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Spending on the insured rises

The Boston Globe

Outpatient care at expensive Mass. hospitals fuels hike

By Liz Kowalczyk, Globe Staff | February 13, 2010

In just three years, medical spending on privately insured Massachusetts residents grew more than 15 percent, fueled in large part by outpatient care in expensive hospitals, according to three reports released yesterday examining the state's climbing health care costs.

The findings by Massachusetts regulators bolster Governor Deval Patrick's proposal this week to give the state the power to cap health care price increases. The reports also provide a preview of state hearings scheduled to begin March 16, investigating why medical costs here are so high compared with the United States as a whole - and to propose solutions.

The data suggest that care is being provided in increasingly expensive places. Outpatient care in Massachusetts - which includes day surgery, imaging tests, and procedures like colonoscopies - is almost entirely provided at hospitals, and most of the rise in outpatient hospital spending was for care provided in teaching hospitals in the Boston area, one of the reports concludes.

Outpatient spending at hospitals grew 26 percent from 2006 to 2008, from \$2.4 billion to \$3.1 billion, regulators found. This increase was driven by hospitals both charging higher prices and doing more procedures.

In addition, hospital admissions are shifting toward higher-cost providers, with the teaching hospitals' portion of total overnight admissions of privately insured patients increasing by 5 percentage points over the three years.

Dr. JudyAnn Bigby, Patrick's secretary of health and human services, said that while state officials knew Massachusetts spending on health care is 15 percent higher than the national average, she was surprised that "we see a lot of increased consumption of medical care in outpatient hospital departments. That is different from what I'd been hearing from hospitals, saying that these services have been leaving them and going to freestanding outpatient facilities competing with them."

Spending on outpatient care in nonhospital facilities, such as surgery clinics and rehabilitation centers, dropped 14 percent from 2006 to 2008.

State regulators also examined insurance premiums and the impact of growing medical costs on businesses, concluding that average monthly premiums grew 12.2 percent from 2006 to 2008.

Premiums paid by small businesses, however, grew fastest, when adjusted for differences in benefits, demographics, and location. From 2007 to 2008, adjusted small group premiums grew 5.8 percent, while midsize groups' rates grew 4.8 percent, and large groups' grew 5.4 percent.

Patrick's legislation filed on Wednesday - which would give the insurance commissioner sweeping authority to review and reject rates charged by hospitals, physician groups, medical imaging centers, and insurers - was particularly intended to help small businesses.

The Massachusetts Hospital Association said in a statement that the reports fail to address the role inadequate government payments for Medicaid and Medicare patients play in pushing up health care costs.

Hospitals are forced to make up for these poor payments by charging private insurers more, the group has said.

"It is important to remember that just as there is no single 'silver bullet' to conquer costs, neither is there one member of the healthcare community that is single-handedly responsible for causing costs to increase," the association said.

Health insurers applauded the reports' conclusions. "This is what we've been saying all along, that the prices providers charge, [hospital] market power, the expansion of academic medical centers into the suburbs, these are driving the cost increases in Massachusetts," said Lora Pellegrini, acting president of the Massachusetts Association of Health Plans. "These reports focus squarely on the issues policy makers need to be dealing with."

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