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

Hospital Prices

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  - higher and growing faster than Medicare
  - increased spending driven by prices, not utilization
Since 2010, Prices Drive Spending Increases for Acute Inpatient Care

Hospital Prices

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  - 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

Hospital Prices

What do we know already?

- 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

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
### Medicare public use payment reports

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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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http://www.healthcarepricingproject.org/sites/default/files/pricing_variation_manuscript_0.pdf.


http://content.healthaffairs.org/content/26/1/124.full.pdf+html.


