

Medicare Releases Inpatient and Outpatient Hospital Charge Data

The Centers for Medicare & Medicaid Services (CMS) released in May, 2013 the average charges of more than 3,000 hospitals for the 100 most common Medicare inpatient procedures paid under the Medicare Severity Diagnosis Related Group (MS-DRG) system for fiscal year 2011. These DRGs represent 7 million discharges or about 60% of total Medicare inpatient discharges.¹ On June 3, 2013, CMS also unveiled selected hospital outpatient data, including estimated average charges for 30 types of hospital outpatient procedures for Medicare beneficiaries, including the Ambulatory Payment Classification (APC) payment amount, the beneficiary Part B coinsurance amount, and the beneficiary's deductible.² Both sets of data demonstrate wide variation in hospital charges for the same procedure. In conjunction with the release of the outpatient data, CMS also released for the first time, county level data on Medicare utilization and Medicare beneficiaries with chronic conditions.

Specifically, the release of both the inpatient and outpatient data sets details the variation in hospital charges, even in the same geographic area. For example, a hospital in St. Augustine, FL charged \$40,000 for gallbladder removal using minimally invasive surgery, while a hospital in nearby Orange Park, FL billed \$91,000 for the same procedure. The amount a hospital charges for a given procedure can vary widely, with an almost 40 times difference among some hospitals for the same procedure. Inpatient charges for joint replacement range from a low of \$5,300 in a hospital in Ada, OK to \$223,000 in a Monterey Park, CA hospital.³ Hospitals determine their charges based on a number of factors, including geographic variation, patient acuity, hospital status, patient characteristics, and patient mix.⁴ It is important to note, however, that these charges are the hospital's list prices or chargemasters, which a hospital may charge an

¹ "Medicare Provider Charge Data: Inpatient," Centers for Medicare and Medicaid Services, June 2, 2013. Available at: <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Medicare-Provider-Charge-Data/Inpatient.html>.

² "Medicare Provider Charge Data: Outpatient," Centers for Medicare and Medicaid Services, June 2, 2013. Available at: <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Medicare-Provider-Charge-Data/Outpatient.html>.

³ "Medicare Provider Charge Data: Inpatient," Available at: <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Medicare-Provider-Charge-Data/Inpatient.html>; "HHS Releases Hospital Data on Charge Variation to Promote Transparency," Centers for Medicare and Medicaid Services Press Release, May 8, 2013. Available at: <http://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-Sheets/2013-Fact-Sheets-Items/2013-05-08.html>.

⁴ Christopher B. Anderson, Anna Schwamlein Howard, Robert W. McCann, "How Important is CMS's Recent Release of Hospital Inpatient and Outpatient Charges Data?" *Bloomberg BNA's Health Law Resource Center*, July 28, 2013.

individual without any insurance coverage. These charges do not reflect what Medicare or private insurers actually pay. Medicare reimbursement rates are determined annually through a public rule-making process and private insurer reimbursement rates are negotiated directly between hospitals and private insurers. Individuals without insurance may be charged the hospital's full price for services or treatments they receive.

One of CMS' goals in releasing the hospital charge data is to promote transparency and allow consumers to make informed decisions.⁵ The release of this information may have a profound effect on uninsured individuals, who may be charged the hospital's list price for a procedure. For others, it simply provides a greater sense of the variation in hospital pricing relative to their out-of-pocket costs depending on the Medicare or private insurance payment rate. Nonetheless, CMS' release of this data is an important first step toward greater price transparency because it highlights the discrepancy between what hospitals charge for procedures and what Medicare deems as the actual cost, and it demonstrates the inconsistencies in hospital chargemasters.⁶ The release of hospital charge data and county level utilization and chronic conditions data will assist in efforts to make prices transparent to consumers, policymakers and providers. These data also will enable researchers, policy-makers, and consumers to better understand Medicare spending patterns and spur innovation and transparency.⁷

⁵ "Secure Health Data Helping Patients, Doctors Improve Care and Health," Available at: <http://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-Releases/2013-Press-Releases-Items/2013-06-03.html>.

⁶ Brill, Steven. "An End to Medical-Billing Secrecy?" *Time Swampland*, May 8, 2013. Available at: <http://swampland.time.com/2013/05/08/an-end-to-medical-billing-secrecy/>.

⁷ "Secure Health Data Helping Patients, Doctors Improve Care and Health," Centers for Medicare and Medicaid Services, June 3, 2013. Available at: <http://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-Releases/2013-Press-Releases-Items/2013-06-03.html>.