

CENTER FOR HEALTH INFORMATION AND ANALYSIS

ANNUAL REPORT SERIES

**RELATIVE PRICE:
HEALTH CARE PROVIDER
PRICE VARIATION
IN THE MASSACHUSETTS
COMMERCIAL MARKET**

FEBRUARY 2016



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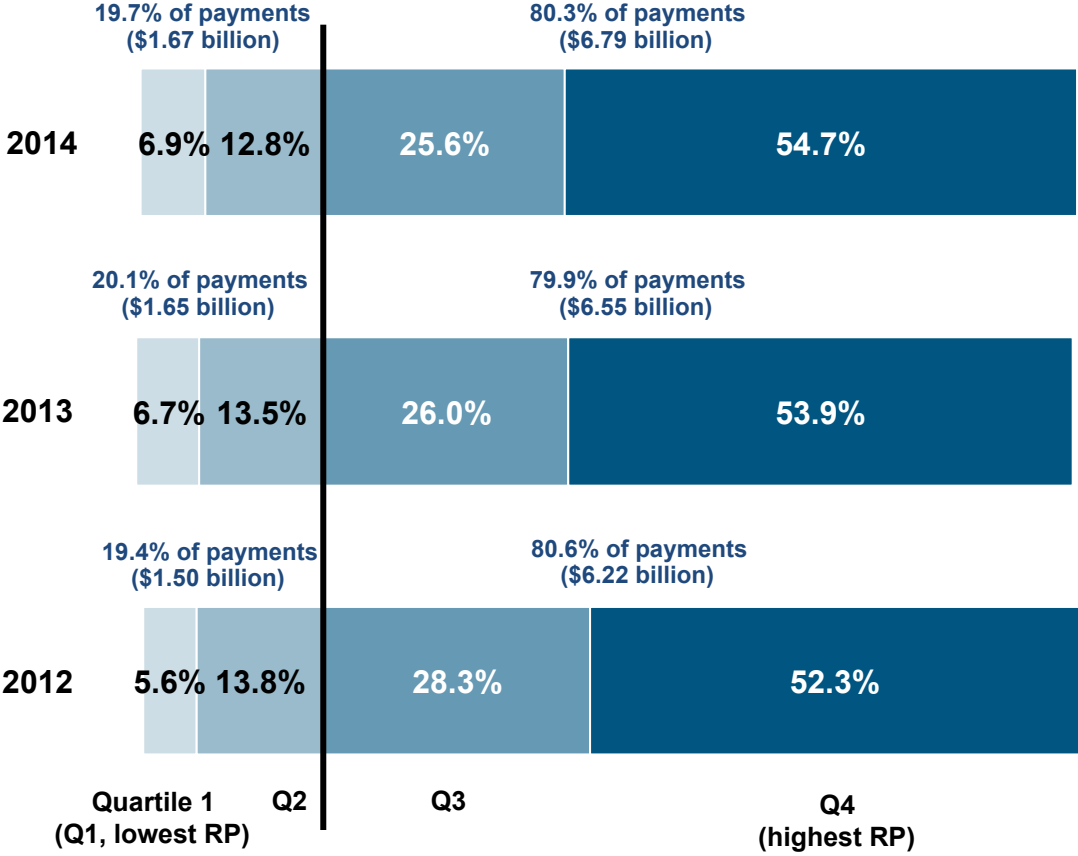
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ACUTE HOSPITALS



Distribution of Acute Hospital Commercial Payments by Relative Price (RP) Quartile, 2012-2014



Commercial payments were concentrated among the highest-priced acute hospitals in 2014.

This pattern has been stable over time.

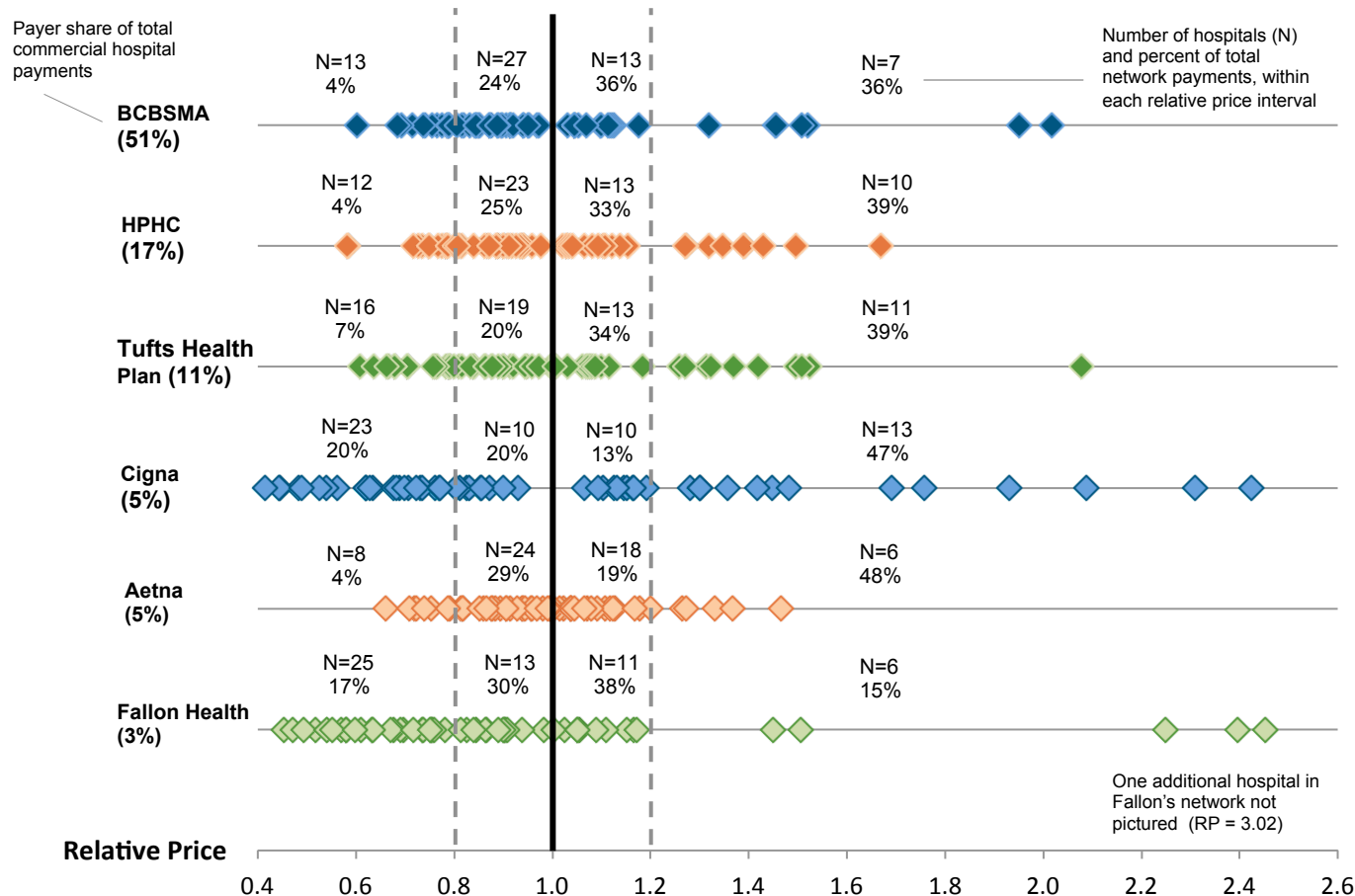
Note: Within each payer's network, hospitals are ordered by blended relative price, and grouped into quartiles such that each quartile contains an equal (or as close to equal as possible) number of providers. For each payer, the first quartile (Q1) contains hospitals with the lowest RP values while Q4 contains those with the highest RP values in the network. Payments to hospitals assigned to Q1 are then summed across all payers to calculate total Q1 payments. A specific hospital may be assigned to different quartiles in different payer networks.

This figure includes only payments made to acute hospitals that were included in the relative price calculation after payment thresholds were applied, accounting for 99.8% of total commercial payments to acute hospitals. An additional \$15.6 million was paid to hospitals for which relative prices were not computed in at least some payer networks.

Percentages may not sum to 100% because of rounding.

Distribution of Acute Hospital Blended RP by Payer, 2014

Top 6 commercial payers, ranked by share of total payments



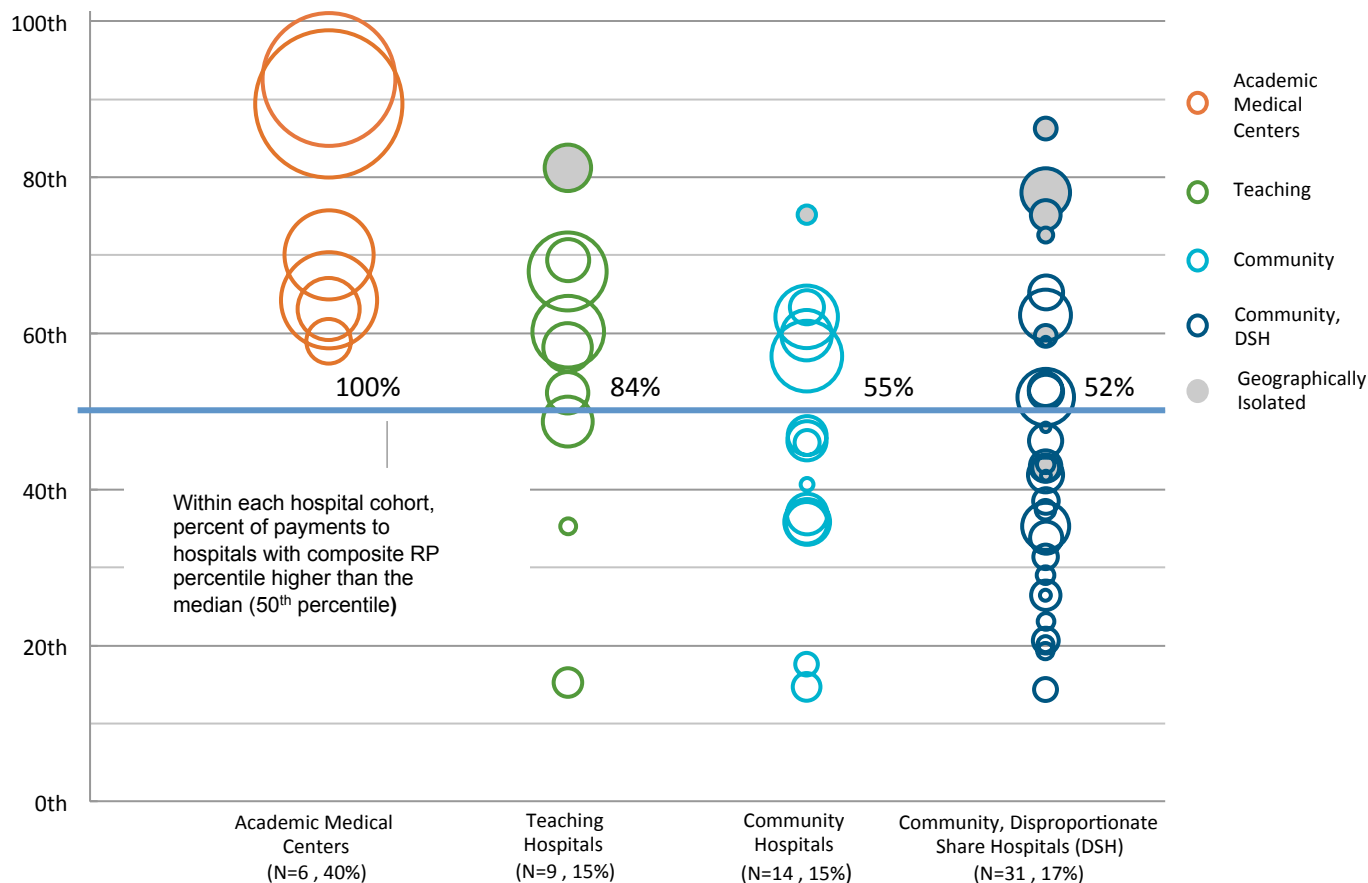
Among 5 of the top 6 commercial payers between 1/3 and 1/2 of total acute hospital payment went to hospitals with RP at least 20% higher than the average.

Fallon Health was the exception with only 15% of total payments going to the highest-priced hospitals.

Note: Cigna reported RP data separately for two entities: Cigna Health and Life Insurance Co. (EAST) and CIGNA Health and Life Insurance Company (CHLIC). This figure presents data for Cigna (EAST) only, which accounts for 95.5% of Cigna's total acute hospital payments. This figure does not depict six hospitals that serve specific patient populations, based either on age or type of medical conditions. These specialty hospitals are not considered comparable with other full-service acute hospitals.

Percentages may not sum to 100% because of rounding.

Acute Hospital Composite Blended RP Percentile, by Hospital Cohort, 2014



Within each hospital cohort, percent of payments to hospitals with composite RP percentile higher than the median (50th percentile)

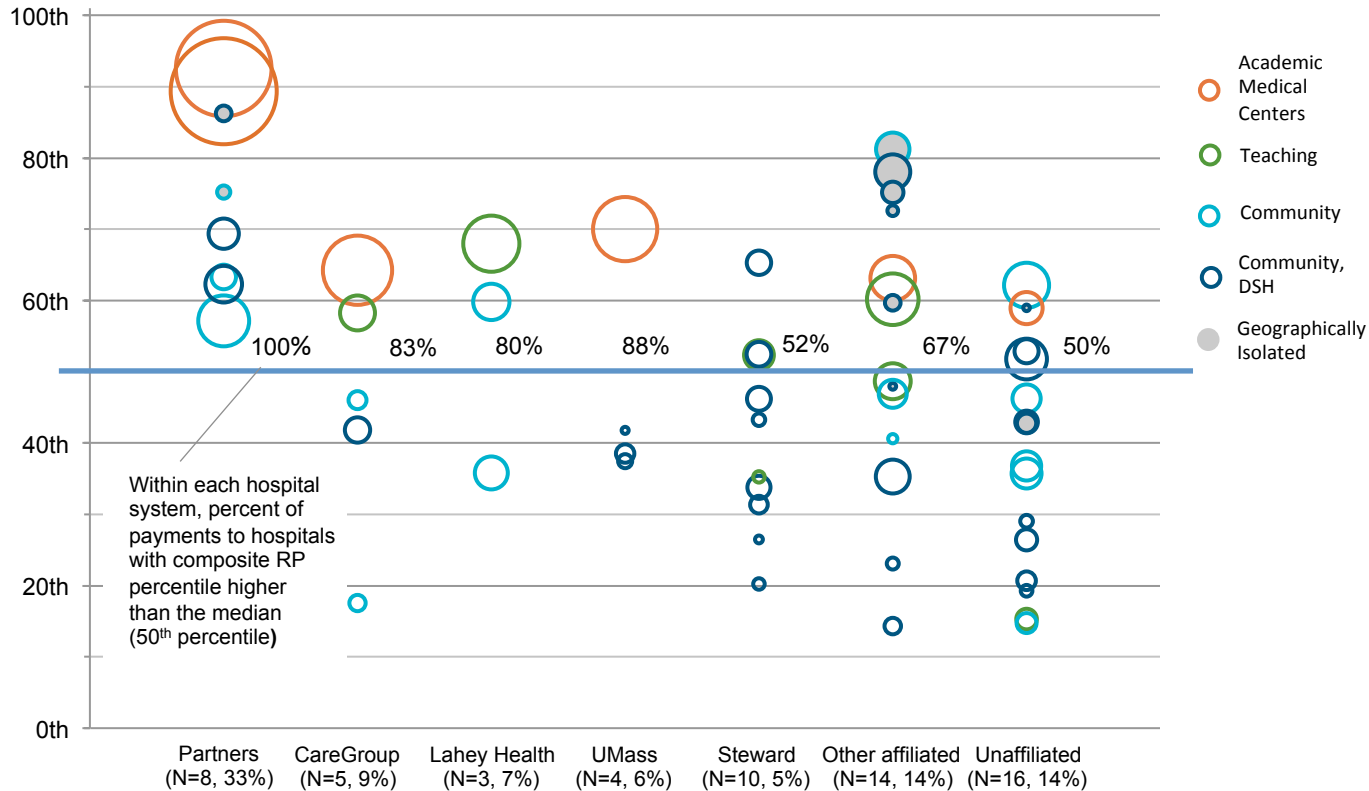
All academic medical centers and nearly all teaching hospitals had relative prices that exceeded the network median across all payers. The majority of network payments went to these providers.

Community hospitals exhibited greater price variation.

Note: Composite RP percentile for each hospital is equal to the simple average of all payer's Blended RP percentiles for that hospital. "Blended" denotes that inpatient and outpatient RP results are combined. Circles are sized according to hospitals' shares of total hospital commercial payments. Grey color denotes geographically isolated hospitals, where the provider is the sole acute hospital within a 20-mile radius. Six hospitals were omitted because they deliver care to specific patient populations, based either on age or type of medical condition. These specialty hospitals are not considered comparable with other cohorts. Hospitals shown accounted for 87% of total hospital payments in 2014.

(Number of hospitals in each cohort; percent of total hospital payments attributed to each cohort)

Acute Hospital Composite Blended RP Percentile, by System, 2014



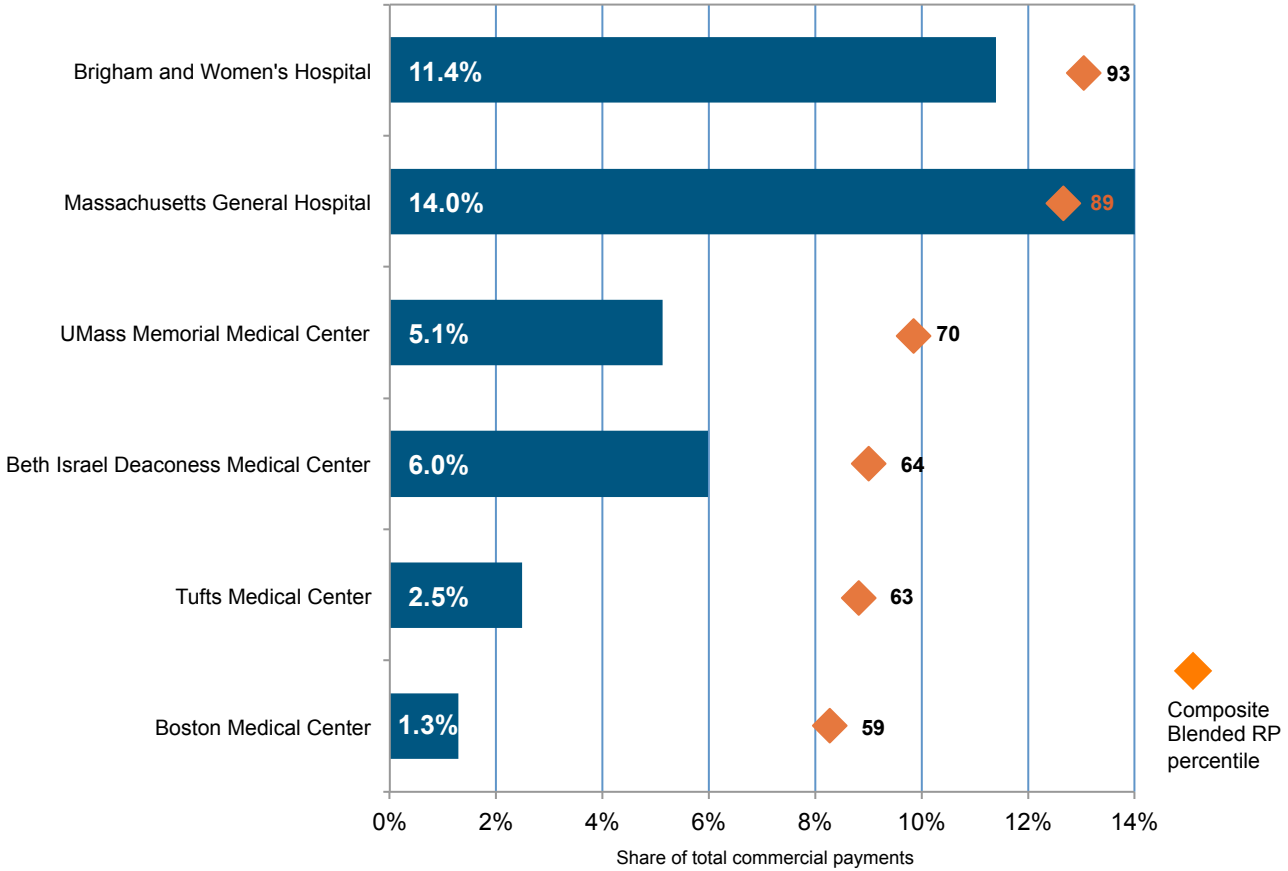
(Number of hospitals in each system; percent of total hospital payments attributed to each system)

Partners was the only system for which all hospitals had composite RP percentiles above the network median.

Note:
Composite RP percentile for each hospital is equal to the simple average of all payers' Blended RP percentiles for that hospital. "Blended" denotes that inpatient and outpatient RP results are combined. "Other Affiliated" includes hospitals affiliated with the following systems: Baystate, Berkshire, Cape Cod, Circle Health, and Tenet. Bubbles are sized according to providers' shares of total hospital payments. Six hospitals were excluded because they deliver care to specific patient populations, based either on age or type of medical condition. These specialty hospitals are not considered comparable with other cohorts, and are omitted from the analysis. Therefore, market shares do not sum to 100%. "Geographically isolated" indicates that the hospital was the sole acute hospital within a 20-mile radius.

Share of Total Commercial Payments and Composite Blended RP Percentile by Acute Hospital, 2014

Academic Medical Centers



Among academic medical centers (AMCs), higher-priced acute hospitals tended to account for larger shares of total commercial payments.

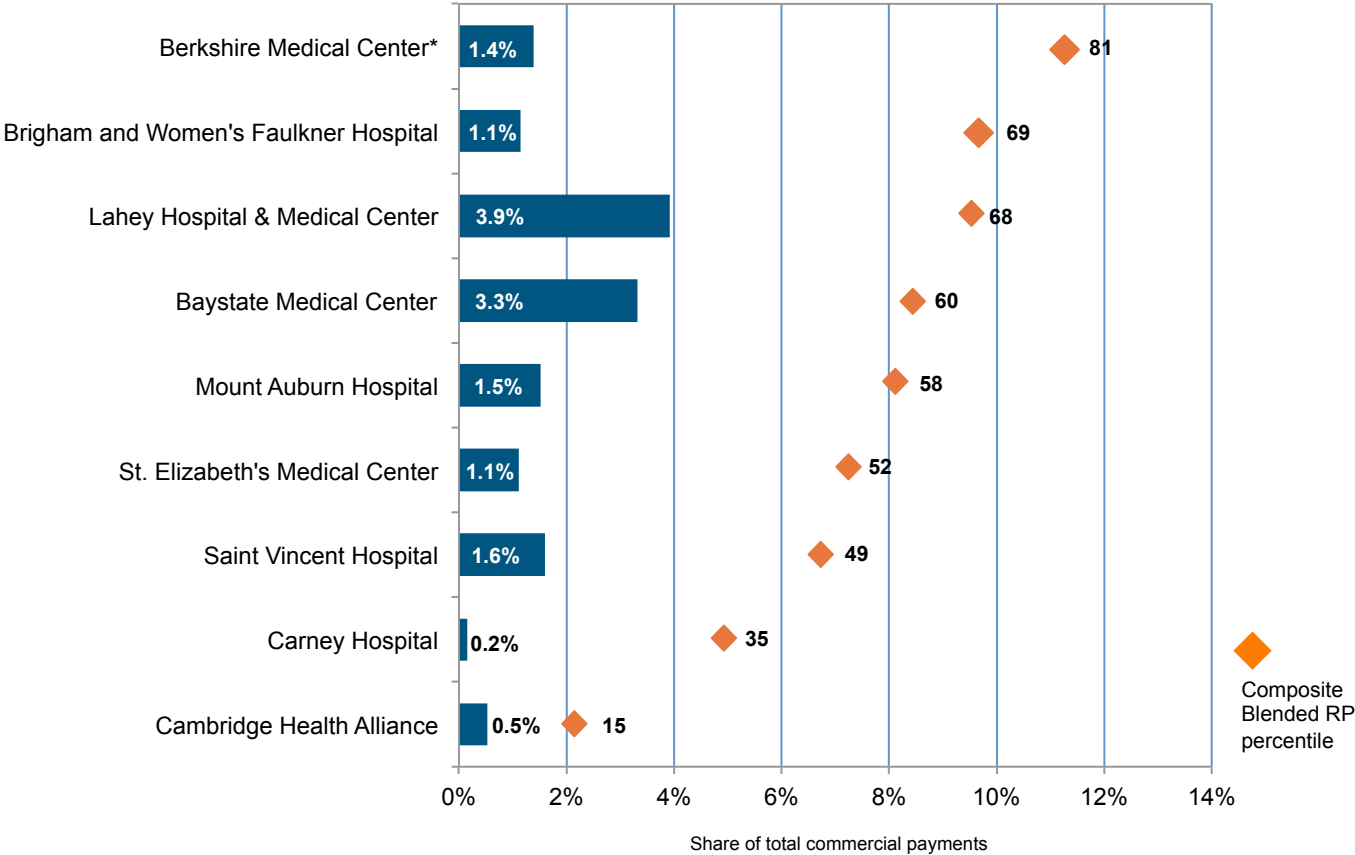
The two AMCs with the highest composite RP (Brigham and Women's Hospital and Massachusetts General Hospital) accounted for more than one-quarter of total commercial acute hospital payments.

Note:
Composite RP percentile for each hospital is equal to the simple average of all payer's Blended RP percentiles for that hospital. "Blended" denotes that inpatient and outpatient RP results are combined.

◆ Composite Blended RP percentile

Share of Total Commercial Payments and Composite Blended RP Percentile by Acute Hospital, 2014

Teaching Hospitals



Payments were more evenly distributed across all teaching hospitals.

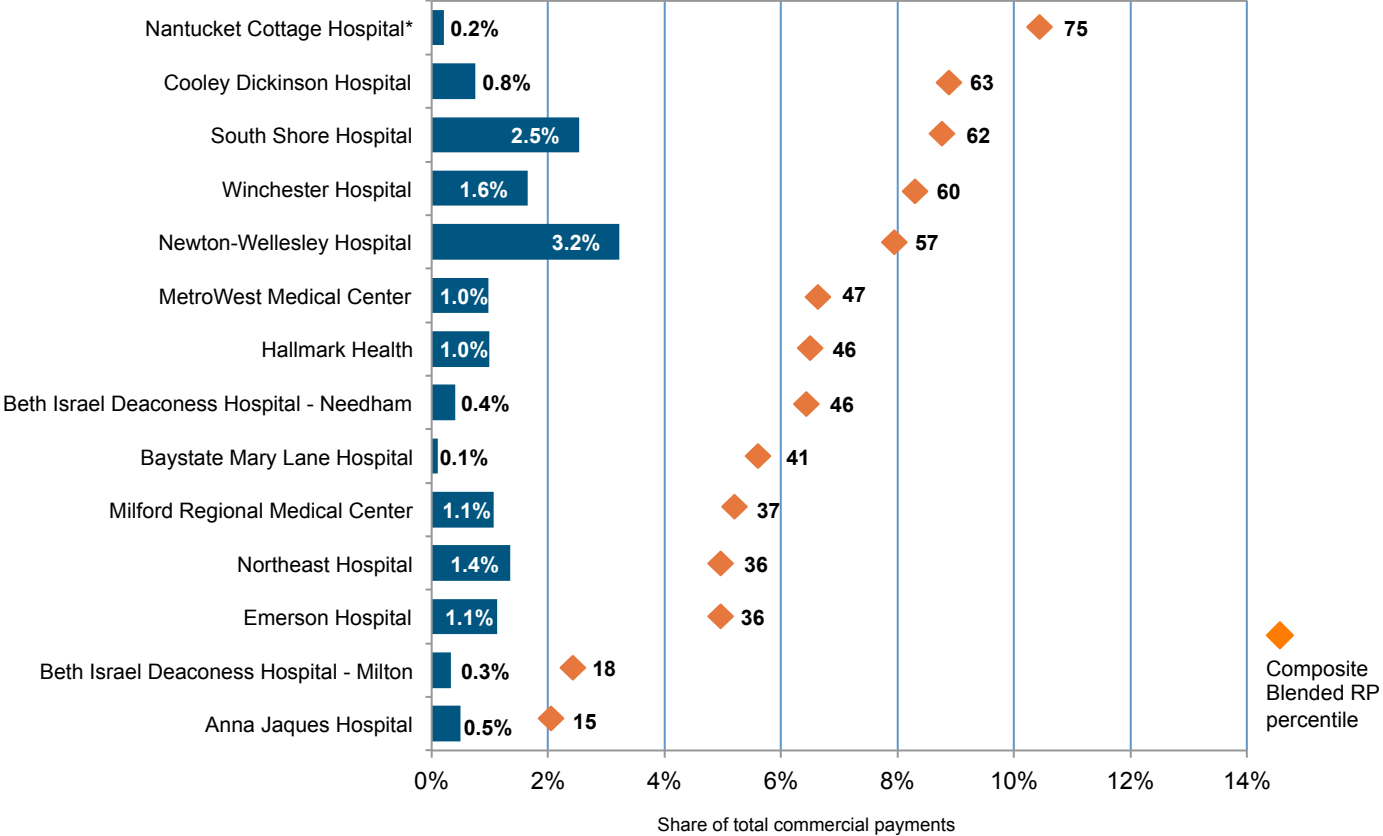
Geographically isolated Berkshire Medical Center ranked highest in terms of composite RP percentile.

Note:
Composite RP percentile for each hospital is equal to the simple average of all payer's Blended RP percentiles for that hospital. "Blended" denotes that inpatient and outpatient RP results are combined.

*An asterisk after a hospital name indicates a geographically isolated facility, defined as a sole acute hospital within a 20-mile radius.

Share of Total Commercial Payments and Composite Blended RP Percentile by Acute Hospital, 2014

Community Hospitals



Among community hospitals, payments were relatively evenly distributed across higher and lower priced hospitals.

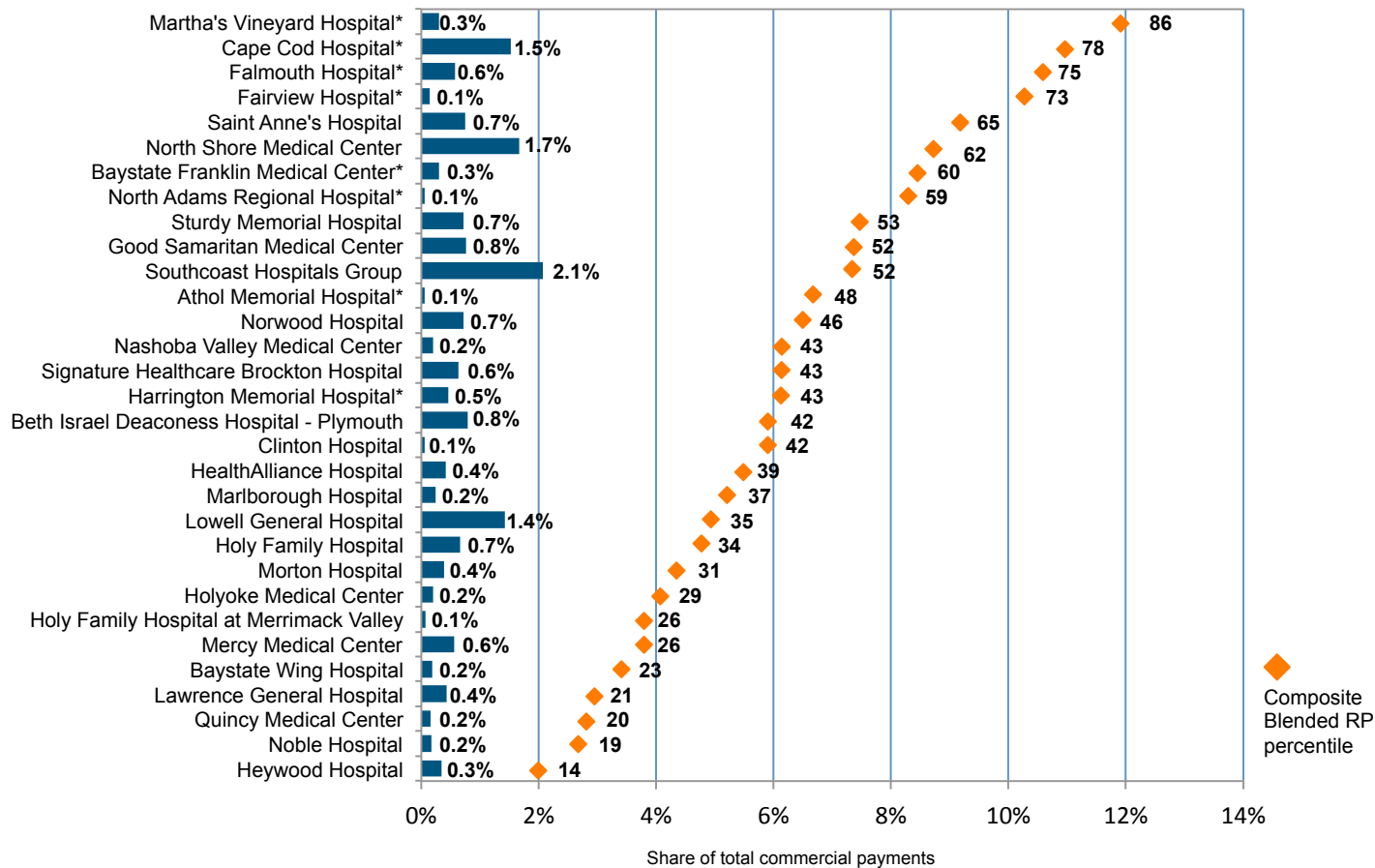
Note: Composite RP percentile for each hospital is equal to the simple average of all payer's Blended RP percentiles for that hospital. "Blended" denotes that inpatient and outpatient RP results are combined.

*An asterisk after a hospital name indicates a geographically isolated facility, defined as a sole acute hospital within a 20-mile radius.

◆ Composite Blended RP percentile

Share of Total Commercial Payments and Composite Blended RP Percentile by Acute Hospital, 2014

Community, Disproportionate Share Hospitals (DSH)



Among community, DSH hospitals, payments were relatively evenly distributed across higher- and lower-priced hospitals.

Geographically isolated DSH hospitals tended to have higher Composite Blended RP.

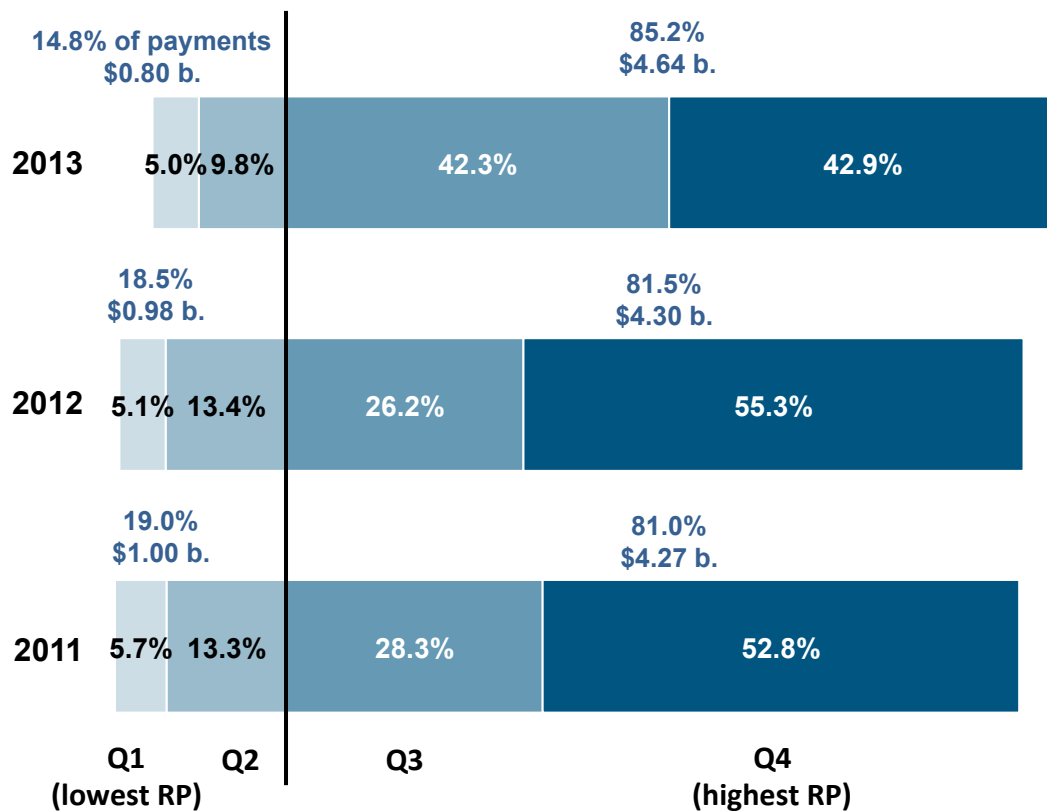
Note:
Composite RP percentile for each hospital is equal to the simple average of all payer's Blended RP percentiles for that hospital. "Blended" denotes that inpatient and outpatient RP results are combined.

*An asterisk after a hospital name indicates a geographically isolated facility, defined as a sole acute hospital within a 20-mile radius.

PHYSICIAN GROUPS



Distribution of Physician Group Commercial Payments by Relative Price (RP) Quartile, 2011-2013



Between 2012 and 2013, the share of physician group payments to the second highest-priced providers (Q3) rose 16 percentage points (pps) from 26.2% to 42.3%.

Simultaneously, the share to the highest-priced providers (Q4) fell by more than 12 pps, and the share to the second lowest-priced providers (Q2) fell more modestly by 3.6 pps.

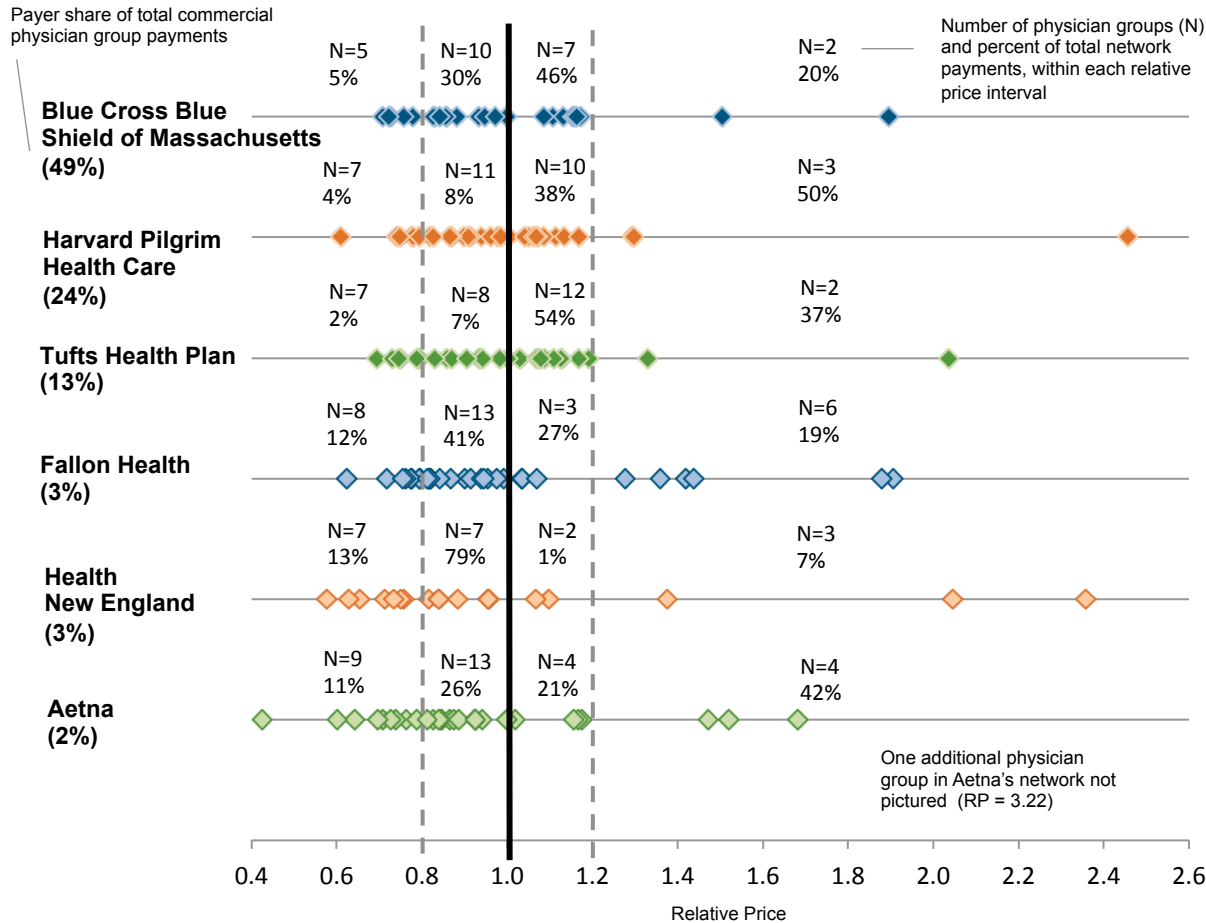
Despite the shift in payments away from the highest-priced physician groups, payments remained concentrated among providers with above-median prices. The share of payments to higher-than-average priced providers grew from 81.5% in 2012 to 85.2% in 2013.

Notes:

Within each payer's network, physician groups are ordered by relative price, and grouped into quartiles such that each quartile contains an equal (or as close to equal as possible) number of providers. For each payer, the first quartile (Q1) contains physician groups with the lowest RP values while Q4 contains those with the highest RP values in the network. Payments to physician groups assigned to Q1 are then summed across all payers to calculate total Q1 payments. Note that a specific provider may be assigned to different quartiles in different payer networks. This figure includes only payments made to physician groups that were included in the relative price calculation after payment thresholds were applied, accounting for 93% of total commercial payments to physician groups. An additional \$0.39 billion was paid to individual physicians and groups for which relative prices were not computed. Percentages may not sum to 100% because of rounding.

Distribution of Physician Group Relative Prices by Payer, 2013

Top 6 commercial payers, ranked by share of physician group payments



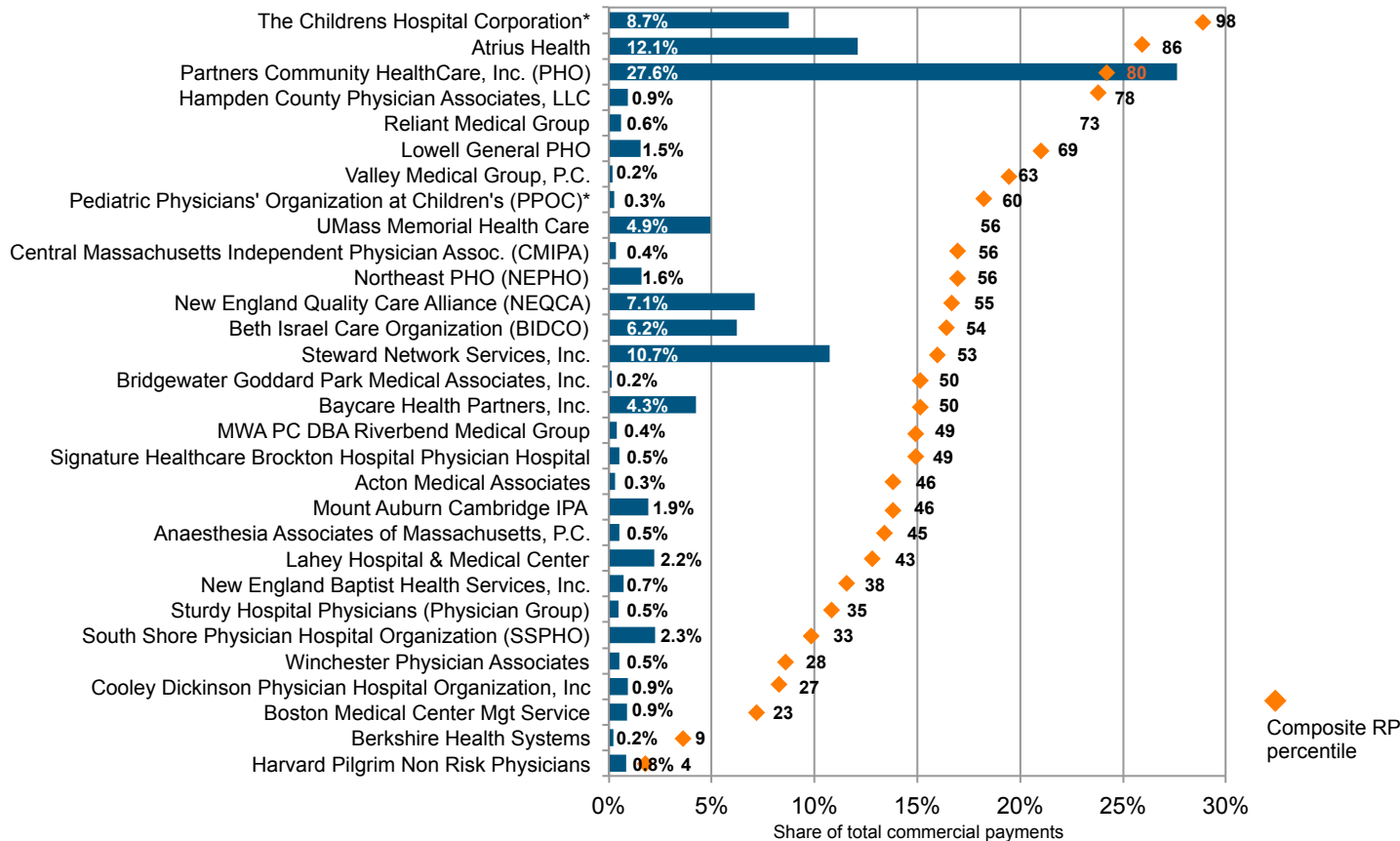
Physician group prices and payments clustered near the network median for most payers.

For Harvard Pilgrim Health Care, half of total payments to physician groups went to the three highest-priced groups.

Note: Percentages may not sum to 100% because of rounding.

Share of Total Commercial Payments and Composite RP Percentile by Physician Group, 2013

Top 30 Physician Groups



The three highest-priced physician groups accounted for nearly half (48%) of total commercial physician group payments in 2013.

Note:
Composite RP percentile for each physician group is equal to the simple average of all payers' RP percentiles for that physician group. The figure includes the top 30 physician groups, according to share of total physician payments from commercial payers.

*Denotes pediatric practices.