



Agenda Item 11

August 20, 2013

ITEM NAME: Hospital Pricing Analysis

PROGRAM: Health Benefits

ITEM TYPE: Information

EXECUTIVE SUMMARY

Based on an analysis of the 2011-2012 admission experience in five large markets, California Public Employees' Retirement System (CalPERS) members did not systematically utilize higher priced hospitals. Members were most often admitted to the same top volume hospitals as other commercial patients and the high volume hospitals' prices were varied and ranged above and below market averages. By plan, the Preferred Provider Organization (PPO) plan's average price (allowed per admission) was typically above market averages while Blue Shield's was below.

STRATEGIC PLAN

This agenda item supports Goal A, Improve long-term pension and health benefit sustainability by ensuring high quality, accessible and affordable health benefits.

BACKGROUND

Hospital care accounts for a significant portion of CalPERS health care costs and annual trend increases. Last fall staff presented an overview of hospital profitability and noted that the hospitals most often utilized by CalPERS members tend to have higher positive profit margins. This analysis of hospital pricing addresses the question posed by the Committee: do CalPERS members use higher priced hospitals?

ANALYSIS

Staff analyzed the 2011-2012 hospital inpatient experience for basic plan members in five large markets. Staff compared the CalPERS utilization patterns with commercial patients (using Office of Statewide Health Planning and Development patient discharge data) and found that, in general, non-Kaiser members were admitted to the same top volume facilities as the general commercial population.

Staff then compared the average allowed per admission (adjusted for case mix severity) for top volume hospitals with the overall CalPERS adjusted price in each market. The results showed that top volume hospitals' pricing was varied and ranged above and below market averages. Looking at plan averages compared to overall market average, PPO prices typically were above market averages (ranging from 6% to 19% above across the 5 markets) while Blue Shield's top utilized hospitals were below market averages (-5% to -18%).

In a “what if” analysis, staff determined that there would have been a mixed impact on inpatient costs had CalPERS members utilized the exact same mix of hospitals as those used by the commercial population. Some markets and plans showed lower costs while others showed higher costs. The range of impact across the markets was two percent higher to eight percent lower inpatient hospital costs. The “what if” was hypothetical since not all hospitals are interchangeable given network arrangements, service availability, and travel distances etc.

In conclusion, the analysis demonstrated that members did not typically utilize higher priced hospitals.

BUDGET AND FISCAL IMPACTS

This is an information only agenda item.

ATTACHMENTS

Attachment 1 – Do CalPERS Members Utilize Higher Priced Hospitals?

DOUG P. McKEEVER, Chief
Health Policy Research Division

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning