Payment Variation Among Nearby Hospitals:

A Hospital Payment Report Data Brief

February 2024

Commercial insurance payments for the same procedure can vary widely among hospitals, even when the hospitals are in the same area

Commercial insurance payments to Oregon hospitals vary widely for common inpatient and outpatient procedures, as illustrated in the annual Hospital Payment Report. In some cases, notable payment variation occurs even among hospitals in the same area. This data brief compares commercial insurance payments at nearby hospitals for the same frequently performed procedures.

Payment variation within and among hospitals is affected by hospital location, patient volume, and different levels of disease severity among patients, as well as rate negotiation in the commercial market. Each hospital has its own set of negotiated rates with every commercial insurer operating in the state. This level of rate negotiation – and resulting variation – is not seen in other markets such as Medicare, where fee-for-service rates determined by federal formulas tend to have the most influence on hospital payments.

Different regional context can explain some of the commercial payment variation among Oregon hospitals. Regions with greater competition due to more nearby hospitals and overlapping service areas tend to have lower negotiated payment rates and less payment variation than other regions.[1]

Even in the same region, however, the practice of each hospital negotiating payment rates with multiple commercial insurers can drive substantial payment variation for some procedures among nearby hospitals. As a result, **commercially insured Oregonians with similar health care needs living in the same area could face very different costs depending on which hospital they visit.**

This data brief presents examples where nearby similar hospitals performed the same common procedure in 2021, but received substantially different median payments. The procedures in these examples are different types of diagnostic imaging performed at large hospitals in the Portland area and at smaller hospitals in Marion County. Although investigating specific drivers of these differences is outside the scope of this brief, these examples are highlighted because they do not seem to have an obvious rationale, such as a notable difference in procedure volumes.

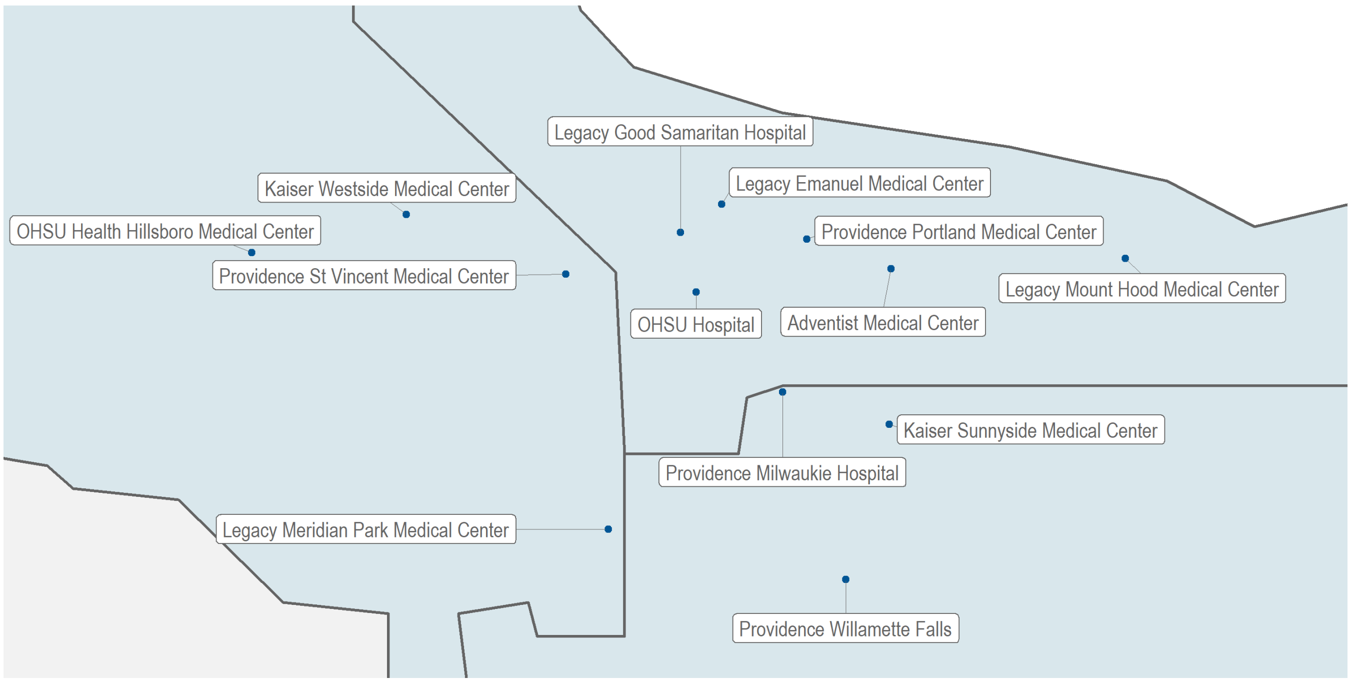
[1] Refer to *Comparing Commercial and Medicare Payments: A Hospital Payment Report Data Brief* for further detail.

Portland Area

With 13 DRG hospitals – which are large urban hospitals – within a 40-mile radius (Figure 1), the high level of competition in the Portland metropolitan area tends to lead to lower payments and less variation in median payments for the same procedures compared with other regions.

There are still notable differences, however, in median payments for certain procedures, such as ultrasounds and extremity X-rays (e.g., X-rays of the hands, feet, arms, legs, hips).

Figure 1. Acute care hospitals in Multnomah, Clackamas, and Washington counties



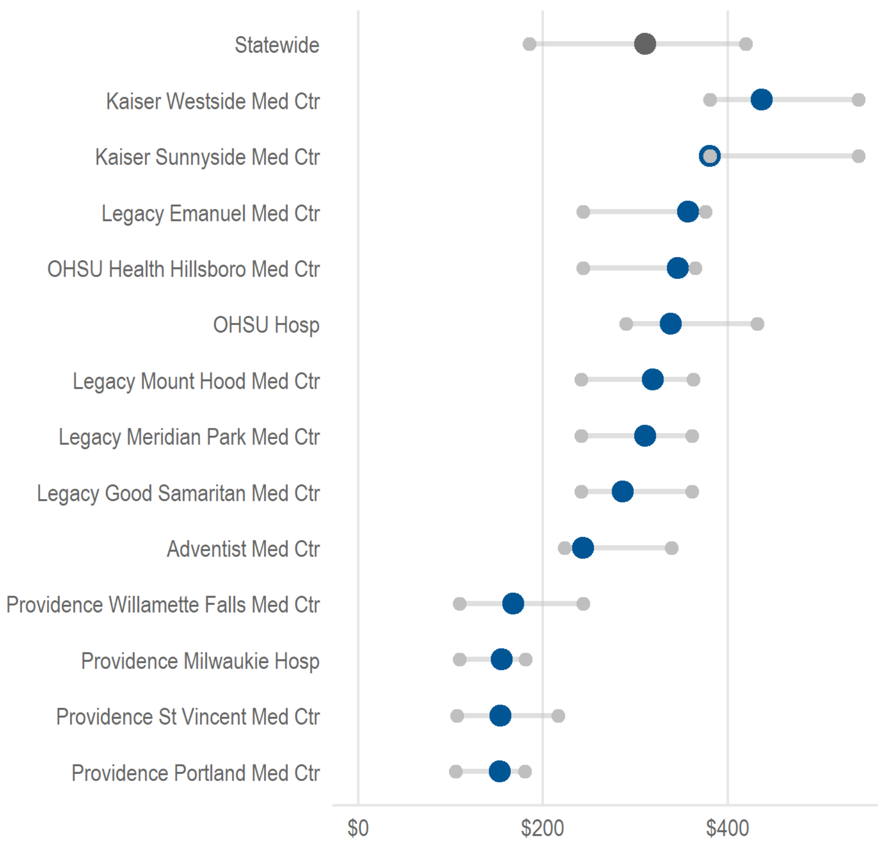
Ultrasounds

Portland-area hospitals performed 35,073 ultrasounds in 2021 (Figure 2), with high procedure volumes at each hospital ranging from 1,022 at Adventist Medical Center to 5,682 at OHSU Hospital. Excluding Kaiser hospitals, median commercial payments ranged from $154 at Providence Portland and St. Vincent to $357 at Legacy Emanuel (2.3 times higher). As a data note, because Kaiser primarily receives capitated payments, a fixed amount paid in advance to cover the expected cost of providing services, their payment data is not directly comparable to that of other Portland-area hospitals.

Out of the non-Kaiser hospitals with high median payments, OHSU Hospital is the most similar in procedure volume to Providence Portland and St. Vincent, with 5,682 ultrasounds performed at OHSU Hospital, 5,204 at Providence Portland, and 4,136 at Providence St. Vincent. OHSU Hospital's median payment of $338 is 2.2 times higher than at Providence Portland or St. Vincent. OHSU Hospital is within 10 miles of both of these Providence hospitals.

An overlap in the interquartile ranges – the ranges between the 25th and 75th percentile payments, as represented by the grey bars – between many hospitals indicates a lack of a notable difference between their median payments. OHSU Hospital's interquartile range, however, does not overlap with that of either Providence Portland or Providence St. Vincent, suggesting a likely significant difference in their ultrasound payments.

Figure 2. 2021 commercial median payments for ultrasounds – Portland area

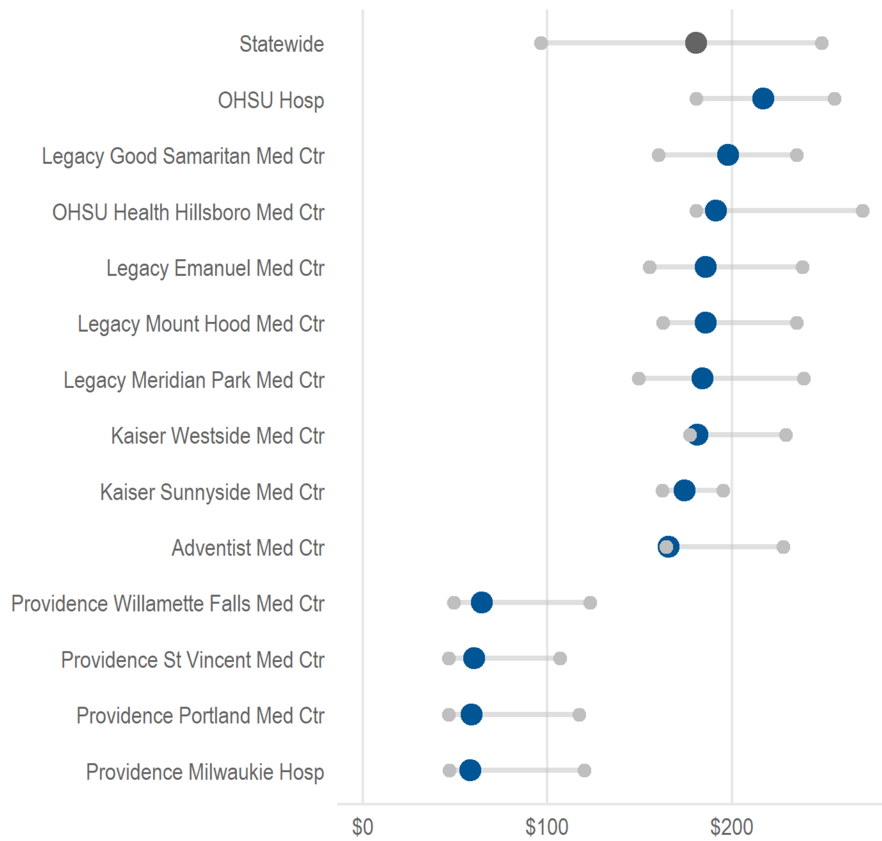


Extremity X-Rays

Two groups emerge from the 24,824 extremity X-rays taken at Portland-area hospitals in 2021 (Figure 3). The higher median payment group includes Adventist, Kaiser, Legacy, and OHSU hospitals while the lower median payment group includes the Providence hospitals. Comparing the highest to lowest median payments in the area, OHSU Hospital's median ($217) is 3.7 times Providence Milwaukie Hospital's ($58). OHSU Hospital is about seven miles from Providence Milwaukie. Providence Milwaukie performed 1,687 extremity X-rays in 2021 while OHSU Hospital performed 6,201, the most of any Portland-area hospital.

While there is a sizable difference in procedure volume between Providence Milwaukie and OHSU Hospital, it does not explain the difference in median payment because in general, a hospital that performs more procedures would be able to accept a lower payment rate. Moreover, of any hospital outside the Providence system, OHSU Health Hillsboro Medical Center has the closest extremity X-ray volume (1,128) to Providence Milwaukie, and its median payment of $191 is 3.3 times Providence Milwaukie's.

Figure 3. 2021 commercial median payments for extremity X-rays – Portland area

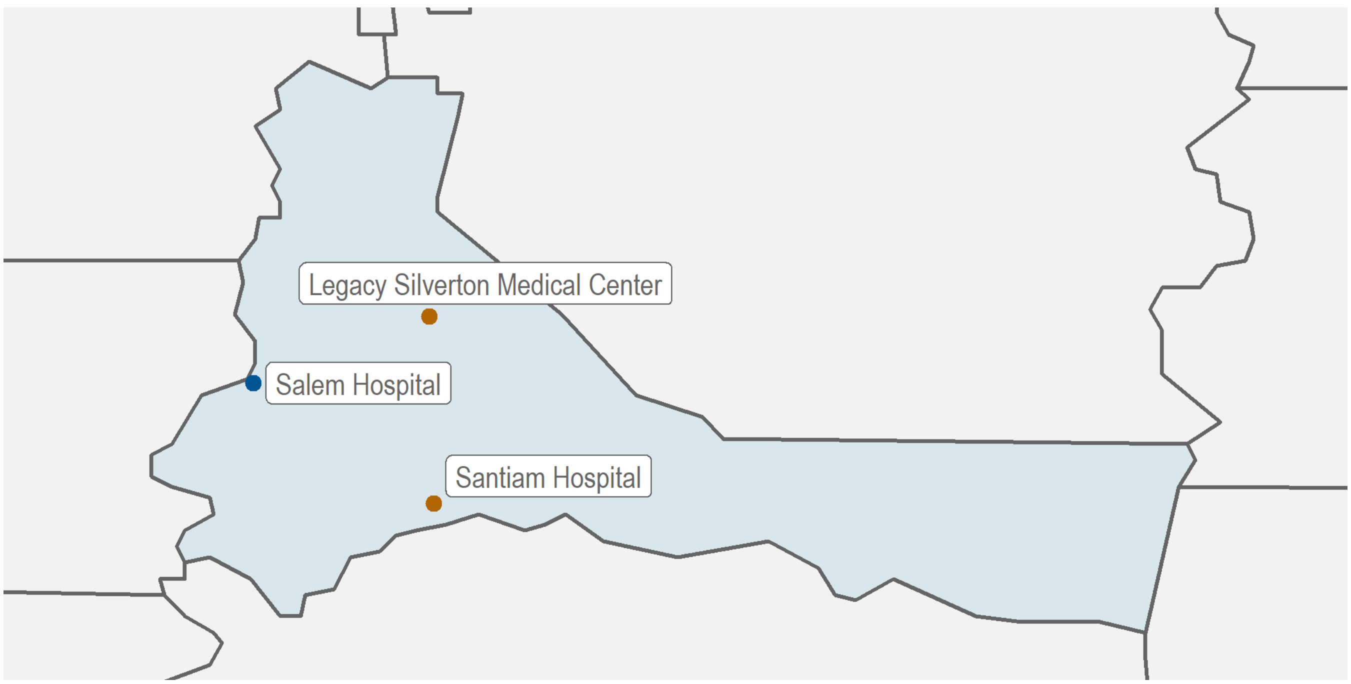


Marion County: Santiam Hospital and Legacy Silverton Medical Center

Marion County includes Salem Hospital, a DRG performing a higher volume of procedures, and Santiam Hospital and Legacy Silverton Medical Center, smaller type B hospitals located 15 miles apart. This brief compares the type B hospitals because of their more similar procedure volumes.

Despite their similar procedure volumes and proximity, Santiam Hospital receives substantially higher commercial insurance payments than Legacy Silverton for certain diagnostic imaging procedures.

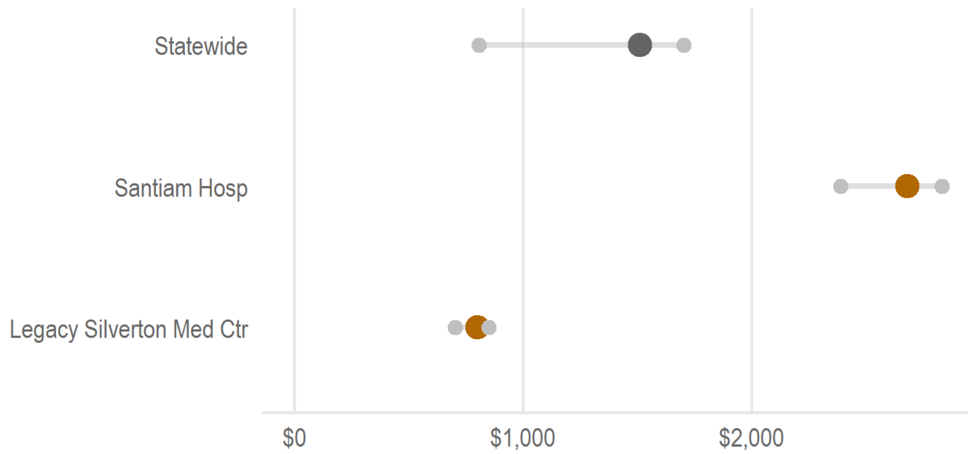
Figure 4. Acute care hospitals in Marion County



Abdomen and GI CT Scans with Contrast

There is a particularly large difference in median payments for CT scans of the abdomen and GI with contrast (Figure 5), with Santiam Hospital's median payment ($2,683) 3.4 times Legacy Silverton's ($800). With relatively little variation in payments within each hospital, their interquartile payment ranges do not overlap. That indicates that the difference for this procedure is likely statistically significant. Procedure volume is comparable between the two facilities, with Santiam Hospital performing 110 of these CT scans in 2021 and Legacy Silverton performing 140. Santiam Hospital's median payment is also higher than the statewide median ($1,510).

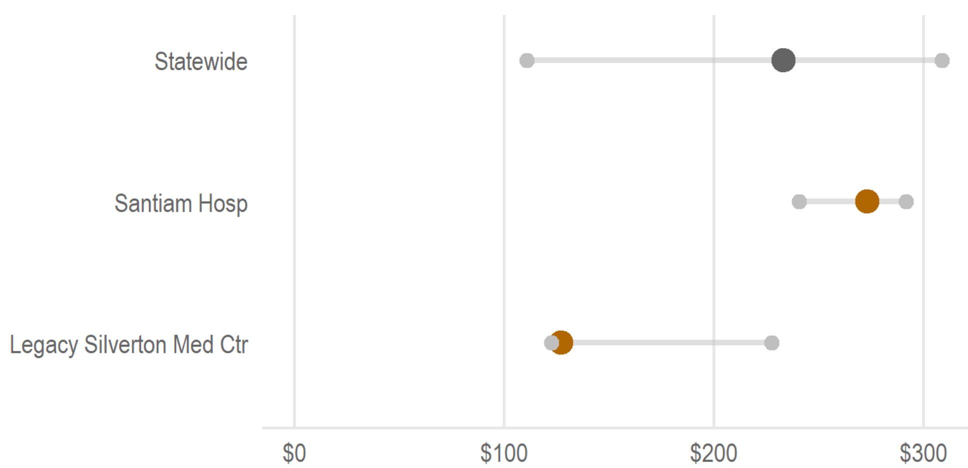
Figure 5. 2021 commercial median payments for abdomen and GI CT scans with contrast – Santiam Hospital and Legacy Silverton



Spinal X-Rays

For X-rays of the spine (Figure 6), the median payment at Santiam Hospital ($273) is also substantially higher than at Legacy Silverton ($127), with the median payment 2.1 times higher at Santiam Hospital. Again, procedure volumes are similar, with 232 spinal X-rays at Santiam Hospital and 307 at Legacy Silverton.

Figure 6. 2021 commercial median payments for spinal X-rays – Santiam Hospital and Legacy Silverton



Data and Methodology

The data source for this report is Release 14 of the Oregon All Payer All Claims (APAC) database. Oregon's APAC database contains information about Oregon's insured population and the health care services they receive, such as diagnoses, visits, and payments made. The information comes from administrative records called insurance claims kept by insurers, also known as payers.

The data presented in this report is the same data included in the 2021 Oregon Hospital Payment Report. Payments for the diagnostic imaging and testing procedures included in this report reflect what commercial insurers paid hospitals each time a procedure was performed as well as any patient paid amounts, such as co-pays, deductibles, or co-insurance.

This analysis excludes claims from all non-commercial payers (e.g., Medicare, Medicaid, and the Department of Veterans Affairs), claims from non-Oregon facilities and all non-hospital facilities, claims with a denied status, claims with no bill type or revenue code, and claims with a zero-paid total amount.

For more information about how claims data are analyzed, please refer to the methodology for the Oregon Hospital Payment Report.

If you have questions, please contact

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