



CENTER FOR IMPROVING  
VALUE IN HEALTH CARE

## Medicare Reference Based Price Report - Affordability Dashboard

### Methodology

Summer 2022

#### Background

Many cost reduction strategies have been implemented and tested to address rising health care costs both locally and nationally. One model in particular – negotiating rates using Medicare payments as a reference – has proven effective in reducing health care spending. This analysis, part of the Center for Improving Value in Health Care (CIVHC) [Affordability Dashboard](#), shows what commercial health insurance companies pay hospitals for inpatient (IP) and outpatient (OP) services as a percent of Medicare, along with patient experience, overall hospital quality rating, and comparisons from the previous year. **This report is based on a [RAND Corporation analysis](#) of commercial health insurance payments submitted by health insurance payers to the Colorado All Payer Claims Database (CO APCD) from 2018 to 2020. The previous report analyzed data from 2017 to 2019.**

This data represents hospital-based claims for the majority of fully insured and small group covered lives in Colorado, and approximately 25% of self-insured covered lives (see [CO APCD Insights Dashboard](#) for more information).

The percent Medicare payments reflect the percent above or below Medicare Fee-for-Service payments (equal to 100%) that were paid by commercial health insurance companies and patients (also known as total allowed amount).

#### **Division of Insurance (DOI) percent of Medicare methodology done by CIVHC:**

1. Categorized hospital data from [RAND Excel public file](#) by DOI.
2. Summed the following fields for Inpatient Services only, Outpatient Services only, and Inpatient Services and Outpatient Services combined:
  - Total private commercial insurance allowed amount (payer and patient combined)
  - Simulated Medicare allowed amount
3. Then divided the sum of total private allowed amount by the total simulated Medicare allowed amount.
4. Calculation:

Measure	Numerator	Denominator	Calculation
<b>DOI Inpatient (IP) % of Medicare</b>	Total private allowed amount IP	Total Simulated Medicare IP	Total private allowed amount IP ÷ Total Simulated Medicare IP allowed amount
<b>DOI Outpatient (OP) % of Medicare</b>	Total private allowed amount OP	Total Simulated Medicare OP	Total private allowed amount OP ÷ Total Simulated Medicare OP allowed amount
<b>DOI Inpatient (IP) and Outpatient (OP) Combined % of Medicare</b>	Total private allowed amount IN and OP Combined	Total Simulated Medicare IN and OP Combined	Total private allowed amount IN and OP combined ÷ Total Simulated Medicare IP and OP combined allowed amount

**County percent of Medicare methodology done by CIVHC:**

1. Categorized hospital data from [RAND Excel public file](#) by County.
2. Summed the following fields for Inpatient Services only, Outpatient Services only, and Inpatient Services and Outpatient Services combined:
  - Total private commercial insurance allowed amount (payer and patient combined)
  - Simulated Medicare allowed amount
3. Then divided the sum of total private allowed amount by the total simulated Medicare allowed amount.
4. Calculation:

Measure	Numerator	Denominator	Calculation
<b>County Inpatient (IP) % of Medicare</b>	Total private allowed amount IP	Total Simulated Medicare IP	Total private allowed amount IP ÷ Total Simulated Medicare IP allowed amount
<b>County Outpatient (OP) % of Medicare</b>	Total private allowed amount OP	Total Simulated Medicare OP	Total private allowed amount OP ÷ Total Simulated Medicare OP allowed amount
<b>County Inpatient (IP) and Outpatient (OP) Combined % of Medicare</b>	Total private allowed amount IN and OP Combined	Total Simulated Medicare IN and OP Combined	Total private allowed amount IN and OP combined ÷ Total Simulated Medicare IP and OP combined allowed amount

### Quality ratings:

- The patient experience rating comes from a survey called the [Hospital Consumer Assessment of Healthcare Providers and Systems](#), or HCAHPS. The survey is given to adult patients between 48 hours and six weeks after leaving the hospital.
- The [overall hospital quality rating](#) comes from data hospitals report to the Centers for Medicare and Medicaid Services (CMS) for the Hospital Inpatient and Outpatient Quality Reporting programs. The data is summarized into a single star rating for each hospital. You can visit the CMS website for more information about the star ratings.

Note: Only certain facilities that serve a minimum number and type of patients are required to report quality data to CMS. We are planning to work with imaging centers, ambulatory surgery centers, physician offices and other types of facilities to get self-reported quality data.

### Percent Change from Previous Reporting Year per Hospital:

The online report provides a percent increase or decrease by hospital from the previous year's report published in 2021 (data from 2017-2019) and this year's report, published in 2022 (data from 2018-2020). Calculation:

Measure	Numerator	Denominator	Calculation
<b>% Change from Previous Reporting Year per hospital</b>	2022 reporting year hospital % of Medicare – 2021 reporting year hospital % of Medicare	2021 reporting year hospital % of Medicare reporting year	$(2022 \text{ reporting year hospital \% of Medicare} - 2021 \text{ reporting year hospital \% of Medicare}) \div 2021 \text{ reporting year hospital \% of Medicare reporting year}$

### 2020 Considerations

The following facilities that are no longer included in the RAND analysis:

- National Jewish Hospital
- Animas Surgical Hospital
- Orthocolorado Hospital

The following facilities are new to the RAND analysis:

- UC Health Longs Peak Hospital
- UC Health Broomfield Hospital
- UC Health Grandview Hospital
- UC Health Greeley Hospital
- UC Health Highlands Ranch Hospital
- Keefe Memorial Health Service District

Download the [complete RAND Excel file and methodology](#) and access CIVHC's full Excel data set for more information.

For additional questions, please contact us at [info@civhc.org](mailto:info@civhc.org).