

# Private-sector payment rates for physician and hospital services

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# Why examine private-sector payment rates?

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To determine

- The extent to which factors such as the market power of providers or insurers affects the variation in private payment rates, and
- What this may mean for Medicare

# Outline of presentation

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- Preliminary results of variation in physician and hospital payments (unit prices) across areas
- Variation in physician payments by type of service
- Preliminary results on intra-market variation in payment rates
- Discussion of analytical approach and next steps

# Physician payments show less variation across areas than hospital payments

## Physician service payments over 432 metro areas

Index range:  
0.73 to 2.2  
**(3x difference)**

Excluding single lowest and highest:

0.74 to 2.09

**(2.8x difference)**

## Inpatient hospital payments over 344 metro areas

Index range:  
0.46 to 2.62  
**(6x difference)**

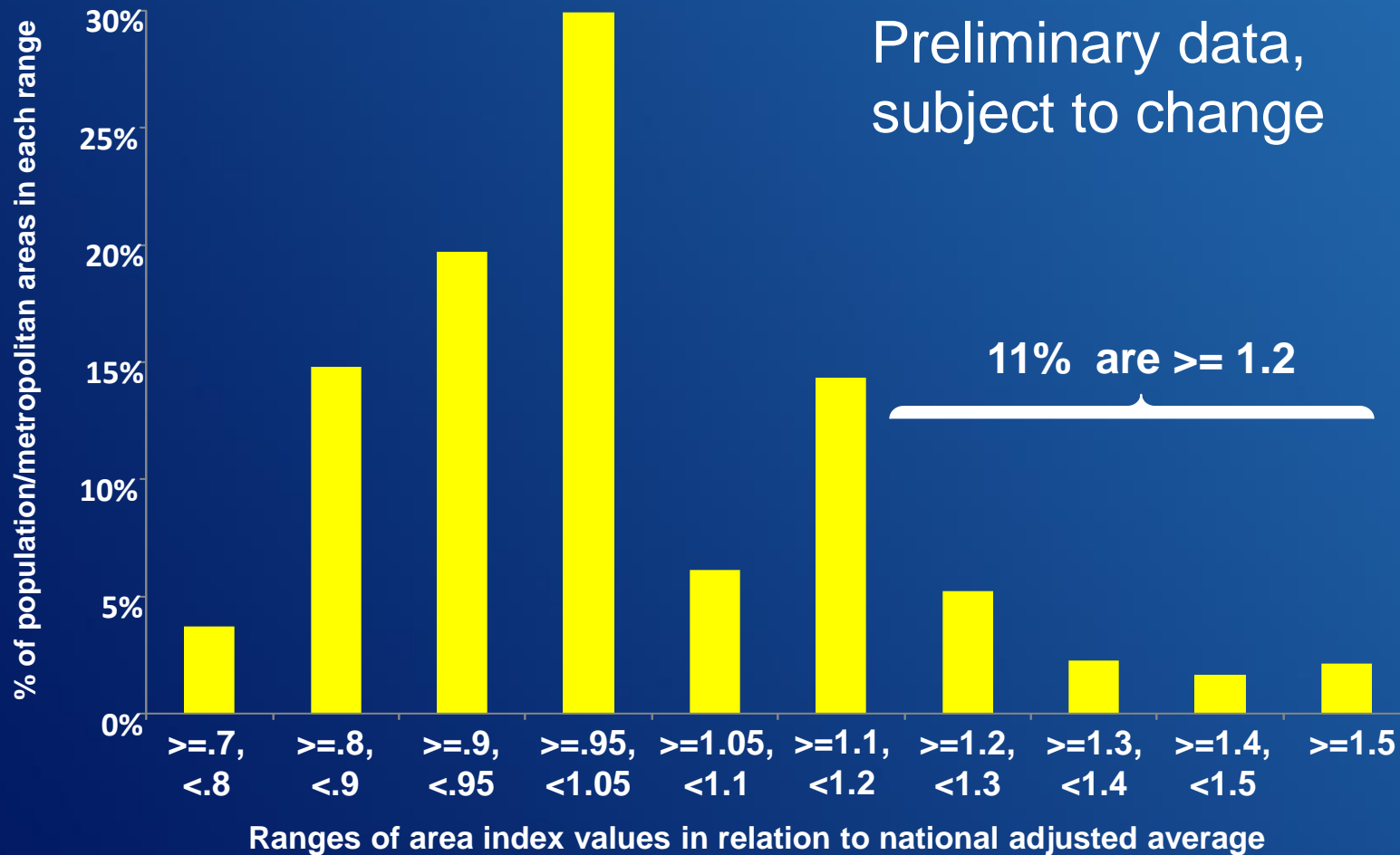
Excluding single lowest and highest:

0.47 to 1.92

**(4x difference)**

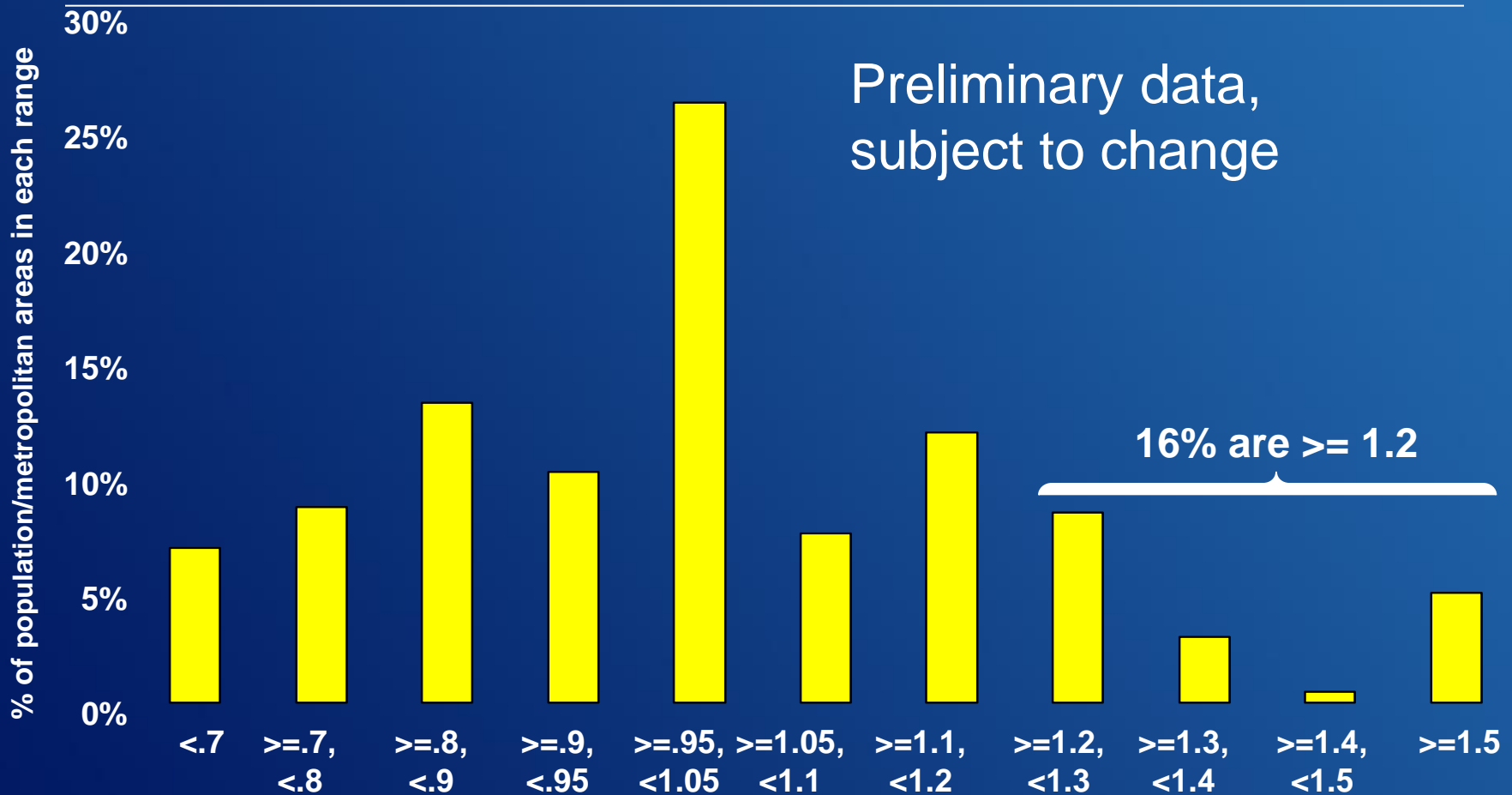
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# Variation in physician payment rates across 432 metropolitan areas, by area population



Source: MedPAC analysis of 2008 Thomson Reuters MarketScan® Commercial Claims and Encounter Data © Copyright 2009 Thomson Reuters.

# Variation in hospital payment rates across 344 metropolitan areas, by area population



Ranges of area index values in relation to national adjusted average per-discharge payment

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# Relative payment levels for hospitals and physicians in an area do not always follow the same pattern

Index value in relation to national average, physicians	Index value in relation to national average, hospitals		
	< 90%	>= 90%, <= 110%	>110%
< 90%	15% of areas (16% of population)	11% (13%)	6% (16%)
>= 90%, <= 110%	18% (8%)	18% (24%)	14% (11%)
>110%	4% (1%)	6% (5%)	8% (5%)

Preliminary data,  
subject to change

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# Variation in physician payment differs by type of service

Types of services with high variation	Types of services with low variation
Endoscopy - bronchoscopy	Anesthesia
Lab tests (various)	Office visits (new and established)
Imaging - heart	Influenza immunization

90<sup>th</sup> to 10<sup>th</sup> percentile ratios

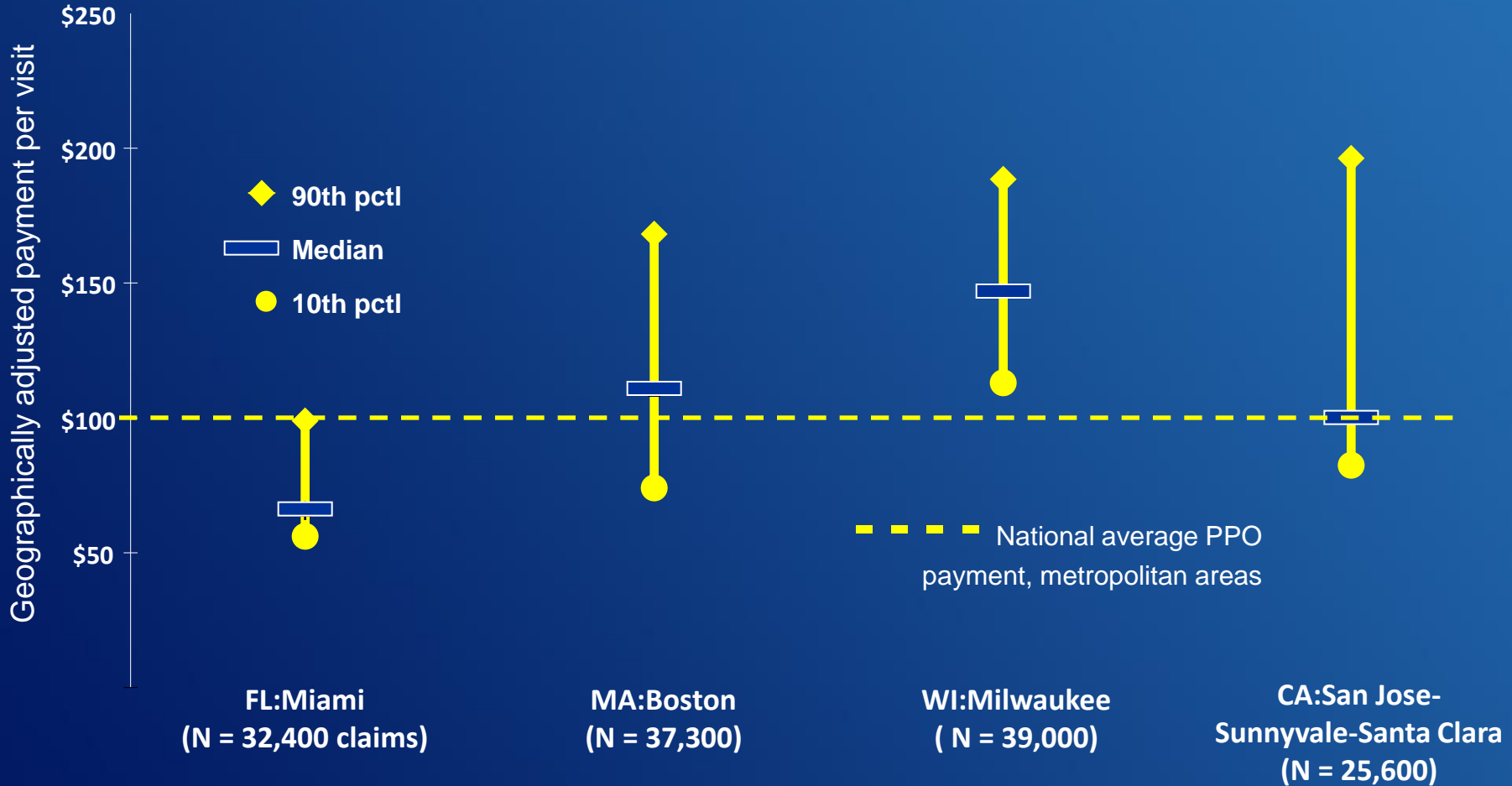
Endoscopy-bronchoscopy: 3.97

Influenza immunization: 1.42

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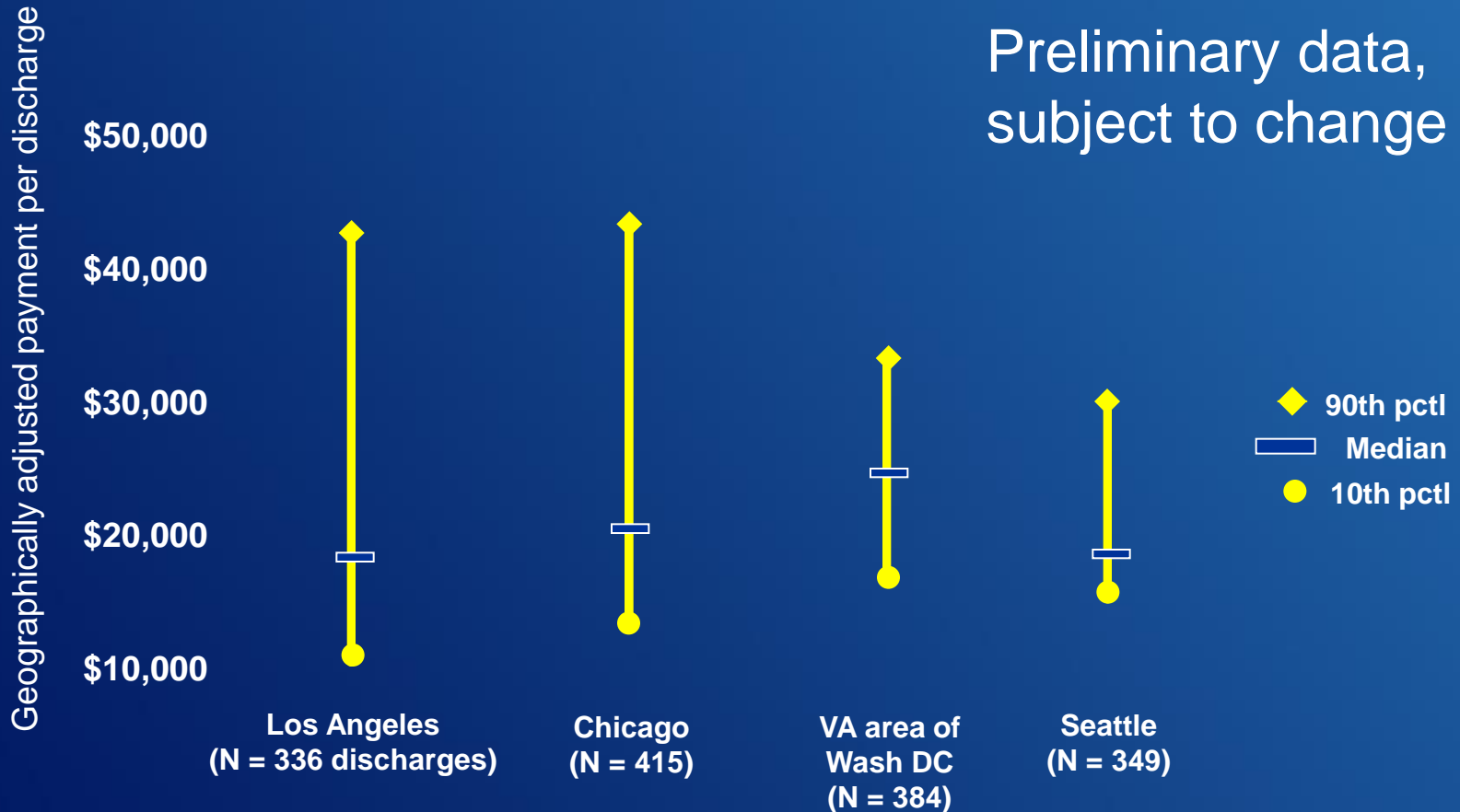


# Wide inter- and intra-area variation in PPO payments for a mid-level office visit



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# Variation in PPO hospital payments, major lower extremity joint replacement



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# Discussion

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- How to interpret and use the data given potential limitations
- Discussion of analytic approach
- Suggestions for studying relationship of market factors to payment rates and spending