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

Payments in $2012 and adjusted for patient mix and geography

Seiden et al, Health Affairs December 2015
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

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*


*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!