

# Hospital Prices: Trends and Variation



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# Definitions



- “Price” equals payment per unit of service
  - includes payments by the plan plus the patient
- Unit of service depends on the setting
  - hospital inpatient: stay
  - hospital outpatient: visit/service
- Casemix-adjusted

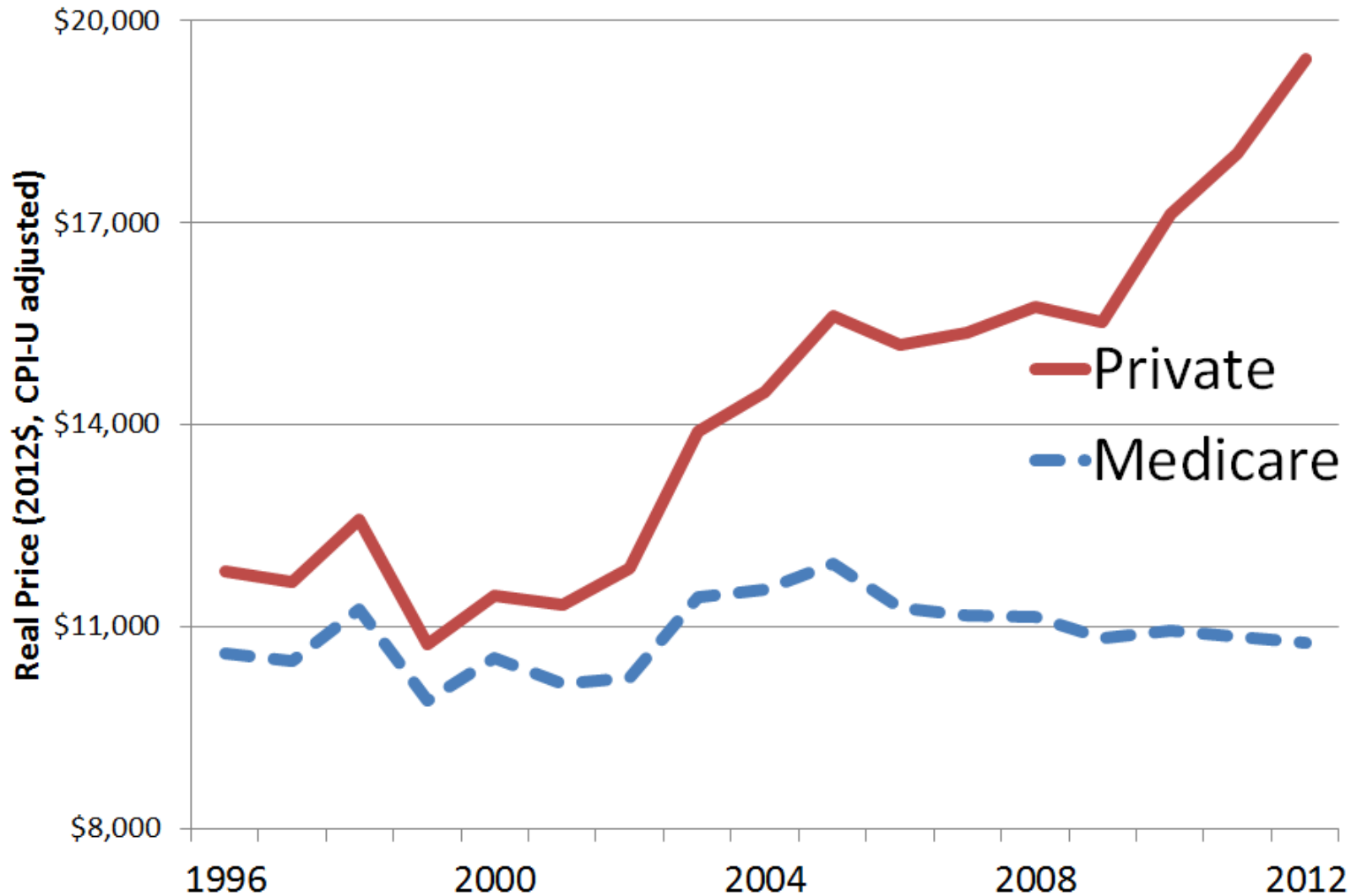
# Hospital Prices



What do we know already?

- Prices paid by private health plans
  - higher and growing faster than Medicare

## Inflation-Adjusted Price per Inpatient Stay



Source: Selden, et al., "The Growing Difference Between Public And Private Payment Rates ...," Health Affairs, 2015.

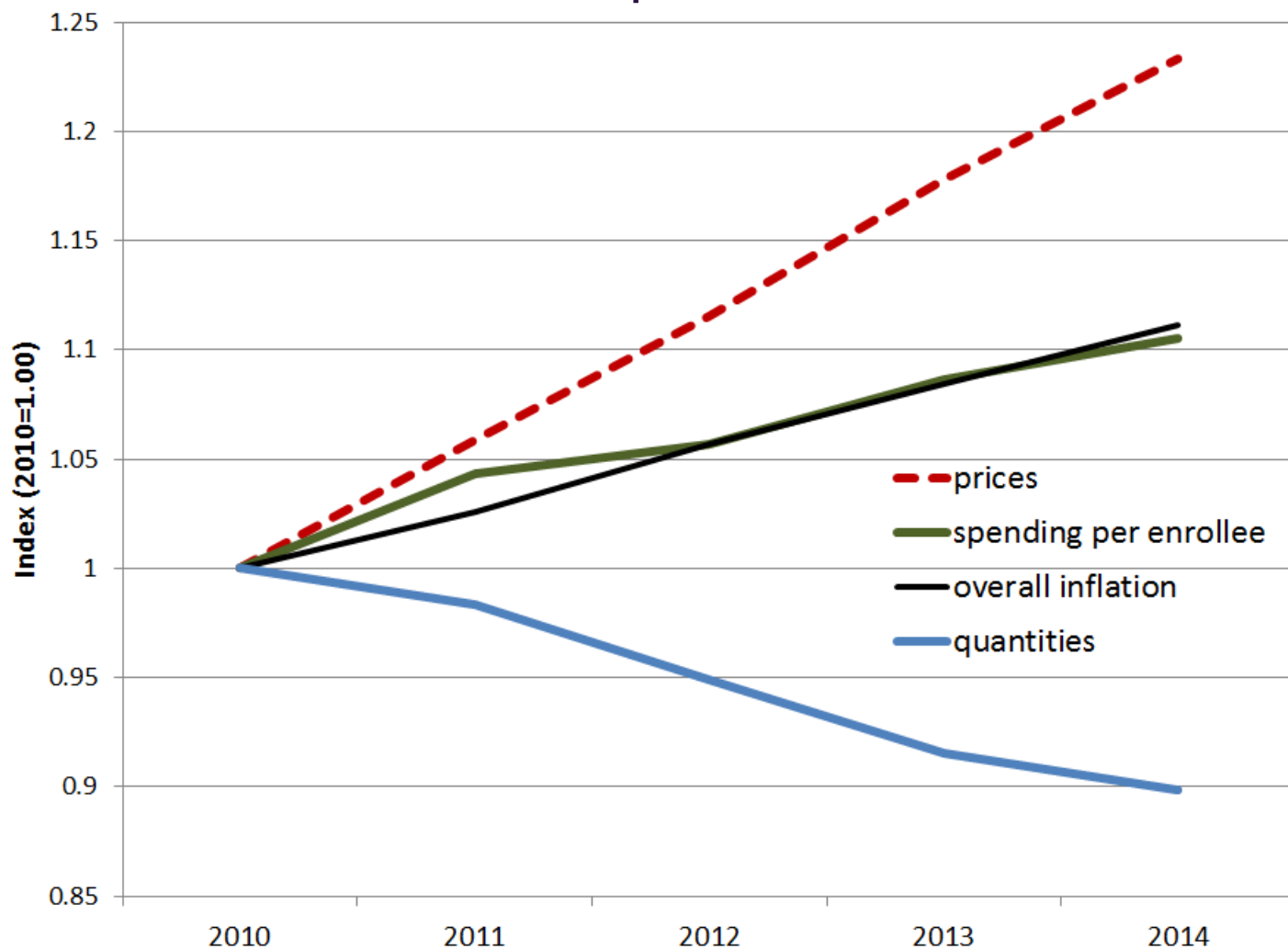
# Hospital Prices



What do we know already?

- Prices paid by private health plans
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  - increased spending driven by prices, not utilization

# Since 2010, Prices Drive Spending Increases for Acute Inpatient Care



Source: Health Care Cost Institute, 2015, "2014 Health Care Cost and Utilization Report", <http://www.healthcostinstitute.org/files/2014%20HCCUR%2010.29.15.pdf>. Note: "overall inflation" is the CMS market basket.

# Hospital Prices



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# Hospital Prices

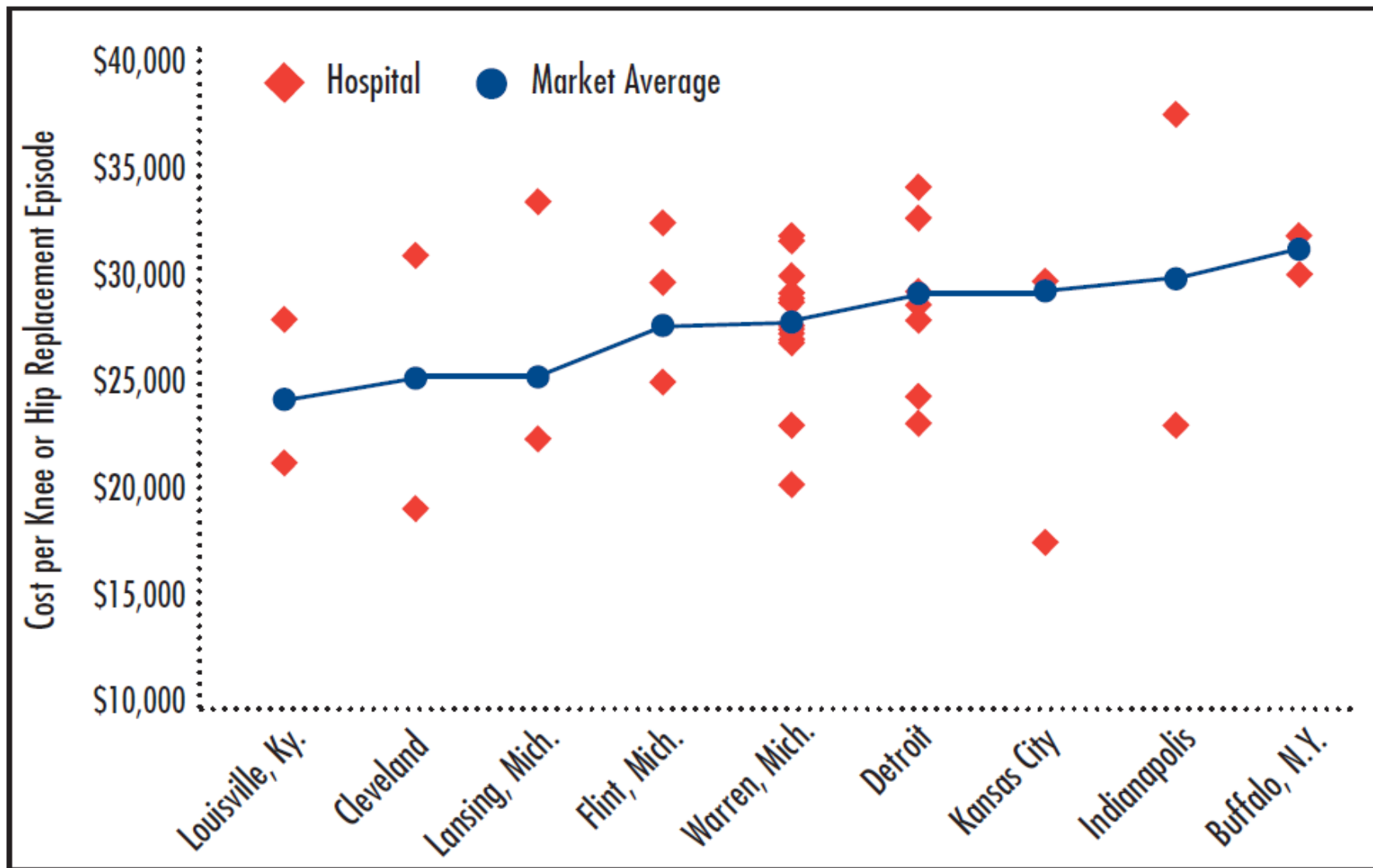


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- Prices paid by private health plans
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  - price growth is driving increased spending, not utilization
  - vary widely from market to market, and within markets

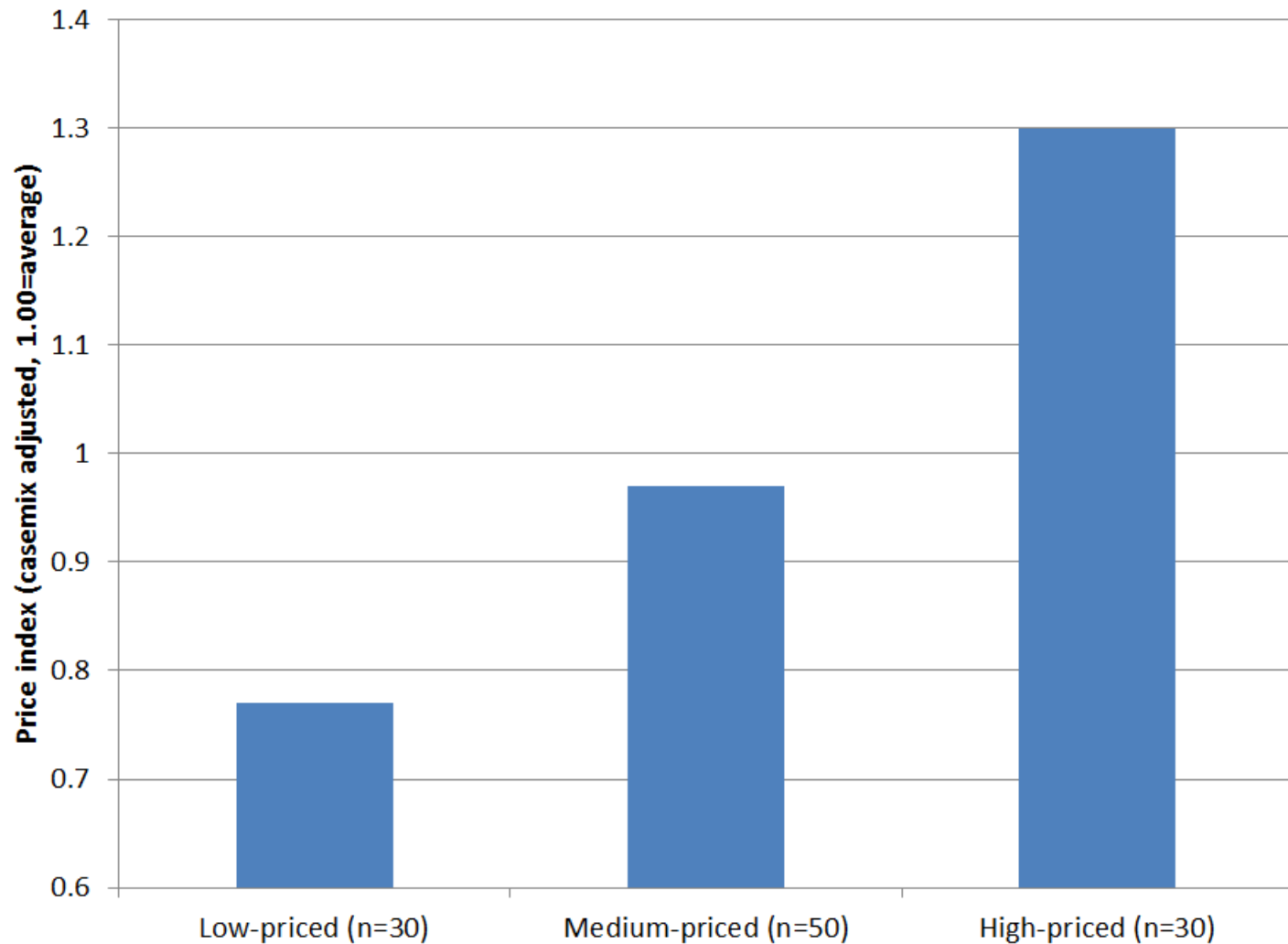


## Variation in Spending for Knee and Hip Replacement Episodes for Privately Insured People by Hospital in Nine Markets



Source: White et al., 2014, "Inpatient Hospital Prices Drive Spending Variation ...," NIHCR.

# Prices Vary by +/- 30% Within a Market



Source: White et al., 2014, "Understanding Differences ...," *Health Affairs*.

# Hospital Prices

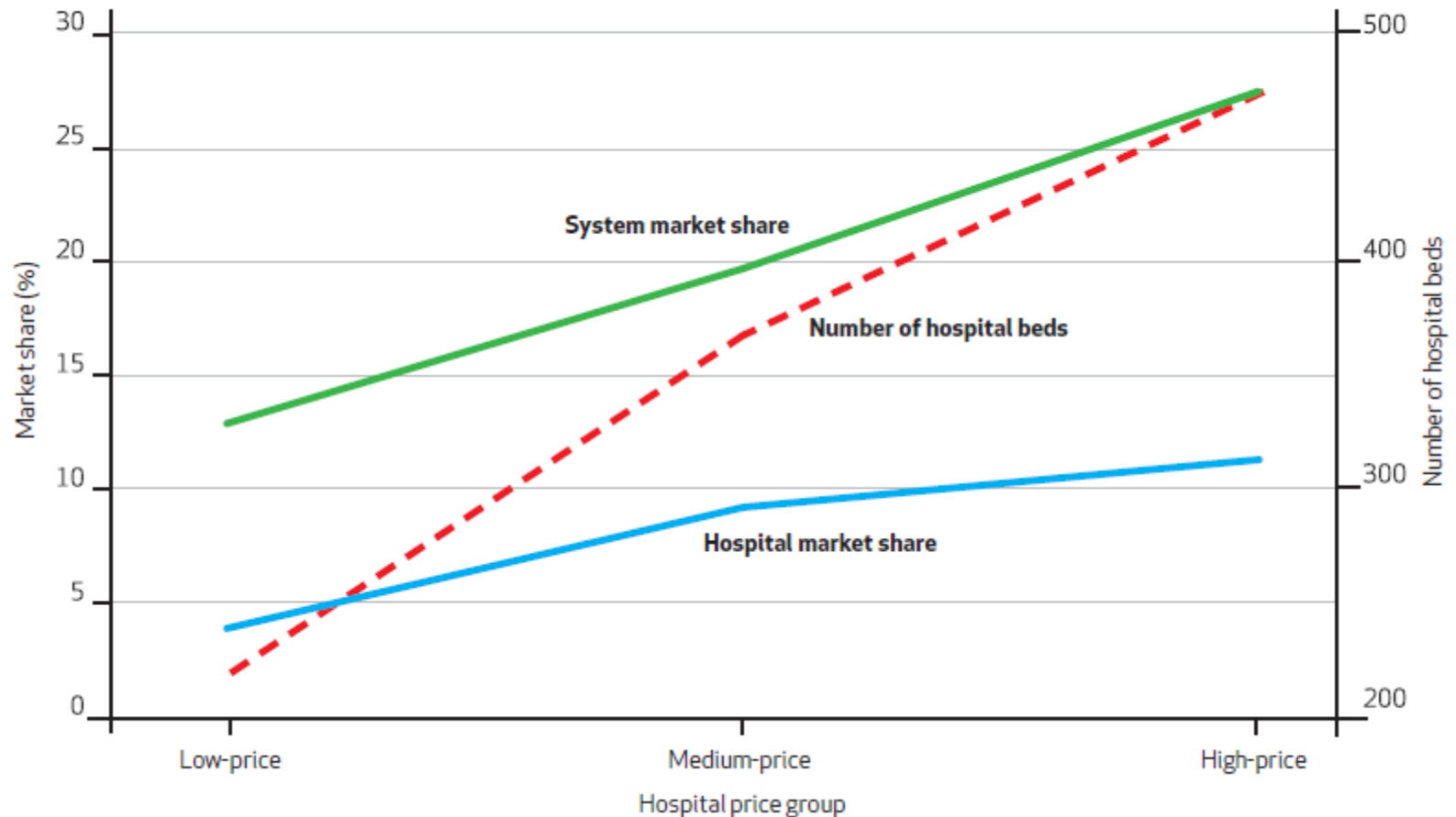


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- Prices paid by private health plans
  - higher and growing faster than Medicare
  - price growth is driving increased spending, not utilization
  - vary widely from market to market, and within markets
  - tend to be higher at large hospitals offering specialized services

# High-priced Hospitals Tend to be Large, and Part of Even Larger Systems

Size And Market Share Of 110 Short-Term General Hospitals, By Hospital Price Group, 2011



Source: White et al., 2014, "Understanding Differences ...," *Health Affairs*.

# Hospital Prices



What do we not yet know?

- Which hospitals are getting the highest prices?
  - are those prices in line with the value they're providing?

# Challenges in Measuring Hospital Prices



- Obtaining data can be difficult and expensive
- Payments are complex
- What is a reasonable benchmark?

# How will we overcome these challenges?



- Participating employers will instruct their respective health plan to provide RAND with claims
- RAND will measure prices paid for hospital services relative to a Medicare benchmark
- RAND will create a hospital price report
  - posted online, freely downloadable
  - named facilities and systems
  - inpatient prices and outpatient prices
  - by service line, if data will support it

# The Inspiration



## Medicare public use payment reports

DRG Definition	Provider Id	Provider Name	Provider Street Address	Provider City	Provider State	Provider Zip Code	Total Discharges	Average Covered Charges	Average Total Payments	Average Medicare Payments
470 - MAJOR JOINT REPL	150001	JOHNSON MEMORIAL HOSPITAL	1125 W JEFFERSON ST	FRANKLIN	IN	46131	30	\$ 45,664	\$ 13,922	\$ 10,025
470 - MAJOR JOINT REPL	150005	HENDRICKS REGIONAL HEALTH	1000 E MAIN ST	DANVILLE	IN	46122	157	\$ 35,113	\$ 12,907	\$ 10,387
470 - MAJOR JOINT REPL	150007	COMMUNITY HOWARD REGIONAL HE	3500 S LAFOUNTAIN S	KOKOMO	IN	46902	35	\$ 44,109	\$ 10,994	\$ 9,919
470 - MAJOR JOINT REPL	150010	ST JOSEPH HOSPITAL & HEALTH CENT	1907 W SYCAMORE ST	KOKOMO	IN	46904	125	\$ 48,778	\$ 12,066	\$ 10,853
470 - MAJOR JOINT REPL	150011	MARION GENERAL HOSPITAL	441 N WABASH AVE	MARION	IN	46952	100	\$ 60,019	\$ 15,063	\$ 11,450
470 - MAJOR JOINT REPL	150022	FRANCISCAN ST ELIZABETH HEALTH -	1710 LAFAYETTE RD	CRAWFORDSV	IN	47933	37	\$ 62,577	\$ 12,530	\$ 11,382
470 - MAJOR JOINT REPL	150024	ESKENAZI HEALTH	720 ESKENAZI AVENU	INDIANAPOLIS	IN	46254	35	\$ 45,743	\$ 20,115	\$ 17,982
470 - MAJOR JOINT REPL	150030	HENRY COUNTY MEMORIAL HOSPITAL	1000 N 16TH ST	NEW CASTLE	IN	47362	122	\$ 43,349	\$ 15,565	\$ 12,113
470 - MAJOR JOINT REPL	150037	HANCOCK REGIONAL HOSPITAL	801 N STATE ST	GREENFIELD	IN	46140	70	\$ 39,444	\$ 13,540	\$ 10,667
470 - MAJOR JOINT REPL	150048	REID HOSPITAL & HEALTH CARE SERVI	1100 REID PKWY	RICHMOND	IN	47374	257	\$ 34,605	\$ 14,494	\$ 12,274
470 - MAJOR JOINT REPL	150051	INDIANA UNIVERSITY HEALTH BLOOM	601 W SECOND ST	BLOOMINGTOI	IN	47403	217	\$ 58,489	\$ 14,489	\$ 11,319
470 - MAJOR JOINT REPL	150056	INDIANA UNIVERSITY HEALTH	1701 N SENATE BLVD	INDIANAPOLIS	IN	46202	257	\$ 71,728	\$ 20,538	\$ 14,303
470 - MAJOR JOINT REPL	150057	FRANCISCAN ST FRANCIS HEALTH - M	1201 HADLEY RD	MOORESVILLE	IN	46158	717	\$ 43,376	\$ 12,559	\$ 10,034
470 - MAJOR JOINT REPL	150059	RIVERVIEW HOSPITAL	395 WESTFIELD RD	NOBLESVILLE	IN	46060	194	\$ 46,190	\$ 12,654	\$ 10,927
470 - MAJOR JOINT REPL	150064	FAYETTE REGIONAL HEALTH SYSTEM	1941 VIRGINIA AVE	CONNERSVILLE	IN	47331	11	\$ 36,628	\$ 14,290	\$ 13,324
470 - MAJOR JOINT REPL	150065	SCHNECK MEDICAL CENTER	411 W TIPTON ST	SEYMOUR	IN	47274	63	\$ 41,598	\$ 13,094	\$ 10,719
etc.										
etc.										

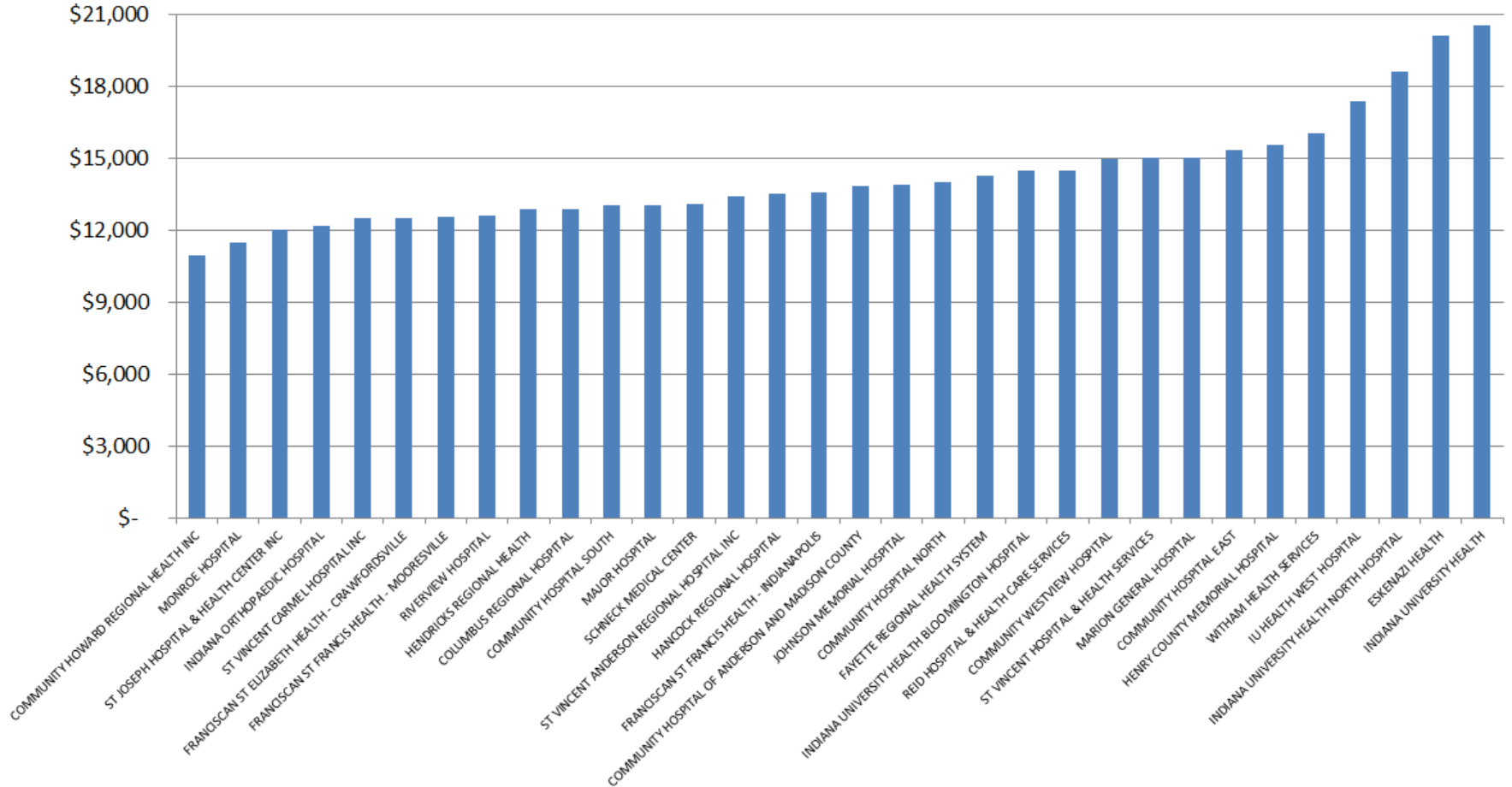
Source: [https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Medicare-Provider-Charge-Data/Downloads/Inpatient\\_Data\\_2013\\_XLSX.zip](https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Medicare-Provider-Charge-Data/Downloads/Inpatient_Data_2013_XLSX.zip)



# The Inspiration



Medicare Price per Inpatient Knee Replacement, 2013



# Why Use Medicare as a Benchmark?



- Medicare prices intended to be fair
  - adjusted for local wages and casemix
  - adjusted for patient population
  - intended to cover costs of an efficient provider
  - not subject to provider leverage
- Largest purchaser of health care in the world
- Sets industry standards
- Prices, and price-setting methods, are transparent

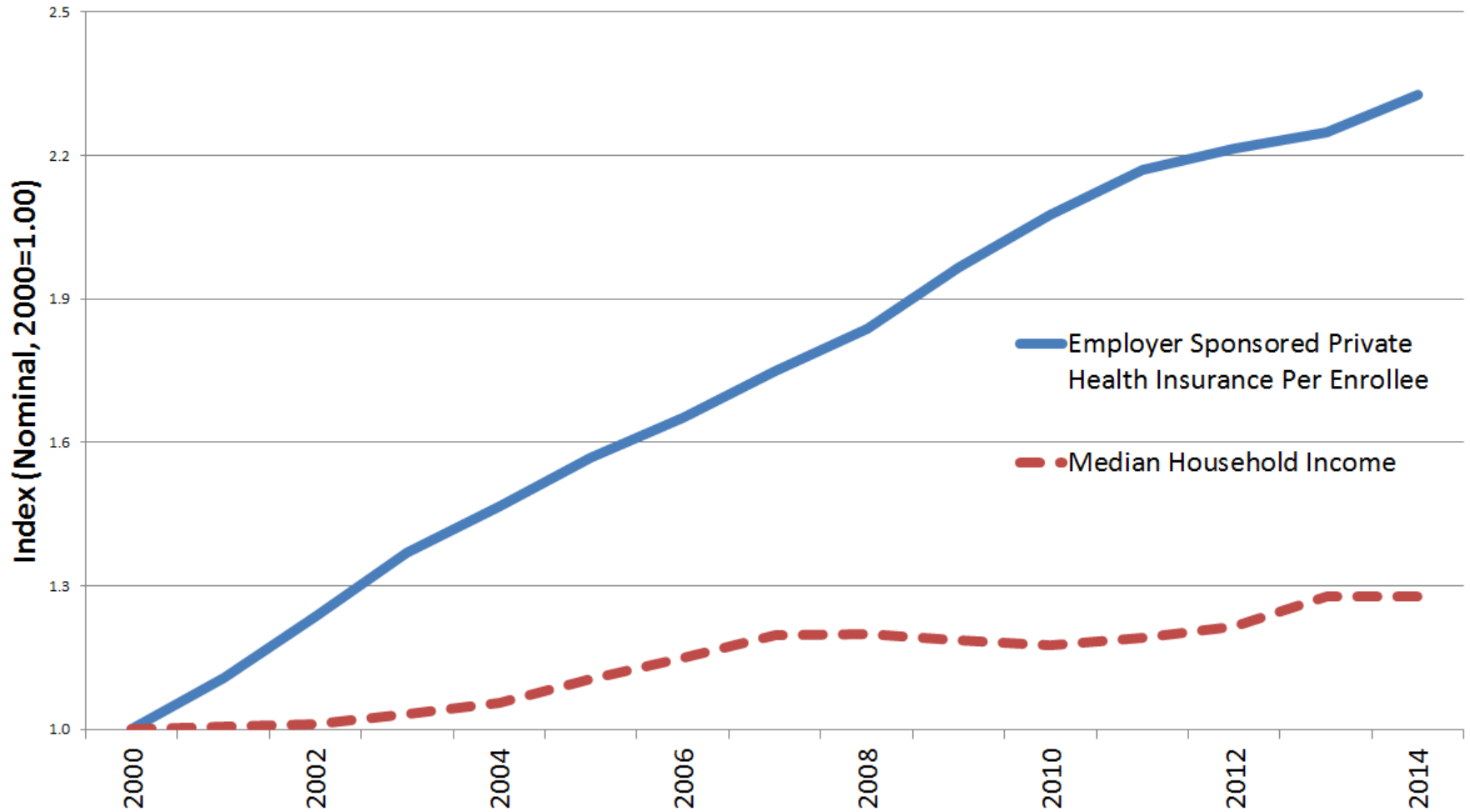
# What Will We Not Do



We will not ...

- Reveal any patient's protected health information
  - RAND and participating health plans will have a BAA with stringent, HIPAA-compliant data safeguards
- Reveal terms of contracts between health plans and hospitals
- Measure prices for physicians, labs, Rx, ASCs, etc.
- Create new measures of quality or value

# Why Is This Project Important?



Sources: U.S. Census Bureau, and CMS Office of the Actuary, NHE Table 21.

# Why Is This Project Important?



Unsustainable trends end, the question is how

- Big-picture options
  - better-functioning of health care markets
  - Medicare-like price setting

# Thank You!



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