



HBCII Media Contact: Cary Conway
cary@conwaycommunication.com
972.649.4707

RAND Study Finds Houston Employers Pay Hospitals 237% More than Medicare Would Pay for Same Service

HOUSTON – September 21, 2020 – In the Houston market, the prices paid to hospitals for privately insured patients by employers averaged 237% more than what Medicare would have paid. This is among the findings of a new study published by the [RAND Corporation](#) that examined a large sample of employers and private insurers across 49 states and the District of Columbia and more than 3,000 hospitals nationwide.

The [Houston Business Coalition on Health](#) (HBCII), a non-profit multi-stakeholder coalition devoted to improving the price, quality and consumer experience in healthcare delivery, convened employers to submit data for the study and released the RAND findings specific to Texas.

In the Houston area the privately insured paid on average 195% for in-patient and 265% for outpatient over Medicare. A total of 34 Houston area hospitals were included in the study which found that high prices are being driven by hospital services rather than professional services which includes physician fees. In aggregate, professional fees were 169% of Medicare, while the hospital fees were 241% and 312% for in-patient and outpatient, respectively.

“These results support the argument that most Houston employers are paying more than what is reasonable for healthcare delivery in hospitals, and the steerage by health systems towards higher priced outpatient services reflected in the results is a good example,” said Chris Skisak, PhD, executive director for HBCII. “Future RAND studies coupled with now available tools to link to quality and adequacy of Medicare payments to hospitals will set the stage for fair pricing. We encourage Houston employers to join our efforts to drive system change to achieve greater value and a fair price for their healthcare dollars. It is only by working together with consistent requirements and resolve to all health plans and health systems that the much-needed changes in our market can be achieved.”

Nationally employers and private insurers pay, on average, 247% of what Medicare pays for the same hospital services, including both facility and professional fees for inpatient and outpatient care.

Additional 2018 results for Texas from the RAND report:

- In 2018, private insurers, on behalf of employers and employees, paid hospitals 252% of what Medicare would have paid for the same hospital services, ranking Texas in the middle of highest prices in the nation for total hospital prices. Total hospital price includes hospital facility fees (which are fees paid to the hospital for inpatient and outpatient services) and professional fees (which are fees paid to practitioners, such as physicians, for inpatient and outpatient services).
- In 2018, Texas total in-patient prices were 227% while total outpatient prices were 290% relative to Medicare.
- In 2018, Texas professional services were 161% of Medicare pricing while facility fees were 244% of inpatient and 322% for outpatient relative to the same prices for Medicare.
- The study findings note wide variability of prices across health-systems ranging from 214% to 294%.

- Looking at just inpatient prices (facility fees plus professional practitioner fees), prices ranged from 163% to 280% of Medicare in 2018.
- When comparing just outpatient prices (facility fees plus professional practitioner fees), prices ranged 221% to 313% of Medicare in 2018.
- Hospital quality and safety information is also widely variable and does not correlate with price.
- Texas has high quality and lower price hospital options available, as well as low quality and high price hospital care as rated by Centers for Medicare & Medicaid facilities Five-Star Quality Rating System.

RAND researchers analyzed hospital claims data representing \$33.8 billion from 2016-2018 for 3,112 hospitals located in every state except Maryland. The data was collected from self-insured employers, six state all-payer claims databases, and health plans across the country. The findings illustrate a wide variation in hospital facility and professional prices for the commercially insured population. The report also identifies the top 10 most expensive health systems in each state and reports individual hospital prices alongside quality and safety measures.

“If the private health plans participating in the study had paid hospitals using Medicare’s payment formulas, the total allowed amount over the 2016 to 2018 period would have been reduced by \$19.7 billion, a potential savings of 58%,” said Christopher Whaley, PhD, policy researcher at RAND Corporation, and lead author of the report.

The RAND data offers insight to the link between pricing and quality at the service level such as emergency room, orthopedic, cardiovascular, respiratory, and mental health/substance use. Employers can now understand the adequacy of Medicare reimbursement to hospitals to offset operational losses. Additional details and the RAND Corporation study can be [found here](#).

The RAND study was funded by the Robert Wood Johnson Foundation and self-funded employers. RAND researchers independently analyzed the data and wrote the final report.

“Healthcare is the second largest expense for most employers after payroll, yet we are often flying blind on the prices we are paying,” said Michael Thompson, president and CEO of the National Alliance of Healthcare Purchaser Coalitions. “Thanks to this study we can now quantify the inequities in hospital pricing. We now need health systems to work with us to make care more affordable and employers to take a more active role in guiding employees and their families to hospitals that offer better value.”

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 more than 70 members, HBCH represents 800,000 local and more than 2 million national employer-sponsored lives. HBCH a member of the National Alliance of Healthcare Purchaser Coalitions. For additional information visit our website houstonbch.org and follow us on [Twitter](#) and [LinkedIn](#).

###