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Medical procedure costs vary wildly in Western Pennsylvania

By [Alex Nixon](#)

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At UPMC's flagship teaching hospitals Presbyterian and Shadyside, the average charge for cardiac bypass surgeries on Medicare recipients was \$285,225 in 2011. At Allegheny General, Pittsburgh's other teaching hospital, the same procedure on average cost \$124,943.

Despite the wide disparity in the average list prices (the government usually negotiates a much lower payment in the end), two measures of the quality of those surgeries — mortality and readmission rates — showed that the hospitals' performance was the same, according to a state agency report released this week.

It underscores a growing criticism of the American health care system and its runaway costs: There is no relationship between the price of medical procedures and the outcomes for patients.

The disconnect between quality and cost appears at hospitals across Western Pennsylvania, according to the report from the **Pennsylvania Health Care Cost Containment Council**, a state agency charged with collecting and reporting medical data that could lead to lower costs and higher quality.

"There's no question that the variation in cost doesn't correlate with quality," said Michael Millenson, president of Health Quality Advisors, a consulting firm in Highland Park, Ill., and an expert on quality and transparency in the health care system.

While hospital charges can be eye-popping, they bear little relevance to what most people actually pay, said John Bowblis, an assistant professor of health economics at Miami University of Ohio who researches billing practices by health systems. Medicare sets prices for procedures, and private insurance companies negotiate rates based on the prices the government pays.

"It's like the manufacturer's suggested retail price on a car," Bowblis said. "Nobody really pays that."

Indeed, Medicare paid UPMC and Allegheny General much less than they charged for cardiac bypass surgeries — UPMC received \$38,700 and Allegheny General \$33,000.

Dan Laurent, a spokesman for Allegheny General, said the data prove that the hospital system is competitive with UPMC. Allegheny General is part of Allegheny Health Network, a new hospital system that [Highmark Inc.](#) is building to compete with UPMC.

"The scope of cardiac surgery services at AGH are every bit as sophisticated as you find at Presby/Shadyside," said Laurent. "This report demonstrates that Allegheny Health Network is a high-quality, lower-cost alternative to UPMC in the region for cardiac surgery services."

UPMC noted that variations in costs between its teaching hospitals and other hospitals are caused by adjustments to the Medicare formula to account for the types of services it provides.

"UPMC Presbyterian Shadyside's Medicare payments, for example, also include amounts for teaching the next generation of clinicians, disproportionately caring for low-income patients, and managing extremely complex cases," she said.

The variations can be seen between hospitals with common ownership, such as UPMC or its rival, Allegheny Health Network. It also can be seen between competing hospitals and among smaller standalone hospitals. For instance, UPMC Passavant hospitals in Cranberry and McCandless were paid \$36,500 on average by Medicare for heart-valve surgeries, about \$11,000 less than at UPMC Presbyterian-Shadyside and at Allegheny General. And Passavant hospitals were the only institutions in the region to score a lower-than-average mortality rate for heart-valve surgeries.

In the South Hills region of Pittsburgh, heart bypass surgery at Jefferson Regional Medical Center was about \$6,000 less than at St. Clair Memorial. But heart-valve surgery at Jefferson was about \$10,000 more than at St. Clair. Both medical centers had average mortality and readmission rates for bypass, but St. Clair had a lower-than-expected readmission rate for heart-valve surgery. Those kinds of discrepancies between cost and quality should "encourage us as a society to ask a lot tougher questions about what goes into hospital pricing," Millenson said.

Highmark, the state's largest insurer, bases its reimbursement rates to hospitals on what Medicare pays, spokesman Aaron Billger said. Some of the variation in Medicare prices between hospitals will show up in rates Highmark negotiates.

The one exception is for uninsured people, who could get stuck with a bill for the full hospital charge.

High hospital charges "makes it clear why having insurance is very important," Highmark spokesman Aaron Billger said.

Uninsured patients often receive a lower price, as well as financial assistance, Bowblis said. But their negotiating power with a hospital is limited.

"These numbers are helpful for understanding just how much health care really costs."

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Hospital charges vary

Hospitals in the Pittsburgh region charge Medicare very different amounts for the same heart surgeries and are paid varying amounts by the government for those procedures. Average charges were calculated for patients discharged from the hospital in 2011 and are adjusted to account for level of complexity of cases at each hospital.

CORONARY ARTERY BYPASS GRAFT SURGERY		
	Average charge	Average payment
Allegheny General Hospital	\$124,943	\$33,064
Forbes Regional Hospital	\$70,436	\$28,885
UPMC Passavant	\$26,135	\$7,027
UPMC Presbyterian-Shadyside	\$285,225	\$38,718

HEART VALVE SURGERY		
	Average charge	Average payment
Allegheny General Hospital	\$136,625	\$42,834
Forbes Regional Hospital	\$71,632	\$40,319
UPMC Passavant	\$52,372	\$36,536
UPMC Presbyterian-Shadyside	\$313,789	\$47,285

Source: Pennsylvania Health Care Cost Containment Council NOVEMBER 7, 2013 TRIBUNE-REVIEW

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