Clarify Health Institute

Confronting the Zombie Rate Apocalypse

Clarify-ing Payer Rates

December 2022

Starting in July 2022, health insurance companies and other payers were required to publish data detailing their negotiated prices with providers for healthcare services. Information on negotiated rates between payers and providers has historically been hidden from view, despite the large and growing share of the US economy dedicated to healthcare spending. While this information has technically been available from hospitals since January 2021, it has only been for a subset of services, and not all hospitals have complied with the requirements to make rates available. Current estimates of hospital compliance range from 16 to 45 percent, leading to calls from Congress for more federal oversight. The regulations introduced this year require payers to disclose their contracted ('in-network') rates with all provider sites, including physician groups and ambulatory surgical centers. Compliance and quality of data released by payers have been high, but the number and size of the files have created significant challenges for many users seeking to download and understand the data. This brief provides an overview of our work with healthcare rate data over the last six months and what's in store for 2023.

6 Trillion Lines of Data . . . and Counting . . . and Counting

The initial excitement and curiosity around the release of the payer price transparency data quickly dissipated as people realized the overwhelming nature of the data. Many organizations tried and either failed or lost interest in downloading and making sense of the data. Payers posted hundreds of files with rates information, and some of the files were so large and took so long to download that the downloads were frequently halted or stopped by the payers' internet service providers.

Downloading the data is only the beginning. Within a given file posted by a payer, there is information related to multiple plans, ranging from only one up to tens of thousands of plans; and hundreds of thousands of providers. As a result, the universe of possible payer, plan, provider, service code, and rate combinations explodes exponentially. As demonstrated below, many of these payer, plan, and provider rates contain massive amounts of duplication, inconsistent reporting, and prices unassociated with actual provider volume, making the data irrelevant for payers and providers.

Since July, Clarify Health has downloaded over 491 terabytes of raw, compressed data made available through the Transparency in Coverage regulations. Clarify has fully extracted, cleaned, and enriched this data for over 20 national and regional payers through the end of 2022 and will continue to update our data quarterly moving forward.

Once the data is downloaded, Clarify: enriches payer rate data with provider and health system characteristics and identifiers; identifies plan contracting groups, plan types, and employer affiliations; adds service line categories; estimates rates as a percentage of Medicare payments; and combines the payer rate data with national commercial claims samples to assess utilization.

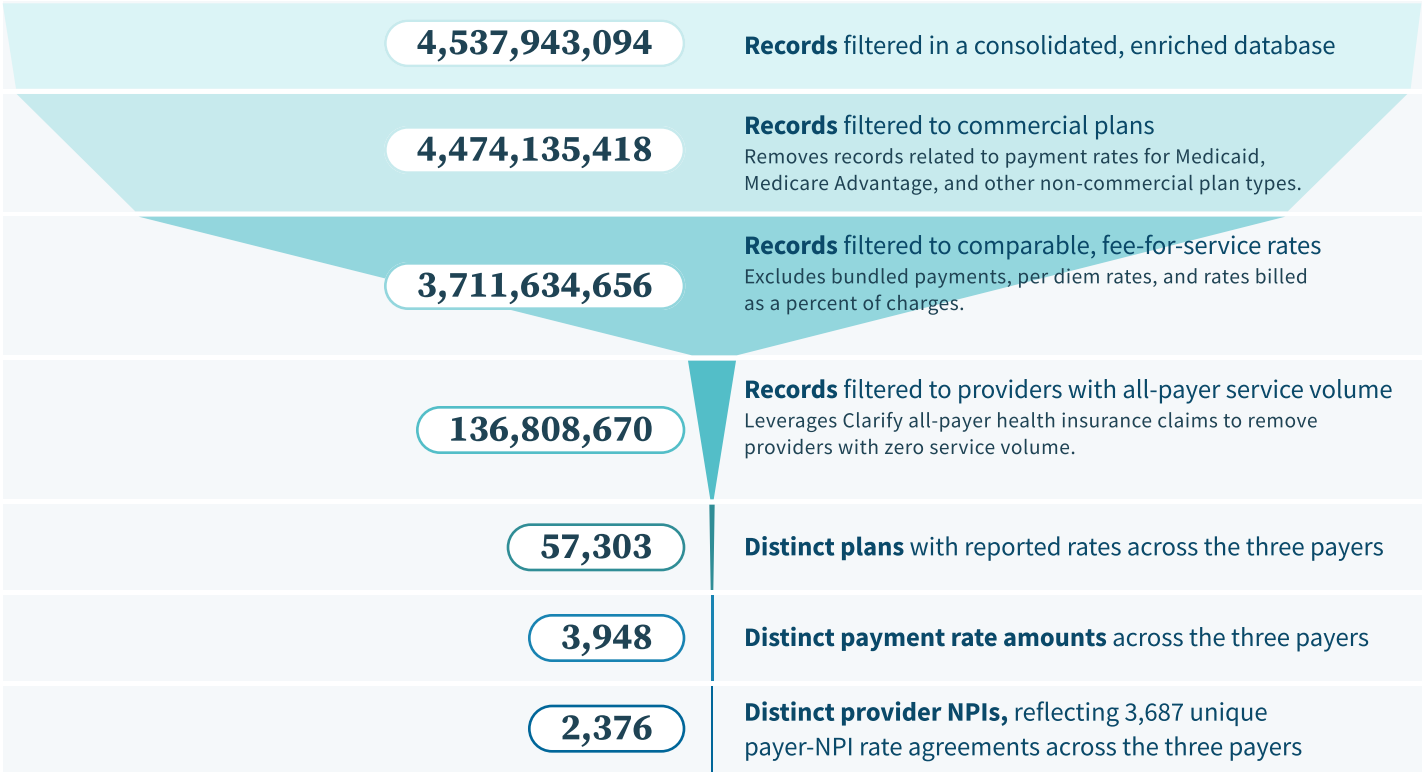
When is a Rate not a Rate?

However, all the data enrichment in the world doesn't solve the fact that the majority of rates in the data are "zombie rates": rates that are reported for providers who have never, and would never, provide certain services. Think of negotiated rates for complex spinal surgery posted for a clinical laboratory, and you get the picture.

To highlight this, we present a case study on posted inpatient rates for hip and knee replacements (MS-DRG 470), one of the most commonly performed inpatient procedures in the US.

As shown in **Figure 1**, there are more than 4.5 billion reported payer, plan, and provider rates across three payers (Aetna/CVS, Blue Cross and Blue Shield, and United Healthcare) nationally for hip and knee replacements. For a single DRG! Clarify is parsing publicly available data down to only the most relevant specific rates of interest – the rates that actually matter. Following enrichment to standardize and clean the raw data, we next filter to rates for commercial plans only (excluding rates negotiated for Medicaid, Medicare Advantage, and other plan types). We also typically limit only to comparable, fee-for-service rates, excluding bundled payments, per diem rates, and percent of charges rates also posted by commercial plans in the price transparency data.

Figure 1: Clarify-ing Rates Down to Meaningful Prices for DRG 470 (Major Joint Replacement)

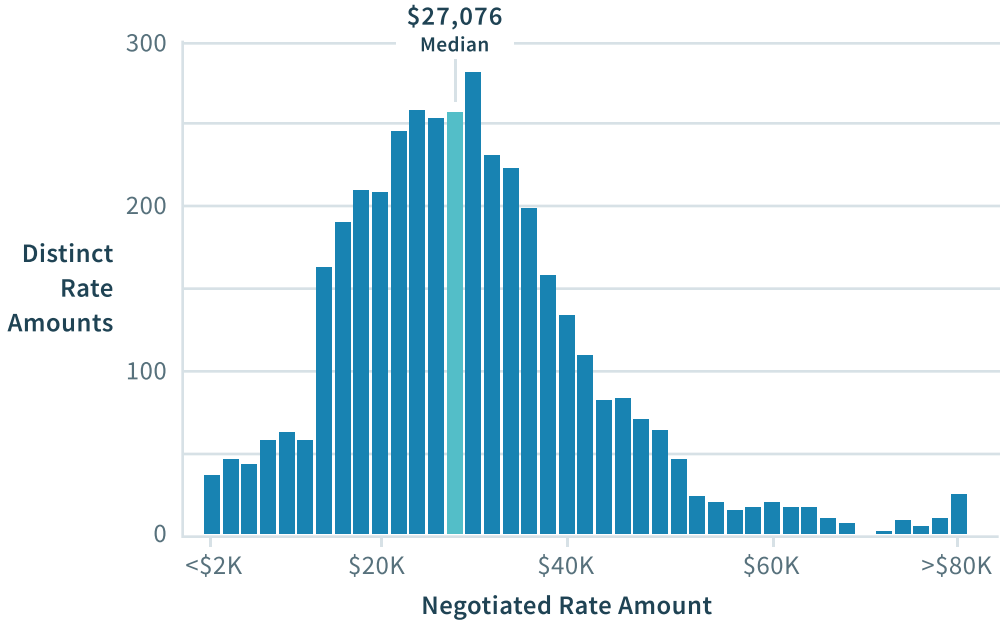


Despite the trillions of rows of rates data released by payers, much of this data is not associated with legitimate service volume, so it is not meaningful for payers or providers. Comparing rates for specific service codes by NPI with Clarify's all-payer claims data, we find substantial over-reporting of rates for provider-service code pairs with no documented utilization in claims. In some cases, these findings are obvious: dialysis clinics and clinical laboratories are not providers of elective surgeries despite payer-reported rates for such services. Others are less clear and show the benefit of a claims-based approach to review, such as rates negotiated with hospitals for specific services they do not actively provide.

Applying the steps above, Clarify can identify 3,948 distinct payment rates for DRG 470 negotiated between three national payers and 2,376 providers. Now, whether that many rates for a single DRG nationally is still too much is a debate for another day, but we can all agree that it's a lot better than 4.5 billion records.

Figure 2 highlights the wide distribution of inpatient hospital prices for hip and knee replacements negotiated by three national payers. Across the 3,948 distinct rates identified in Figure 1, the median negotiated rate amount for DRG 470 was $27,076. Fifty percent of the rate amounts fell between $19,224 and $35,333.

Figure 2: Distribution of 3,948 Distinct Rate Amounts for DRG 470 (Major Joint Replacement)



Differences in Negotiated Rates for Joint Replacement in Houston

At Clarify, we are distilling payer rate information into what people want – insights – allowing legitimate comparisons of payer rates for the same service across different facilities. Payers and providers can use this data to assess their rates for specific services relative to their competitors. For example, we present information on negotiated rates for hip and knee replacements for three hospitals across the three payers in Houston, Texas in the table below.

Table 1 presents a range of insights for each hospital/payer joint replacement rate combination: the average rate, the range of rates (minimum and maximum), the number of distinct rates, the number of plans rates were reported for, and the commercial rate as a percentage of the Medicare rate. At Texas Orthopedic Hospital, the average negotiated rate for a joint replacement for someone with United Healthcare is $31,746, with rates ranging from a low of $12,129 to a high of $44,626. In contrast, Texas Orthopedic Hospital has a substantially lower average negotiated rate with Blue Cross and Blue Shield of Texas for joint replacement: $22,603, and Aetna/CVS has an average negotiated rate closer to United Healthcare of $29,965. All of the commercially negotiated rates are significantly higher than the base Medicare rate for joint replacement ($11,541), with United Healthcare's average rate being 275% of the Medicare rate, the Blue Cross rate being 196% of the Medicare rate, and Aetna/CVS estimated at 260% of the Medicare rate.

Table 1: Negotiated Rates for Three Houston Hospitals for Three National Payers

	Texas Orthopedic Hospital	HCA Houston Healthcare Medical Center	HCA Houston Healthcare Northwest
United Healthcare			
Avg Rate	**$31,746**	**$22,296**	**$23,123**
Min Rate	$12,129	$13,791	$17,099
Max Rate	$44,626	$28,696	$28,696
Unique Rates	4	4	4
Plans	39,323	39,323	39,323
Avg % of Medicare*	275%	193%	200%
BCBS Texas			
Avg Rate	**$22,603**	**$26,933**	**$21,440**
Min Rate	$14,126	$19,799	$17,255
Max Rate	$29,834	$37,059	$26,737
Unique Rates	4	4	4
Plans	6,057	6,057	741
Avg % of Medicare	196%	233%	186%
Aetna/CVS			
Avg Rate	**$29,965**	**$15,700**	**$15,799**
Min Rate	$19,868	$9,001	$9,001
Max Rate	$36,914	$19,709	$19,709
Unique Rates	3	10	4
Plans	151	25,274	12,637
Avg % of Medicare	260%	136%	137%

* % of Medicare comparisons reflect the area-level adjusted payment for DRG 470 under the Inpatient Prospective Payment System. For Houston area hospitals, this equals $11,541.

Average negotiated rates for a joint replacement for Aetna/CVS enrollees ranged from $15,700 to $29,965 across three Houston hospitals.

Although Texas Orthopedic Hospital only has four unique rates with United Healthcare for joint replacements, these four rates apply to over 39,000 plans across the fully-insured group, individual, and employer plan markets. In contrast, Aetna reports only 151 plans with negotiated rates for Texas Orthopedic Hospital despite negotiating rates with HCA Houston Healthcare Medical Center for over 25,000 plans. While some Aetna HMO plans and fully-insured employer plans have negotiated prices with Texas Orthopedic Hospital, most Aetna plans (including point-of-service plans administered by Aetna for over ten thousand employers) prefer to selectively contract only with other hospitals for DRG 470.

What's Happening Next at Clarify?

Confronting the zombie rate apocalypse is not easy. Our efforts to date are important to promote increased and faster use of payer price transparency data, allow focus on high-priced and high-volume services, and eliminate the meaningless zombie rates found across trillions of rows of raw data. Throughout 2023, Clarify Health will be hard at work continuing to process, enrich, and analyze payer-negotiated rates. Our roadmap includes the following:

- Completing initial processing of our rates data across all national and priority regional payers.
- Expanding our analysis to all rate types (including bundled, per diem, and percentage-based rates) and service codes (APR-DRGs, CPT, Revenue Centers, and even NDCs), as well as further exploration of rates negotiated with non-institutional providers like physicians and other professionals.
- Continued releases from the Clarify Health Institute exploring the nuances of commercial pricing for US healthcare services.
- Launching a new version of our Rate Intelligence product, allowing instant insights at the payer, provider, and market levels.

Appendix

About Clarify Health

Clarify Health is an enterprise analytics and value-based payments platform company that turns healthcare data into actionable insights for health plans, health systems, ACOs, and life sciences companies. Its healthcare analytics software products enable customers to manage referrals, optimize networks, improve care delivery, manage population risk, maximize value-based care performance, and commercialize pharmaceutical and biotechnology products – all of which depend on a superior understanding and trending of individual patient journeys and cohorts. The analytics and insights surfaced in its software solutions are drawn from the Clarify Atlas Platform, which elevates the usability of healthcare data to a standard suitable for machine learning, at a scale heretofore unseen in healthcare analytics. Its proprietary, patient-level data sets are comprehensive and longitudinal, and span over 300 million patient journeys utilizing government and commercial claims, lab, prescription, and social determinants data.

To learn more about our Rate Intelligence product, visit clarifyhealth.com/clarify-rates-for-payers.

About the Clarify Health Institute

The Clarify Health Institute is the research arm of Clarify Health, an enterprise analytics and value-based payments platform company. It leverages Clarify's data assets, including claims, clinical, and social determinants of health data across 300 million patient journeys to shine a light on important healthcare issues and explore trends. It provides industry leaders, policymakers, academic researchers, the media, and the public unprecedented access to data-driven healthcare insights.

To learn more about the Clarify Health Institute, visit clarifyhealth.com/institute.