



# HOSPITAL CHARGES: EXPENSIVE, CONFUSING, & INCONSISTENT

With no reliable or accessible method for consumers to compare or influence hospital prices for a given diagnosis, it's time for a solution to make hospital pricing transparent and rooted in the true cost of care.

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Healthcare in general—and hospital care in particular—is expensive in the United States. In fact, hospital spending in the U.S. is more than 60 percent higher than in other developed countries, placing significant burdens on families and communities.

Here in Oregon, all but two of the hospitals in the state are not-for-profit. **However, not-for-profit should not be confused with not-profitable.** In 2013 non-profit Oregon hospitals accumulated more than \$550 million in profits. Moreover, those profits are in addition to money amassed by each hospital's associated foundation that requests and accepts substantial donations on the hospital's behalf.

Despite earning over half a billion dollars each year, nearly all (95%) of non-profit hospitals charge patients more than 130% of the cost to provide care. Half of all Oregon hospitals charge at least double what it costs them.<sup>1</sup>

With little accountability or transparency in pricing, it is difficult for consumers to compare hospital costs. We set out to identify which hospitals in Oregon, on average, charge the most to their patients.<sup>2</sup> To do this, we requested Inpatient Discharge Data from the Oregon Health Authority (a data set that provides information regarding every inpatient stay at an Oregon hospital in a particular year.) Our analysis uncovered several key findings.

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*“Princeton economist Uwe Reinhardt  
likens using the U.S. Healthcare system to  
shopping in a department store blindfolded  
and months later being handed as  
statement that says, ‘Pay this amount.’”*

**Wall Street Journal**

*“How to Bring the Price of Health Care Into the Open” 23 Feb, 2014*

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**KEY FINDING #1:**

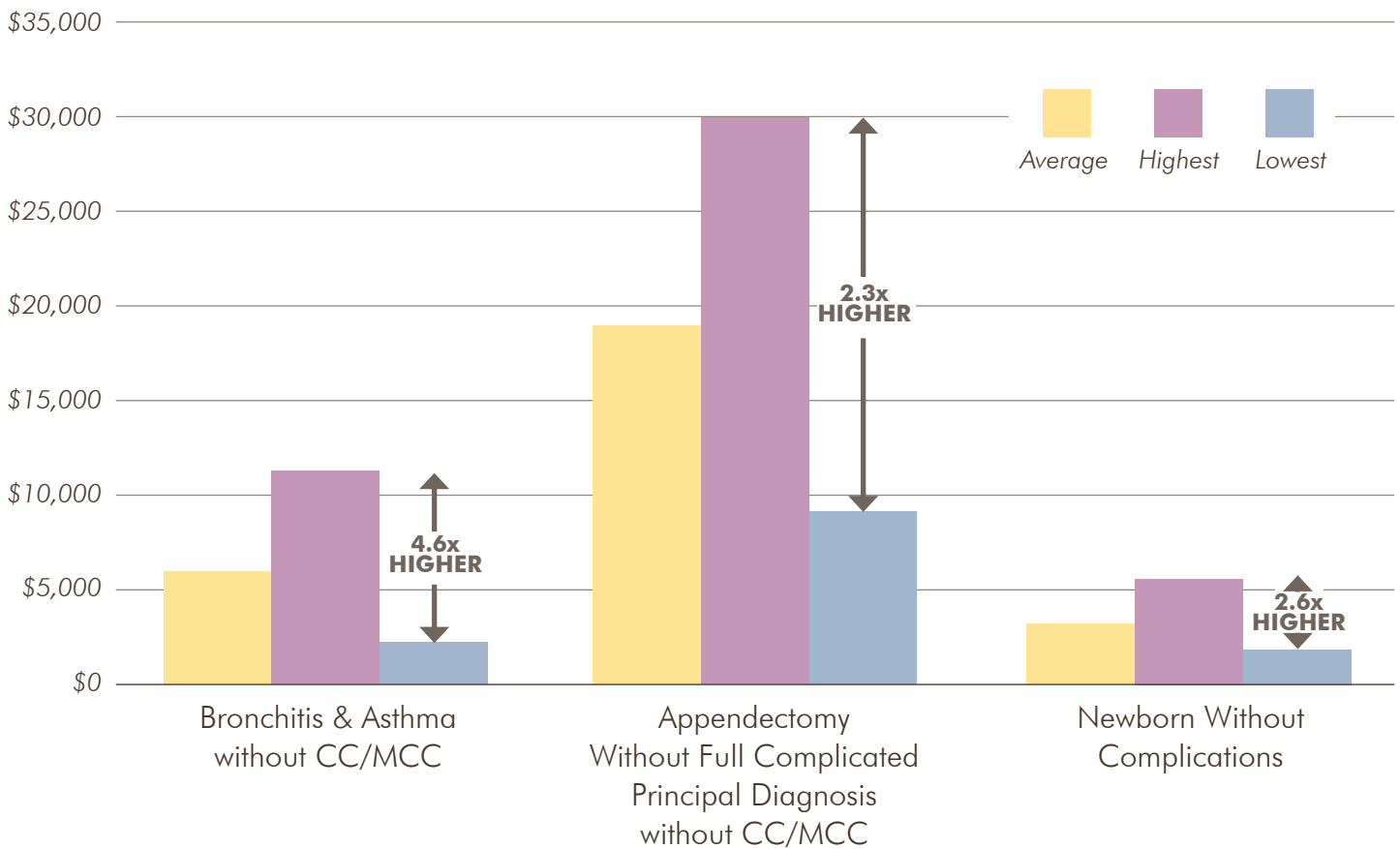
# OREGON HOSPITALS CHARGE PATIENTS WILDLY DIFFERENT PRICES FOR THE SAME DIAGNOSIS

We started by looking at the most frequent primary diagnoses in Oregon in 2013. We compared what different hospitals charged patients with the same diagnosis, staying the same number of days.<sup>3</sup> We found that the average charge (controlling for primary diagnosis and length of stay) varied wildly among Oregon hospitals. In fact, in many

cases **the average charge at the most expensive hospital was two to three times higher** than the charge for the same diagnosis at the least expensive.<sup>4</sup>

For example, a patient having an appendectomy without a complicated principal diagnosis, major complication or comorbidity staying one day in an Oregon hospital will, on average, be charged \$18,809. In contrast, the same patient at McKenzie-Willamette Medical Center will be charged an average of \$30,117 for the same procedure. At Wallowa Memorial Hospital in Enterprise, Oregon, they'll receive the lowest average charge of only \$9,055.<sup>5</sup> That's a difference of over \$20,000. Assuming they could get to Enterprise in time, a patient could buy a new car with the savings.

## AVERAGE CHARGES FOR PATIENTS WITH THE SAME DIAGNOSIS, STAYING THE SAME NUMBER OF DAYS



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**KEY FINDING #2:**

## SKY LAKES HOSPITAL, ON AVERAGE, IS THE MOST EXPENSIVE HOSPITAL IN THE STATE

We analyzed charge information for all patients discharged from Oregon hospitals in 2013. Looking at the 100 most common diagnoses and the average amount of money charged by each hospital, we ranked hospitals by the relative prices they charge for each diagnosis.<sup>6</sup>

On average, Sky Lakes Medical Center in Klamath Falls is the most expensive hospital in Oregon, followed by Asante Rogue Regional Medical Center and Legacy Emmanuel Hospital & Health Center. A complete ranking of all Oregon hospitals is included in Index A.

We also found that cost can't be blamed on geographic location; the ten most expensive hospitals are located in both urban and rural areas across the state. Although the majority of Oregon's most expensive hospitals are located in urban areas, not all large urban hospitals are expensive. Both of Kaiser's Portland-area hospitals, for example, rank in the lower third of hospitals in the state in terms of expense.

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### OREGON'S MOST EXPENSIVE HOSPITALS

<b>COST RANK</b>	<b>HOSPITAL</b>	<b>LOCATION</b>
1	Sky Lakes Medical Center	Klamath Falls
2	Asante Rogue Regional Medical Center	Medford
3	Legacy Emanuel Hospital & Health Center	Portland
4	McKenzie-Willamette Medical Center	Springfield
5	Legacy Good Samaritan Medical Center	Portland
6	Mercy Medical Center	Roseburg
7	Providence Medford Medical Center	Medford
8	Bay Area Hospital	Coos Bay
9	St. Charles Medical Center	Bend
10	Asante Three Rivers Medical Center	Grants Pass

### OREGON'S LEAST EXPENSIVE HOSPITALS

<b>COST RANK</b>	<b>HOSPITAL</b>	<b>LOCATION</b>
50	Saint Alphonsus Medical Center	Baker City
51	Lake District Hospital	Lakeview
52	Blue Mountain Hospital	John Day
53	Lower Umpqua Hospital	Reedsport
54	Harney District Hospital	Burns
55	Wallowa Memorial Hospital	Enterprise
56	Cottage Grove Community Hospital	Cottage Grove
57	Southern Coos Hospital & Health Center	Bandon
58	West Valley Hospital	Dallas
59	Pioneer Memorial Hospital	Heppner

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**KEY FINDING #3:**

## HIGHER PRICES DON'T NECESSARILY MEAN A HIGHER QUALITY HOSPITAL

A study published in Health Affairs tried to uncover why some hospitals charge more than others. While the study did uncover some shared characteristics of high-price hospitals—such as generally being larger,

providing specialized services, and belonging to systems with large market shares—the study found quality indicators to be mixed across high-price hospitals.<sup>7</sup>

While results were mixed across high and low price hospitals for some quality metrics, for others, like 30-day readmissions<sup>8</sup> and postsurgical deaths, high-price hospitals actually performed worse than low-price hospitals.<sup>9</sup>

Looking at the intersection between quality and price in Oregon hospitals reveals a similar disconnect; high price does not indicate high quality. The federal Centers for Medicaid and Medicare Services has three payment incentive programs that are meant to promote and reward quality within hospitals. One program assesses hospitals based on a portfolio of different quality measures (called Value Based Purchasing), the second penalizes hospitals that have too many readmissions, and the third for high rates of hospital acquired conditions. A hospital’s performance on these quality and readmission measures can result in either a bonus payment or penalty charge by Medicare.

For the Oregon hospitals that rank highest in

our expense index, eight out of the top ten were assessed at least one quality-related penalty in the most recent round of quality scoring (late 2014).

**KEY FINDING #4:**

**HIGHER PRICES  
DON'T NECESSARILY  
MEAN BETTER JOBS**

Labor is one of the biggest expenses for hospitals; after all, it is people who provide the care for patients and keep the hospital clean and functioning. However, for many hospital workers, higher charges do not mean higher compensation for their work.

In fact, both of Kaiser Permanente’s hospitals ranked on the less-expensive end of the index. However, Kaiser boasts some of the highest paid healthcare jobs in the state; over 90% of their employees earn more than \$16 an hour. For comparison, the starting wage for a Nurse Assistant at Kaiser in the Portland area is \$16.48. The same position is paid \$14.16 at Legacy Good Samaritan and \$13.39 at Adventist Health.

**QUALITY PENALTIES AT THE MOST EXPENSIVE HOSPITALS IN OREGON**

*Top ten most expensive hospitals in Oregon.*

<b>COST RANK</b>	<b>HOSPITAL</b>	<b>LOCATION</b>	<b>VALUE BASED PURCHASING PENALTY</b>	<b>READMISSIONS PENALTY</b>	<b>HOSPITAL ACQUIRED CONDITION PENALTY</b>
1	Sky Lakes Medical Center	Klamath Falls			
2	Asante Rogue Regional Medical Center	Medford			
3	Legacy Emanuel Hospital & Health Center	Portland	X	X	X
4	McKenzie-Willamette Medical Center	Springfield		X	
5	Legacy Good Samaritan Medical Center	Portland		X	X
6	Mercy Medical Center	Roseburg		X	
7	Providence Medford Medical Center	Medford	X	X	X
8	Bay Area Hospital	Coos Bay	X	X	
9	St. Charles Medical Center	Bend	X		
10	Asante Three Rivers Medical Center	Grants Pass		X	

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## WHY HOSPITAL PRICING MATTERS

At the household, state, and national level, we are spending too much on our health-care and getting too little in return. In 2013 we spent \$2.9 trillion on healthcare in the United States. One out of every three of those dollars went to a hospital. While the aging baby boomer population and increased demand for services is often blamed for rising costs, **91% of cost increases since 2000 were attributable to increases in price (especially hospital charges),** professional services, drugs and devices, and administrative costs.<sup>10</sup>

Oregon hospitals paint a similar picture of increased revenues and profits. In 2013, Oregon hospitals, on average, were receiving \$7,855 more revenue per patient than they were five years earlier.<sup>11</sup> This increase of 45% far exceeded the rate of inflation, which was only 8.6% during the same time period.

Increased revenue has gone hand-in-hand with increased profits and excess cash at Oregon hospitals. In 2013 Oregon hospitals collected over \$598 million in profits. In fact, the Asante Health System in Southern Oregon had so much cash on hand in 2013 that, **even if they they decided to not collect a penny more, they could keep providing their services for over a year.** Such profits and excess cash could be used to alleviate the financial burden faced by many Oregonians.

The rising costs of healthcare have led to an increasing number of Americans taking on medical debt, with negative impacts. The New York Times reports that according to Richard Cordray, director of the federal Consumer Financial Protection Bureau, “half of all accounts reported by collection agencies now come from medical bills, and the credit records of one in five Americans is affected.”<sup>12</sup>

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## A CALL FOR FAIR, REASONABLE HOSPITAL PRICES

Given the high price of hospital charges, their staggering growth compared to inflation, and their increasingly negative impact on our pocketbooks and communities, it’s time for hospital charges to be tied to the actual costs of providing services.

Many other states have explored and implemented models that have provided transparency in hospital pricing and successfully controlled the growth of prices while increasing access to care. It’s time for Oregon to do the same.

As the experience in other places has shown, a critical first step to bringing hospital prices within reason is establishing an independent agency charged with regulating hospital rates for all payers in Oregon. Senate Bill 665 will do exactly that, and the 2015 Oregon Legislature has the opportunity to take an important step toward constraining hospital cost growth and bringing equity to hospital pricing with its passage.

Act Now for a Healthy Oregon is working to add market-influenced sanity to hospital pricing. We believe patients should be able to find out ahead of time what they’re likely to pay for their care. We believe consumers should be able to comparison-shop for hospital care, based in clear information about what patients with the same diagnosis are paying at hospitals around the state. We also believe hospital prices should be rooted in the actual cost of care.

Oregonians deserve fair hospital prices. It’s time for us to address the skyrocketing cost of care and its impacts on our communities. ■

## INDEX A

<b>COST RANK</b>	<b>HOSPITAL</b>	<b>CITY</b>	<b>INDEX SCORE</b>	<b># OCCURRENCES OF TOP CHARGE</b>
1	Sky Lakes Medical Center	Klamath Falls	0.7796	36
2	Asante Rogue Regional Medical Center	Medford	0.7336	3
3	Legacy Emanuel Hospital & Hlth Ctr	Portland	0.7052	4
4	McKenzie-Willamette Medical Center	Springfield	0.6950	3
5	Legacy Good Samaritan Medical Center	Portland	0.6865	0
6	Mercy Medical Center	Roseburg	0.6852	5
7	Providence Medford Medical Center	Medford	0.6768	1
8	Bay Area Hospital	Coos Bay	0.6405	3
9	St Charles Medical Center - Bend	Bend	0.6378	1
10	Asante Three Rivers Medical Center	Grants Pass	0.6312	3
11	Willamette Valley Medical Center	McMinnville	0.6263	9
12	OHSU Hospital	Portland	0.6261	0
13	Good Samaritan Regional Medical Center	Corvallis	0.6203	0
14	Legacy Mount Hood Medical Center	Gresham	0.6146	2
15	Legacy Meridian Park Medical Center	Tualatin	0.6089	0
16	Tuality Healthcare	Hillsboro	0.5951	1
17	Sacred Heart Medical Center at RiverBend	Springfield	0.5915	2
18	Adventist Medical Center	Portland	0.5617	4
19	Peace Harbor Hospital	Florence	0.5326	6
20	Salem Hospital	Salem	0.5185	0
21	Providence St Vincent Medical Center	Portland	0.5053	0
22	Mid-Columbia Medical Center	The Dalles	0.5038	2
23	Providence Portland Medical Center	Portland	0.5038	0
24	Samaritan Albany General Hospital	Albany	0.4925	0
25	St Charles Medical Center - Redmond	Redmond	0.4886	0
26	Samaritan Lebanon Community Hospital	Lebanon	0.4783	2
27	Silverton Hospital	Silverton	0.4719	0
28	St Anthony Hospital	Pendleton	0.4698	2
29	Asante Ashland Community Hospital	Ashland	0.4570	1
30	Samaritan Pacific Communities Hospital	Newport	0.4553	1
31	Samaritan North Lincoln Hospital	Lincoln City	0.4329	1
32	Providence Willamette Falls Medical Center	Oregon City	0.4222	0
33	Saint Alphonsus Medical Center - Ontario	Ontario	0.4164	0
34	Providence Seaside Hospital	Seaside	0.4118	1
35	Providence Newberg Hospital	Newberg	0.4077	0
36	Columbia Memorial Hospital	Astoria	0.4049	1
37	Providence Milwaukie Hospital	Milwaukie	0.3986	0
38	Good Shepherd Medical Center	Hermiston	0.3965	0
39	Tillamook County General Hospital	Tillamook	0.3926	0
40	Mountain View Hospital	Madras	0.3731	0
41	Grande Ronde Hospital	La Grande	0.3645	0
42	Santiam Memorial Hospital	Stayton	0.3494	0
43	Kaiser Sunnyside Medical Center	Clackamas	0.3462	0
44	Providence Hood River Memorial Hospital	Hood River	0.3312	0
45	Pioneer Memorial Hospital (P)	Prineville	0.3108	1
46	Curry General Hospital	Gold Beach	0.2921	4
47	Sacred Heart Medical Center University District	Eugene	0.2887	0
48	Kaiser Westside Medical Center	Hillsboro	0.2834	0
49	Coquille Valley Hospital	Coquille	0.2500	1
50	Saint Alphonsus Medical Center - Baker City	Baker City	0.2425	0
51	Lake District Hospital	Lakeview	0.2155	0
52	Blue Mountain Hospital	John Day	0.2010	0
53	Lower Umpqua Hospital	Reedsport	0.1968	0
54	Harney District Hospital	Burns	0.1937	0
55	Wallowa Memorial Hospital	Enterprise	0.1930	0
56	Cottage Grove Community Hospital	Cottage Grove	0.1740	0
57	Southern Coos Hospital & Health Center	Bandon	0.1552	0
58	West Valley Hospital	Dallas	0.0883	0
59	Pioneer Memorial Hospital (H)	Heppner	0.0664	0

### A NOTE ON METHODOLOGY:

All data was from Oregon Health Authority's Inpatient Discharge Data for 2013. For each of the 100 most frequent MSDRG primary diagnoses in 2013, the patient stays with the top 10% longest length of stays were removed from the dataset in an attempt to not penalize hospitals with the most acute cases. For remaining patient stays, an average charge was calculated per diagnosis (MSDRG) per hospital. Hospital specific charges by MSDRG were then ranked with the most expensive hospital receiving a score of one and subsequent scores receiving a percentage of one relative to the price difference with the most expensive hospital. Each of the hospital's 100 different MSDRG scores was then averaged to create a single price index score for each hospital. Blanks, where a hospital did not treat a certain diagnosis, were excluded from the average.

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## REFERENCES & NOTES

1. Kaiser not included due to incomplete reporting. Data according to 2013 Hospital Financial Summary, Oregon Health Authority.
2. Charge rather than price was used for this analysis. Charges reference a list price, off of which many hospital patients receive a discount whether through a rate negotiated by their insurance, a rate set by Medicaid or Medicare, or other discount means. The actual price paid by a patient would be more accurate but unfortunately there is no public data set currently available that discloses patient prices by individual hospitals.
3. Diagnosis as defined by Medicare Severity Diagnosis Related Groups (MSDRG)
4. Note on methodology: Analysis based on 2013 Inpatient Discharge Data from the Oregon Health Authority, Office of Health Analytics. Example diagnoses were selected from the 100 most frequent diagnoses by Medicare Severity Diagnosis Related Groups (MSDRG) over 2013. The Length of Stay (LOS) with the highest number of patients was identified and an average charge by MSDRG for the most common LOS was calculated for each hospital. Based on 2013 Inpatient Discharge Data from the Oregon Health Authority.
5. Based on 2013 Inpatient Discharge Data from the Oregon Health Authority.
6. Note on methodology: All data was from Oregon Health Authority's Inpatient Discharge Data for 2013. For each of the 100 most frequent MSDRG primary diagnoses in 2013, the patient stays with the top 10% longest length of stays were removed from the dataset in an attempt to not penalize hospitals with the most acute cases. For remaining patient stays, an average charge was calculated per diagnosis (MSDRG) per hospital. Hospital specific charges by MSDRG were then ranked with the most expensive hospital receiving a score of one and subsequent scores receiving a percentage of one relative to the price difference with the most expensive hospital. Each of the hospital's 100 different MSDRG scores was then averaged to create a single price index score for each hospital. Blanks, where a hospital did not treat a certain diagnosis, were excluded from the average.

This methodology was adapted from a NerdWallet analysis completed in 2014 ranking the most affordable hospitals in Washington.

7. Kutscher, Beth, "Hospital Prices More Correlated to Reputation, Market Share than Quality, Study Finds" Modern Healthcare. 29 January 2014.
8. Readmissions refers to patients returning to a hospital within a month of their initial stay and being readmitted to the hospital for additional care.
9. Other quality metrics, like mortality, hospitals performed the same.
10. Hamilton "The Anatomy of Health Care in the United States" JAMA. 13 November 2013.
11. Looks at patients with commercial insurance only; Medicare, Medicaid, and uninsured recipients are excluded.
12. Rosenthal, Elisabeth, "When Health Costs Harm Your Credit" New York Times 8 March, 2014.



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*“[H]ealthcare bills are now the largest source of business for collection companies, according to consumer protection agency officials.”*

**New York Times**

*“Sorting out medical bills can get you labeled a deadbeat” 12 March 2014*

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**Act Now for a Healthy Oregon | [www.ActHealthyOregon.org](http://www.ActHealthyOregon.org)**

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