



COLORADO

Department of Health Care
Policy & Financing

1570 Grant Street
Denver, CO 80203

Payment Variation Tool Fact Sheet

Introduction to Payment Variation Tool

Colorado is on the leading edge of hospital transparency, accountability, and analytics. This [Payment Variation Tool](#) is one of many price transparency efforts Health Care Policy & Financing (HCPF) has recently released that illustrates our commitment to save Coloradans money on health care. The Payment Variation Tool allows for the analysis of Colorado All Payers Claims Data (APCD) to understand the relative price in relation to the statewide average. This tool is a comparator of hospital inpatient prices in the state, allowing users the ability to identify low-cost providers by filtering the medical codes of All Patients Refined Diagnosis Related Groups (APR-DRG) and major diagnostics categories (MDC).

This release builds upon [HCPF's previous reports and tools](#) to provide transparency and lower health care costs for Coloradans. For example, this Payment Variation Tool supports other efforts like the [Price Transparency Scorecard](#), in which HCPF has worked with hospitals to ensure they populate postings with accurate price information. Additionally, the [Breakeven Analysis Tool](#) which was released in 2022, enables benchmarking of commercial payments to Medicare, rather than charges, while identifying the amount hospitals currently need to financially break even.

The Payment Variation Tool has been previewed with the Colorado Hospital Association (CHA) and they are aware of its upcoming release. Additionally, the tool has been previewed with the Department of Insurance (DOI) and HCPF received their approval for publication.

Our ultimate goal is to unveil the new tool at various Colorado Chambers and then potentially roll the tool out through a variety of external-facing communications. In closing, the release of the Payment Variation Tool is yet another way HCPF is working to save all Coloradans' money on health care.

Audience

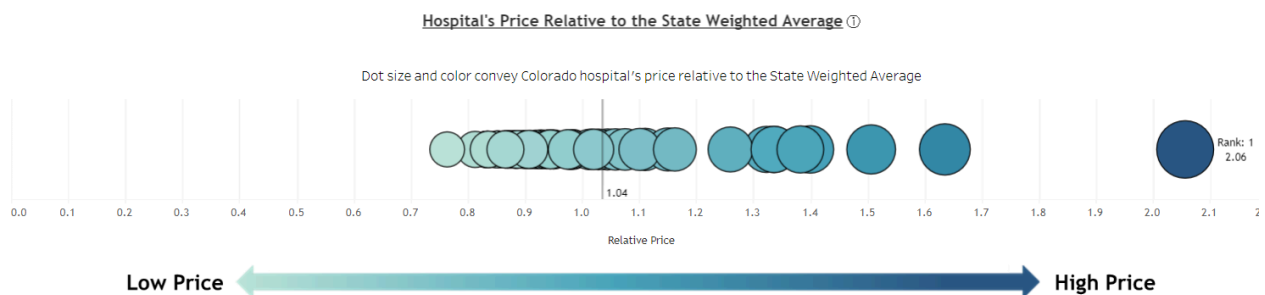
1. Chamber CEOs
2. Insurance purchasers = Chamber Boards
3. Roadshow e.g. Hospitals

The Case for Using the Payment Variation Tool and its Implication

Key Messages

- I. This tool uses claims data to identify hospitals with higher or lower payments (i.e. final prices) compared to either a state average or an estimated Medicare equivalent. Further, this tool allows hospital comparisons to be broken down into major diagnosis categories or even single procedures based on real-world utilization, which is a new function not present in other HCPF or externally available tools.
- II. The Payment Variation Tool allows state-level research of variation in hospital payments/prices to a deeper procedure level while also enabling carriers, employers, other payers, and communities to negotiate price reductions for specific procedures in a more informed way.
- III. The Payment Variation Tool covers real-world hospital inpatient payments on specific procedures. Pairing this tool with other HCPF tools such as Breakeven Analysis, which shows a hospital's overall financial breakeven point for commercial payers, and the Hospital Cost Reporting Tool which provides information on hospital's costs, utilization, and other financial metrics provides well-rounded, multifaceted financial transparency for Colorado hospitals.

A visual from the tool:



This visual demonstrates how easy it is to identify which hospitals are a high price for insurance carriers, resulting in higher claims payments in the state. Users can hover over marks to identify the hospital and also see the dollar amount of payments. Users can select from over 25 major diagnosis categories, such as cardiac or musculoskeletal care.

Conclusion

This tool pairs with other [HCPF-released tools](#) on hospital financial transparency, such as the [Breakeven Analysis Tool](#), to add in-depth price transparency to the state's suite of resources for stakeholders. This tool can help to lower hospital prices by enabling purchasers to better negotiate with hospitals by specific procedure. The Payment Variation Tool can empower the state to investigate where insurance carrier prices may be misaligned with the state norms and allows patients to identify how their local hospital compares to others on prices for procedures - adding another layer of accountability to hospital prices.

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