Study: Technology, Not Uninsured Patients, Driving Hospital Costs

Technology, not uninsured patients, likely explains the steep rise in the cost of hospital care in Texas in recent years, according to Vivian Ho, the chair in health economics at Rice University's Baker Institute for Public Policy, a professor of economics at Rice and a professor of medicine at Baylor College of Medicine. Her findings were reported in an article appearing in the Oct. 1 online edition of the journal Healthcare Management, Practice and Innovation.

Ho emphasized her findings contradict a public perception that the rising numbers of uninsured persons explains the increase in prices that hospitals charge for treating privately insured patients. "This misconception has distracted policymakers and workers in the health care sector from identifying effective strategies for cost control," she said. But while Ho said her study can explain more than half of the observed price increase with hospital, patient and market characteristics, a sizable portion remains unexplained.

In the study, Ho used data on revenues by payer type to identify the factors for rising hospital costs in Texas between 2000 and 2007. The study comes against the backdrop of a substantial rise in health care expenditures in the United States that has been accompanied by rapid increases in fees that hospitals receive for treating privately-insured patients.

"We discovered that approximately two-thirds of the increase in prices can be explained by increases in the costs of care, which may reflect the growth and use of more advanced technology," Ho said. "Part of this cost increase could also be attributable to sicker patient populations, as patients with less severe conditions are increasingly treated in freestanding facilities. We found no firm evidence that hospitals are raising prices in response to lower reimbursement from Medicare, Medicaid or uninsured and self-pay patients."

She said the results of this study suggest more attention should be paid to understanding the cost drivers of hospital care. "If technology growth is behind the cost increases, then greater efforts should be devoted to determining which technologies are cost-effective," Ho said. "Greater thought could also be devoted to designing reimbursement mechanisms that discourage inefficient use of new technologies."

The study was supported by a grant from Rice University's Social Sciences Research Institute and by the Baker Institute's Sid Richardson endowment.

Source URL (retrieved on *08/31/2014 - 2:30am*):

http://www.surgicalproductsmag.com/news/2013/10/study-technology-not-uninsured-patients-driving-hospital-costs?qt-recent_blogs_articles=0