

EXECUTIVE SUMMARY:

Provider Price Variation in the Massachusetts Commercial Market

Introduction

Each year, CHIA reports on relative price (RP) to examine provider price variation in the Massachusetts health care services market.¹ RP facilitates the comparison of average provider prices, accounting for differences in inpatient patient acuity, the types of services that providers deliver to patients, and the different insurance product types that payers offer to their members. Data used for this analysis is collected annually from commercial payers and includes information on private commercial insurance and commercially-managed public insurance products such as Medicare Advantage and Medicaid Managed Care Organizations (MCOs)/Accountable Care Partnership Plans (ACO-As). 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 broad ranking of provider prices aggregated across all payers.

This publication includes an analysis of calendar year (CY) 2021 S-RP results for acute hospitals, and CY 2021 RP results for acute, chronic, psychiatric, and rehabilitation hospitals and physician groups. 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](#)

Methodology

Relative price is a constructed measure based on summarized data files submitted by payers to CHIA.³ 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.

Statewide relative price (S-RP) is intended to illustrate the cross-payer average commercial price of an acute hospital relative to the average commercial price across all acute hospitals in Massachusetts. As with relative price, S-RP does not reflect the absolute level of prices paid for services. S-RP can be interpreted as follows: If Acute Hospital A's S-RP is 1.20, this result means that Hospital A's prices are, on average, 20 percent higher than the average commercial price of all acute hospitals statewide.

Please see this report's [technical appendix](#) for more detailed information.

Key Statewide Findings: Hospitals and Physician Groups

Consistent with relative price trends since CHIA began calculating this metric in 2012, prices for medical services varied considerably across hospitals⁴ and physician groups⁵ in CY 2021.

CHIA calculates relative prices within four hospital types: acute, chronic, rehabilitation, and psychiatric hospitals/substance use disorder hospitals and dedicated behavioral health units within acute hospitals. As in previous years, commercial payments to acute care hospitals accounted for the majority of payments made to hospitals in 2021, totaling \$10.5 billion. Commercial payments made to chronic hospitals totaled \$20.7 million, while commercial payments to rehabilitation hospitals totaled \$78.2 million. A total of \$195.8 million in private commercial payments was made to psychiatric hospitals, substance use disorder treatment hospitals, and dedicated behavioral health units within acute hospitals.

To facilitate a comparison of acute care hospitals with similar characteristics, acute hospitals were further grouped into hospital cohorts.⁶ Among all commercial payments to acute care hospitals, 42.4% were made to academic medical centers, 30.3% were made to community hospitals and community hospitals with high public payer mix (community – HPP), and 12.5% were made to teaching hospitals. Academic medical centers had the highest median cohort S-RP at 1.09, indicating that these hospitals had prices about 9% above the statewide average. Teaching hospitals had the next highest median cohort S-RP (0.96), followed by community hospitals (0.93),

and community-high public payer hospitals (0.92). Specialty hospitals received 14.8% of commercial payments; S-RP is not shown for specialty hospitals because the types of care and services provided by hospitals in this cohort are generally not comparable to one another. Across all hospital cohorts, the hospitals with the highest relative prices (top quartile inpatient and outpatient combined) accounted for nearly half (49.2%) of all payments to hospitals in 2021.

S-RP was calculated in the commercial market for all acute hospitals for which both inpatient and outpatient spending was reported by commercial payers. In 2021, the median commercial S-RP for acute hospital care was 0.94; of the 60 hospitals with a calculated S-RP, 16 had S-RP values greater than the median by more than 10%, 32 hospitals had S-RP values within 10% of the median, and 12 had S-RP values more than 10% below the statewide median. 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](#).

Consistent with trends seen in prior years, most payments to physician groups were made to the physician groups with the highest prices in 2021. The physician groups with the highest relative prices (top quartile) represented the majority (56.6%) of total physician group spending for groups with a reported RP. 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](#).

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 Please see the relative price [data specification manual](#) and [methodology documentation](#) for more detailed information.
- 4 Due to data quality concerns, Cigna and United commercial were excluded from all Hospital data analysis.
- 5 Due to data quality concerns, Aetna, Cigna, and United Commercial were excluded from Physician Group data analysis.
- 6 Hospital cohorts include academic medical centers, community hospitals, community-high public payer hospitals, teaching hospitals, and specialty acute hospitals. S-RP results for specialty acute hospitals are not shown because these hospitals are not comparable due to their unique patient populations and/or services.

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