

Public reporting on quality slows price increases for bypass surgery and other hospital procedures

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A public reporting website that allows insurance companies and others to compare hospitals based on quality has injected a dose of competition into negotiations on the hospital prices for common procedures, according to a first-of-a-kind study out today in the January issue of *Health Affairs*. Avi Dor, a professor of health policy and management at Milken Institute School of Public Health at the George Washington University and colleagues, looked at the impact of Medicare's Hospital Compare website on actual hospital prices, finding that the public reporting initiative appears to have slowed price increases for two kinds of major cardiac procedures.

Other studies of Hospital Compare, which Medicare launched in 2005, found that the initial public reporting initiative seems to have little impact on consumers who may not have been aware of the website or its ability to help them comparison shop for a hospital. But this study evaluates the impact of new quality scores added to Hospital Compare in 2007 and suggests that insurance companies, which typically negotiate [prices](#) for common hospital procedures, are paying close attention.

"Hospital Compare appears to give [insurance companies](#) an edge at the bargaining table," Dor says. "This study suggests the injection of quality information into the marketplace has helped hold down hospital prices."

Hospital prices typically have been one of the major drivers of increases

in insurance premiums and health costs in the United States, according to Dor. "If the results from this study can be verified, they suggest that public reporting on hospital performance might ultimately lead to a slowing of insurance premium increases, to the benefit of consumers," he says.

Dor and his colleagues used the Truven Analytics MarketScan Commercial Claims and Encounters database to look at the actual prices paid to hospitals for two common procedures—coronary artery bypass graft (CABG) or bypass surgeries; and percutaneous coronary interventions (PCI)—the use of stents and angioplasty to open clogged arteries.

The researchers looked at insurance claims for hospitalizations from 2005 to 2010—before the Hospital Compare quality rating system went live and after it had been in place a while. They focused on claims for CABG and PCI, which are both relatively expensive and frequently performed. And they paid particular attention to what happened after 2007 when Hospital Compare added in new quality scores, which were based on hospital death rates for [cardiac procedures](#).

The researchers found that the hospital prices for these two cardiac procedures continued to go up after Hospital Compare's new quality metrics were added in 2007. However, the rate of increase was significantly slowed in states that were experiencing such public reporting of quality information for the first time compared with the so-called control states. Control states already had experience with such public reporting as they had put in place similar quality metrics of their own—before Medicare did so in 2007.

The researchers found the annual rate of price increase for CABG procedures was held to just 3.9 percent in states that had gotten hit with public reporting of quality information for the first time in 2007. But

when they looked at the control states they found that the same annual rate of increase was 10.6 percent. Hospitals in the control states presumably were used to public reporting by 2007. But hospitals with no prior experience perhaps felt more pressure to hold down prices in order to stay competitive, Dor says.

The same pattern held true when the team looked at PCI. They found an 8.7 percent annual rate of increase for PCI prices in control states versus a 4.4 percent increase in the states that had never been exposed to quality reporting before Hospital Compare.

The findings suggest that public reporting of quality data can exert a downward pressure on the actual prices paid for hospital procedures. This study looked at the prices paid by insurers and patients and not hospital "charges" that are similar to the sticker price tags on cars, Dor says.

Right now, Hospital Compare allows for a very limited look at quality information. Dor and others say that Medicare should add in more precise measures of [hospital](#) performance to improve the system. If so, not only would consumers be able to shop for hospitals that provided the highest quality but insurers could pay rates that steered business toward providers offering the best value—high-[quality](#) care at reasonable rates.

More information: The article, "Medicare's Hospital Compare Quality Reports Appear to Have Slowed Price Increases for Two Major Procedures," appears in the January *Health Affairs*.

Provided by George Washington University

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