

EXECUTIVE SUMMARY

Provider Price Variation in the Massachusetts Health Care Market

Introduction

Each year, CHIA reports on relative price (RP) to examine provider price variation in the Massachusetts health care market.¹ 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 and commercially managed public insurance products such as Medicare Advantage and Medicaid Managed Care Organizations (MCOs)/Accountable Care Partnership Plans (ACPPs). 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 calendar year (CY) 2023 RP results for acute, chronic care, behavioral health, and rehabilitation hospitals as well as for physician groups. An analysis of CY 2023 S-RP results for acute hospitals is also included. In addition to this executive summary on statewide findings, the published RP materials comprise:

- A series of [interactive graphics](#) on payer-specific RP results and provider-specific S-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 in that network.

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 S-RP Findings: Hospitals and Physician Groups

Consistent with trends since CHIA began monitoring price variation metrics in 2012, payments for medical services varied considerably across hospitals and physicians in CY 2023.

CHIA calculates relative prices for four distinct hospital types: acute care, behavioral health (for the purposes of this analysis, this includes private psychiatric hospitals, substance use disorder facilities, and dedicated behavioral health units within acute hospitals), rehabilitation, and chronic care. Commercial market payments to acute care hospitals accounted for the majority of payments made to hospitals in 2023, totaling \$11.7 billion. Commercial payments made to chronic care hospitals totaled \$18.6 million, while commercial payments to rehabilitation hospitals totaled \$89.6 million. A total of \$226.8 million in commercial payments were made to behavioral health hospitals.

Across all hospital cohorts, the hospitals with relative prices in the top quartile—which represents the hospitals with the highest average payments—accounted for nearly half (45.9 percent) of all commercially managed payments to hospitals in 2023. This includes both inpatient and outpatient hospitals combined.

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 2023, the median commercial S-RP for acute hospitals was 0.95; of the 59 acute hospitals with a calculated S-RP, 14 had S-RP values

more than 10 percent above the median, 30 hospitals had S-RP values within 10 percent of the median, and 15 had S-RP values more than 10 percent below the median. This report includes a map that displays acute hospitals geographically, along with the average median income of the communities primarily served by each hospital.⁴ Additional information on S-RP, RP by network, non-acute hospital types, and insurance categories can be found in the [interactive dashboard](#) and accompanying [databook](#).

To facilitate a comparison of acute care hospitals with similar characteristics, acute hospitals were further grouped into hospital cohorts.⁵ Among all commercial payments to acute care hospitals, 42.1 percent were made to academic medical centers (AMC), 30.7 percent were made to community hospitals, including those with a high public payer mix (community-HPP), 10.2 percent were made to teaching hospitals, and 17.1 percent were made to specialty hospitals.

AMC hospitals had the highest median cohort S-RP at 1.12, indicating that these hospitals had prices about 12 percent above the statewide average. Community-HPP hospitals had the next-highest median cohort S-RP (0.94), followed by teaching hospitals (0.93) and community hospitals (0.92). 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.

Consistent with trends seen in prior years, most commercially managed payments to physician groups were made to the physician groups with the highest RP in 2023. The physician groups with an RP in the top quartile—which represents physician groups with the highest average payments—represented the majority (55.4%) of total physician group spending for groups with a reported 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 More information on hospital payments and profiles can be found in CHIA's [Massachusetts Acute Hospital Profiles](#).
- 5 Acute hospital cohorts include academic medical centers (AMC), community hospitals, community-high public payer hospitals (community-HPP), and teaching hospitals. Specialty acute hospitals are not included as a specific cohort for calculating S-RP because these hospitals are not comparable due to their unique patient populations and/or services. See this report's [technical appendix](#) for more detailed information about how hospitals were categorized.

For more information, please contact:



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