HOSPITAL PRICING FOR UNINSURED PATIENTS IN NEW MEXICO

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The following report, originally produced in July 2022, was updated in November 2022 to incorporate new data available from New Mexico's hospitals in response to federal transparency requirements, collected by Turquoise Health (see below for methodology). A description of the federal requirements is included at the end of this report.

Introduction

With growing demands for fair pricing and transparency, hospital costs have attracted considerable attention by the media and lawmakers in recent years. Nevertheless, hospitals still frequently charge higher prices to uninsured patients than commercial insurance companies and government health plans.

This study examines the prices for 17 services across 43 hospitals in New Mexico. Prices vary widely across hospitals and health plans. In general, uninsured patients are frequently charged more than commercial insurance carriers and government health plans for the same services in New Mexico's hospitals. The charges are not uniform or predictable, and there is extraordinary variability between the charges of each hospital. For example, some hospitals charge cash rates that are comparable to those paid by Medicare, while others charge 8 to 10 times that rate, for the same service or procedure.

One significant problem is that hospitals have historically used their "chargemaster" rates in pricing for services to the uninsured. Patients were automatically charged the full list prices from the chargemaster, whereas commercial insurance companies and government plans negotiate with hospitals to pay much lower prices.

Some hospitals offer discounts to uninsured patients, but calculation of the "discounted" cash price frequently begins with the chargemaster or list price. The discounted amounts charged to the uninsured almost always exceed the payments which hospitals have agreed to accept from commercial health insurers. As a result, a disproportionate burden of out-of-pocket payment for hospitals' services falls on the uninsured or under-insured patient.

The higher charges for uninsured patients inevitably lead to "medical debt," which is the leading cause of personal bankruptcy in the United States. Because these amounts due are high—they began with the chargemaster charges—hospitals may pursue aggressive collection practices such as sending patients to collection, pursuing litigation or reporting adverse information to credit agencies. This is a national problem, with an estimated 100 million Americans facing medical debt.

In New Mexico, the legislature passed the Patients' Debt Collection Protection Act in 2021, which places limits on such aggressive collection efforts. However, the legislature has not yet gone further, to address hospital pricing at the outset.

Uninsured patients billed at chargemaster rates (or even at cash price discounts from the chargemaster) pay more—sometimes a multiple—of rates which the hospitals have agreed to accept from commercial health insurers, for the same services. This report demonstrates the disparity between what insurance companies and uninsured patients pay for the same care.

Summary of Findings

This study commissioned Turquoise Health to obtain pricing data for 17 common services provided by New Mexico hospitals. The following procedures for inpatient, outpatient, and emergency care were evaluated (with the CPT payment code listed as a five-digit number):

- —Cardiovascular procedure with drug-eluting stent. DRG 247
- —Appendectomies (six different levels of complexity). DRG codes 338-343
- —CT scan of the head or brain without contrast. CPT 70450
- —Chest X-ray with two views. CPT 71046
- —Basic metabolic panel. CPT 80048
- —Comprehensive metabolic panel. CPT 80053
- —Electrocardiogram. CPT 93005
- —Emergency-room visits (five different levels of complexity). CPT codes 99281-99285

Pricing information was taken from 43 non-federal acute care and critical access hospitals listed in the data base of Turquoise Health. About two-thirds of the hospitals in New Mexico are reporting at least some of the data mandated by the federal price transparency requirements.

The summary chart following this page compares price and payment information for the 17 codes.

The first and second columns on the chart show the code and description of the service or procedure.

The third column on the chart shows the "Commercial Price, Average." This is the average from all hospitals reporting for all health plans paying those hospitals. The appendix to this report demonstrates the wide range of payments. For example, for the 1,415 results gathered to date for CPT 70450, CT scan of the head, the average payment was \$968.80, but the range reported by 28 hospitals to date is from a minimum of \$106.69 to a maximum of \$2,700. What accounts for this wide range? Scholars in the future may be able to apportion the wide range to different coding practices in the various hospitals, to contracts which favor major insurance plans and disfavor minor or occasional plans, to the history of pricing in a given hospital, to outright mistake, or to other causes. At the moment, this is the only information available, that is, that there is a wide variation, and an average which, as time passes, will become increasingly more representative.

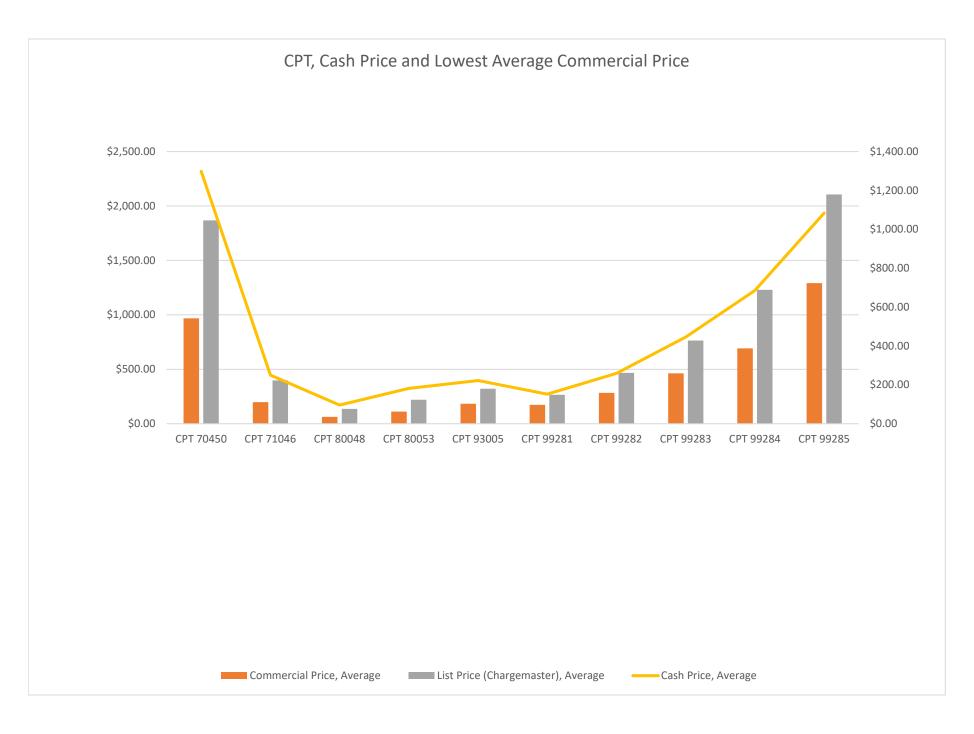
The fourth column on the chart shows the list price or chargemaster, again, an average, also with a great variability between hospitals. For the code 70450, the list price average from 31 hospitals is \$1,868.29, but the range is from a minimum of \$864.28 to a maximum of \$4,601.47. The fifth column shows the list price average as a percentage of the average commercial price, ranging for all 17 of the codes from 154% to 443%.

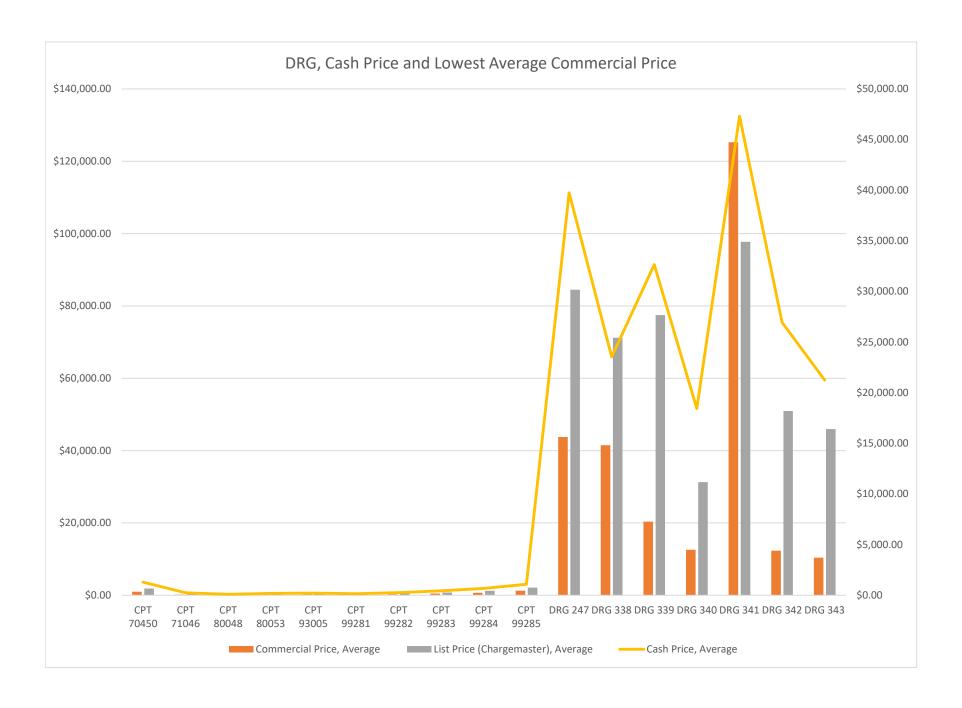
The sixth column on the chart shows the average cash price, established by the hospital for "cash" customers. Depending on hospital policy, the "cash" price may be the price for self-pay patients who are paying their own bills, or it may be the price levied on the uninsured, or neither, or both. The cash price for this sample of 17 codes is closer to the commercial price compared to the chargemaster price, and sometimes lower than the average commercial price.

¹ MRF Transparency Scores-New Mexico, Turquoise Health, available at https://turquoise.health/mrf transparency score?state=NM&page=1.

Summary
Comparison of Commercial, List and Cash Prices; List as a Percentage of Commercial; Commercial as a Percentage of Medicare

| Code | Description | Commercial Price, Average | List Price (Chargemaster), Average | List Price (average) as a percentage of commercial price (average) | Cash Price, Average | Medicare Reference, average commercial rate as a percentage of wage adjusted Medicare rate |
|-----------|---|------------------------------|--|---|---------------------|---|
| CPT 70450 | CT scan of the head or brain without contrast. | \$968.80 | \$1,868.29 | 193% | \$1,298.53 | 891% |
| CPT 71046 | Chest X-ray with two views | \$197.67 | \$397.81 | 201% | \$250.42 | 255% |
| CPT 80048 | Basic metabolic panel. | \$63.31 | \$136.47 | 216% | \$95.93 | n/a |
| CPT 80053 | Comprehensive metabolic panel | \$111.55 | \$219.71 | 197% | \$181.38 | n/a |
| CPT 93005 | Electrocardiogram, routine with at least 12 leads | \$183.30 | \$322.31 | 176% | \$222.13 | 327% |
| CPT 99281 | Emergency room visit, level 1 | \$172.70 | \$266.47 | 154% | \$152.46 | 252% |
| CPT 99282 | Emergency room visit, level 2 | \$284.12 | \$466.63 | 164% | \$258.84 | 238% |
| CPT 99283 | Emergency room visit, level 3 | \$462.27 | \$764.07 | 165% | \$445.57 | 223% |
| CPT 99284 | Emergency room visit, level 4 | \$692.07 | \$1,230.28 | 178% | \$685.30 | 220% |
| CPT 99285 | Emergency room visit,. Level 5 | \$1,291.29 | \$2,106.00 | 163% | \$1,083.63 | 304% |
| DRG 247 | Cardiovascular procedure (PCI) with drug-eluting stent, without MCC | \$43,750.28 | \$84,497.63 | 193% | \$39,747.12 | 288% |
| DRG 338 | Appendectomy, complicated principal diagnosis, with MCC | \$41,490.04 | \$71,226.65 | 172% | \$23,545.65 | 196% |
| DRG 339 | Appendectomy, complicated principal diagnosis, with CC | \$20,336.95 | \$77,466.59 | 381% | \$32,645.91 | 144% |
| DRG 340 | Appendectomy, complicated principal diagnosis, without CC/MCC | \$12,568.21 | \$31,264.17 | 249% | \$18,441.13 | 132% |
| DRG 341 | Appendectomy, without complicated principal diagnosis, with MCC | \$125,241.21 | \$97,725.04 | 78% | \$47,310.44 | 647% |
| DRG 342 | Appendectomy, without complicated principal diagnosis, with CC | \$12,320.55 | \$50,930.57 | 413% | \$26,946.55 | 100% |
| DRG 343 | Appendectomy, without complicated principal diagnosis, without CC/MCC | \$10,382.91 | \$45,946.47 | 443% | \$21,237.81 | 112% |





The last column on the chart is produced by calculation from Turquoise Health. It is the "Medicare Reference," and is the average commercial plan negotiated rate compared (as a percentage) to the wage adjusted Medicare payment for the same service.

This report only summarizes the averages and percentages of these measures, while acknowledging wide variability between each hospital, and frequently the wide variability between payments for different insurance plans offered by the same insurance carrier. Data for each hospital is available in supplemental records.²

Discussion of Results

In general, it can be said that uninsured patients who face chargemaster-based bills or bills based on discounts from chargemaster amounts are paying unpredictably variable amounts to New Mexico's hospitals for services which are most likely needed in emergency situations, and amounts that are frequently higher than commercial insurers. Sometimes cash prices are close to the Medicare rate, while some hospitals charge 8 to 10 times the Medicare rate.

The patterns are not clear or predictable because there is such extraordinary variation between hospitals. Prices quoted and payments accepted by hospitals vary wildly from one hospital to another, one health insurance plan to another—even as to different plans offered by the same health insurance carrier—one similar code for service to another, in New Mexico and in the nation generally. These variances bear only limited relationship to popular understandings or to explanations of hospital pricing found frequently in the literature of hospital finance, academe and among experts. Some services at tertiary care centers (such as the University of New Mexico Hospital) are less expensive than they are at smaller, rural hospitals, and some are more expensive. Some non-profit hospital rates are less than those of for-profit or proprietary hospitals for the services described in the same codes, and some are more expensive.

Most important for this study, the uninsured, medically indigent or cash paying patient gets a better break from some hospitals than others and for some services compared to others at the same hospital.

A finding that may be of interest to employers is that the prices paid for employer-underwritten (self-insured) plans are significantly higher than the prices paid for insurer-underwritten plans, even by the same insurer making payments to the same hospital for the same code. The "deal" made by the insurer with an individual hospital, in other words, disproportionately benefits the insurer and penalizes the employer who has contracted with that insurer for administrative services (and not for underwriting).

Distortions may take place in analyzing results due to (1) the limited number of New Mexico hospitals fully compliant with the federal price transparency regulation, (2) the limited number of claims for each plan in each hospital during the period up through November 2022, and (3) extremely high commercial health insurance prices in several of the smaller hospitals that will distort the comparison of commercial to cash prices.

To correct for these distortions, averages were used in each Diagnosis Related Group (DRG, inpatient) or Common Procedure Terminology (CPT) page report.

² Pricing for each CPT and DRG code was extracted from participating hospitals by Turquoise Health as of October 20, 2022, and are contained in a supplemental spreadsheet. Records of individual hospital pricing are available through the Turquoise Health database.

To illustrate, a chest x-ray coded as CPT code 71046 shows an average cash price of \$250.42, below the minimum hospital commercial payment of \$51.08. This means that the hospitals are charging cash payers almost five times the minimum amount at least one hospital accepted for this service from the carriers.

A second example is with a procedure for inserting a drug eluting coronary artery stent, coded as Diagnosis Related Group (DRG) 247. For this procedure, the average list (chargemaster) price is \$84,498, while the average of the commercial health insurance payments is \$43,750. This means the patient charged on the basis of list price (whether self-pay or uninsured) has a bill twice the average commercial rate

Methodology

Information which would shed light on the prices and charity care discounts of hospitals may be found in different sources. However, none give a complete picture of charges, prices, commercial health insurance payments and the relationship between them.

Those available sources include tax return form 990 for nonprofit hospitals, especially Schedule H, Line 7k, that indicate total expenses devoted to charitable care. This number is distorted by the inclusion of amounts which the hospital industry believes to be "under reimbursement" for Medicare and Medicaid services. Since only 15 of the 43 non-federal acute general and critical access hospitals in New Mexico are nonprofit—15 are governmental, 13 proprietary or for-profit—form 990 would be an incomplete source of information for this study, even if it contained information prices.

For all hospitals, Medicare Cost Reports may illuminate amounts that hospitals have recorded as charity care or bad debt.

Commercial health insurance payments made by participating insurance companies are gathered by HCCI, and shared with a limited number of academic researchers, but are not available to the public.

RAND has published four reports to date on actual hospital payments, comparing them to Medicare payments for the same services.

The Lown Institute has published an extensive study on hospital community responsibility, including charity care, drawing largely from form 990 filings of hospitals.

For this paper, the Turquoise Health database and methodology was chosen for comparison of commercial and cash prices for the 17 commonly used services. In 2021, *The Wall Street Journal* conducted an analysis of hospital charges³ and payments, using a "machine reading" technique developed by Turquoise Health, Inc., of San Diego. The methodology utilized by Turquoise Health and the *Journal*⁴ focused on 17 codes (Current Procedural Terminology, CPT, and Diagnosis Related Group, DRG) which would most often be used in emergency, outpatient, and common inpatient hospital services.

Information posted on hospital websites for hospitals that have complied, at least in part, includes payments for 300 most common procedures, 70 of which are standard, 230 of which are chosen by the hospital, and a "machine readable" file of payments.

³ "Hospitals Often Charge Uninsured People the Highest Prices, New Data Show," Melanie Evans, Anna Wilde Mathews, Tom McGinty, *The Wall Street Journal*, July 6, 2021.

⁴ "Methodology: How the WSJ Analyzed Hospital Pricing Data," Tom McGinty, Melanie Evans, Anna Wilde Mathews, *The Wall Street Journal*, July 6, 2021.

Federal Transparency Requirements

Information about hospital pricing has been largely hidden from patients and the public due to technical difficulty and in some cases, obstruction.

The federal government took action in 2019⁵ in an attempt to illuminate hospital pricing practices. The requirements were initially opposed or ignored. The regulations were published in the *Federal Register* on November 27, 2019, with the final rule title *Price Transparency Requirements for Hospitals to Make Standard Charges Public* (CMS-1717-F2).

The Centers for Medicare and Medicaid Services originally proposed to make the price transparency requirements effective January 1, 2020; the hospital industry indicated that more time was needed to prepare for compliance with the rule, and CMS delayed the effective date to January 1, 2021.

Throughout 2021 and the first half of 2022 compliance with the rule was spotty. Then, on June 7, 2022, CMS levied a (combined) fine of \$1 million against Northside Hospital and Northside Hospital Cherokee in Atlanta, GA, for failure to make required transparency information public.

The information required by hospitals includes: "A list of their standard charges for the items and services they provide, including gross charges, payer-specific negotiated charges, the de-identified minimum and maximum negotiated charge and the cash discount price for all items and services and service packages on a website in a machine-readable format." It additionally requires posting of information for 300 "shoppable" services in a "consumer-friendly manner." The rule does not specifically require information concerning charges levied on the uninsured.

In the period January 2021 to July 2022, despite initial non-compliance by many hospitals, journalists and others undertook independent analysis of information provided by hospitals that did comply. A leading commercial enterprise in this effort is Turquoise Health. The Turquoise efforts were made public nationally through a series of articles in *The Wall Street Journal*. The *WSJ* study focused on the prices for 17 commonly used, general hospital services.

Data Limitations from New Mexico's Hospital Reports

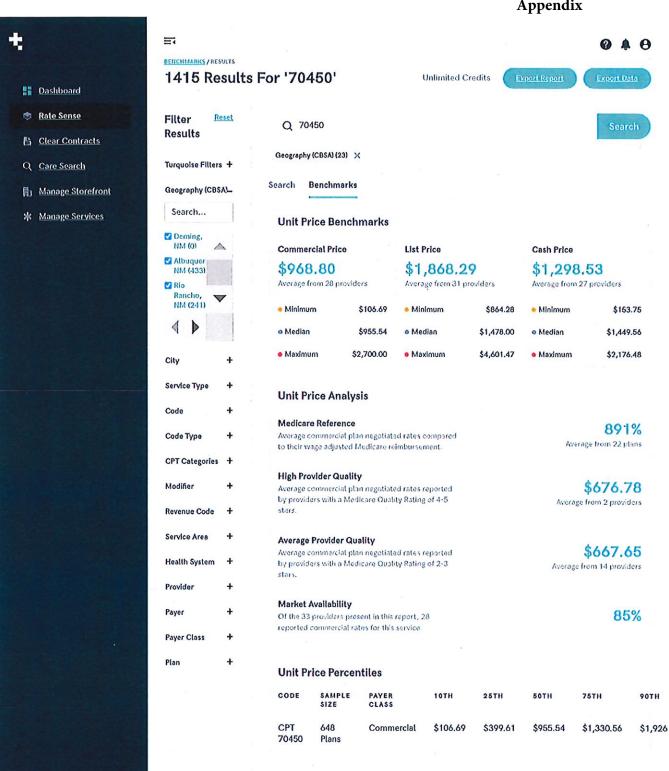
Not all New Mexico hospitals are compliant with the federal price transparency requirements, and not all have had claims paid which involve these 17 codes during the period January 2021 to the present.

An increasing number of New Mexico's hospitals are reporting information required from January 2021, as are hospitals nationally, under threat of CMS sanction and fine. The levy of a \$1 million fine against an Atlanta hospital certainly commanded the attention of non-compliant hospitals.

It is anticipated that more information from "machine readable" files posted on hospital web sites will be available in the future. Hospital web site reporting claims and payments continue to be collected by Turquoise and, no doubt, other commercial resources, and will continue to form a new and robust information base for the near future.

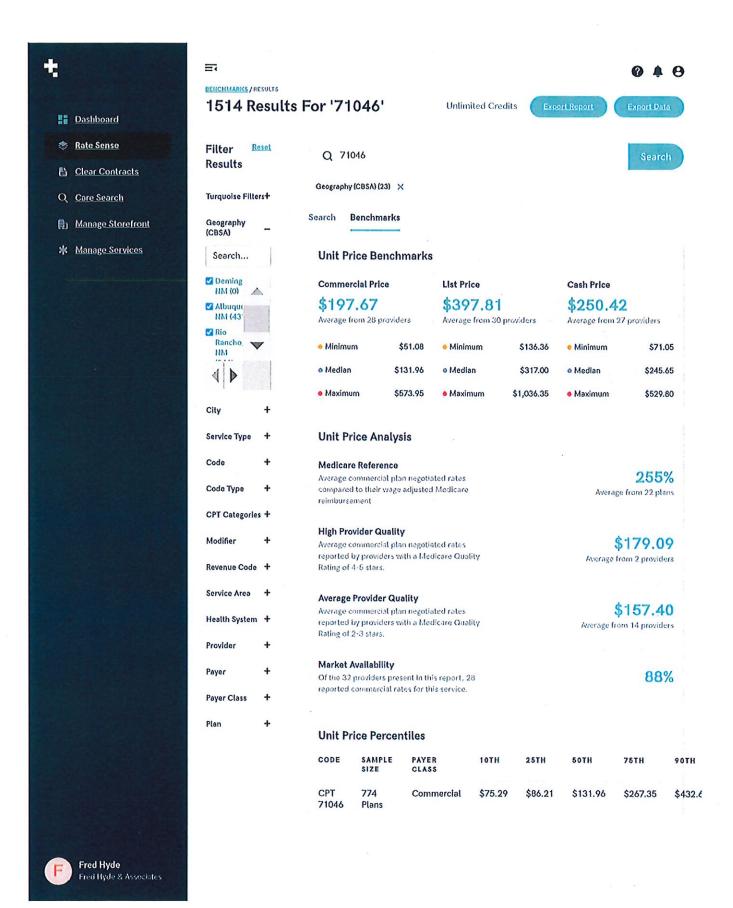
⁵ All documents, studies and calculations referenced in this report can be found on the website www.newmexicohospitalpriceproject.org, id=NewMexicoHospital, pw=PriceProject

Appendix

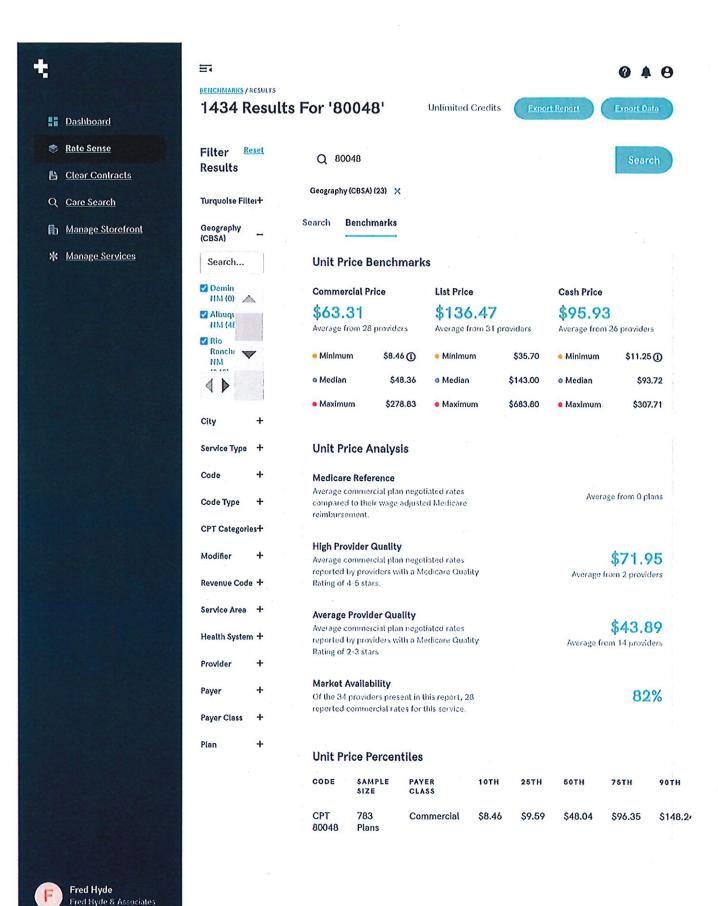




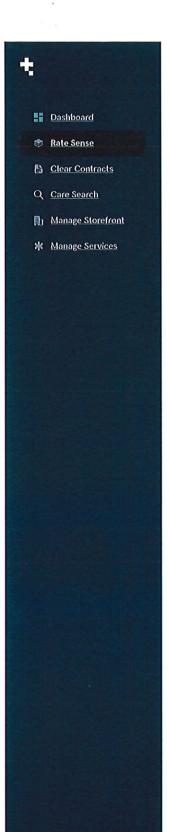
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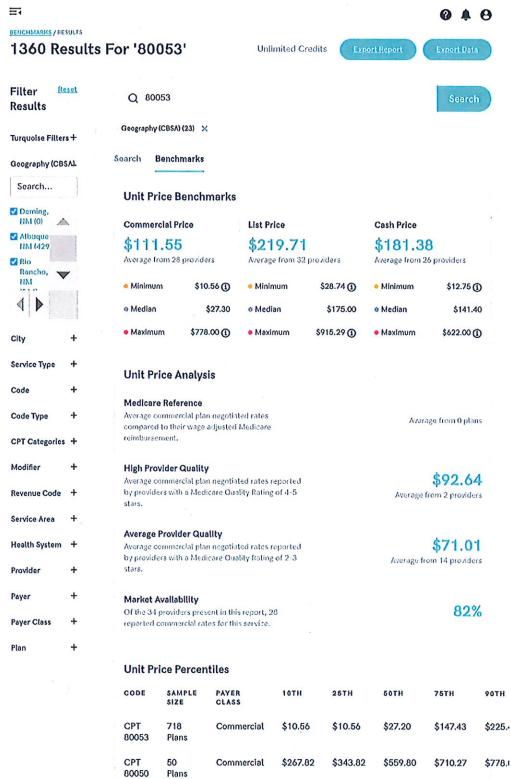






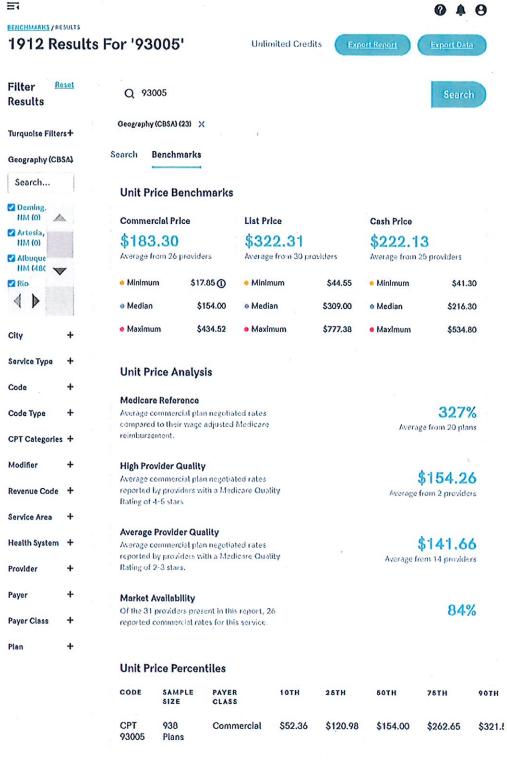
















E4 BENCHMARKS / RESULTS

Unlimited Credits

Q 99281

1795 Results For '99281'

Geography (CBSA) (23) X

Search Benchmarks

Unit Price Benchmarks

Commercial Price

List Price

Minimum

Cash Price

\$172.70 Average from 27 providers \$266.47

\$152.46 Average from 25 providers

Average from 28 providers

\$45.60 Minimum

Median

\$125.54 Median

\$35.73

\$872.00

\$203.00

o Median

\$142.10

Maximum

Minimum

Maximum

\$602.05

\$129.95

Maximum

\$290.95

Unit Price Analysis

Medicare Reference

Average commercial plan negotiated rates compared to their wage adjusted Medicare reimbursement.

252%

Average from 21 plans

High Provider Quality

Average commercial plan negotiated rates reported by providers with a Medicare Quality Rating of 4-5 stars.

\$122.80

Average from 2 providers

Average Provider Quality

Average commercial plan negotiated rates reported by providers with a Medicare Quality Rating of 2-3 stars.

\$126.74

Average from 14 providers

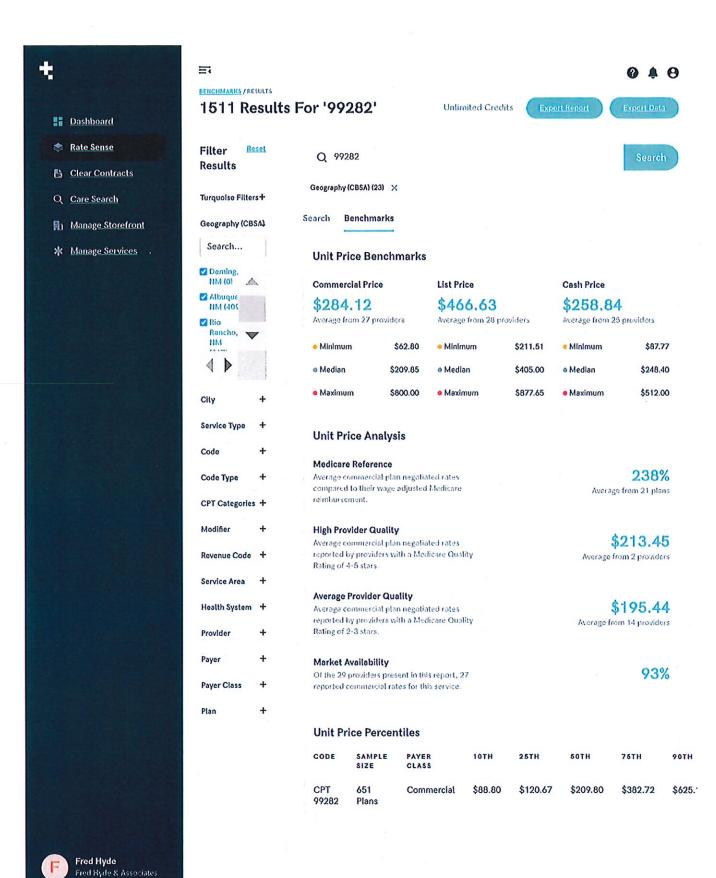
Market Availability

Of the 29 providers present in this report, 27 reported commercial rates for this service.

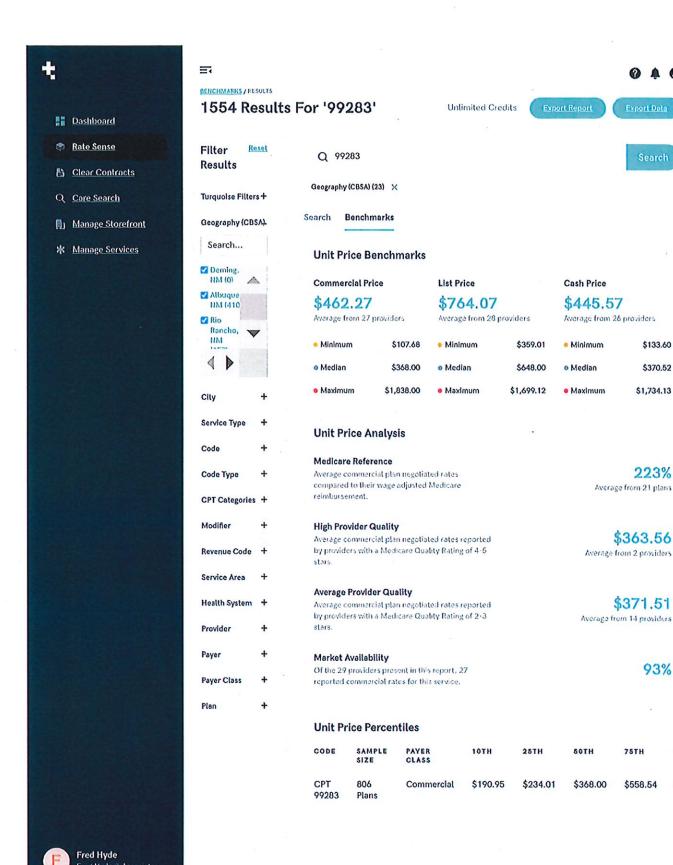
93%

Unit Price Percentiles

| CODE | SAMPLE | PAYER | 10TH | 25TH | 50TH | 75TH | 90TH |
|--------------|--------------|------------|---------|---------|----------|----------|---------|
| CPT 99281 | 913 Plans | Commercial | \$65.66 | \$78.62 | \$125.35 | \$208.62 | \$398.1 |







\$133.60

\$370.52

\$1,734.13

223%

\$363.56

\$371.51

75TH

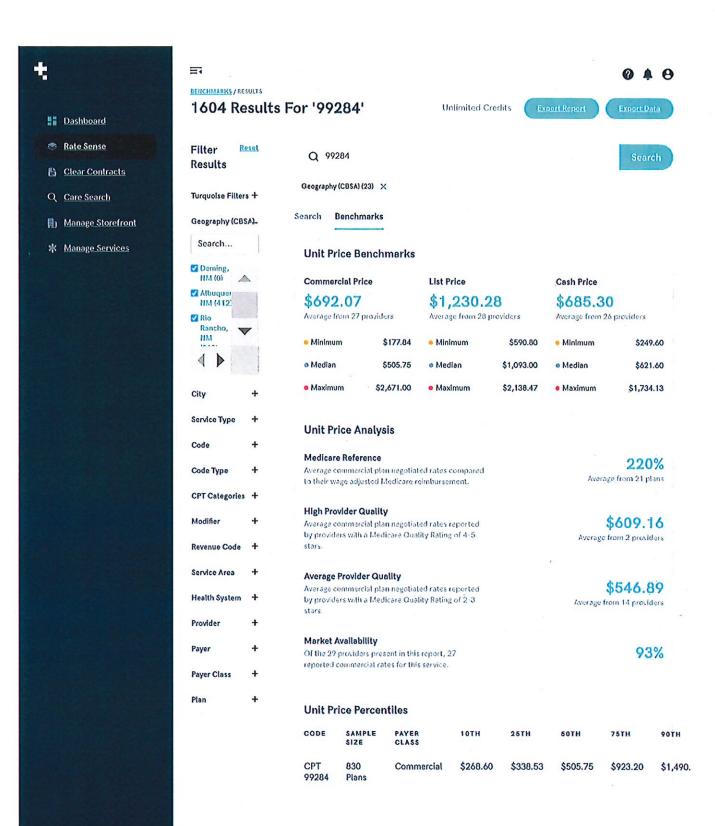
\$558.54

93%

90TH

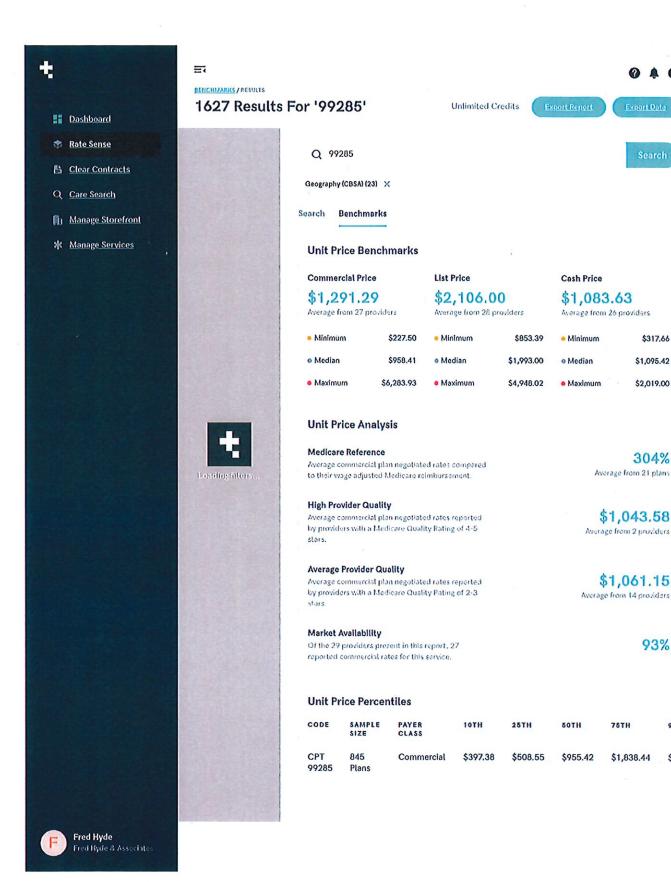
\$978.











\$317.66

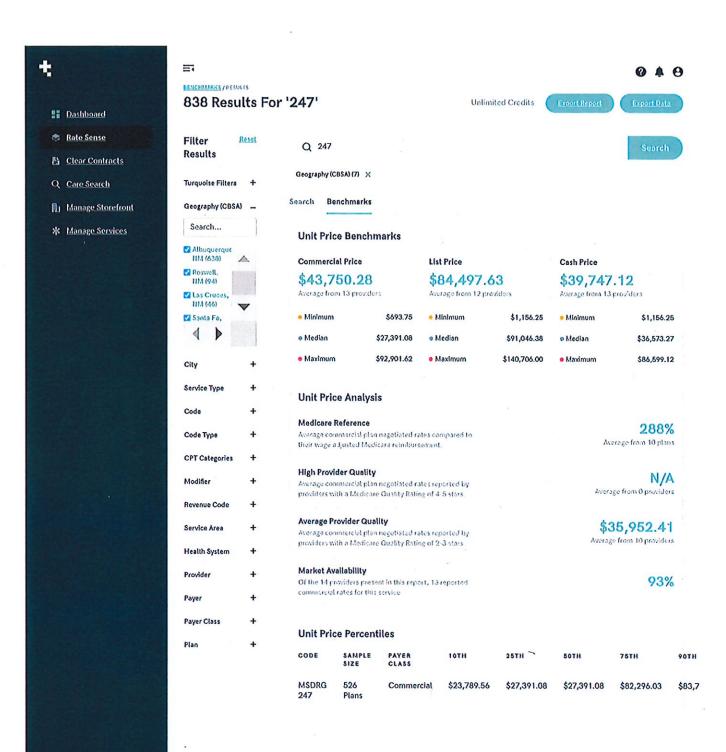
\$1,095.42

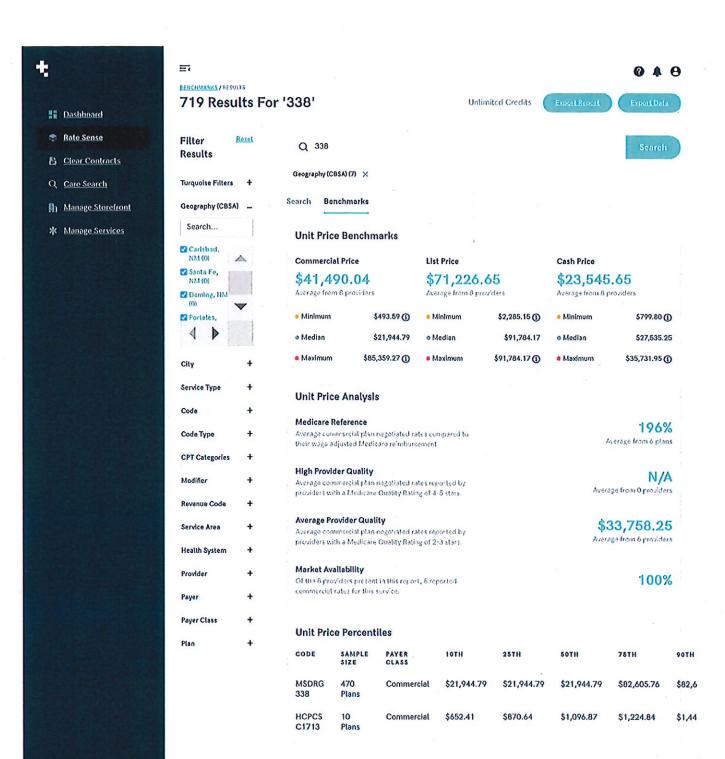
\$2,019.00

304%

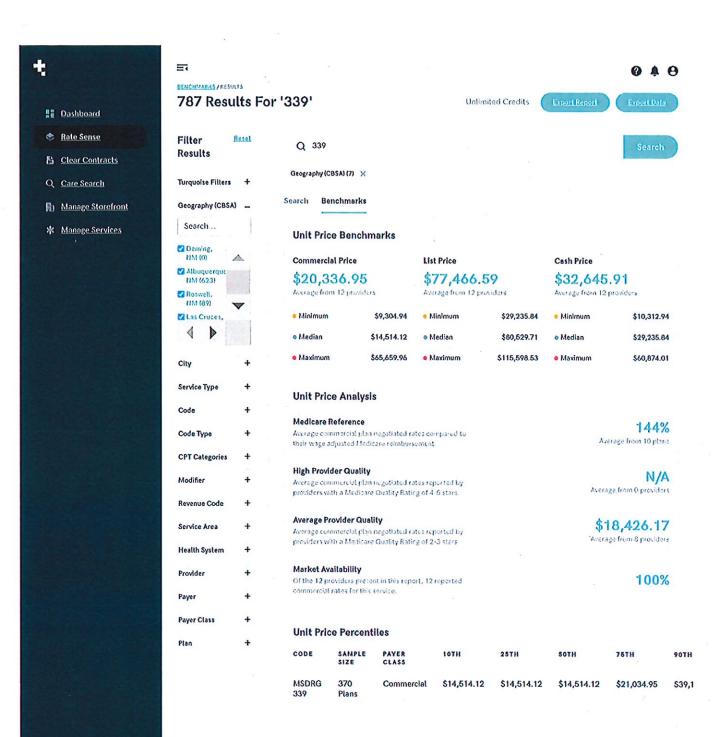
93%

\$2,414



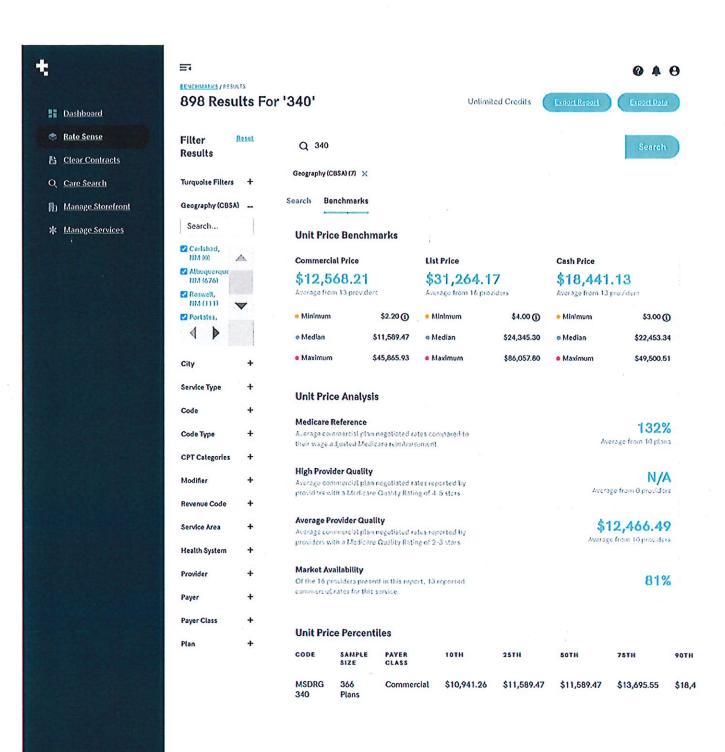






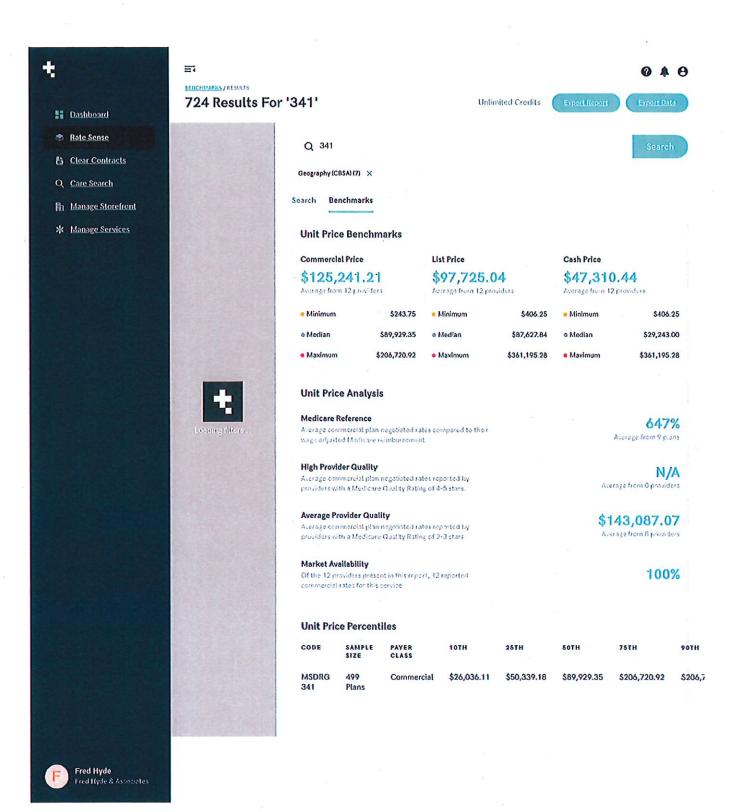
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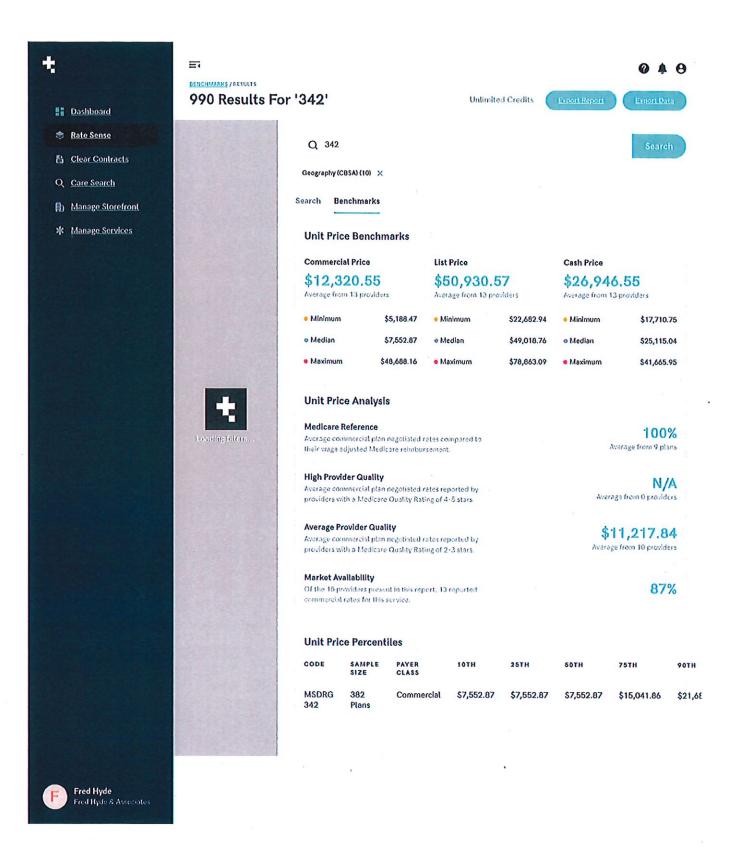
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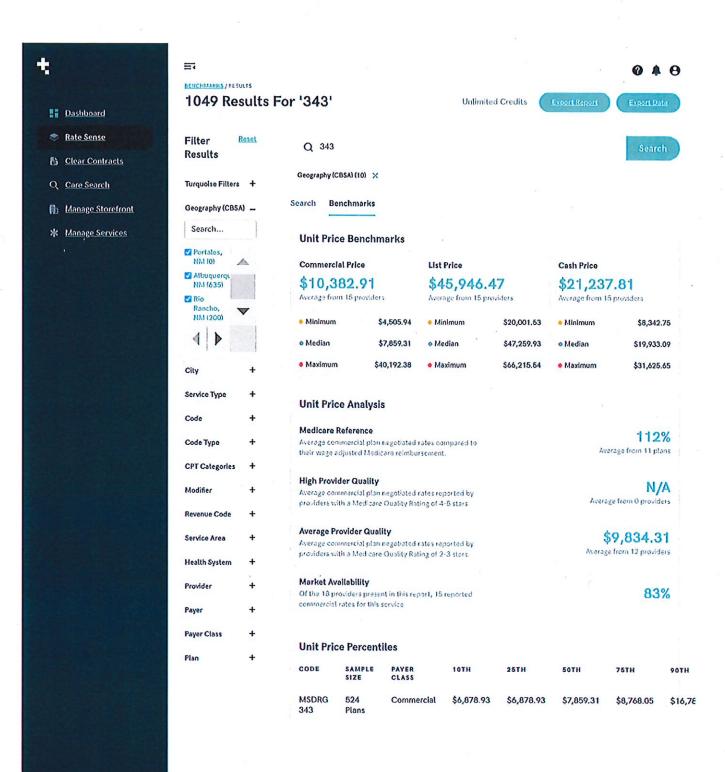


Apply Filters

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