

The Growing Gap Between Medicare and
Commercial Hospital Payments: *Should
We Be Concerned*

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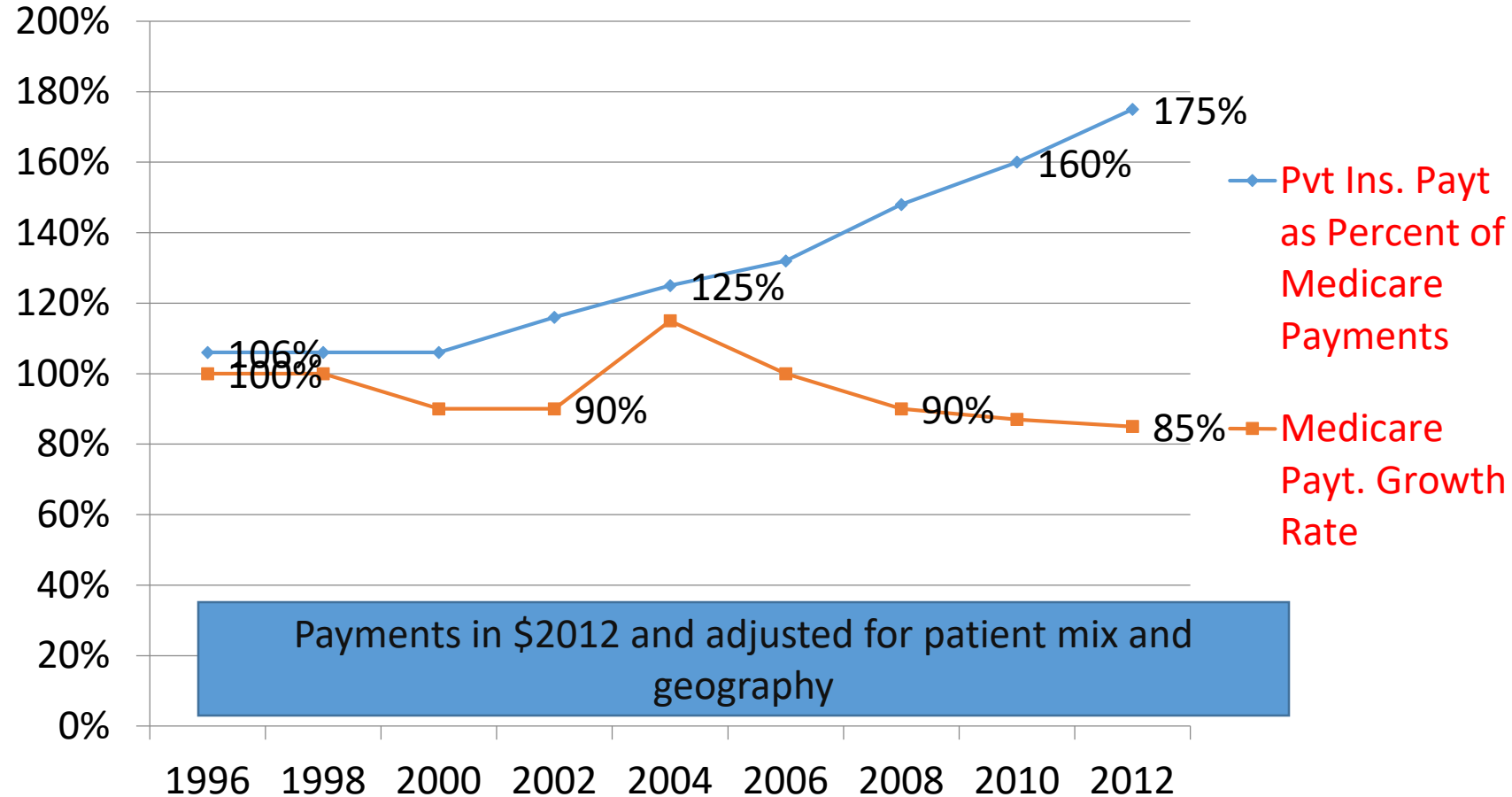
Original Medicare System Paid Hospitals Based On Its Costs and Similar to Private Payments

*Even Under The 1983 Medicare DRG Hospital
Payment System---Overall Medicare Payments
Similar to Private Payments*

Relationship Between Hospital Costs and Medicare Payments Changed in 2000

*And Gap Between Private
Payments and Medicare
Accelerated*

Hospital Paid Significantly Lower Amounts By Medicare and Medicaid



**By 2017 Average Private Payments To
Hospitals (Outpatient and Inpatient)
Were Close to 180% of Medicare**

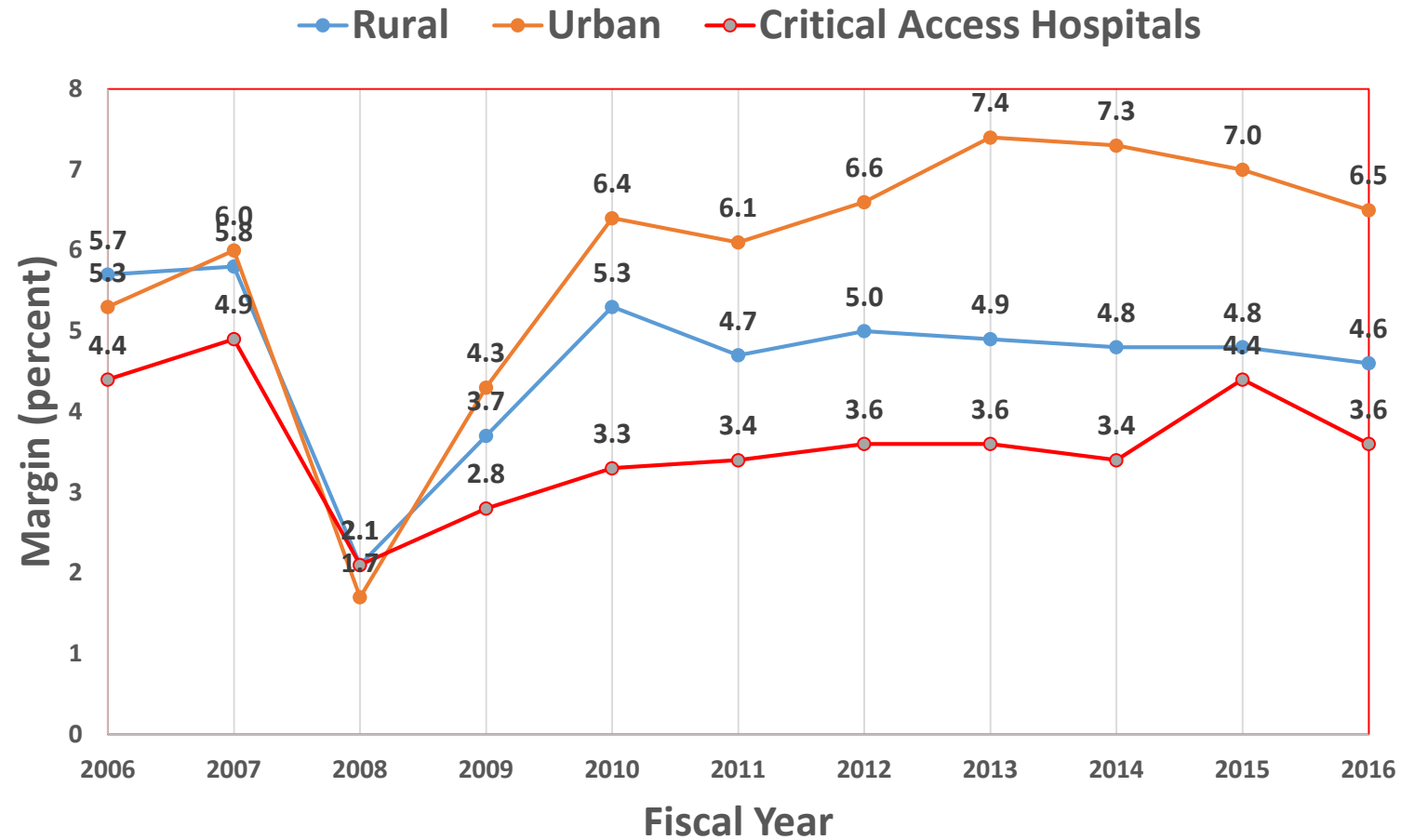
Recent RAND Study Indicated For a Sample
of Patients in 25 States Studied---*Private
Insurance Paid Hospital On Average 240% of
Medicare Rates*

**SO— Should We Be
Concerned?**

The Growing Gap Between Government and Private Payments Affects Hospitals Differently

*Also Ratio of Private to Medicare Hospital
Payments Are Significantly Different in Different
States*

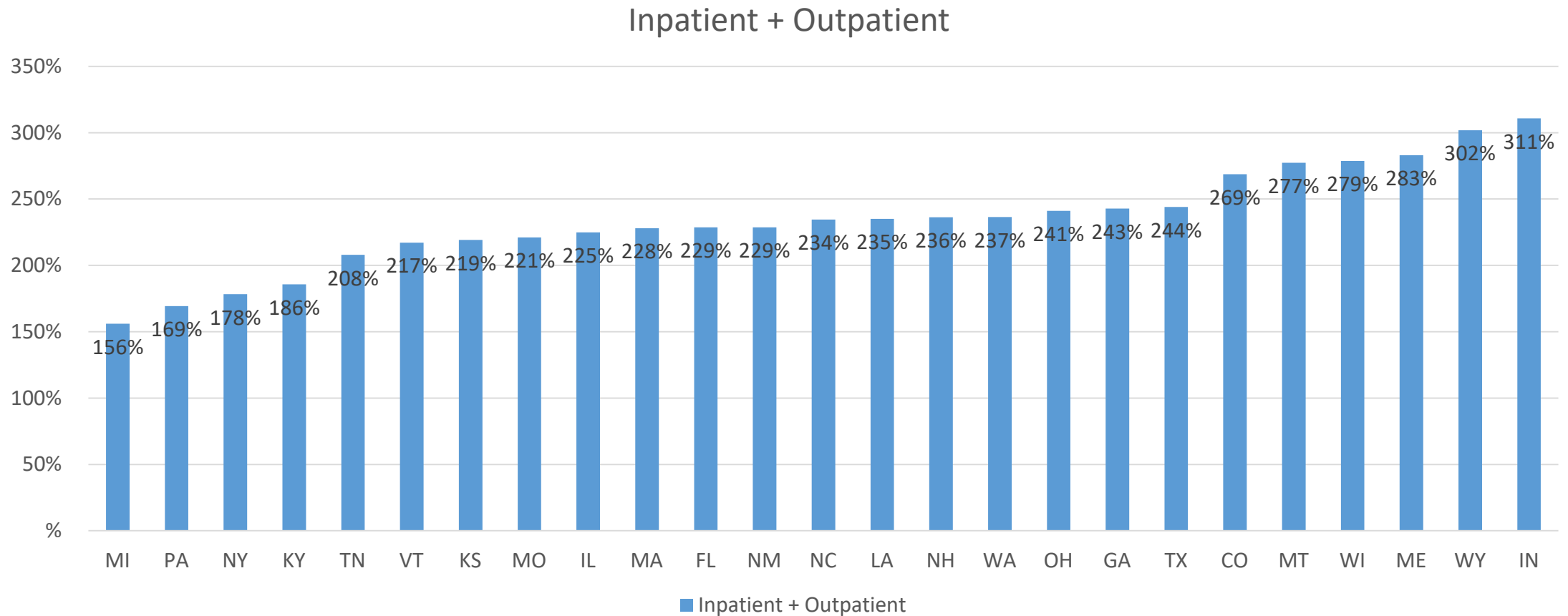
Hospital Total All-Payer Margin by Urban and Rural Location and Critical Access Hospitals 2006-2016



SOURCE: MedPAC analysis of Medicare cost report data from CMS, MedPAC June 2018 report.

In Some States RAND Study
Indicated---*Private Rates Were
Over 300% of Medicare. Lowest
States Were 150--160%*

Private Insurance Relative to Medicare Prices for Hospital Care by State 2017*



Source: RAND Corporation, Priced Paid to Hospitals by Private Health Plans Are High Relative to Medicare and Vary Widely, Findings from an Employer-Led Transparency Initiative. Chapin White, Christopher Whaley 2019

*Relative prices are the prices paid by private insurance relative to Medicare for similar type patients.

What About Going Forward?

If Medicare Payments Continue to Be
Constrained and Pvt. Payments Grow---
*Could There Be Access Limits for Medicare
Patients?*

The Growing Use of Restrictions on Physician
Coverage for Medicare Patients--- "*Concierge
Care*" --- Could be Just The Beginning

Let Me Be Very Clear---*I am NOT
Advocating for Higher Hospital
Payments*

**I Believe as Do Many Economists That Health
Care Spending Can Only Be Constrained by
Reducing The Growth in Revenues**

But Should Constraints Only Come From
Lower Government Payments and
Should Government Ignore The Growth
of Relative Private Rates---In Two States-
--Maryland and Massachusetts The
Answer is NO!