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NBGH study examines hospital cost-shifting

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Some hospitals shift costs to commercial payers to make up for low Medicare reimbursement rates, but there are hospitals that provide high-value services to commercial payers and Medicare, concludes a study released Thursday.

The National Business Group on Health commissioned Milliman Inc. to conduct the study, which evaluated hospital data in 65 U.S. cities, after several communities were singled out in health reform debate as providing exceptional value to Medicare, said Helen Darling, president of the Washington-based NBGH.

Private payers, including insurers and self-insured employers, have questioned whether this “high-value care” for Medicare is being shared, or if private payers effectively have subsidized that care through higher hospital charges, Ms. Darling said during a Washington news conference where the survey findings were released.

Researchers identified a handful of cities where hospitals deliver low-cost patient care to Medicare and to commercial payers while producing positive margins, but nine cities delivered high-value care to Medicare while charging commercial payers higher amounts.

Five of those cities are in California—Fresno, Modesto, Sacramento, San Francisco and San Jose. The others are Denver; Fort Wayne, Ind.; Reno, Nev.; and Seattle.

Surprisingly, researchers said, the hospitals that provide high-value care to Medicare and commercial payers share no specific characteristics that separate them from those that provide low-value care to either Medicare, commercial payers or both, said Bruce Pyenson, a New York-based principal and consulting actuary at Milliman, during the news conference.

He said researchers found there is considerable variation among the hospitals studied in cost drivers including wages, payer and hospital competition, location, and ratio of primary care to specialist physicians.

However, researchers found that certain hospitals that provide good value for Medicare and commercial payers generally have greater medical efficiency and lower admission rates, Mr. Pyenson said.

“As Congress and the president try to find solutions to the health care crisis, we have to find ways to make the health industry more efficient,” Ms. Darling said. “We can’t just cover millions more people without a laserlike focus on controlling costs.”

“This research helps identify cities in which hospitals provide higher value for Medicare and for private payers, at least for in-patient care. It also confirms that some less-efficient hospitals generate profit by raising commercial payer costs, costs passed on to consumers and employers as increased premiums,” she said.

“As new payment models are tested and studied to find models worth emulating, knowing which hospitals are successful due to high-quality, efficient patient care vs. effective contracting alone is essential,” Ms. Darling said.

The study, “High Value for Hospital Care: High Value for All?,” is available at www.milliman.com (<http://www.milliman.com/expertise/healthcare/publications/rr/high-value-hospital-care.php>) .
