

Commercial Case Price Variation among High-Volume Inpatient Treatments in Minnesota Hospitals

JULY 2014 - JUNE 2015

This report examines case price variation among four common, clinically uncomplicated inpatient treatments in orthopedic and obstetric care. Prices were estimated based on facility costs only. The graphs show variation in prices from three perspectives: statewide, among different hospitals, and within the same hospital. The analysis was limited to patients with minor or moderate severity of illness. High and low outlier prices were adjusted by truncating their costs to better fit the overall distribution of prices. Hospitals with low case counts were excluded.

TOTAL KNEE REPLACEMENT	AVERAGE PRICE	LOWER PRICE	HIGHER PRICE	HIGH-LOW RATIO	PRICE RANGE AND AVERAGE CASE PRICE ()
Hospital with Highest Average Price	\$35,171	\$24,681	\$46,732	1.9x	
2nd Highest	\$34,007	\$30,725	\$37,479	1.2x	
3rd Highest	\$32,556	\$16,251	\$46,974	2.9x	
Statewide Average Price	\$23,997	\$6,186	\$46,974	7.6x	
3rd Lowest	\$16,690	\$7,949	\$23,505	3x	
2nd Lowest	\$16,688	\$6,186	\$38,809	6.3x	
Hospital with Lowest Average Price	\$15,214	\$6,186	\$30,306	4.9x	

TOTAL HIP REPLACEMENT	AVERAGE PRICE	LOWER PRICE	HIGHER PRICE	HIGH-LOW RATIO	PRICE RANGE AND AVERAGE CASE PRICE ()
Hospital with Highest Average Price	\$33,667	\$15,093	\$38,409	2.5x	
2nd Highest	\$31,135	\$10,373	\$43,359	4.2x	
3rd Highest	\$29,802	\$6,666	\$43,359	6.5x	
Statewide Average Price	\$24,335	\$6,666	\$43,359	6.5x	
3rd Lowest	\$17,260	\$6,666	\$28,277	4.2x	
2nd Lowest	\$17,081	\$6,666	\$43,359	6.5x	
Hospital with Lowest Average Price	\$16,146	\$6,666	\$31,253	4.7x	

NORMAL DELIVERY	AVERAGE PRICE	LOWER PRICE	HIGHER PRICE	HIGH-LOW RATIO	PRICE RANGE AND AVERAGE CASE PRICE ()
Hospital with Highest Average Price	\$9,626	\$2,872	\$12,303	4.3x	
2nd Highest	\$8,857	\$3,980	\$12,303	3.1x	
3rd Highest	\$8,643	\$2,872	\$12,303	4.3x	
Statewide Average Price	\$5,975	\$2,872	\$12,303	4.3x	
3rd Lowest	\$4,551	\$2,872	\$7,979	2.8x	
2nd Lowest	\$4,536	\$2,872	\$9,419	3.3x	
Hospital with Lowest Average Price	\$4,412	\$2,872	\$10,352	3.6x	

C-SECTION DELIVERY	AVERAGE PRICE	LOWER PRICE	HIGHER PRICE	HIGH-LOW RATIO	PRICE RANGE AND AVERAGE CASE PRICE ()
Hospital with Highest Average Price	\$18,723	\$11,930	\$22,831	1.9x	
2nd Highest	\$18,355	\$4,693	\$22,831	4.9x	
3rd Highest	\$17,599	\$10,781	\$22,831	2.1x	
Statewide Average Price	\$10,234	\$4,693	\$22,831	4.9x	
3rd Lowest	\$7,744	\$4,693	\$21,495	4.6x	
2nd Lowest	\$7,595	\$4,693	\$11,995	2.6x	
Hospital with Lowest Average Price	\$7,471	\$4,693	\$13,949	3x	

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

What does this report cover?

This first report in a series of studies on variation in prices in Minnesota focuses on variation in health care prices for common hospital inpatient treatments in obstetrics and orthopedics. It examines the *commercial case price*, which includes only the amount paid for hospital fees. For future work we expect to add physician and other provider fees to this report. To permit fair comparisons between hospitals, the report is limited to cases of minor and moderate severity,¹ which are less complicated clinically but still account for the majority of these procedures and significant spending.

This report can be generated for many other treatment categories, including but not limited to: general surgery (appendectomy, major bowel procedures); cardiovascular surgery (angioplasty with no AMI); gynecological surgery (hysterectomy for fibroids); and ortho-neurosurgery (lower back surgery, disc decompression, spine fusion).

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 childbirth and joint replacement 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 knee replacement surgeries. The report reveals the statewide average price (based on facility fees) is about \$24,800, and the employer knows the prices they pay almost always exceed this. The report indicates that lower-priced hospitals average less than \$20,000 per case, while some hospitals have average facility costs that are about \$10,000 higher than the statewide average. When comparing individual cases at all hospitals in the state, there can be a 760% 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.

¹ Severity of Illness (SOI) was assigned to each admission using the 3M All Patient Refined Diagnosis Related Groups (APR-DRG) system. This industry-standard software uses primary and secondary diagnosis codes, age, and the diagnosis related group to assign an SOI that reflects the clinical severity of patient.

This project is part of a \$45 million State Innovation Model (SIM) cooperative agreement, awarded to the Minnesota Departments of Health and Human Services in 2013 by The Center for Medicare and Medicaid Innovation (CMMI) to help implement the Minnesota Accountable Health Model.

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