

# Need an MRI? In Worcester, Patients Pay Less for More

Average Out-of-Pocket Costs in Worcester  
Were 60% Below State Average

By Scott Haller

## Introduction

The passage of Chapter 224 of the Acts of 2012 was the beginning of the era of healthcare price transparency in the Commonwealth of Massachusetts – or it was supposed to be. The law was broad in scope, requiring disclosure of pricing information by all medical providers and insurers in the state, setting a healthcare cost growth benchmark, and creating quasi-independent state agencies such as the Health Policy Commission (HPC) and the Center for Health Information and Analysis (CHIA).

What the law contained in ambition, it has lacked in follow-through. The launch of insurer cost estimator tools – though hindered somewhat by factors outside of insurers' control – stagnated in mediocrity and is only now showing positive signs of innovation and improvement ([detailed in our latest survey](#)). Pioneer surveys of hospitals, doctors, and pharmacies across the state over the last two years have demonstrated a stunning disregard of Chapter 224 by Massachusetts' healthcare industry. All the while, the state has left multiple levers unused that could pressure providers and insurers to comply with basic requirements of the law.

With a former health insurance executive who ran on a platform including healthcare price transparency as Governor, the mere maintenance of the status quo is disheartening. The Legislature has remained largely silent despite ample opportunities to improve upon Ch. 224's transparency requirements. And, although there is little disagreement that a violation of Ch. 224's transparency provisions would constitute an infraction of the state's consumer protection laws, the Office of the Attorney General has not made an issue of non-compliance by providers or carriers. As Pioneer has pointed out for years, perhaps one missing piece of the transparency puzzle lies with the patients who are given little positive incentive to shop for the best deal.

Despite the inconsistent availability of price information for the Bay State's public, CHIA's all-payer claims database (APCD) is warehousing a treasure trove of medical claims data that can provide a window for industry stakeholders and the public into the true cost of healthcare among various providers. Such information can give consumers the help they need to make smart choices about their medical care. Notwithstanding clear mandates to make data available to the public at reasonable cost, CHIA has been pressured to draw ever-increasing amounts of revenue from the sale of access to this data by a state government concerned more with pulling in money for the state budget than healthcare price transparency. Projects for the public good, like this brief, rack up fees in the thousands, and businesses looking to use APCD data must fork over tens of thousands each year.



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CHIA, however, is doing its best under the circumstances to make transparency a reality. Soon, its information-heavy website with provider cost information will be released with links to the carriers' websites, and CHIA is also working to release large amounts of provider price data that will open the door further to transparency in Massachusetts.

## Pioneer's Data Project Opens the Black Box of MRI Pricing

After months of wrangling and negotiating, Pioneer obtained a small set of data from the APCD which will be used as the basis for a series of policy briefs demonstrating the benefits that access to healthcare data can have for consumers. First, for consumers lacking insurance or with high-deductible plans, shopping around is essential to minimizing personal healthcare costs. Second, if enough consumers begin to choose lower-cost but higher-value providers (research consistently shows little relationship between cost and quality among Massachusetts providers), it is possible that the growth in total healthcare costs in the state would decline, likely precipitating a decline in premium costs.

In May of 2015, Pioneer conducted its first survey testing the adoption of Chapter 224's transparency mandates by surveying 23 hospitals from around the state for the price of a simple MRI of the knee. In order to 'check' our results, Pioneer requested claims data from CHIA for all instances in Massachusetts of this procedure in the month of May 2015. This brief will explore the facility fees (the portion of the cost paid to the hospital or provider) and not the reading fees charged by radiologists to interpret the scans.

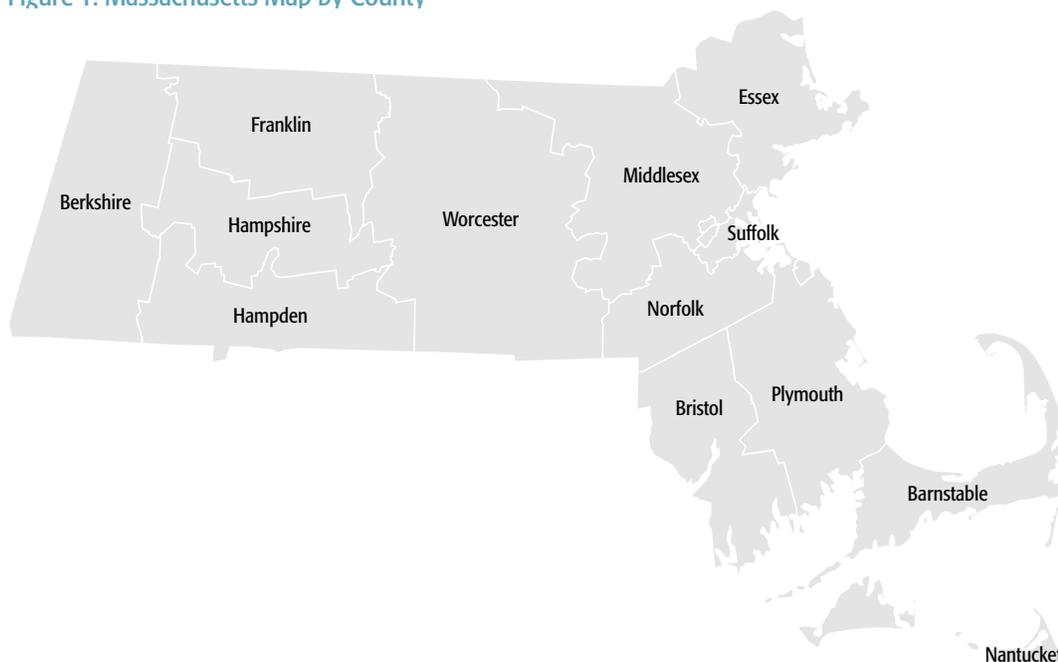
There are three pieces of data focused on within this brief, including the allowed amount, out-of-pocket cost, and paid amount. The allowed amount represents the total price contractually agreed to between specific insurers and providers. The out-of-pocket cost is the portion of the allowed amount that a consumer is required to pay. The paid amount denotes the amount of the allowed amount that the insurer actually pays. This brief focuses on averages for all providers and insurers in a given county for each of these three values.

**"In most cases, the out-of-pocket amount and paid amount combine to equal the allowed amount."**

In many cases, the total cost for the procedure, the allowed amount, is split between the consumers and insurer as the out-of-pocket and paid amounts respectively. If a patient has not yet met their annual deductible, they will pay either the entirety of the allowed amount, or the amount necessary to reach their deductible, at which point the insurer will pay all or a significant portion of the remaining amount. In some cases, a patient is only responsible for a predetermined co-pay, with the remaining costs falling on the insurer.

The second part of this series will explore how the prices obtained over the phone in our first survey compare to the actual prices charged by each hospital during the same time period. This first brief takes the ten-thousand foot view of the data, looking at geographic differences in price and patient responsibility. For those familiar with healthcare pricing, the findings are, in most cases, not all that surprising. For the average consumer, however, the following analysis is likely to shock.

Figure 1: Massachusetts Map by County



## Patient Out-of-Pocket Costs Often 1,000% More Than State Average

The most striking observation that can be made from this data is the wide variation across the state for all of the studied variables. It's worth keeping in mind that all of these prices are for the same simple MRI of the knee. Out-of-pocket maximums ranged from \$744 in Essex and Plymouth Counties up to \$4,479 in Barnstable County. Out-of-pocket averages varied from \$60 in Worcester County to \$176 in Berkshire County.

Average allowed amounts, the contractually agreed upon prices between insurers and providers, ranged from \$299 in Worcester to \$1,787 in Nantucket. The maximum allowed amounts reported varied from \$744 in Franklin to \$4,724 in Suffolk. Paid amounts were similarly variable, with the averages ranging from a low of \$213 in Worcester to \$1,571 in Nantucket.

It's clear from this basic view that there is plenty of room for consumers to shop around and save money based simply on geography. That said, healthcare is not inherently different between various counties in Massachusetts, so these divisions are somewhat arbitrary. In truth, most regions contain both high- and low-priced providers, even though some regions are simply more expensive than others.

## Nantucket Charges Platinum Level Prices for a Basic MRI

Nantucket has far and away the highest average allowed amount for this procedure of any county at \$1,787, a full 367% more than the second highest-priced county. Even though the patient out-of-pocket average is relatively high at \$126, it is only the third highest in the state. While a three-and-a-half multiplier over the second-highest priced county is quite dramatic, the fact that Nantucket has the highest prices is entirely predictable.

With just one hospital housing the island's only MRI machine, access is limited and alternatives are inaccessible. A consumer could book an expensive flight off the island, or even buy a ferry ticket to nearby Barnstable county (with the second highest average prices), but when out-of-pocket expenses are so low and the insurer is likely to "pick up" the tab, most patients probably figure – why bother?

## Many Rural and Urban Counties Pay High Rates for Basic MRIs

Besides the outlier of Nantucket, the highest average prices for this MRI occur in Boston and some of Massachusetts' rural counties. High urban prices should call into question the belief that Boston is a price competitive market. Barnstable and Berkshire counties come in with an average allowed amount of \$487 and \$479 respectively. Suffolk County, home to Boston, averaged \$458.

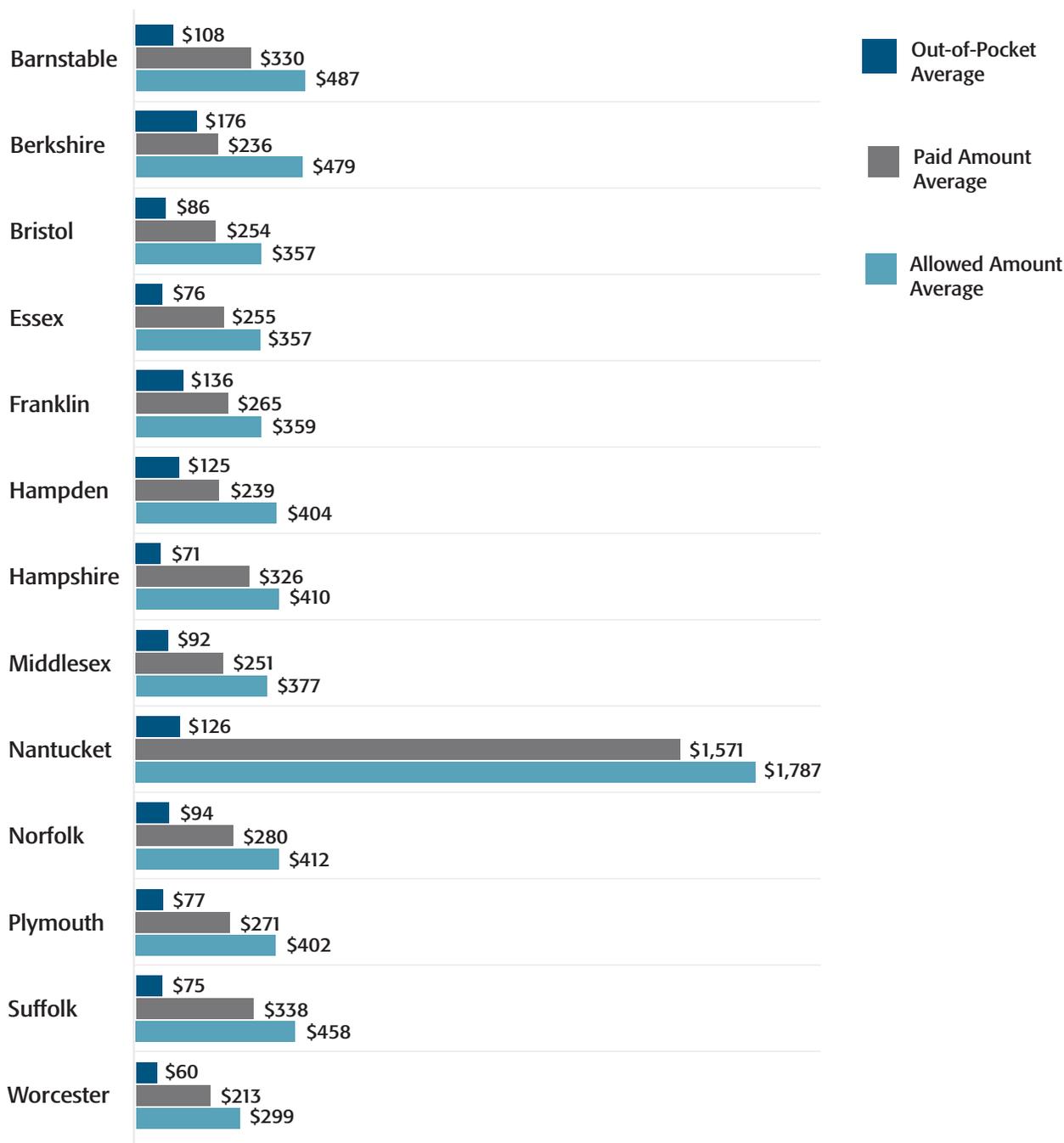
Looking at the average out-of-pocket cost for consumers changes things considerably. Rural counties remain on the high end with Berkshire, Franklin, Nantucket, and Hampden taking the top four spots, suggesting a prevalence of insurance plans with higher deductibles; and while Suffolk has a high allowed amount, its out-of-pocket average is actually the third lowest in the state, suggesting very generous insurance plans that rarely reveal the true price of care to patients. At \$75, it is only 42 percent of the out-of-pocket cost of Berkshire County, the highest on average. In other words, even though the average allowed amount, or total price, in the Boston-area is high, patients are seeing low out-of-pocket costs.

Understanding the cause of these dynamics is extremely tricky. One possible explanation for Suffolk's relatively high

Table 1. Overview of Findings by County

County	Out-of-Pocket Average	Out-of-Pocket Maximum	Allowed Amount Average	Allowed Amount Maximum	Paid Amount Average	Paid Amount Maximum	Number of Cases
Barnstable	\$107.76	\$4,478.84	\$487.01	\$2,556.98	\$330.04	\$2,301.28	555
Berkshire	\$175.74	\$1,197.38	\$479.31	\$2,275.11	\$236.00	\$1,249.76	55
Bristol	\$86.02	\$1,650.00	\$361.45	\$2,352.00	\$229.99	\$1,757.50	667
Essex	\$76.30	\$744.40	\$356.94	\$2,147.78	\$254.27	\$2,047.78	1,080
Franklin	\$136.02	\$1,556.87	\$359.29	\$744.00	\$264.63	\$744.00	63
Hampden	\$124.91	\$1,252.91	\$404.09	\$2,020.00	\$239.15	\$826.37	405
Hampshire	\$71.41	\$1,293.81	\$410.49	\$1,900.00	\$325.60	\$1,900.00	124
Middlesex	\$91.66	\$1,707.67	\$377.38	\$4,091.00	\$251.05	\$2,086.41	3,142
Nantucket	\$126.00	\$1,584.03	\$1,786.96	\$3,193.21	\$1,570.54	\$3,193.21	41
Norfolk	\$94.03	\$1,769.00	\$411.58	\$3,331.76	\$279.56	\$2,965.27	1,289
Plymouth	\$77.18	\$744.40	\$402.75	\$1,950.00	\$271.14	\$1,626.07	568
Suffolk	\$75.00	\$2,707.20	\$458.44	\$4,724.00	\$337.68	\$3,600.95	3,107
Worcester	\$59.60	\$1,650.00	\$298.86	\$2,563.70	\$213.43	\$1,907.39	1,855

Figure 2. Overview of Findings by County



allowed amount but low out-of-pocket expense is that insurance companies are keen to include popular downtown hospitals in their networks, even if it means paying overall higher rates. Allowing for increased access to the APCD could help researchers begin to answer these sorts of questions.

**Worcester County Delivers Great Care for Less**

There’s been a good deal of discussion about high prices, but where are the best deals? Worcester is the county with both

the lowest allowed amount and patient out-of-pocket cost – by far. At \$60, the out-of-pocket average is nearly twelve dollars below Hampshire County, the next lowest; similarly, at \$299, the average allowed amount is \$58 lower than the next lowest in Essex County. In other words, it appears that patients receiving care in Worcester are paying less on average and getting a better overall deal.

## Conclusion

This brief demonstrated only the simplest form of insight that can be provided by APCD data compiled by CHIA. The APCD gives researchers some insight into healthcare pricing and through such work helps to bring attention to the issue of healthcare price variation and the importance of fully realizing the transparency ambitions in Chapter 224. With a bit more elbow grease, average costs for specific providers and plans could be explored. With a bit more big-data expertise, the possibilities are near limitless.

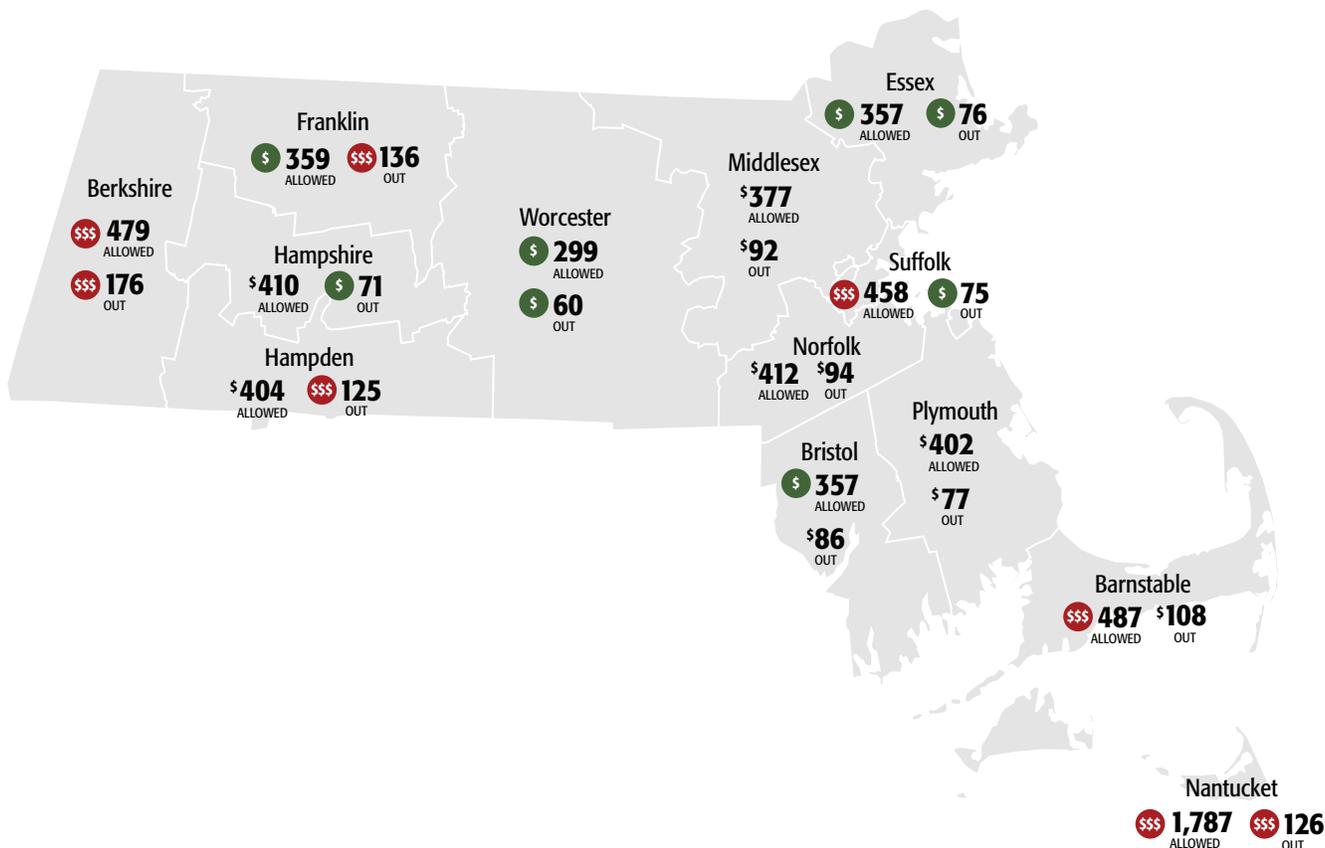
There's a reason that large insurers and providers are willing to fork over tens of thousands of dollars for this data: knowledge in this competitive industry of labyrinthine billing practices can equal power. Isn't it time that the public was armed with this data and allowed a window into healthcare pricing? By making the entire APCD public, researchers could discover new trends and bring important issues to light while entrepreneurs could

harness the data for any number of apps, consumer tools, and other services.

There are tangible benefits to be had for consumers as well. Anyone with a deductible or co-insurance would stand to save money if prices were readily available for comparison. If enough consumers start shopping around for their healthcare, it puts downward pressure on both total healthcare costs for the state and high priced providers. Eventually, this should manifest as lower premiums and healthcare costs for virtually everyone.

Or, this vast wealth of knowledge and potential can be held behind costly closed doors. CHIA, with its shrinking budget, can only delve so deep into the riches of the APCD, yet to offset the costs of maintaining this resource, access is restricted only to those who can afford a golden key.

Figure 3. Overview of Findings by County



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