

Stark hospital fee disparities found

Patrick wants a say on health care costs

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When a heart attack patient was admitted to South Shore Hospital in Weymouth in 2009, insurers paid \$9,684 on average for the hospital stay. But for patients who got similar care at UMass Memorial Medical Center in Worcester, that price tag was nearly twice as high, \$19,059.

The price of a new knee varied nearly as much. At Lowell General Hospital, insurers shelled out an average of \$14,153. The typical bill for a knee replacement at Boston's Brigham and Women's Hospital: \$25,284.

A new report from Governor Deval Patrick's administration confirms previous findings that hospitals are paid widely varying amounts for providing similar care. But it also shows that some are paid a lot more even for common bread-and-butter procedures, such as for appendectomies and minimally invasive gallbladder removals, that many hospitals do well.

The administration also found that those more expensive hospitals treat a high percentage of patients, creating a double hit on insurers and on employers and employees who pay the premiums.

"The issue is price, but it's also where people go," said Nancy Kane, a professor at the Harvard School of Public Health and a member of a group that advises Congress on Medicare issues.

Patrick said in a statement yesterday that the report — along with another documenting that health insurance premiums climbed 5 percent to 10 percent annually from 2007 to 2009 — "must serve as an alarm bell sounding the need for urgent action to control rising health care costs."

The governor recently proposed legislation that would allow the insurance commissioner to scrutinize contracts setting the amounts insurers pay hospitals and doctors and reject health insurance premium increases based on excessive fees for providers.

The administration has scheduled four days of hearings starting June 27 on how to control health care costs. Legislators held their own hearing this month and are

grappling with whether to support the governor's bill, a process they have warned could take months.

Executives at UMass Memorial and Partners HealthCare — the parent organization of the Brigham and Massachusetts General Hospital, which had the highest payments for seven procedures, including pneumonia and caesarean deliveries — responded yesterday that there are legitimate reasons why they are paid more for care they provide. In part, they said, large academic medical centers must keep expensive burn units and neurosurgery programs at the ready and provide money-losing care like psychiatry, which they subsidize from money made on other services.

But the administration signaled that it wants to delve more deeply into these reasons. In an interview, Dr. JudyAnn Bigby, secretary of Health and Human Services, said officials want to develop a process for determining how much extra a teaching hospital or a hospital that treats many poor patients with difficult medical needs should be paid over average rates.

Seena Perumal Carrington — acting commissioner of the Division of Health Care Finance and Policy, which researched the reports — said in a statement that “it is critical that we separate anecdote from reality.”

The Patrick administration's report also found no connection between how many Medicaid patients a hospital treats and the prices it charges insurers, contradicting the assertion by some hospitals that the higher fees they receive from private insurers are needed to offset losses from low Medicaid payments.

The report on hospital prices analyzed payments from five large health insurers for 14 common procedures in 2009, representing about 60 percent of privately insured Massachusetts residents. It lists average payments to all hospitals that performed at least 30 of the procedures during the year. Payments were adjusted to take into account how sick the patients were.

While the price variation was significant and widespread, the report found little difference in the quality of care, similar to findings by Attorney General Martha Coakley's staff last year and by The Boston Globe Spotlight Team in 2008.

In some cases, like vaginal childbirth, lower-paid hospitals such as Milford Regional Medical Center and Tufts Medical Center had slightly higher quality scores than higher-paid hospitals. Bigby said, however, that quality measures are imperfect and may not accurately capture all differences between hospitals.

Coakley's investigation concluded that market leverage based on brand name and geography, not quality, is why some providers are paid more.

Unlike in some industries, offering the best price in health care does not guarantee more business. Nearly half the patients who got new knees and had vaginal deliveries went to hospitals that were among the most expensive for each of those procedures.

Patrick's staff said that lowering fees to the highest-paid hospitals and raising fees to the worst-paid hospitals by 20 percent would save \$267 million a year and help to level the playing field.

Kane, who is scheduled to be a panelist at the cost hearings next month, said that if the governor's bill passes, Patrick could reduce payment disparities in this way through the insurance commissioner's contract reviews. "I don't understand why we have these huge differences," she said. "If we have differences at all, they should be for defined things, not market power."

But Timothy Gens of the Massachusetts Hospital Association warned that taking away 20 percent from some provides could hurt patients in the end.

"On the surface, it may appear we have higher charges for routine care," said Partners spokesman Rich Copp. But that's so Partners "can continue to provide services that lose money but are vital to the health care of the region."

He added that the quality measures highlighted by the report are inadequate and "don't tell the full story."