Some Coloradans Pay Significantly More than Medicare for the Same Service

Commercial insurance payments for hip and knee replacement are as much as 232% higher, or $55,000 more than Medicare.

Recent national studies have revealed little to no correlation between Medicare and commercial payer health care spending in the same region. In particular, areas like Grand Junction, Colorado, historically praised for their low cost to treat Medicare populations, have come under recent scrutiny for higher than average commercial health care costs relative to other areas in the state and nation.

Discrepancies in health care spending across payers have led to inquiries regarding the drivers of cost variation between the public and private sector.

The Colorado All Payer Claims Database (CO APCD) provides a unique opportunity to analyze payments for specific services by payer type and identify areas of cost savings potential.

Price variation for hip and knee joint replacement in particular has become a recent focus for Medicare, which is aiming to reduce spending and improve quality by paying hospitals one “bundled” price for the entire episode of care (e.g., the surgical procedure and all post-acute care up to 90 days).

Joint replacements are not a Medicare issue alone as over 1.2 million people across the U.S. in 2014 had a knee replacement or a total or partial hip replacement resulting in $18 billion in costs to the health care system. The cost of a knee replacement for commercially insured Coloradans varies from $19,000 - $48,000, while hip replacement costs can be as low as $18,000 or as high as $40,000 across Colorado hospitals.

For the two graphs above, prices represent median paid event amounts for services based on 2014 commercial claims data from the CO All Payer Claims Database, www.comedprice.org. Estimates include insurance payments and patient responsibility (copay, deductible, etc.).
These figures raise questions such as:

- Why are joint replacement costs for commercially insured Coloradans in the Northeast $55,000, or 232% more than for Medicare recipients in the same region, and so much more than their geographically comparable neighbors in the southeast?

- How are providers in Denver and Colorado Springs able to keep costs for their commercially insured population much lower at approximately 78% more than Medicare?

Such dramatic fluctuations suggest that higher-cost regions have opportunities to explore what drives increased spending locally, and to investigate what practices lower-cost regions use to keep costs down.

Alternative payment models such as Medicare’s Comprehensive Care for Joint Replacement program are designed “to encourage hospitals, physicians, and post-acute care providers to work together to improve the quality and coordination of care from the initial hospitalization through recovery.” Additionally, some self-insured employers have partnered with hospitals to develop bundled payment programs for knee and hip replacements in an effort to reduce price variation and provide excellent care.

In 2014, over 24,300 Coloradans received a new hip or knee; not surprising given Colorado is the most physically active state in the nation. The number of joint replacements is likely to continue to rise as the population over the age of 65 is anticipated to increase by 150% by 2030. Reducing Medicare and commercial price variation could result in significant savings now and in the future and could provide a prime opportunity for Colorado to improve care and lower costs.

**Sources:**

- Colorado All Payer Claims Database, www.comedprice.org