

# EXECUTIVE SUMMARY: PROVIDER PRICE VARIATION IN THE MASSACHUSETTS COMMERCIAL MARKET

---

## Introduction

CHIA reports annually on relative price (RP) to examine provider price variation in the Massachusetts commercial market.<sup>1</sup> RP facilitates the comparison of average provider prices accounting for differences in patient acuity, the types of services providers deliver to patients, and the different insurance product types that payers offer to their members. CHIA calculates both payer-specific RP, which enables comparison within a payer's network,<sup>2</sup> and cross-payer statewide relative price (S-RP), which enables comparison across commercial payers.

This publication includes an analysis of calendar year (CY) 2019 hospital RP, S-RP results for acute hospitals, and CY 2018 RP for physician groups within the commercial market. In addition to this executive summary on statewide findings, the published RP materials include:

- a series of [interactive graphics](#) on provider-specific S-RP results and payer-specific RP results
- an analytic [dataset](#) including data on S-RP and payer-specific RP
- a [technical appendix](#)

## Key Statewide Findings: Hospitals

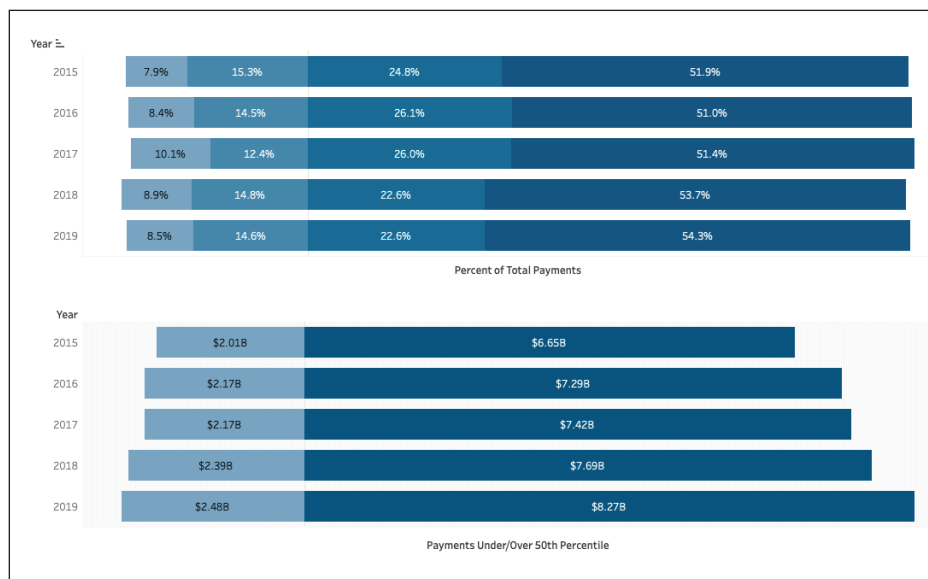
In 2019, \$11.2 billion was paid for patients under commercial insurance coverage, while \$3.0 billion combined were paid for Medicare Advantage and Medicaid Managed patients. Commercial payments made to chronic and rehabilitation hospitals were \$21.8 million and \$85.6 million, respectively. \$199.8 million of commercial payments were made to psychiatric hospitals, substance abuse hospitals, or acute hospital behavioral health.

To facilitate a comparison of acute hospitals with similar characteristics, hospitals were grouped into hospital types.<sup>3</sup> Among all commercial payments to acute care hospitals, 40.8% were made to Academic Medical Centers, 32.5% were made to community hospitals, and 11.9% to teaching hospitals. Specialty hospitals received a combined 14.8% of commercial payments. Academic Medical Centers tended to have higher S-RPs than other hospital types; the average Academic Medical Center commercial S-RP was 1.21 in 2019. Community hospitals that also had a high public payer mix had the lowest average commercial S-RP (0.94).

## Key Payer-Specific RP Findings: Hospitals

In 2019, \$10.8 billion<sup>4</sup> was paid to acute care hospitals in Massachusetts for inpatient and outpatient services provided to patients with commercial insurance coverage, which is an increase of 7.9% from 2018. More than half (54.2%) of those payments were made to hospitals

### Hospital Payments by Blended RP Quartile



Click image to see full interactive graphics.

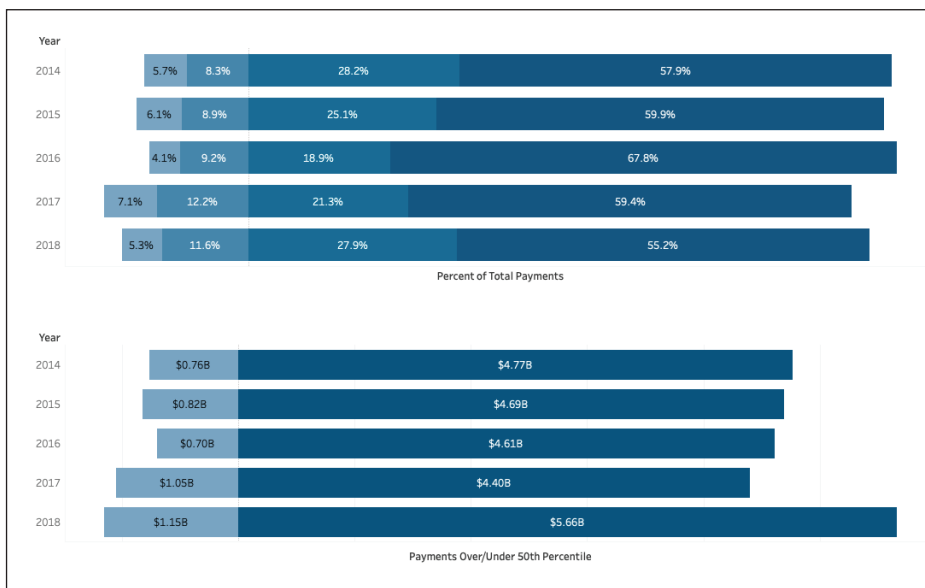
with RPs in the highest-priced quartile. Hospitals with the lowest RPs were paid 8.6% of commercial payments in 2019. Of payments to acute hospitals for patients with commercial coverage, 47.2% were paid through HMO or POS plan designs, while PPO plans made up 48.4% of payments.

Approximately one-third of total commercial acute payments were made to the top three hospitals in Massachusetts. For eight out of the 12 payers in the commercial market, these three hospitals were among the five highest RP hospitals in the networks. More details and additional information on other hospital types and insurance categories can be found the interactive dashboard.

## Key Payer-Specific Findings: Physician Groups

In 2018, the most recent data year available, \$7.1 billion<sup>5</sup> was paid to physician groups for services provided to patients with commercial insurance coverage. Of those payments, 55.2% were made to physician groups with RPs in the highest-priced quartile. This represents a decrease from 2017 in which 59.4% of payments were to physician groups in this quartile. The share of payments to physician groups in the lowest-priced quartile decreased 2.5 percentage points to 5.3% in 2018.

### Physician Payments by RP Quartile



Click image to see full interactive graphics.

## Methodology

Relative price is a measure constructed based on summarized data files submitted by payers to CHIA.<sup>6</sup> This measure is intended to illustrate providers' average prices relative to a payer's network average prices; relative price does not reflect the absolute level of prices paid for services. The results presented in this publication can be interpreted as follows: If Acute Hospital A in Payer 1's commercial network has an RP of 1.20, this result means that Hospital A's prices are, on average, 20 percent higher than the average commercial

price paid by Payer 1 to all acute hospitals. Please see this report's [technical appendix](#) for more detailed information. ■

### Notes

- 1 Pursuant to Massachusetts General Laws Chapter 12C, Section 10.
- 2 When calculating and reporting RP, a payer's network is defined as each provider type/insurance category/product type combination, (e.g., Acute Hospital Inpatient-Commercial-HMO).
- 3 These hospital types are Academic Medical Centers, community hospitals, community-High Public Payer Hospitals, and teaching hospitals. Specialty acute hospitals are not included as a specific type, because these hospitals are not comparable due to their unique patient populations and/or services. Please see this report's [technical appendix](#) or more detailed information about how hospitals were categorized.
- 4 Commercial payments only for acute care hospitals for which a blended RP value was calculated, representing approximately 99.1% of the commercial market.
- 5 Includes payments which were attributed to physician groups by payers, representing approximately 77.6% commercial spending for physician services. For more information about the reporting threshold for physician group RP, see [technical appendix](#).
- 6 Please see the relative price [data specification manual](#) and [methodology paper](#) for more detailed information.

For more information, please contact:

