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Research finds nearly 8-fold price differences at Minnesota hospitals

Health department and employers partner to increase price transparency

Employers and the Minnesota Department of Health have joined together to add some price transparency to the hidden world of health care costs.

This report of actual prices paid for a set of four different common procedures at Minnesota hospitals, found huge swings in prices depending on which hospital a patient selected.

For example, while the average price paid for a knee replacement in Minnesota was \$23,997, the range in prices paid to Minnesota hospitals between July, 2014 and June, 2015 was as low as \$6,186 to as high as \$46,974. This represents a nearly eight-fold difference between the lowest and highest-price hospitals. Likewise, the average price for a C-section delivery was \$10,234, with the low price of \$4,693 and the high average price of \$22,831, a nearly five-fold difference.

“This is eye opening information for the purchasers of health care,” said Carolyn Pare, president and CEO of the Minnesota Health Action Group, a coalition of public and private purchasers dedicated to improving health care outcomes and the overall value of health care services.

“Employers have long suspected that there is a great deal of variation in both the quality and the cost of health care, but to be able to see the actual numbers provides them an opportunity to make better purchasing decisions. Employers can also help employees and their family members identify and access more affordable care.”

The new report, based on commercial payer data only, is the result of employers teaming up with the Minnesota Department of Health to identify new ways to use the Minnesota All-Payer Claims Database (MN APCD) to better understand what’s happening in health care across the state. Information from the report can help employers ask questions about choosing high-value networks that are characterized by high quality care *and* competitive prices. Representatives from about twenty employers helped design several ideas for analyses and reports, and placed the highest priority on reports about prices paid for common inpatient treatments.

“We were really pleased to demonstrate the value of greater price transparency for employers on this project,” said Acting Commissioner of Health Dan Pollock. “We hope this is just the start of future collaborations and ongoing support for using the Minnesota All-Payer Claims Database to help both consumers and employers make informed decisions about health care spending.”

“Transparency in markets is key to making sure they work effectively,” added Stefan Gildemeister, the state health economist and co-convener of this initiative. “By some estimates, pricing failures from the lack of transparent information on health care costs contribute more than 14 percent to waste or inefficiency in today’s health care spending. We hope this and other upcoming analyses on price variation in Minnesota can provide value to individuals and employers, and contribute to discussions about sustainability in health care spending growth.”

This report assesses the actual prices paid for hospital facility fees in Minnesota. The prices are gleaned from the MN APCD, which consists of data stripped of personal identifiers, from more than 1.1 billion health care claims coming from private and public payers covering more than 4.3 million people in Minnesota.

More than 100 organizations and programs supply de-identified data to the MN APCD, making it the most robust dataset in Minnesota for assessing costs of, and use of, health care. Anything in the data that might identify patients is removed or encrypted before it is submitted to the MN APCD. The data come from commercial health plans, self-insured employers through their third party administrators, Medicaid and Medicare.

The prices in the new report reflect the fees paid to hospitals for certain types of inpatient treatment. The actual amounts paid by patients and employers are higher, when taking into account fees paid for physician services, prescription drugs, and rehabilitation treatments. The report does not include the names of hospitals, as Minnesota law prevents the use of the database to identify individual hospitals or providers. In addition to costs, whether the share they are responsible for or the total amount, patients should consider other types of information, such as performance quality, to make informed health care decisions.

The Minnesota Department of Health plans to publish prices for other common hospital procedures, such as heart procedures or back surgery, in 2018. It is part of a broad commitment to expanding the value realized from the MN APCD. For this, the agency is seeking ideas from the public, including employers, for new reports or analyses regarding how to best use the database in the next few years. <http://www.health.state.mn.us/healthreform/allpayer/rfi.html>.

Past reports from the MN APCD include analyses of cost and utilization trends, pharmaceutical spending and use, potentially preventable health care events, chronic conditions, and more. <http://www.health.state.mn.us/healthreform/allpayer/publications.html>.

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