

Hospital Price Gaps Puzzle Employers Armed With New Rate Data

By Sara Hansard | May 28, 2024 5:46AM ET

- \$997 to \$5,500 variation for common procedure at Florida hospital
- HR leaders may focus on aggregate rates, not individual prices

Health plans obligated to pay reasonable costs for workers' care are grappling with wide price ranges in newly disclosed hospital data, which shows some employers pay thousands of dollars more for the same services in the same facility.

For instance, employer plans with at least 10,000 members paid prices varying from more than \$5,500 to less than \$1,000 for a common gastrointestinal procedure at Palm Beach Gardens Medical Center in Palm Beach Gardens, Fla., according to March 2024 data compiled for Bloomberg Law by Turquoise Health, a price transparency platform that works with health-care industry stakeholders and consumers.

Palm Beach Gardens was charging employer plans the second highest rates in the US compared to Medicare, according to RAND Corp. The facility charged employer plans on average 551% of Medicare rates across all services between 2020 and 2022, a recent RAND [study said](#).

Companies that sponsor employee health plans are increasingly expected to pay attention to the prices they pay for health-care services as part of their fiduciary duty to provide good care at reasonable rates. Now that regulations have made negotiated rates publicly available, employers are just beginning to sort through reams of the confusing-to-parse pricing data in hopes it will help lower costs and avoid liability.

A recent [lawsuit](#) by an employee against [Johnson & Johnson Inc.](#) for allegedly paying inflated prices to pharmacy benefit manager [Express Scripts Inc.](#) highlights employers' litigation risks now that negotiated rates are public.

The data is available under federal regulations requiring both [hospitals](#) and [health insurance plans](#) to post negotiated prices for their services that went into effect within the last three years.

Having access to pricing data "raises awareness that the variation in prices among hospitals and even within a single hospital for different plans is large," said Brian Briscoe, senior health-care cost analyst and principal author of the RAND study. "It simply means that purchasers can become better informed shoppers and negotiators."

The amount of potential savings could be significant, especially for large employers, who spent \$486 billion on hospital bills in 2022, according to the RAND report.

No Correlation to Quality

"I don't think there's any rhyme or reason for the discrepancy in prices," said Gloria Sachdev, president and CEO of the Employers' Forum of Indiana, which collaborated with RAND on the hospital pricing report.

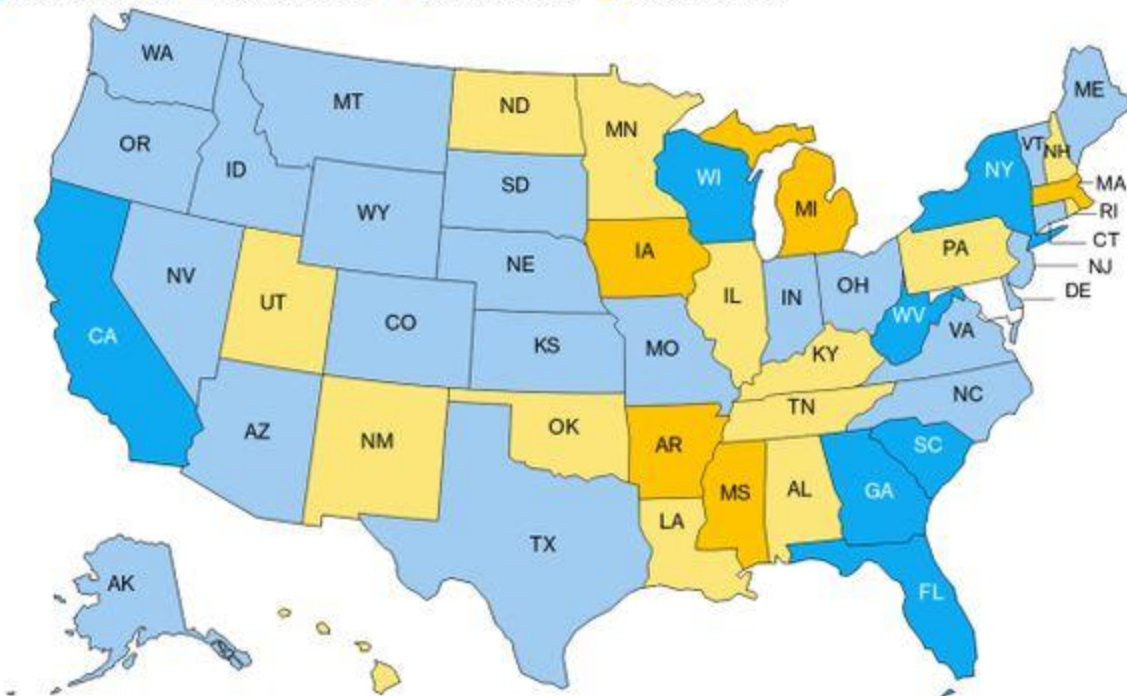
“It has no correlation of quality,” Sachdev said. “Market concentration is the only correlating factor to explain the difference in provider prices.” The RAND report said that a large part of price variation is due to hospital market power.

The data analysis by Turquoise focused on esophagogastroduodenoscopies (EGDs), common procedures done to examine the upper gastrointestinal tract that appear on Centers for Medicare & Medicaid Services’ [list of 500 shoppable services](#) for which health insurers and plans must publicly post negotiated prices.

Turquoise compiled machine-readable files as well as [Form 5500 employer data](#) filed with the US Labor Department to analyze price gaps for EGDs at the hospitals RAND said charged the highest prices in the country for inpatient and outpatient services as compared to Medicare rates according to its study. The conclusions of this story don’t reflect the official position of Turquoise.

Average Prices Above Medicare Paid by Employer Health Plans Percentages shown by state for inpatient, outpatient services

■ 301%-350% ■ 251%-300% ■ 201%-250% ■ 150%-200%



Source: Rand Corp. report

Bloomberg Law

Among the large employer plans at Palm Beach Gardens Medical Center, the highest rate paid for EGDs was \$5,532 for plans administered by [UnitedHealthcare](#), according to the data compiled by Turquoise. This included plans used by [Apple Inc.](#), [Duke Energy Corp.](#), and [Goldman Sachs & Co. LLC](#), the data showed.

The lowest rate paid for EGDs at Palm Beach Gardens was \$997 for plans administered by [Aetna](#). Employers using the plan with these rates include [Abercrombie & Fitch Co.](#), [Amazon.com Inc.](#), [Campbell Soup Co.](#), [Dick's Sporting Goods Inc.](#), and [Exxon Mobil Corp.](#)

Other companies had plans administered by both UnitedHealthcare and Aetna covered at both rates at Palm Beach Gardens. The Florida hospital didn't respond to a request for comment.

The data show that the company plans contract for these rates at the hospitals, but it doesn't show what actual utilization is among plan participants.

Price Gaps

Aurora Medical Center in Kenosha, Wis., charged employer plans on average 602% of Medicare rates for the same services — the highest such price discrepancy in the country, according to RAND. The price for EGDs at the facility reached \$3,555 for employers with plans administered by [Anthem/BCBS](#), including those covering workers at [3M Co.](#), [Home Depot USA Inc.](#), and [Kraft Heinz Foods Co.](#)

The lowest price for EGDs at Aurora was \$2,852 for employers with plans administered by UnitedHealthcare for [American Express Co.](#), [Walgreen Co.](#), and UnitedHealth Group Inc., the parent company of UnitedHealthcare.

When reached for comment, Aurora referred Bloomberg Law to the American Hospital Association's statement about the RAND report.

AHA group vice president for policy Molly Smith said in a statement May 13 that "hospitals are chronically underpaid for Medicare services," and the RAND report "offers a skewed and incomplete picture" because its data set represents less than 2% of overall hospital spending nationally.

"Contracted prices for a specific service vary due to several factors, including geography and volume, and can vary from contract to contract," Alex Kepnes, executive director of communications for Aetna Health Care Benefits, said in an email.

"Negotiating fair reimbursement rates is directly connected to our ability to keep member costs low and maintain access to quality care," he said. "We focus on avoiding unsupportable increases in reimbursement rates that would raise costs for members and plan sponsors."

"Information from databases focused solely on hospital list prices are not useful to consumers as they do not reflect member cost-sharing, benefit design, or contracted rates for entire episodes of care," UnitedHealthcare said in an emailed statement.

"Providers often use commercial rates to subsidize lower Medicare fee-for-service and Medicaid rates," the statement said. "Further, some providers may leverage their market position to charge egregious commercial rates."

Aggregate Rates

The rates for one specific service exemplifies wide pricing disparities in commercial rates at hospitals, but benefits leaders may focus more on aggregate rates, said Shay Forbes, the head of employer solutions at Turquoise Health.

“A lot of times a benefits leader isn’t going to key in on one specific rate at one specific hospital unless there’s a lot of utilization going to it,” Forbes said. “If Home Depot is using Aurora a lot, they’re going to care about that rate.”

Home Depot didn’t respond to a request for comment on the data.

Employers “are willing to see things in the aggregate,” Shay said, and look to plan performance within a particular market and spending on services and treatments that particularly affect their employees.

Rates employers pay are determined by prices that are negotiated between health insurers and hospitals, Marilyn Bartlett, a consultant with MJBartlett LLC, said. Some larger employers negotiate direct contracts with hospitals, but most prices are based on networks set up by health insurance administrators, she said.

Employers should review transparency-in-coverage data, hospital price data, and claims data to make sure all three numbers match, Bartlett said. If claims charged to employers are higher than hospital price transparency data, the health insurance administrator “is keeping the spread,” she said.

Data Demands

A [lawsuit](#) filed May 10 in the US District Court for the Eastern District of Texas by industrial supplier [W.W. Grainger Inc.](#) against Aetna Life Insurance Co. alleged the insurer prevented W.W. Grainger’s self-funded health plans from obtaining data about transactions between Aetna and health-care providers. Aetna allegedly mismanaged the company’s health plans by approving false and excessive claims and pocketing money that should have gone to medical providers.

At some employers, chief financial officers are taking charge of health-care costs, said Cynthia Fisher, founder and chairman of health-care transparency advocate Patient Rights Advocate. The group operates a hospital price files [finder](#) that posts transparency data for about 6,000 hospitals in the US, and issued a [report](#) in December 2023 finding that prices vary by 10 times with the same hospitals.

Hospital price variations are often not based on the number of members, Fisher said. “It’s really whatever they can get away with while both the insurers and the hospitals have been hiding prices.”

Wide price variation is “harmful to those employers and patients that have that plan that have no idea what they’re charging,” she said.

Employees bear the brunt of paying high health-care prices, according to Christopher Whaley, associate professor of health service policy and practice at Brown University School of Public Health and also an author of the RAND report. “That excess spending is just taken directly out of their paychecks,” he said.

Employers need to become better engaged in health-care negotiations, Whaley said. “You look at a company like Home Depot. Just think how much scrutiny they give to every single point along their supply chain.”

If one of their suppliers tried to charge them several multiples higher than other suppliers, they’d “laugh you out of the room,” he said. “But somehow, when it comes to health care, that same type of business mindset just goes out the door.”