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Private-to-Medicare Price Ratios in Utah ER

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Part 1: Analysis

Study overview

- ▶ Private-to-Medicare price ratios were calculated in the following settings: inpatient, post-stabilization, and ER
 - Private claims are from the Truven Health MarketScan® commercial claims and annual enrollment data
 - Medicare claims are from 5% Medicare sample
- ▶ Admissions/visits were further categorized by the following criteria:

Category	Description
Any OON	At least one service during a visit paid out-of-network
OON facility	Facility-associated line items paid out-of-network
Facility in-network, provider OON	All facility-associated line items paid in-network, but at least one provider service paid out-of-network
All in-network	Every facility- and provider-associated line item paid in-network

Results: inpatient OON frequencies

State	Tot. adm.	OON adm.	%	Fac. OON adm.	%	All IN adm.	%	OON provider adm.	%
Frequencies and price ratios among any inpatient admissions									
US	414,554	60,665	14.6%	21,727	5.2%	353,889	85.4%	38,938	9.4%
Utah	3,923	521	13.3%	319	8.1%	3,402	86.7%	202	5.1%
Arizona	6,797	1,421	20.9%	532	7.8%	5,376	79.1%	889	13.1%
Frequencies among any post-stabilization inpatient admissions									
US	227,371	31,601	13.9%	8,279	3.6%	195,770	86.1%	23,322	10.3%
Utah	1,880	292	15.5%	178	9.5%	1,588	84.5%	114	6.1%
Arizona	3,631	557	15.3%	163	4.5%	3,074	84.7%	394	10.9%

Results: inpatient price ratios

State	All admissions	Any service OON	Facility OON	All IN	Facility IN, provider OON
Price ratios among any inpatient admissions					
US	2.21	2.72	2.45	2.11	2.76
Utah	2.35	2.65	2.50	2.28	2.83
Arizona	2.36	2.68	2.85	2.17	2.58
Price ratios among any post-stabilization inpatient admissions					
US	2.03	2.41	2.14	1.96	2.46
Utah	2.27	2.47	2.34	2.23	2.61
Arizona	2.06	2.34	3.00	2.01	2.15

Results: ER OON frequencies

Table 5. Frequencies among ER visits

State	CPT	Tot. visits	OON visits	%	Fac. OON visits	%	All IN visits	%	Provider OON visits	%
Arizona	70450	5,802	514	8.9%	55	0.9%	5,288	91.1%	459	7.9%
Arizona	93010	9,543	698	7.3%	80	0.8%	8,845	92.7%	618	6.5%
Arizona	99283	29,326	932	3.2%	298	1.0%	28,394	96.8%	634	2.2%
Arizona	99284	36,086	1,292	3.6%	252	0.7%	34,794	96.4%	1,040	2.9%
Arizona	99285	28,558	1,658	5.8%	212	0.7%	26,900	94.2%	1,445	5.1%
Utah	70450	2,308	366	15.9%	137	5.9%	1,942	84.1%	229	9.9%
Utah	93010	4,689	569	12.1%	234	5.0%	4,120	87.9%	335	7.1%
Utah	99283	14,958	1,046	7.0%	743	5.0%	13,912	93.0%	303	2.0%
Utah	99284	20,132	1,558	7.7%	907	4.5%	18,574	92.3%	651	3.2%
Utah	99285	12,232	1,234	10.1%	560	4.6%	10,998	89.9%	674	5.5%
US	70450	306,240	35,346	11.5%	5,427	1.8%	270,894	88.5%	29,919	9.8%
US	93010	617,253	67,363	10.9%	7,957	1.3%	549,890	89.1%	59,406	9.6%
US	99283	1,813,167	118,868	6.6%	31,435	1.7%	1,694,299	93.4%	87,433	4.8%
US	99284	2,010,365	150,093	7.5%	33,161	1.6%	1,860,272	92.5%	116,932	5.8%
US	99285	1,305,793	130,591	10.0%	20,185	1.5%	1,175,202	90.0%	110,406	8.5%

Results: ER price ratios

Table 6. Price ratios among ER visits

Stater	CPT	All visits	Any service OON	Facility OON	All IN	Facility IN, provider OON
US	70450	3.37	4.79	3.86	3.18	4.96
US	93010	1.68	2.31	2.01	1.60	2.35
US	99283	3.48	4.74	3.60	3.39	5.15
US	99284	3.02	3.93	3.27	2.95	4.12
US	99285	2.62	3.39	3.06	2.54	3.46
Utah	70450	4.82	8.59	8.32	4.11	8.75
Utah	93010	1.81	2.77	2.23	1.68	3.15
Utah	99283	4.18	6.20	5.16	4.02	8.73
Utah	99284	4.12	5.87	5.13	3.97	6.90
Utah	99285	3.86	5.63	5.04	3.66	6.12
Arizona	70450	3.10	5.93	3.95	2.83	6.16
Arizona	93010	2.00	3.09	2.84	1.91	3.13
Arizona	99283	3.52	6.18	4.22	3.43	7.11
Arizona	99284	3.18	7.34	8.73	3.03	7.00
Arizona	99285	2.25	4.08	4.26	2.13	4.06

Findings

- ▶ In Utah, private insurers pay 2-3x more than Medicare for inpatient admissions, which is similar to the ratios paid nationally and in Arizona
- ▶ The largest driver of the ratios is out-of-network billing by providers; this practice, however, is less frequent in Utah than it is nationally and in Arizona
- ▶ In the ER setting, the ratio of prices can range substantially based on the CPT codes billed during the visit. However, the ratio of prices are higher in Utah than they are nationally in this setting.
- ▶ For the most expensive CPT code, for diagnostic radiology of the head and neck, prices paid by private insurers can be up to 9x higher than Medicare when a provider is paid out-of-network

Part 2: Policy Options

Payment Standards for Out-of-Network Billing

- ▶ Options put forward in other legislation/proposals include:
 - ▶ % of Medicare rate
 - ▶ % of Median in-network rate
 - ▶ % of Billed charges

- ▶ In some proposals, all three options are put forward and the final OON payment is the greater of the two or three alternatives

Design Considerations

- ▶ Price transparency
 - ▶ Medicare has a formula to determine prices which is regularly audited and publicly available
 - ▶ Median in-network rates are a reflection of both cost and market power between providers and insurers
 - ▶ Billed charges are providers' asking price and are not constrained by market forces
- ▶ Availability of data
 - ▶ Medicare has prospective payment system which means payments can be determined in real-time
 - ▶ In-network median rates have data availability lag,
 - All-payer claims database can help states determine in-network rate if it exists
 - Could use median in-network rate prior to legislative change and then adjust annually for medical cost inflation

Design Considerations

- ▶ Impact on network participation rates
 - ▶ In-network providers unlikely to agree to be below median in-network rate which would increase both the in-network median and out-of-network payment rate up
 - ▶ Insurers may be unlikely to include high cost providers in their network if OON rate set lower.
 - ▶ In Utah, providers currently have greater negotiating power due to high provider concentration. Setting OON payment standard gives some negotiating power to insurers.

State Examples

- ▶ State approaches depend on existing infrastructure (i.e. All-payer claims database)
- ▶ Examples of state payment standards
 - ▶ Colorado: greater of 1) Carrier's median in-network rate for reimbursement, 2) 250% of Medicare, 3) Median in-network rate based on claims data from Colorado APCD
 - ▶ New Mexico: greater of 1) 60th percentile of in-network rate in prior year or 2) 150% of Medicare rate
 - ▶ Connecticut: greater of 1) carrier's median in-network rate 2) usual, customary and reasonable rate, 3) Medicare rate

Methods Appendix

Study overview

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Methods: price ratios in inpatient setting

- ▶ Below method performed separately among ALL admissions and for post-stabilization admissions (inpatient admissions originating in ER)
- ▶ Among all (and post-stabilization) admissions, calculated frequencies of DRGs were calculated in MarketScan across all states
- ▶ A market basket of the most frequent DRGs in MarketScan comprising 50% of total admissions was created, excluding delivery DRGs.
- ▶ Within each state and across all states, then:
 - Calculate average cost of admission in Medicare and MarketScan among included DRGs, with each DRG weighted according to its overall frequency across all states in MarketScan
 - In MarketScan, also calculated these weighted costs separately by OON status – based on paid network
 - Calculated ratios

Methods: price ratios in ER

- ▶ For the most common CPT codes billed in the ER setting, first identified ER visits associated with that CPT
- ▶ Within each state and across all states, then:
 - Calculate average cost of ER visits in Medicare and MarketScan associated with that CPT code
 - In MarketScan, also calculated these costs separately by OON status – based on paid network
 - Calculated ratios