

Rate-setting commissions: Insurers aren't the only target

By Caralyn Davis

Created Mar 2 2010 - 1:37pm

Last year President Obama floated a proposal to turn the Medicare Payment Advisory Commission into an independent rate-setting authority [1] for Medicare providers. That idea gained little traction. However, the president's latest proposal to create an insurance commission [2] to oversee insurance premium rate increases has revived interest in provider rate setting--at least in one state.

Lawmakers in New Hampshire have proposed establishing a state "cost review commission" to set hospital rates; it is loosely modeled after a successful program in Maryland [3]. With hospital pricing for the same service now varying by up to 70 percent in the state, rate setting would increase competition among insurers by lowering the barriers to market entry, prevent hospitals from charging uninsured patients more than insured patients, and more fairly distribute uncompensated care costs, says State Sen. Maggie Hassan, the bill's sponsor.

"The notion is somewhat similar to what the Public Utilities Commission does with energy costs," she says. "The real goal here is to have small businesses and consumers afford health care."

The three-person, government-appointed commission would set rates for procedures in every New Hampshire hospital. Each hospital would have its own specific rates that account for such variables as Medicaid population, charitable care, quality and efficiency, and hospitals would be required to charge these rates for all patients regardless of insurance status or plan type. Hospital payments to cover the commission costs (\$3.5 million effective 2012) would be based on operating revenue. If the bill is enacted, the commission could start setting rates by late 2011.

State hospitals have come out strongly against the plan, citing expense. "The overhead associated with the cost of a commission of this nature is staggering," says Concord Hospital CEO Mike Green. In addition to funding the commission, hospitals would have to pay for additional administrative staff, lawyers and accountants to provide the necessary data. "That's hundreds of thousands of dollars not going to patient care," says Green.

Singling out hospitals as the sole focus of rate-setting activity and letting other providers, as well as insurers, continue on their merry way would limit the impact on the cost of care, add independent analysts. "You can't just regulate one portion of the health care system and expect costs won't be spread out in other areas," says Steve Norton of the New Hampshire Center for Public Policy Studies.

For more:

- read the *Concord Monitor* article [4]

Related Articles:

Maryland's hospital price-setting may influence national cost-control models [5]

SPOTLIGHT: Hospital prices rise in June [6]

Source URL:

<http://www.fiercehealthcare.com/story/rate-setting-commissions-insurers-arent-only-target/2010-03-02>

Links:

[1] <http://www.fiercehealthcare.com/story/obama-gets-some-hospital-support-turning-medpac-rate-setting-authority/2009-07-24>

[2] <http://www.fiercehealthcare.com/story/feds-seek-oversight-insurers-rate-increases/2010-02-22>

[3] <http://www.fiercehealthfinance.com/story/marylands-hospital-price-setting-may-influence-national-cost-control-models/2009-09-16-0>

[4] <http://www.concordmonitor.com/apps/pbcs.dll/article?AID=/20100302/FRONTPAGE/3020304>

[5] <http://www.fiercehealthfinance.com/story/marylands-hospital-price-setting-may-influence-national-cost-control-models/2009-09-16-0>

[6] <http://www.fiercehealthcare.com/story/spotlight-hospital-prices-rise-june/2009-07-15>