

Houston Employers Pay Hospitals More than Twice the Medicare Rate, Needlessly Reaping Large Profits from Commercial Payers

HOUSTON – June 8, 2022 – In Texas, the prices paid to hospitals for privately insured patients by employers averaged 252% of what Medicare would have paid. These are among the findings released today by the [Houston Business Coalition on Health](#) (HBCII) at a hospital price transparency forum at the United Way of Greater Houston.

Based on newly available data and tools from RAND Corporation, The National Academy for State Health Policy (NASHP) and Sage Transparency, HBCII also offered a review of the flagship hospitals from Houston’s four major health systems. Houston Methodist, Memorial Hermann, and HCA Houston Medical Center all had RAND results greater than 250% over Medicare, while Baylor St. Luke’s was at 216%.

The NASHP data revealed that all of these flagship hospitals, with the exception of Baylor St. Luke’s, are charging employers more than 100% of what is needed to breakeven (how much hospitals need to be reimbursed by commercial payers to make up for any shortfalls from public sector payers such as Medicare and Medicaid and uninsured patients). These hospitals achieved a commercial profit margin of more than 45% over what the hospitals breakeven, with the exception of Baylor St. Luke’s at close to 20%.

“We’re entering a new age of transparency and it’s clear from these tools that pricing is not directly correlated with quality, but rather on what the market will bear,” said Chris Skisak, PhD, HBCII executive director. “While this is cause for concern, there are opportunities for change and these resources will enable employers and health plans to negotiate future contracts to select health systems that offer the best value – the highest quality at the lowest costs.”

The [RAND Hospital Price Transparency Report](#) examined claims data from employers, private insurers, and 11 state all-payer claims databases for more than 4,000 hospitals and 4,000 additional ambulatory surgical centers across 49 states and the District of Columbia. It found that hospitals, on average, are charging employers almost three times what they are charging for the same services under Medicare. The [NASHP Hospital Cost Tool](#) found hospitals, on average, require only 127% of Medicare to breakeven. The [Sage Transparency Dashboard](#) combines data from RAND, NASHP and other hospital, medical and surgical quality metrics.

HBCII will soon post the results for all Houston area hospitals on its website for easy public access.

“The prices employers paid to hospitals are unsustainable and negatively impacts business growth, family quality of life, and resources needed for other critical community social needs,” Skisak added. “Our intent in sharing and publicizing these resources is to facilitate direct discussions with health systems and employers to better understand the ramifications to Houston businesses and the greater community.”

The data is already being used to guide a new path forward. As an example, HBCH and its members are working to demand transparency and change policies in the upcoming Texas 88th Legislative Session to eliminate anti-competitive language between hospitals and health plans.

About Houston Business Coalition on Health

The non-profit Houston Business Coalition on Health is the leading resource for Houston employers and their health services providers dedicated to providing health benefits at a sustainable cost while improving the quality and employee experience of their delivery through effective benefits design. With 60 members, HBCH represents approximately 500,000 local and more than 1 million national employer-sponsored lives. HBCH a member of the National Alliance of Healthcare Purchaser Coalitions. For additional information visit houstonbch.org and follow us on [Twitter](#) and [LinkedIn](#).

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