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Study Lists 50 Hospitals with Biggest Markups: 10 Things to Know



Two researchers used Medicare cost reports to find the 50 U.S. hospitals with the largest difference between charges and Medicare-allowable cost in 2012. See below for 10 things to know about their findings, recently published in Health Affairs. While their findings are alarming, TPSC has processes in place to avoid these situations for clients.

1. On average, hospital charges were 3.4 times the Medicare-allowable cost in 2012. In 2004, it was 3.07.
2. The 10 percent lowest-charging hospitals had ratios below 1.5, while the upper 10 percent had ratios above 5.7.
3. The researchers focused on those hospitals in the top 1 percent – 50 hospitals with charges that, on average, were 10 times their Medicare-allowable cost.
4. Of the 50 hospitals, 49 are for-profit and 46 are owned by for-profit hospital systems. Most (86 percent) of the hospitals are categorized as urban, few are teaching hospitals (18 percent) and twenty of them operate in Florida.
5. The researchers noted that hospital executives who suggest high charge-to-cost ratios are partially attributable to the slow rate growth in Medicare and Medicaid spending and the need to have operating surpluses in order to remain in business. "This argument, however, cannot completely explain the wide variation in the charge-to-cost ratio...or why some hospitals are charging 10 times their own costs," the researchers wrote.
6. The study authors attributed the high markups to a lack of price transparency and negotiating power by uninsured patients, out-of-network patients, casualty and workers' compensation insurers and in-network insurers.
7. Noting that no federal or state law (other than in Maryland and West Virginia) regulates hospital markups, the authors recommended several policy solutions, including:
 - Federal and state requirements for hospitals to post overall charge-to-cost ratios on their website, or a new initiative for Medicare to post them more explicitly for the public.
 - Legislation that sets the maximum a hospital can charge a patient over the cost. Legislation that requires all insurers to use the same payment system but not necessarily pay the same rates, which would facilitate price comparisons.