

**December 2010****Study Suggests Hospitals are Major Contributor to Rising Health Care Costs**

Wide variation in private insurer payment rates to hospitals across and within local markets suggests that some hospitals have significant market power to negotiate higher-than-competitive prices, according to a study released in November by the Center for Studying Health System Change (HSC).

Looking across eight health care markets—Cleveland; Indianapolis; Los Angeles; Miami; Milwaukee; Richmond, Va.; San Francisco; and rural Wisconsin—average inpatient hospital payment rates of four large national insurers ranged from 147 percent of Medicare in Miami to 210 percent in San Francisco, according to the study. In extreme cases, some hospitals command almost five times what Medicare pays for inpatient services and more than seven times what Medicare pays for outpatient care.

While not as pronounced, significant variation in physician payment rates also exists across and within markets and by specialty, the study found. Miami had the lowest standard physician rates at 82 percent of Medicare, while Milwaukee and rural Wisconsin stood out at the high end at 166 percent and 176 percent of Medicare, respectively.

“The variation in hospital prices found in this study is inconsistent with highly competitive markets—at least for markets outside of health care,” said HSC President Paul B. Ginsburg, Ph.D., an economist and author of the study. “Indeed, observers of markets outside of health care would find the degree of price variation stunning.”

“The study confirms that many hospitals use their market power to get exorbitantly high private payment rates. Employers are very concerned about how this situation contributes to the unsustainable rise in health care costs and are looking into payment reforms that can improve the quality and cost-effectiveness of care,” said Suzanne Delbanco, executive director of Catalyst for Payment Reform (CPR), an independent, nonprofit group that works on behalf of large employers.

Toll From Obesity and Diabetes Expected to be Worse than Projected

The future health and financial toll from diabetes and obesity will be even worse for Americans and their employers than previously expected, according to two recent studies.

Diabetes currently affects nearly one in 10 Americans, but a new study from the U.S. Centers for Disease Control and Prevention says that figure likely will increase to nearly one of every three American adults by 2050.

Meanwhile, a new study from the National Bureau of Economic Research, a nonprofit, nonpartisan research organization, indicates that nearly 17 percent of U.S. medical costs can be blamed on obesity, almost twice the impact on medical spending as previously estimated.

Other studies had estimated obesity-related medical costs at \$147 billion, or about 9 percent of total medical costs. One expert acknowledged that past studies likely low-balled the costs and said that the new study — which places obesity-related medical costs at around \$168 billion — probably is closer to the truth.

Obesity among full-time U.S. employees costs businesses an estimated \$73.1 billion annually, according to research from Duke University. The per-capita costs of obesity are as high as \$16,900 for women with a body mass index above 40 (roughly 100 pounds overweight) and \$15,500 for men in the same BMI class.

Birthdays**December**

1 – Rep. Dan Gattis
2 – Rep. Pete Gallego
2 – Rep. Kelly Hancock
3 – Rep. Joe Deshotel
6 – Rep. Rob Eissler
6 – Rep. Joe Pickett
6 – Sen. Leticia Van de Putte
12 – Rep. Jim Dunnam
14 – Sen. John Carona
17 – Sen. Tommy Williams
19 – Rep. Eddie Lucio III
20 – Rep. Rob Orr
23 – Rep. Ken Paxton
25 – Rep. Roberto Alonzo
27 – Rep. Ken Legler
28 – Rep. Chente Quintanilla

Health Care Spending in Texas Varies Widely By Region

Where Medicare patients live has a greater influence on the outcome of their care than their income or color of their skin, according to findings of a recent Dartmouth Atlas Project. The project, conducted by The Dartmouth Institute for Health Policy & Clinical Practice, also found that greater access to and use of primary care services, by themselves, are not enough to guarantee better health outcomes.

In a widely discussed 2009 *New Yorker* story, “The Cost Conundrum,” Dr. Atul Gawande questioned why McAllen is second only to Miami in spending more per Medicare enrollee than anywhere else in the nation. El Paso, with patients who are just as poor or unhealthy, spent only \$7,500 per enrollee versus nearly \$15,000 in McAllen.

The Harvard Medical School professor blamed McAllen’s “across-the-board overuse of medicine,” which could interest state leaders as they search for ways to increase the efficiency of the state’s Medicaid program.

Medicare Spending Per Capita

City	1992	2006	Annual Growth Rate
McAllen	\$4,891	\$14,946	8.3%
U.S.	\$5,110	\$8,304	3.5%
Texas	\$5,052	\$9,361	4.5%
Waco	\$3,133	\$6,551	5.4%
Dallas	\$4,935	\$10,103	5.3%
Houston	\$5,887	\$9,881	3.8%
San Antonio	\$5,237	\$8,793	3.8%
El Paso	\$4,698	\$7,504	3.4%

Report Says Secondhand Smoke Kills 600,000 Annually

Secondhand smoke causes more than 600,000 deaths a year worldwide, with women and children the main victims according to the first global study of the effects of passive smoking conducted by the World Health Organization (WHO). The study was conducted in 2004 in 192 countries, with the results just published.

Some 603,000 deaths were attributable to secondhand smoke in 2004, which was about 1 percent of worldwide mortality. Forty-seven percent of deaths from secondhand smoke occurred in women, 28 percent in children, and 26 percent in men.

Secondhand smoke exposure was estimated to have caused 379,000 deaths from ischemic heart disease, 165,000 from lower respiratory infections, 36,900 from asthma, and 21,400 from lung cancer. Active smoking causes an additional 5.1 million deaths a year.

According to the study, the highest numbers of people exposed to secondhand smoke are in Europe and Asia and the lowest rates of exposure were in the Americas, the Eastern Mediterranean and Africa.

The study recommends further tightening smoking regulations and cites a 2009 study from the International Agency for Research on Cancer that reported that wide-ranging bans on smoking in the workplace are followed by as much as a 10-20 percent reduction in acute coronary events in the first year post-ban.

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