

Commercial Case Price Variation among High-Volume Inpatient Treatments in Minnesota Hospitals (Part 2)

JULY 2014 - JUNE 2015

This report examines variation in the case prices for four common, clinically uncomplicated inpatient surgeries. The prices reported here reflect allowed amounts – the actual payments made by patients and insurers to health care providers – and include the facility and professional fees incurred during each admission. The graphs show variation in prices from three perspectives: statewide, between different hospitals, and within the same hospital. Only admissions of minor or moderate severity of illness are included, and cases with high or low outlier prices were assigned the prices at the 97.5 or 2.5 percentile, respectively. Hospital names are not reported, in accordance with Minnesota state law governing use of data submitted to the Minnesota All Payer Claims Database (MN APCD).

MAJOR BOWEL PROCEDURES	AVERAGE PRICE	LOWER PRICE	HIGHER PRICE	HIGH-LOW RATIO	PRICE RANGE AND AVERAGE CASE PRICE ()
Hospital with Highest Average Price	\$47,276	\$14,541	\$68,765	4.7x	
2nd Highest	\$40,587	\$15,682	\$68,765	4.4x	
3rd Highest	\$39,328	\$22,945	\$68,765	3x	
Statewide Average Price	\$34,349	\$14,541	\$68,765	4.7x	
3rd Lowest	\$27,184	\$18,714	\$55,104	2.9x	
2nd Lowest	\$24,020	\$14,541	\$40,969	2.8x	
Hospital with Lowest Average Price	\$23,913	\$14,541	\$65,128	4.5x	

APPENDECTOMY	AVERAGE PRICE	LOWER PRICE	HIGHER PRICE	HIGH-LOW RATIO	PRICE RANGE AND AVERAGE CASE PRICE ()
Hospital with Highest Average Price	\$23,428	\$6,666	\$35,484	5.3x	
2nd Highest	\$22,686	\$14,543	\$32,437	2.2x	
3rd Highest	\$22,405	\$11,105	\$32,631	2.9x	
Statewide Average Price	\$17,070	\$6,590	\$35,484	5.4x	
3rd Lowest	\$14,136	\$8,441	\$18,814	2.2x	
2nd Lowest	\$13,008	\$7,757	\$19,840	2.6x	
Hospital with Lowest Average Price	\$10,090	\$7,327	\$14,381	2x	

SPINAL FUSION SURGERY	AVERAGE PRICE	LOWER PRICE	HIGHER PRICE	HIGH-LOW RATIO	PRICE RANGE AND AVERAGE CASE PRICE ()
Hospital with Highest Average Price	\$58,770	\$27,585	\$80,797	2.9x	
2nd Highest	\$49,622	\$12,326	\$80,518	6.5x	
3rd Highest	\$43,446	\$25,871	\$80,797	3.1x	
Statewide Average Price	\$36,433	\$12,326	\$80,797	6.6x	
3rd Lowest	\$30,489	\$12,326	\$54,689	4.4x	
2nd Lowest	\$29,863	\$12,326	\$56,057	4.5x	
Hospital with Lowest Average Price	\$26,803	\$13,202	\$42,085	3.2x	

REMOVAL OF UTERINE FIBROIDS	AVERAGE PRICE	LOWER PRICE	HIGHER PRICE	HIGH-LOW RATIO	PRICE RANGE AND AVERAGE CASE PRICE ()
Hospital with Highest Average Price	\$29,146	\$20,050	\$33,915	1.7x	
2nd Highest	\$19,245	\$11,628	\$33,399	2.9x	
3rd Highest	\$18,757	\$11,127	\$33,915	3x	
Statewide Average Price	\$18,201	\$8,944	\$33,915	3.8x	
3rd Lowest	\$15,200	\$9,783	\$24,864	2.5x	
2nd Lowest	\$14,952	\$8,944	\$20,059	2.2x	
Hospital with Lowest Average Price	\$11,151	\$8,944	\$17,061	1.9x	

Guide to Commercial Case Price Variation among High-Volume Inpatient Treatments in Minnesota Hospitals (JULY 2014-JUNE 2015)

What does this report cover?

This second report in a series of studies on price variation in Minnesota focuses on variation in four common hospital inpatient procedures. It examines the *commercial case price*, which includes the amount paid for facility costs (hospital fees) and professional fees (physician services). Our previous work on price variation for certain obstetric and orthopedic services captured facility fees only. To permit fairer comparisons between hospitals, this report is limited to cases of minor and moderate severity.

One finding from this research is that the variation in prices within individual hospitals is substantial and sometimes nearly as high as variation across different hospitals. In preliminary analyses to better understand statewide variation in prices, MDH found that differences between hospitals and characteristics of individual hospitalizations account for most of the statewide variation in prices for these four services. A substantial portion — about 36 percent of the statewide variation in prices — is related to within hospital variation that is unexplained by patient characteristics (age and gender), severity of illness, length of the hospital stay, and insurance characteristics. Our findings were largely consistent with a recent national study, which provided the foundation for this analysis.¹

What types of questions does this report help answer?

The report allows employers to have more informed and focused conversations with their brokers or plan administrators about *treatment-specific price variation*. It offers a starting point, using actual pricing information, for

employers to identify higher-value providers for selected treatments and for having conversations with employees that could include:

- What is the case price range, from lowest price to highest, for common hospital inpatient procedures?
- How does the statewide average case price compare to the hospitals with the highest average case price? The lowest? How much do case prices vary *within* each hospital for specific treatments?
- What other information, such as performance quality, do patients need to make informed health care decisions?

EXAMPLE: An employer is facing rising costs for spinal fusion surgeries. The report reveals the statewide average price (based on facility costs and professional fees) is about \$36,400, and the employer knows the prices they pay almost always exceed this. The report indicates that lower-priced hospitals average around \$30,000 or less per case, while some hospitals have average prices that are about \$14,000 above the statewide average. When comparing individual cases at all hospitals in the state, there can be a 660% difference in price. These data can help employers ask questions about choosing high-value networks that are characterized by competitive prices and high-quality care.

This report can also serve as a starting point for conversations between patients and providers and within provider organizations about health care prices and their variability.

¹ Cooper, Z., Craig, S. V., Gaynor, M., & Van Reenen, J. (2015). *The Price Ain't Right? Hospital Prices and Health Spending on the Privately Insured* (No. w21815). National Bureau of Economic Research.

MN APCD
All Payer Claims Database

For further information about the MN APCD:
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