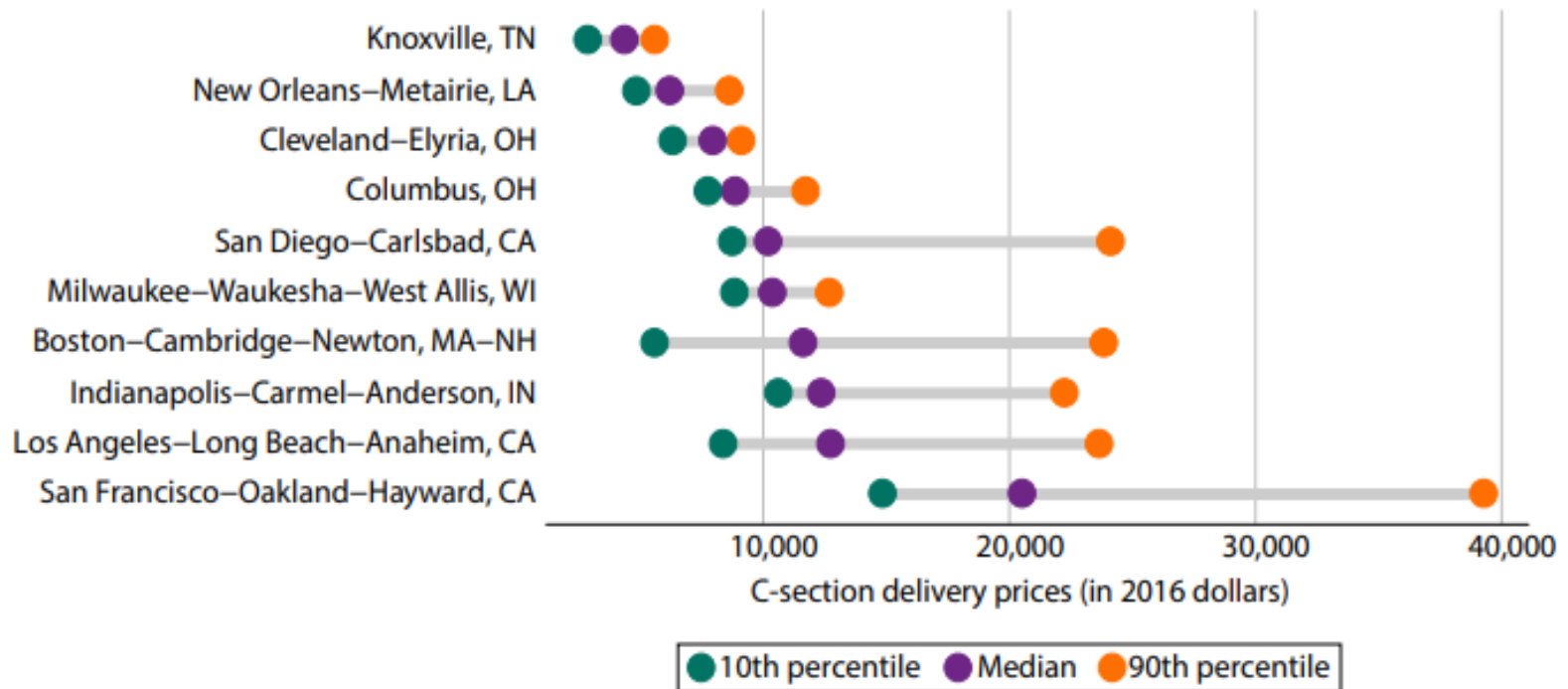# Are Prices Too High?

Michael Chernew

Cross/ Within Market Variation

FIGURE 2B.

Service Price Variation within Metro Area for C-section Delivery

C-section delivery prices (in 2016 dollars)

- ● 10th percentile
- ● Median
- ● 90th percentile

Source: Adapted from Kennedy et al. (2019) using Health Care Cost Institute data.

Notes: Percentiles (10th, median, 90th) show within-metro variation in price for the indicated service. Metro areas are defined as the 112 core-based statistical areas in the United States. A select group of metro areas is shown.

THE HAMILTON PROJECT

BROOKINGS

US Prices Higher than Other Countries

FIGURE 1.

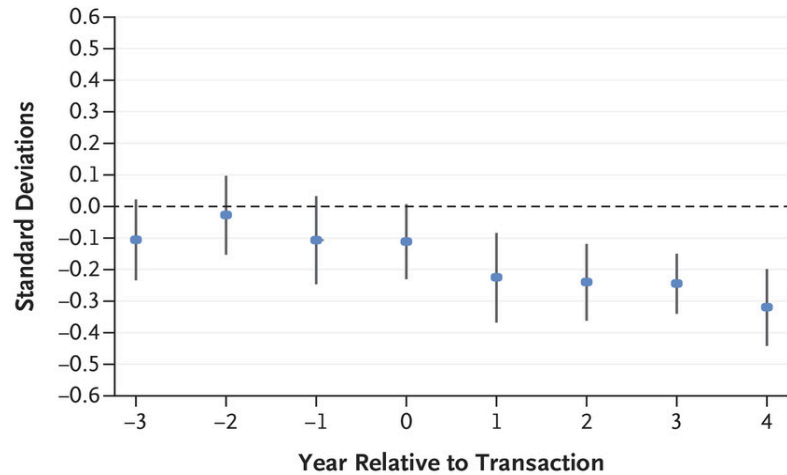International Medical Prices for Selected Services as a Percentage of U.S. Price
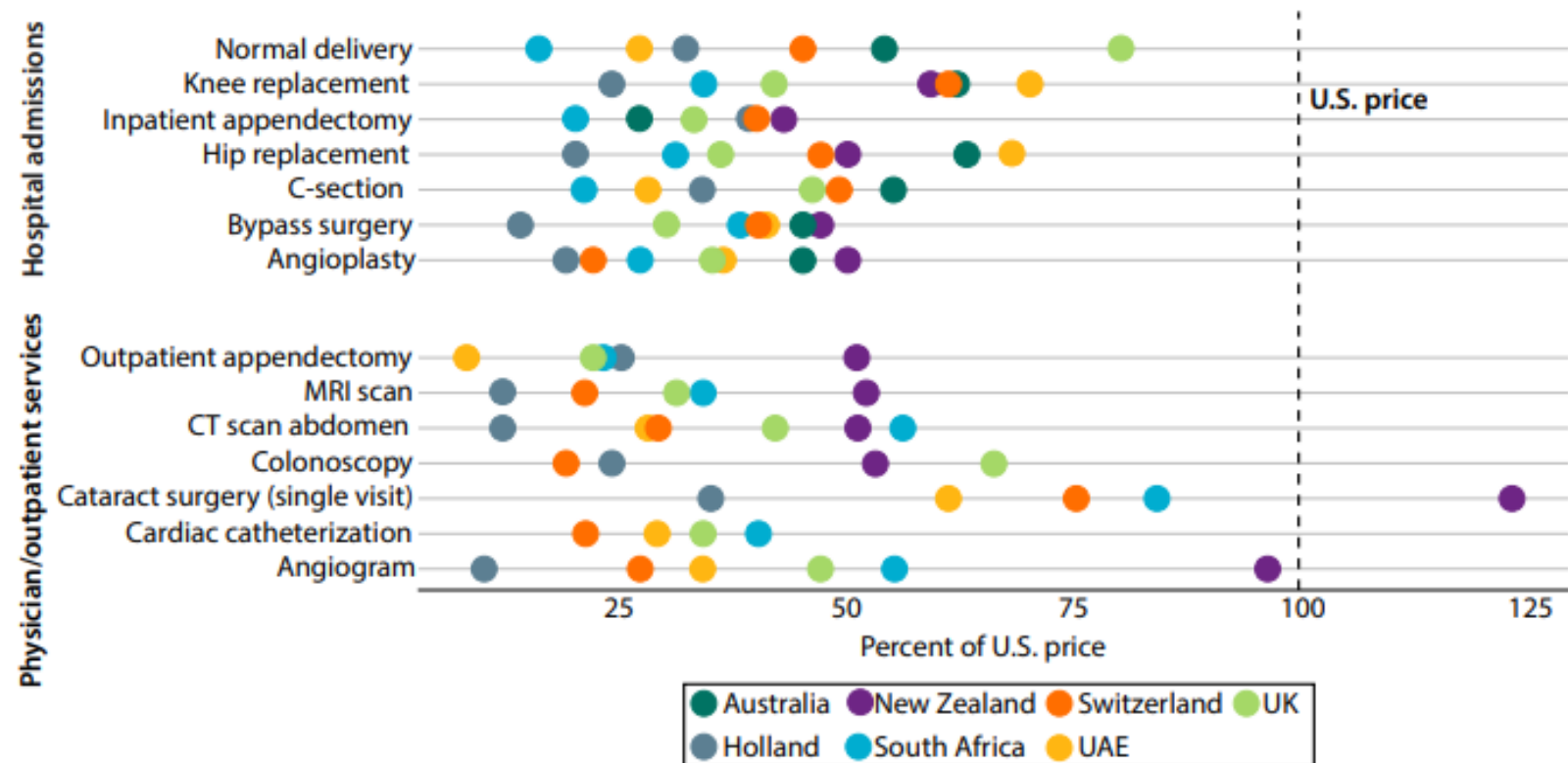
Source: Adapted from Hargraves and Bloschichak (2019) using International Federation of Health Plans (iFHP) data.
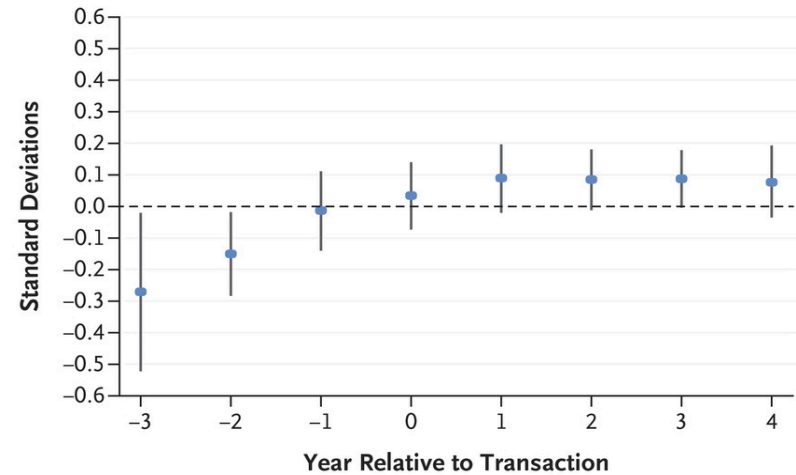
Notes: Data are from iFHP member companies in eight countries. International service price comparisons are complicated by potentially different service definitions, reimbursement arrangements, and health plan participation across countries.

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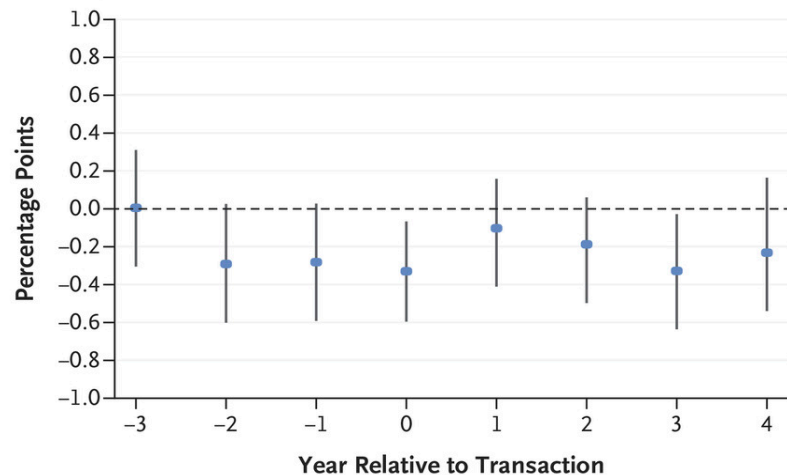
3

Mergers Do Not Improve Quality

A   Patient-Experience Composite

B   Clinical-Process Composite

C   30-Day Readmission Rate

D   30-Day Mortality Rate

Beaulieu et al. Changes in Quality of Care after Hospital Mergers and Acquisitions. NEJM 2020
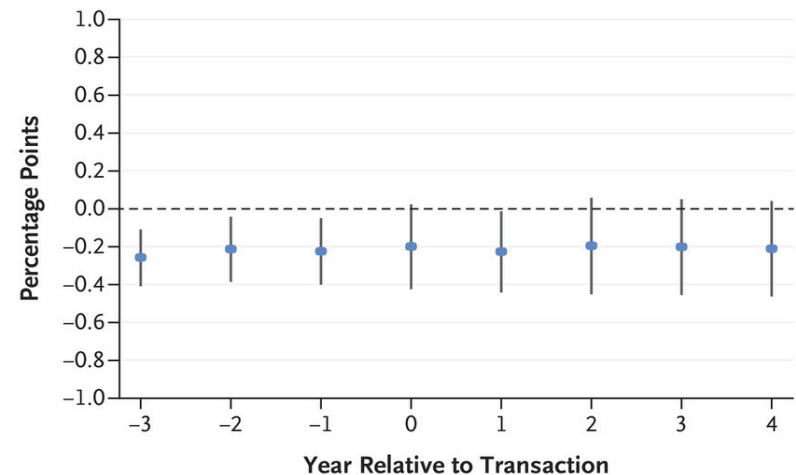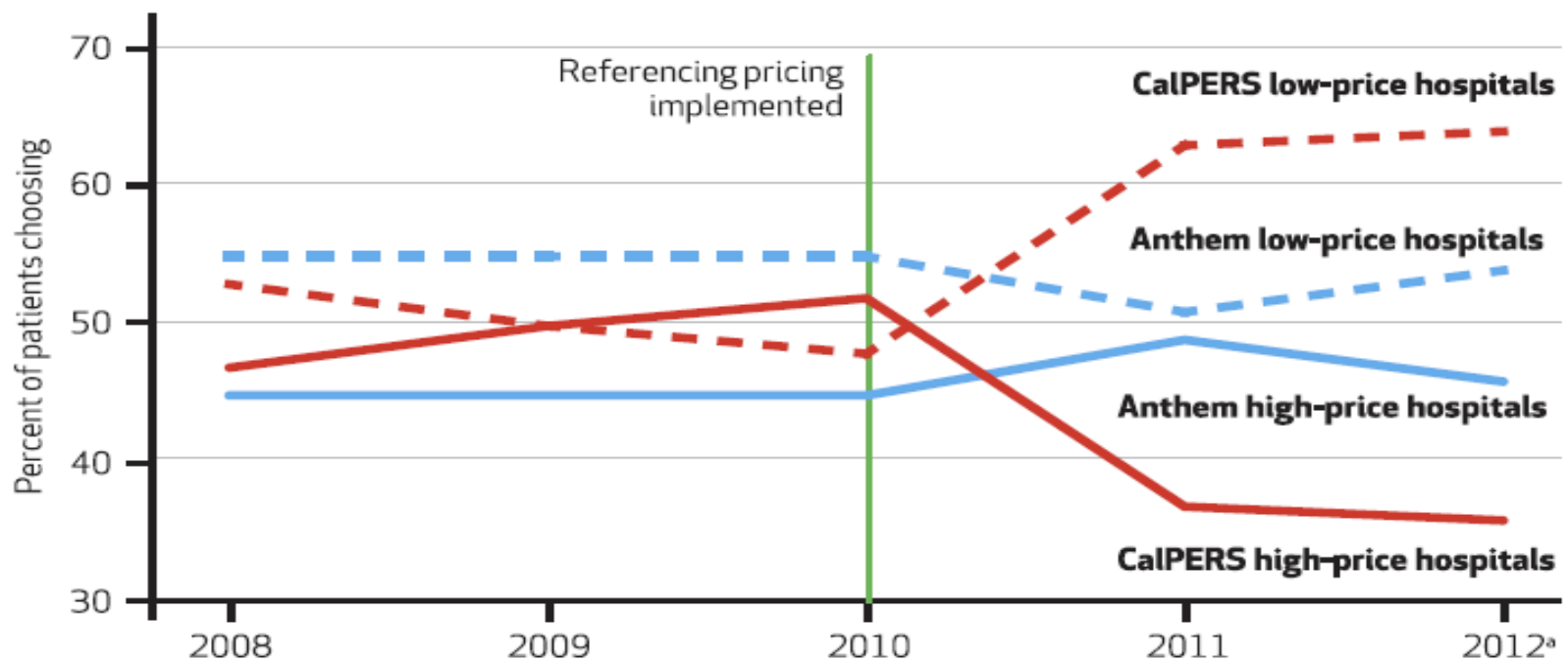
Patients Respond to Reference Pricing

Patients Choosing High-Price Or Low-Price California Hospitals For Knee Or Hip Replacement Surgery, 2008–12

SOURCE Authors' analysis of data from California Public Employees' Retirement System (CalPERS) and Anthem Blue Cross of California. NOTES VBPD is value-based purchasing design, a designation created by CalPERS for hospitals charging low prices and meeting specified geographic accessibility and quality standards. VBPD facilities are low-price hospitals. Non-VBPD facilities are high-price hospitals. [a]January through September 2012.

Source: Robinson, James C., and Timothy T. Brown. "Increases In Consumer Cost Sharing Redirect Patient Volumes And Reduce Hospital Prices For Orthopedic Surgery." *Health Affairs* 32.8 (2013): 1392-1397.

Evaluation of a Tiered Network

Figure 3: Predicted Probabilities That the TN Steered Patients from Nonpreferred to Middle and Preferred Hospitals
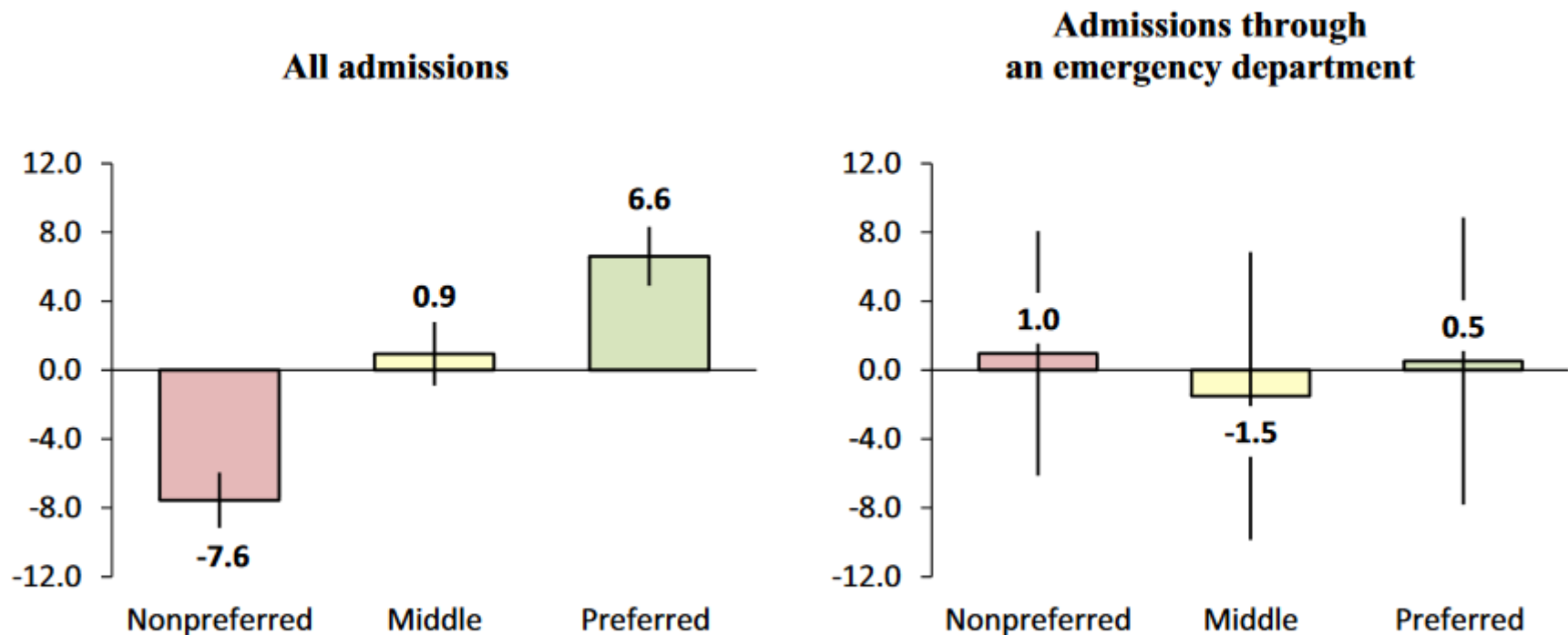
Notes: The main analysis includes all admissions after sample exclusions. The falsification test includes ED admissions identified by the admission source variable provided by BCBSMA. Figures are presented with 95 percent confidence intervals generated through bootstrap analyses.