmark and the annual rate filing cost containment requirements.

### **Benchmark Compliance Plan**

The law provides for the Board to promulgate additional regulations and written guidance about the benchmark compliance plan process, in the event that the Board finds a hospital has exceeded the spending benchmark.

# 01. Application of Health Care Spending Benchmark: Background

The Board is obligated to conduct its review of financial information within the boundaries of the Administrative Regulation.

The Administrative Regulation must communicate the parameters of review, submission schedule, and Uniform Reporting Manual.

Explanation within the Regulation of how the hospitals will be evaluated against the Health Care Spending Benchmark is necessary for a transparent, successful process.

**Recommendation: Define the Application of the Health Care Spending Benchmark in Administrative Regulation.**

## 02. Defining the Health Care Spending Benchmark for Hospitals

**Purpose:** The benchmark is not a predictor of health care spending, but instead, a target rate of change that supports overall economic growth and development in the State

**Methodology:** The **Total Health Care Expenditure** (THCE) is a spending benchmark is a target value for the change from the prior calendar year (CY) in State-level per capita total health care expenditures for Delaware residents.

**Timing:** Data are submitted in the fall of the year following the CY (e.g., CY2025 data are due in September of 2026) with results targeted for release within the first quarter of the subsequent year (e.g., Q1 2027 for CY2025).

**Question:** How closely does the Board want to mimic the THCE for determining hospital compliance?

### **Recommendations:**

- Request access to more granular THCE data.
- Investigate current patterns for spending at out-of-state hospitals.

# 02. Total Health Care Expenditure Benchmark

## Total Health Care Expenditures (THCE)

Total Medical Expense (TME)

Net Cost of Private Health Insurance (NCPI)

Claims

Non-Claims

Hospital

Professional

Long-Term Care

Rx Prescription

Rx Medical

Capitation

Provider payments

Other

IP

OP

PC

Specialty

Other

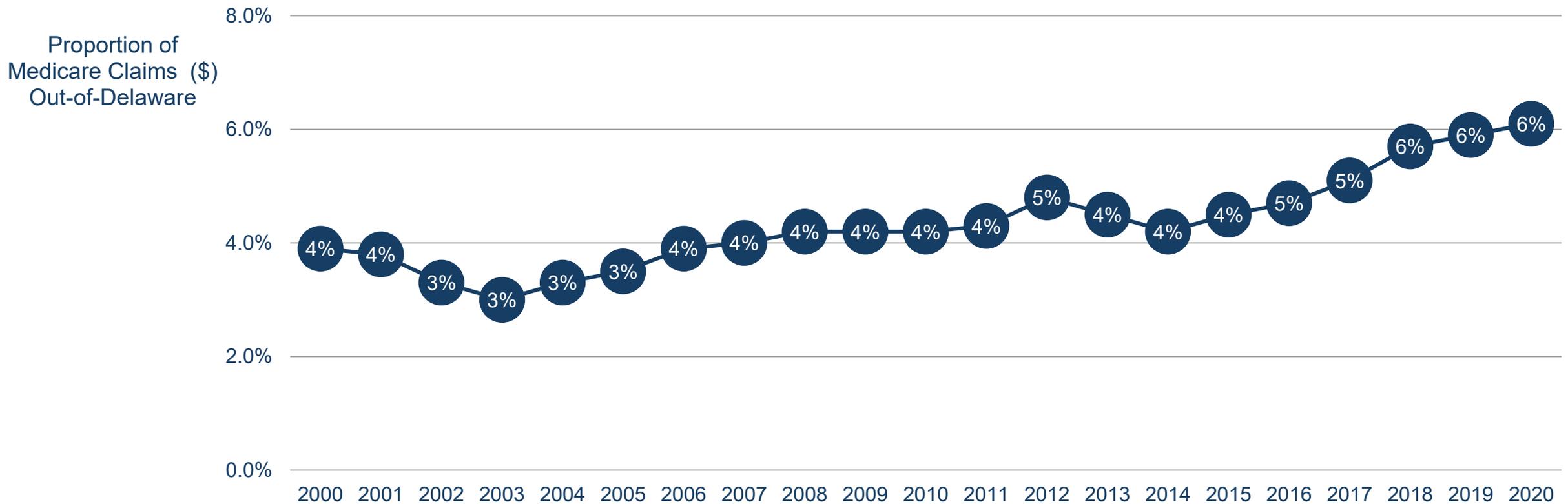
RX

Non-Rx

- Hospital revenue is only one component of the THCE.
- Health systems may deliver TME services, but the payment is not directed to a hospital (e.g., provider groups billing independently).
- THCE includes medical care delivered to Delaware residents at hospitals **in and out of state**. The current data collection does not disaggregate spending based on where care was delivered.
- THCE Benchmarks are for a CY, whereas most hospitals operate on a July to June fiscal year (FY).

## 02. Total Health Care Expenditure Benchmark: Out-of-State Care

Based on the most recent state-level data available, Delaware was experiencing an increase in the amount of Medicare dollars that were spent out of state.



Source: Centers for Medicare & Medicaid Services, Office of the Actuary. *Health Expenditures by State of Residence, 1991–2020*. <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/state-residence>



# 03. What Constitutes Hospital Cost?

## Costs That May Be Difficult for a Hospital to Manage

Category	Rationale	TME Approach
Pharmaceuticals	These expenses may be set by a manufacturer with little opportunity for negotiation, particularly for specialty pharmacy and oncology drugs.	Carve-outs (as of 2023)
Medicaid shortfalls	Hospitals may argue that Medicaid payments lag the actual cost more than other payers.	Reported separately
Labor	Labor is a substantial portion of most hospitals' expenses, especially for the contracted labor force.	n/a
Uncompensated care	Hospitals regularly offer charity care and are not always reimbursed for the care they provide.	n/a
Depreciation	Many hospitals report "falling behind" in capital improvement to account for the pandemic and its aftermath.	n/a
Supplies	The price of medical supplies, particularly implants and similar devices, are often established by manufactures, like pharmacy.	Embedded in claims payments



# 04. Uniform Reporting Manual

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Section	Components
Section 1: Financial Statements	<ul style="list-style-type: none"><li>• Complete Balance Sheet</li><li>• Complete Income Statement</li><li>• Complete Statement of Cash Flows</li></ul>
Section 2: Service Line Performance	<ul style="list-style-type: none"><li>• Revenue by service line</li><li>• Cost by service line</li><li>• Volume by service line</li></ul>
Section 3: Payer Mix Analysis	<ul style="list-style-type: none"><li>• Revenue by payer</li><li>• Estimated contribution to margin by payer</li></ul>
Section 4: Operational Detail	<ul style="list-style-type: none"><li>• Select department costs</li><li>• Workforce detail</li><li>• Utilization detail</li></ul>
Section 5: Capacity and Access Metrics	<ul style="list-style-type: none"><li>• Bed Occupancy percentage (licensed beds)</li><li>• Bed Occupancy percentage (staffed beds)</li><li>• Next available appointment</li><li>• Wait times for key service lines</li></ul>

# Section 1. Description of Financial Metrics: Profitability

## Operating Margin

Measures the percentage of operating revenue remaining as income after operating expenses from patient care and hospital operations.

## Earnings Before Interest, Taxes, and Amortization

Measures operating profit before subtracting interest, taxes, and non-cash accounting charges; demonstrates how much cash the business generates from its core operations.

## Total Margin

Overall profitability of the hospital using both operating surplus (or loss) and non-operating surplus (or loss).

# Section 1. Description of Financial Metrics: Liquidity

## Average Days in Accounts Receivable

A ratio that measures the average number of days in the collection period.

## Average Payment Period

Measures the average number of days it takes a hospital to pay bills.

## Current Ratio

Measures the hospital's ability to meet its current liabilities with its current assets (assets expected to be realized in cash during the fiscal year).

## Current Days Cash on Hand

How long the hospital can operate if revenue was no longer flowing. This is a measure of strength of available cash relative to the hospital's operations.

# Section 1. Description of Financial Metrics: Solvency

## Average Age of Plant

What is the financial age of the fixed assets of the hospital. The older average age, the greater the short-term need for capital resources.

## Cash Flow to Total Debt

Reflects the amount of cash flow applied to total outstanding debt (all current liabilities in addition to long-term debt) and reflects how much cash can be applied to debt repayment.

## Debt Service Coverage

Measures the ability of the hospital to cover current debt obligations with funds derived from both operating and non-operating activity.

## Equity Financing

Reflects the ability of a hospital to take on more debt and is measured by the proportion of total assets financed by equity.

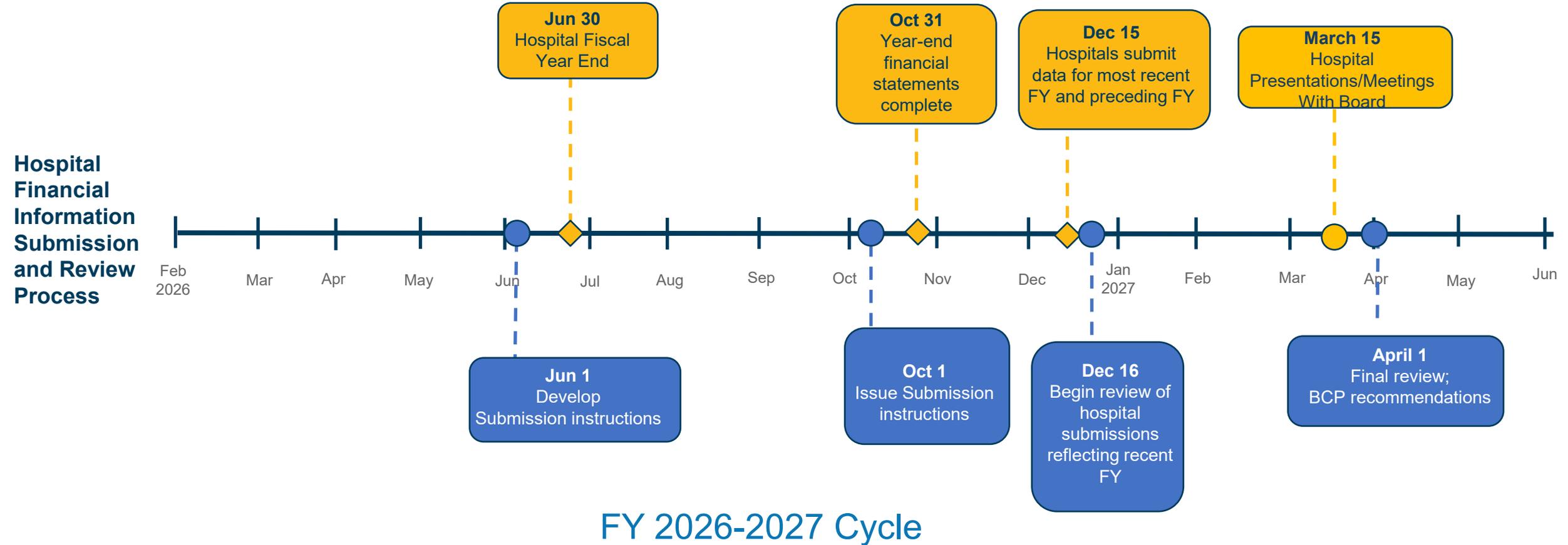
## Long-Term Debt to Total Capitalization

Long-term debt to total available capital.



# 05. Proposed Schedule for Submission and Review

# 05. Hospital Financial Information Cycle I Review: Proposed Submission and Review Schedule



**LEGEND**

- ◆ Hospital Milestones
- Board Review & Guidance Milestones

**NOTES**

- First complete review cycle under new regulatory framework
- The Manual = Uniform Reporting Manual adopted by Board regulation
- Adoption of Administrative Rule assumes drafting complete, and rule submitted to Registrar of Regulations by May 15, 2026

## Next Steps

# Gather stakeholder and subject matter expert input on submission timeline.

In process: Scheduling a technical work session with hospital representatives familiar with hospital financial reporting and data.

1

## Gather Feedback on Availability of Data

- Are the data currently available for reporting?
- If data are not available for reporting, what are the barriers to making them available?
- What is the timeline for the data to become available?

2

## Substitute or Additional Metrics

- Are there substitute or additive metrics that hospital data submitters propose for better assessment of performance against the benchmark?

3

## Solicit Feedback on Submission Timeline

- Is the timeline reasonable for submitters?

Thank you.

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# Resolution regarding submission of hospital audits

David Singleton, Chair



# Discussion of public posting of materials submitted to the board

David Singleton, Chair



# Public Comment



# Closing Remarks

David Singleton, Chair

# Meeting Schedule

Board will meet the second Tuesday of the month.

## Time:

10:00 a.m. – 12:30 p.m.

## Dates

- April 14, 2026
- May 12, 2026
- June 9, 2026
- July 14, 2026
- August 11, 2026
- September 8, 2026
- October 13, 2026
- November 10, 2026
- December 8, 2026



**Adjourn**