

EXECUTIVE SUMMARY:

PROVIDER PRICE VARIATION IN THE MASSACHUSETTS COMMERCIAL MARKET

Introduction

CHIA reports annually on relative price to examine provider price variation in the Massachusetts commercial market.¹ Relative Price (RP) facilitates comparison of average provider prices, accounting for differences in patient acuity, the types of services providers deliver to patients, and the different insurance product types that payers offer to their members. CHIA calculates both payer-specific RP, which enables comparison within a payer's network,² and cross-payer statewide relative price (S-RP), which enables comparison across commercial payers.

This publication includes analysis of calendar year (CY) 2017 RP and S-RP results for acute hospitals and CY 2016 RP for physician groups within the commercial market. In addition to this executive summary on statewide findings, the published materials include:

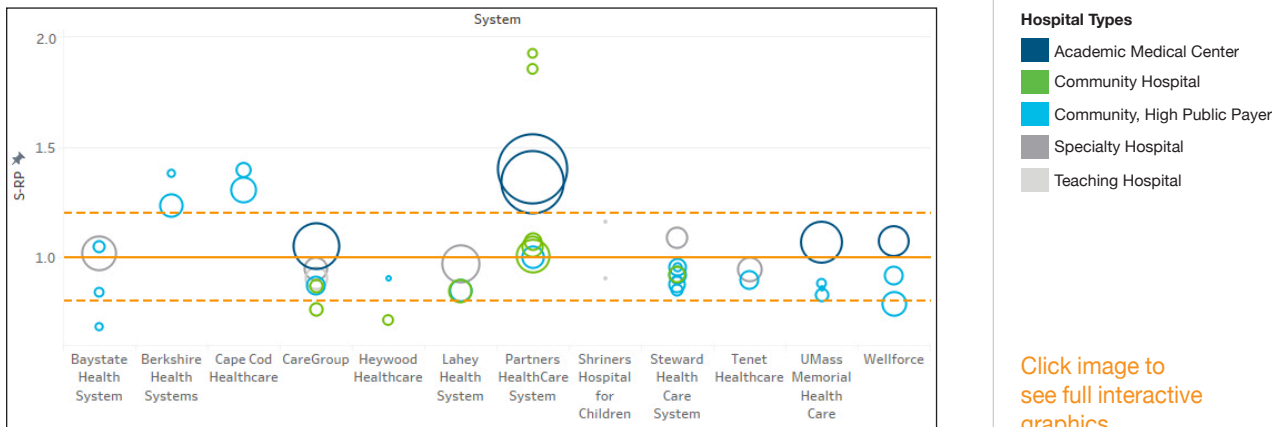
- a display of [interactive graphics](#) on provider-specific S-RP results;
- an analytic [dataset](#) including data on S-RP and payer-specific RP;
- a [technical appendix](#).

Key Statewide Findings: Acute Hospitals

In 2017, \$9.57 billion³ was paid to acute care hospitals in Massachusetts for inpatient and outpatient services provided to patients with commercial insurance coverage. Nearly half (48.0%) of those payments were made to hospitals with RPs in the highest-priced quartile. Hospitals with the lowest RPs were paid 8.9% of commercial payments in 2017.

To facilitate comparison of acute hospitals with similar characteristics, hospitals were grouped into four hospital types.⁴ Among all commercial payments to acute care hospitals, 39.5% were made to Academic Medical Centers, 34.4% were made to community hospitals, and 12.1% to teaching hospitals. Specialty hospitals received a combined 14.0% of commercial payments. Academic Medical Centers tended to have higher S-RPs than other hospital types; the average Academic Medical Center commercial S-RP was 1.18 in 2017. Community hospitals that also had a high public payer mix had the lowest average commercial S-RP (0.94).

Acute Hospital Commercial S-RP and Share of Payments, 2017



[Click image to see full interactive graphics.](#)

Key Statewide Findings: Physician Groups

In 2016, the most recent data year available, \$5.1 billion⁵ was paid to physician groups for services provided to patients with commercial insurance coverage. Of those payments, 68.4% were made to physician groups with RPs in the highest-priced quartile. This represents an increase from 2015, in which 59.9% of payments were to physician groups in this quartile. A declining share of payments went to physician groups in the lowest-priced quartile, from 6.1% in 2015 to 4.1% in 2016.⁶

Methodology

The results presented in this publication can be interpreted as follows: Acute Hospital A in Payer 1's commercial network has an RP of 1.20. This result means that Hospital A's prices are, on average, 20 percent higher than the average commercial price paid by Payer 1 to all acute hospitals. Relative price is a measure constructed based on aggregate data files submitted to CHIA by 17 payers.⁷ This measure is intended to illustrate providers' average prices relative to a payer's network average prices; relative price does not reflect the absolute level of prices paid for services. Please see this report's technical appendix for more detailed information. ■

Notes

- 1 Pursuant to Massachusetts General Laws Chapter 12C, Section 10.
- 2 When calculating and reporting RP, a payer's network is defined as each provider type/insurance category/product type combination, (e.g., Acute Hospital Inpatient-Commercial-HMO)
- 3 Commercial payments only for acute care hospitals for which a blended RP value was calculated, representing approximately 99.0% of the commercial market.
- 4 These hospital types are Academic Medical Centers, community hospitals, community-High Public Payer Hospitals, and teaching hospitals. Specialty acute hospitals are not included as a specific type, because these hospitals are not comparable due to their unique patient populations and/or services. Please see this report's [technical appendix](#) for more detailed information about how hospitals were categorized.
- 5 Includes payments which were attributed to physician groups by payers, representing approximately 89.6% of commercial spending for physician services. For more information about the reporting threshold for physician group RP, see [technical appendix](#).
- 6 Physician group data for 2016 excludes data from United Healthcare and Unicare Life and Health Insurance Company due to data quality concerns
- 7 Please see the relative price [data specification manual](#) and [methodology paper](#) for more detailed information.

For more information, please contact:

