



Hospital Prices in Medicaid Managed Care

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Introduction

As of 2020, 70% of Medicaid beneficiaries (57 million) were insured through Medicaid managed care (MMC), in which a private insurer covers a beneficiary's medical care in exchange for fixed payments from state Medicaid agencies.¹ A key role of MMC insurers is to negotiate prices with hospitals. MMC prices have important implications for government health expenditures and access to care for Medicaid beneficiaries. However, little is known about MMC prices.² We used hospitals' self-disclosed pricing information to characterize MMC hospital prices.

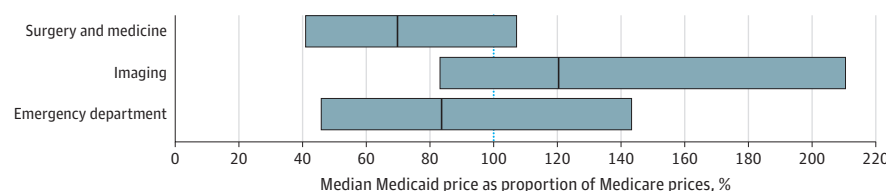
Methods

This cross-sectional study obtained data on MMC outpatient hospital prices from Turquoise Health (as of July 3, 2023), which compiles prices reported by hospitals complying with the Hospital Price Transparency rule.^{3,4} We included 30 shoppable services, as defined by the Centers for Medicare & Medicaid Services, and emergency department (ED) visits that were paid by Medicare through the Outpatient Prospective Payment System. We calculated the traditional Medicare rate for each hospital and each service in 37 states and the District of Columbia with a significant presence of MMC, expressing median MMC prices among insurers at that hospital as a percentage of the Medicare rate. We summarized prices as a percentage of the Medicare rate following prior research on health care prices.⁵ We analyzed median prices as a percentage of the Medicare rate across 3 procedure categories (surgery and medicine, imaging, and ED) both nationally and at the state level. Details on sample selection, including the set of procedures and states, are included in the eMethods and eTable in [Supplement 1](#). This study followed the [STROBE](#) reporting guidelines. No institutional review board approval was sought because no human participants were involved in the study. Analysis was conducted using Stata, version 17 (StataCorp) and R, version 4.3.0 (R Project for Statistical Computing).

Results

Our sample included prices reported by 1487 general acute care hospitals. Across outpatient service types, the median MMC prices varied from 69.8% of the Medicare rate (IQR, 40.5%-107.6%) for outpatient surgery and medicine services to 83.6% of the Medicare rate (IQR, 45.5%-143.7%) for ED services to 120.3% of the Medicare rate (IQR, 82.8%-210.9%) for imaging services (**Figure 1**).

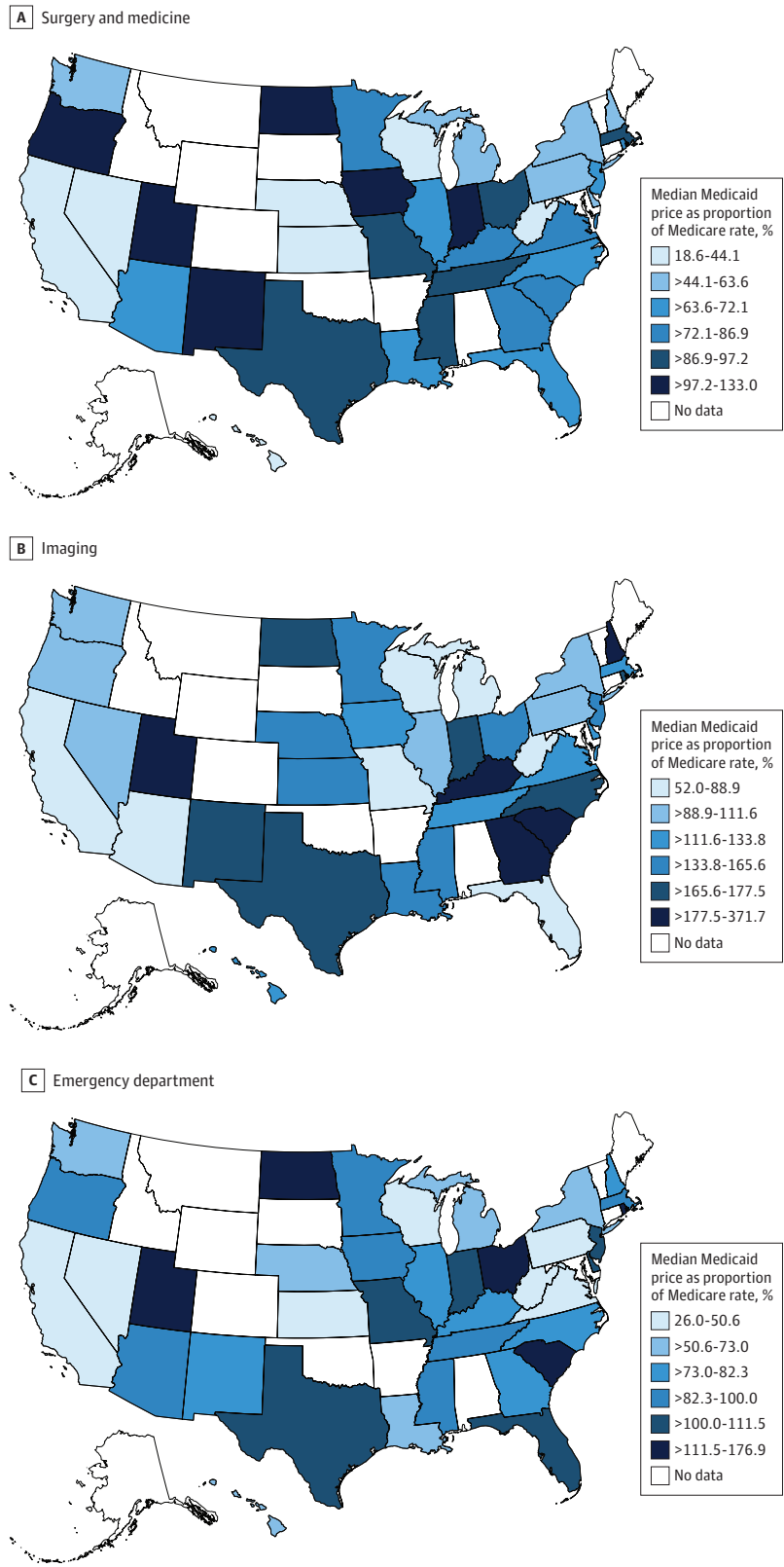
Figure 1. Variation in Medicaid Managed Care Prices Relative to Medicare Prices by Type of Service



The Medicaid managed care prices are expressed as a percentage of Medicare rates. The vertical black solid line in the boxes indicates the median, and the left and right ends of the boxes are the 25th and 75th percentiles. The vertical blue dotted line at 100% indicates where the Medicaid managed care price and Medicare price would be equal. Hospital-procedure observations were weighted by 1 over the number of procedures in the service category reported by the hospital, such that each hospital receives equal weight.

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Figure 2. Variation in Median Medicaid Managed Care Prices Relative to Medicare by Type of Service and State



The median price (as a percentage of the Medicare rate) across states. Hospital-procedure observations were weighted by 1 over the number of procedures in the service category reported by the hospital, such that each hospital receives equal weight.

Median MMC prices relative to the Medicare rate varied across states (**Figure 2**). Median MMC prices for surgery and medicine were highest in North Dakota (133.0% of Medicare) and lowest in West Virginia (18.6%). Median MMC prices for imaging were highest in Utah (371.7% of Medicare) and lowest in Wisconsin (52.0%). Median MMC prices for ED visits were highest in Washington, DC (176.9% of Medicare), and lowest in Wisconsin (26.0%). Prices by service category were correlated across states. State-level correlation coefficients were 0.49 for surgery and medicine and imaging, 0.70 for surgery and medicine and ED, and 0.56 for imaging and ED.

Discussion

Medicaid prices have been believed to be lower than Medicare prices.⁶ Existing research has found this to be the case for Medicaid fee-for-service hospital prices.² However, the results of this study suggest that MMC outpatient hospital prices vary widely and are sometimes above Medicare rates, especially for imaging services. This study was limited by hospitals' potential reporting errors, incomplete reporting by hospitals, and the lack of data to weight prices by use. Additionally, the pricing information does not include Medicaid supplemental lump-sum payments, a sizable share of Medicaid payments to hospitals.²

This study suggests that MMC hospital prices may affect government health expenditures and access to care for Medicaid beneficiaries. Further research should examine the causes of the variation in MMC hospital prices, including potential market and policy factors.

ARTICLE INFORMATION

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Acquisition, analysis, or interpretation of data: Marr, Wang, Xu, Anderson, Meiselbach.

Drafting of the manuscript: Marr, Meiselbach.

Critical review of the manuscript for important intellectual content: Wang, Xu, Bai, Anderson, Meiselbach.

Statistical analysis: Marr, Wang, Xu, Meiselbach.

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Data Sharing Statement: See [Supplement 2](#).

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SUPPLEMENT 1.

eMethods.

eTable. List of Procedures by Service Type

SUPPLEMENT 2.

Data Sharing Statement