



COLORADO

Department of Health Care
Policy & Financing

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Hospital Pricing Tools Write-Up

This document provides a summary of HCPF and private sector tools aiming to improve financial transparency and drive more affordable and appropriate hospital costs and prices.

The Department of Health Care Policy and Financing (HCPF) has created nationally leading resources for viewing hospital finances, including the release of its [Breakeven Analysis Tool](#), and the previously released and soon-to-be updated [Hospital Cost Reporting Tool](#). These tools, used in conjunction with other resources, improve Colorado’s financial transparency. Future developments will help incorporate quality and Price Transparency data fortified by HB22-1285.

This write-up provides insight into available tools and will demonstrate the HCPF’s capabilities, tool alignments, and continued progress toward the state’s goal of comprehensive and productive hospital transparency.

HCPF’s Hospital Cost Reporting Tool

HCPF has developed the Colorado [Hospital Cost Reporting Tool](#) to display hospital metrics and how they change over time. The tool includes charts, maps, and metrics to illustrate cost, price, profit (margin) and utilization. These functions can be sorted by Colorado hospital, hospital system and region.¹

RAND’s Commercial Payments as a percentage of Medicare studies

RAND has released several analyses that measure estimated actual commercial prices paid, as a multiple of Medicare prices paid. The RAND Hospital Price Transparency Study uses claims data to examine procedure level differences and aggregates them for hospitals. (This could be considered a “bottom-up” approach.)² Other RAND research uses Medicare Cost Report data for hospital level commercial-Medicare price ratios. (This could be considered the “top-down” companion.) RAND says

¹ Colorado Department of Health Care Policy and Financing, Hospital Cost Reporting Tool, Methodology. Available at <https://hcpf.colorado.gov/hospital-reports-hub>.

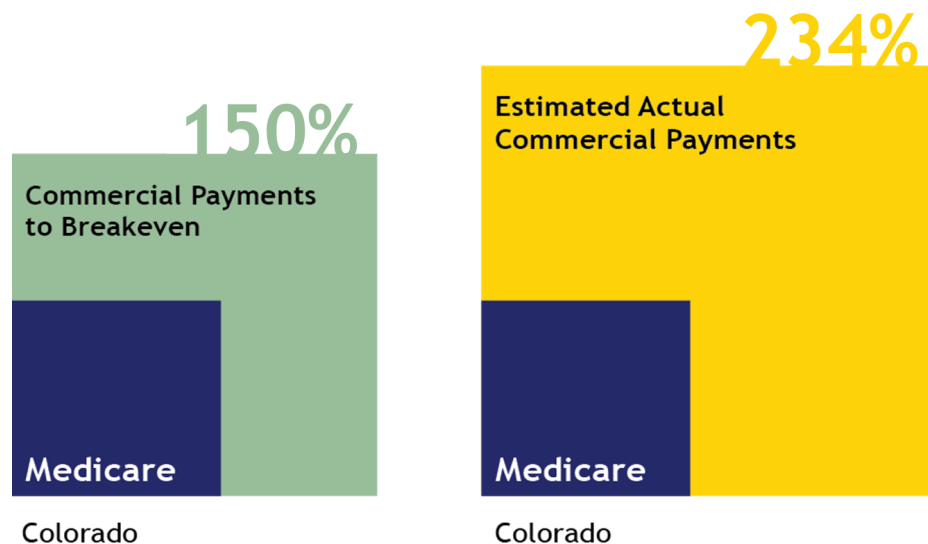
² Whaley, C. M., Briscoe, B., Kerber, R., O’Neill, B., & Kofner, A. (2022). Prices Paid to Hospitals by Private Health Plans Findings from Round 4 of an Employer-Led Transparency Initiative. RAND Corporation. <https://doi.org/10.7249/RRA1144-1>.

these two methods have a “strong correlation”.³ RAND released a new 4.0 version of the claims data based analysis in May 2022.⁴

National Academy for State Health Policy’s (NASHP) Hospital Cost Tool

NASHP’s Hospital Cost Tool incorporates similar components as the HCPF’s Hospital Cost Reporting Tool, such as costs or profits per adjusted discharge.⁵ It also utilizes RAND’s Hospital Price Transparency 4.0 data, while adding their own “Commercial Breakeven” measure. While RAND’s studies estimate the actual commercial-Medicare price ratio, NASHP’s Commercial Breakeven measure estimates a theoretical reimbursement rate. Specifically, the theoretical rate from commercial payers covers all expenses for hospital inpatient and outpatient services, without profit.⁵ NASHP’s Commercial Breakeven measure allocates Other Income/Expenses (such as investment gains) to Commercial payers. Combined, these metrics complement one another, as shown below in Figure 1 from HCPF’s Breakeven analysis, detailed next.

Figure 1: An example of Commercial Payments to Breakeven compared to Estimated Actual Commercial Payments and how they relate to Medicare rates, Colorado aggregate, average of three years 2018-2020 from the HCPF Breakeven Analysis.



³ “HCRIS estimates of commercial-to-Medicare price ratios in a given year have a strong correlation with estimates of price ratios based on claims data from the RAND Hospital Price Transparency Project”. Whaley, C. M., Levinson, Z. M., Qureshi, N., Liu, J. L. (2022). Trends in hospital prices paid by private health plans varied substantially across the US. RAND Corporation. https://www.rand.org/pubs/external_publications/EP68906.html

⁴ Whaley, C. M., Briscoe, B., Kerber, R., O’Neill, B., & Kofner, A. (2022). Prices Paid to Hospitals by Private Health Plans Findings from Round 4 of an Employer-Led Transparency Initiative. RAND Corporation. <https://doi.org/10.7249/RR1144-1>.

⁵ Commercial breakeven. The National Academy for State Health Policy. (2022, April 5). Retrieved from <https://www.nashp.org/policy/health-system-costs/understanding-hospital-costs/commercial-breakeven/>.



HCPF's Breakeven Analysis Tool

Health Care Policy and Financing's [Breakeven Analysis Tool](#) is similar to analyses done by NASHP and RAND. NASHP analysis has calculated commercial breakeven rates, along with RAND, which estimated actual payment rates using claims data. However, there are notable methodology differences between HCPF's tool and these other tools, including an exclusion of Other Income/Expenses (like investment gains) in the HCPF tool. These differences can be explored in detail in the corresponding methodology documents.

HCPF's Breakeven Analysis Tool generates both measures using one set of methods from Medicare Cost Report data ("top-down").⁶ HCPF's "estimated actual" figures correlate with RAND's claims-data approach, which lends credence both to the HCPF's "estimated actual" calculations and the *commercial payments to breakeven as a percentage of Medicare* metric.

NASHP's Hospital Cost Tool's Commercial Breakeven ratio also moderately correlates with HCPF's *commercial payments to breakeven as a percentage of Medicare*, despite differences in methodology. The alignment of hospitals' results from these three analyses provides additional support for each.

Turquoise Health's Price Transparency Tool

Recent Federal legislation requires hospitals to publish their prices for procedures negotiated with each carrier's offered products as well as the hospital's cash price. Turquoise Health has created a free tool to help patients and providers view these charges.⁷ Beyond viewing charges, the Turquoise tool enables comparison of prices across nearby hospitals. Additionally, it allows for comparisons of procedure prices for a specific hospital across different carrier products (sometimes called plans). However, hospitals across the country are often not in compliance with federal requirements. This leads to missing data in the Turquoise Health tool. Colorado's recent passage of HB22-1285 further incentivizes hospitals to comply with federal rules. Colorado hospital compliance will lead to further price transparency available in the Turquoise Health tool, and any future price transparency tools created.

Employer's Forum of Indiana's SAGE Transparency Tool

The Sage Transparency Tool incorporates NASHP's Hospital Cost Tool Commercial Breakeven ratio and RAND's 4.0 pricing data. Sage also goes a step farther by providing quality data from the Center of Medicare Services and private group Quantros.⁸ By providing both price comparisons and quality, the SAGE Price Transparency tool enables users to compare the value of care between hospitals. Further, it helps determine if higher prices are justified by higher quality. The SAGE Transparency Tool also

⁶ HCPF's "estimated actuals" methods are more similar to RAND's Medicare Cost Report analyses of Commercial prices than to RAND's Hospital Price Transparency Project, which uses insurance claims data.

⁷ Turquoise Health. (2022). Retrieved from <https://turquoise.health/>

⁸ Sage transparency. Employer Hospital Price Transparency Project. (2022). Employers' Forum of Indiana. Retrieved from <https://employerptp.org/sage-transparency/>.



includes a select set of hospitals' published procedure prices relative to Medicare from the Turquoise Health tool.

Conclusion

The Department of Health Care Policy and Financing is proud to be on the leading edge of hospital pricing analysis and continues to strive for further progress on hospital costs, in collaboration with hospitals and payers. The development of HCPF's and other organization's hospital analysis tools lead to a suite of complementary research that both supports and evolves this important work. The passage of HB22-1285 will improve Colorado's price transparency tools by ensuring Colorado hospital compliance with federal legislation. In partnership with the General Assembly, HCPF will continue to leverage these tools and other pricing and quality indicators to save Coloradans and our employers money on health care by driving more affordable and appropriate hospital costs and prices.

