

EXECUTIVE SUMMARY:

Provider Price Variation in the Massachusetts Commercial Market

Introduction

CHIA reports annually on relative price (RP) to examine provider price variation in the Massachusetts commercial market.¹ RP facilitates the 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 an analysis of calendar year (CY) 2020 hospital RP, S-RP results for acute hospitals, and CY 2019 and CY 2020 RP for physician groups within the commercial market. In addition to this executive summary on statewide findings, the published RP materials include:

- A series of [interactive graphics](#) on provider-specific S-RP results and payer-specific RP results
- An analytic [databook](#) including data on S-RP and payer-specific RP
- A [technical appendix](#)
- [Methodology documentation](#)

Key Statewide Findings: Hospitals and Physician Groups

In 2020, \$10.4 billion was paid to hospitals for patients with private commercial insurance coverage, while \$2.1 billion combined was paid for members with Medicare Advantage and commercially managed Medicaid plans. Commercial payments made to chronic and rehabilitation hospitals totaled \$24.5 million and \$79.5 million, respectively. A total of \$243.3 million in commercial payments was made to psychiatric hospitals, substance use disorder treatment hospitals, and acute hospitals with dedicated behavioral health units.

To facilitate a comparison of acute hospitals with similar characteristics, hospitals were grouped into hospital types.³ Among all commercial payments to acute care hospitals, 41.2% were made to Academic Medical Centers, 32.1% were made to community hospitals, and 12.1% to teaching hospitals. Specialty hospitals received a combined 14.6% of commercial payments.

In 2020, S-RP values ranged from 0.69 to 1.76, and the median value was 0.95. Additional information on statewide relative price, relative price by network, other hospital types, and insurance categories can be found in the [interactive dashboard](#) and accompanying [databook](#).

Among physician groups, many payers reported a narrower range of RP values in 2020 than in 2019, potentially representative of more payments close to the network medians in 2020, and reduced impact from outlier values. Please refer to the [interactive dashboard](#) for more detailed analysis of physician group RP. For more information about the reporting threshold for physician group RP, see the [technical appendix](#).

Methodology

Relative price is a measure constructed based on summarized data files submitted by payers to CHIA.⁴ 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. The results presented in this publication can be interpreted as follows: If 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. 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 Hospital types include 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.
- 4 Please see the relative price [data specification manual](#) and [methodology documentation](#) for more detailed information.

For more information, please contact:



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