

Pricey imaging pushes up health costs

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Technology, changes in test sites drive rise

By Liz Kowalczyk, Globe Staff | March 11, 2010

In just two years, spending on MRIs, mammograms, and other imaging tests climbed by at least \$214 million in Massachusetts, helping to fuel a dramatic rise in the cost of outpatient hospital care.

Consultants hired by the state found that the cost of imaging for privately insured residents increased 20 percent between 2006 and 2008, to \$1.2 billion, as doctors ordered more scans and X-rays and hospitals demanded higher prices.

The largest single increase was for digital mammography, a new way to screen women for breast cancer. Hospitals have invested heavily in these expensive machines, and some insurers pay significantly more for digital mammograms than for traditional ones, even though the newer test has not been shown to be better at detecting cancer in most women.

A shift in where imaging is done, from independent freestanding clinics to generally higher-cost hospitals, also contributed to the spending increase, according to consultants from Brandeis University and Mathematica Policy Research Inc. of New Jersey. Governor Deval Patrick's administration hired the researchers to investigate rising health care costs.

But hospital executives said the state's consultants overstated the role higher provider fees are playing in pushing up costs. And, they said, the increase in the number of scans has slowed significantly since 2008, as more insurers began requiring preauthorization for certain scans.

During hearings beginning March 16, David Morales, commissioner of health care finance and policy, and other specialists will question insurers and providers about a broad range of findings, including the increased spending on imaging and outpatient care and the dramatic variation in what providers are paid for the same service.

"Rising health care costs are definitely hurting the state's economy and threaten our future economic growth," Morales said. "It's a national problem that requires immediate intervention."

For years, Massachusetts has spent more per person on medical care than the national average, though the rise in spending has generally been similar to that seen across the country. But the consultants said the state's recent growth in costs — more than 7 percent annually for the privately insured between 2006 and 2008, the most recent years for which data were available — appears to outpace the nation as a whole.

Imaging costs are growing across the United States, although the consultants did not provide comparable US data.

In Massachusetts, they found that about half of the increased spending on imaging was the result of higher prices, either hospitals charging more for the same kind of scan or substituting a more costly test, such as a CT scan, for a less expensive one, such as a standard X-ray.

Dr. Thomas Dehn — chief medical officer for National Imaging Associates, a Connecticut company that manages radiology benefits for insurers — said some Massachusetts hospitals are getting price increases for scans that "are unheard of in the rest of the country."

"In most [other] communities, there is a thriving competitive market of freestanding imaging centers" that holds down prices, he said.

That is generally not true in Massachusetts, where spending on imaging in hospital outpatient departments grew 28 percent between 2006 and 2008, but fell 10 percent in freestanding centers, the consultants said.

Blue Cross Blue Shield of Massachusetts, the state's largest insurer, said that in 2006, 40 percent of the MRIs it paid for were done at hospitals, compared with 50 percent by 2008. That has significant cost implications, said Andrew Dreyfus, executive vice president for health care services, because the insurer pays an average \$700 for an MRI in a freestanding clinic, but twice that much at a hospital.

Rick Weisblatt — senior vice president for health services at Harvard Pilgrim Health Care, one of the state's largest insurers — said some hospitals have been able to increase the number of scans they do through electronic medical records, which prompt doctors to send patients to the hospital or a satellite clinic, as opposed to an unaffiliated imaging center. When a test is done at the hospital, the results automatically become part of the patient's electronic record, a feature many doctors like because it improves coordination of care.

"A scan done in a hospital is of no better quality and is not being read by a more qualified radiologist than one done in a freestanding clinic," Weisblatt said.

Hospital executives said this argument is too simplistic. They pointed out that the state consultants found that average prices for certain imaging tests were the same or more in freestanding clinics than in hospitals. Hospitals, unlike freestanding clinics, need to subsidize money-losing services such as psychiatric care, the officials said, and they also charge private insurers higher fees to make up for reduced rates paid by Medicare and Medicaid.

"Hospitals have to have a margin, or they're not going to survive in the long run," said Joe Kirkpatrick, senior vice president for health care finance and managed care at the Massachusetts Hospital Association.

From 2007 to 2008, spending on digital mammography grew by \$21 million. Imaging specialists believe a large portion of the cost increase is because of women getting more expensive digital mammograms in place of traditional tests.

Dehn said digital mammography is faster, facilitating scans of more women, and there are no film or related storage costs. For these and other reasons, he said, digital mammography should cost the same or be cheaper.

But, Dehn said, manufacturers lobbied Congress for higher payments from Medicare, encouraging providers to buy the technology and setting the stage for private insurers to pay a premium, as well. Harvard Pilgrim pays an average \$190 for a traditional mammogram and \$260 for a digital exam. Blue Cross pays \$192 and \$282, respectively.

"This is a very good example of a new technology that's not necessarily producing better outcomes, yet it is still part of the general arms race," said Harvard Pilgrim's Weisblatt.

But Dr. Steven Seltzer, head of radiology at Brigham and Women's Hospital, said there are legitimate reasons to charge more for digital mammography, including price of the machines: \$350,000 to \$400,000, compared with \$100,000 for traditional equipment.

Studies have shown that digital exams do appear to detect cancer better in a subset of patients, young women with dense breasts, and Seltzer said that digital mammography has other significant advantages.

"It does perform better in selected populations," he said, "and the results can be viewed by any doctor in any location."

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