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 plans such as Medicare Advantage and MassHealth 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 an analysis of calendar year (CY) 2024 S-RP results for acute hospitals and CY 2024 RP results for acute, chronic, behavioral health, and rehabilitation hospitals as well as physician groups. In addition to this executive summary of statewide findings, the published RP materials include:

- An **interactive dashboard with graphics** with graphics including 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 to all acute hospitals by Payer 1.

S-RP illustrates 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 reporting on price variation metrics in 2012, payments for medical services varied considerably across hospitals and physicians in CY 2024.

CHIA calculates relative prices for 4 distinct hospital types: acute care, chronic care, rehabilitation, and behavioral health hospitals plus dedicated behavioral health units within acute hospitals. Payments to acute care hospitals accounted for the majority of commercial payments made to hospitals in 2024, totaling $12.7 billion. Commercial payments to chronic care hospitals totaled $20.3 million, to rehabilitation hospitals $90.0 million, and to behavioral health hospitals and dedicated behavioral health units within acute hospitals $229.0 million.

To facilitate a comparison of acute care hospitals with similar characteristics, acute hospitals were further grouped into hospital cohorts.[4] Among all commercial payments to acute care hospitals, 43.5 percent were made to academic medical centers (AMC), 28.8 percent to community hospitals and community hospitals with a high public payer mix (community-HPP), and 11.0 percent to teaching hospitals.

Academic medical centers had the highest median S-RP at 1.10, indicating that these hospitals had prices about 10 percent above the statewide average; teaching hospitals had

the next-highest median cohort S-RP (0.96). Community-HPP hospitals had a median S-RP of 0.91, while community hospitals had a slightly higher median S-RP of 0.93. 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; as a cohort, specialty hospitals received 16.6 percent of commercial payments.

S-RP was calculated for all acute hospitals for which commercial payers reported both inpatient and outpatient spending. In 2024, the commercial median S-RP for acute hospital care was 0.93. Of the 59 hospitals with a calculated S-RP, 16 had S-RP values more than 10 percent greater than the median, 33 had S-RP values within 10 percent of the median, and 10 had S-RP values more than 10 percent lower than the median. Hospitals with S-RP in the top quartile accounted for 61.6 percent of all commercial payments to acute hospitals in 2024. This distribution is even more pronounced (68.5 percent) when looking at inpatient payments only.

To allow users to explore relationships between commercial payment rates and the communities served by hospitals, this report includes a map that displays acute hospitals geographically, along with the average median income of the communities primarily served by each hospital.[5] 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 2024. Physician groups with an RP in the top quartile represented the majority (57.2 percent) of total physician group spending for groups with a reported RP. Refer to the **interactive dashboard** for a 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 each provider type-insurance category-product type combination (e.g., Acute Hospital Inpatient-Commercial-HMO).

3 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 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.

5 More information on hospital payments can be found in CHIA's Massachusetts Acute Hospital Profiles.

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