

## EXECUTIVE SUMMARY

# Provider Price Variation in the Massachusetts Health Care Market

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## Introduction

Each year, CHIA reports on relative price (RP) to examine provider price variation in the Massachusetts health care services market.<sup>1</sup> RP facilitates the comparison of average provider prices, accounting for differences in 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, 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,<sup>2</sup> 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) 2022 S-RP results for acute hospitals and CY 2022 RP results for acute hospitals, chronic care hospitals, behavioral health hospitals, 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.<sup>3</sup> 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 trends since CHIA began measuring price variation metrics in 2012, payments for medical services varied considerably across hospitals and physicians in CY 2022.

CHIA calculates relative prices for four distinct hospital types: acute care, chronic care, rehabilitation, and behavioral health hospitals (for the purposes of this analysis, this includes private psychiatric hospitals, substance use disorder facilities and dedicated behavioral health units within acute hospitals). Commercial market payments to acute care hospitals accounted for the majority of payments made to hospitals in 2022, totaling \$11.5 billion. Commercial payments made to chronic care hospitals totaled \$21.4 million, while commercial payments to rehabilitation hospitals totaled \$94.5 million. A total of \$239.5 million in commercial payments were made to behavioral health hospitals.

To facilitate a comparison of acute care hospitals with similar characteristics, acute hospitals were further grouped into hospital cohorts.<sup>4</sup> Among all commercial payments to acute care hospitals, 42.1 percent were made to academic medical centers (AMC), 12.0 percent were made to community hospitals, 19.1 percent were made to community hospitals with a high public payer mix (community-HPP), and 10.6 percent were made to teaching hospitals. Academic medical centers had the highest median cohort S-RP at 1.10, indicating that these hospitals had prices about 10 percent above the statewide average. Teaching hospitals and community hospitals had the next highest median cohort

S-RP (0.94), followed by community-HPP hospitals (0.93). Specialty hospitals received 16.3 percent of commercial payments; a median S-RP is not calculated for specialty hospitals because the types of care and services provided by these hospitals are generally not comparable with one another. Across all hospital cohorts, the hospitals with relative prices in the top quartile (inpatient and outpatient combined) accounted for nearly half (54.6 percent) of all commercial payments to hospitals in 2022.

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 2022, the median commercial S-RP for acute hospital care was 0.95; of the 60 hospitals with a calculated S-RP, 16 had S-RP values greater than the median by more than 10 percent, 30 hospitals had S-RP values within 10 percent of the median, and 14 had S-RP values lower than the median by more than 10 percent. New in this year's report, acute hospitals are displayed geographically, along with the average median income of the communities primarily served by each hospital.<sup>5</sup> Additional information on statewide relative price, relative prices by network, non-acute hospital types, and insurance categories can be found in the [interactive dashboard](#) and accompanying [databook](#).

Consistent with trends seen in prior years, most commercial payments to physician groups were made to the physician groups with the highest prices in 2022. The physician groups with an RP in the top quartile represented the majority (57.1 percent) 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.

## Notes

- 1 Pursuant to Massachusetts General Laws Chapter 12C, Section 10.
- 2 When calculating and reporting RP, a payer's network is defined as a combination of each provider type, insurance category, and product type (e.g., Acute Hospital Inpatient-Commercial-HMO).
- 3 Please see the [relative price data specification manual](#) and [methodology documentation](#) for more detailed information.
- 4 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; these hospitals are not comparable because of their unique patient populations and/or services. Please see this report's [technical appendix](#) for more detailed information about how hospitals were categorized.
- 5 More information on hospital payments and profiles can be found in CHIA's [Massachusetts Acute Hospital Profiles](#).

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