

## **The Cost of Radiology in New Jersey: HackJersey, Jan. 26-27, 2013**

### **Team Ladies Night: Jenn Schiffer and Jeanne Pinder**

Our project: We created a web application allowing readers to filter, compare and share radiology pricing data in New Jersey, making easy comparisons by locale.

We are also allowing users to compare this pricing data from provider to provider, and to compare it to the Medicare prices, which are the closest thing to fixed or benchmark prices in this marketplace.

We chose to limit our scope to radiology because the seven procedures allow for “apples to apples” comparisons.

We also made it easy for the people formerly known as the audience to share their prices, making a crowdsourcing function. We think this is the future of journalism: distributed reporting, and ways to use information to solve the biggest problems of our time.

The price of health-care is out of control --- this nation spends \$2.7 trillion a year on health care, and the marketplace is completely opaque. It's what car sales, airline ticket sales and real estate sales used to be, marked by complete information asymmetry.

The opaque marketplace allows providers to charge prices that are not subject to public view, and also to escape the bright light of transparency on such issues as quality. It's time for that to change.

### **Our assets:**

**We used** online price lists from New Jersey providers at these sites:

<https://www.qbradiology.com/self-pay-uninsured/>

<http://www.4rai.com/pdf/RAI%20Cash%20Pricing.pdf>

<http://www.medicalparkimaging.com/selfpaypricelist.htm>

<http://www.denvillediagnostics.com/id16.html>

**We also used** some of the data that has been posted in the Web site we have been working on, publicly at

Clearhealthcosts.com

**We also used** the data from the Center for Medicare Services, thusly:

Heres what I have for you for right now. We don't have an API per se but the data does exist in several forms including a database that is searchable by locality (but not zipcode).

**Existing Website where you can look this info up**

<https://www.cms.gov/apps/physician-fee-schedule/overview.aspx>

**Technical Steps to Get Data and Calculate local prices if you want to build your own tool**

Payment for physician services under Medicare is based on a fee-schedule that accounts for the time and effort of the specific service being provided, as well as geographic variation in the cost of providing care. Each Medicare physician payment depends on three factors:

1. The relative value of the specific service being provided (based on the HCPCs/CPT code for the service)
2. The geographic location of the provider (based on the state and county of the provider)
3. A national conversion factor that converts the relative value of the service into a dollar payment amount (constant for a given year across all HCPCs/CPT codes and all geographic areas)

Both the relative value and geographic portions of the payment are divided into the same 3 components: 1) a physician work component that measures the time, intensity, and skill of providing a particular service; 2) a practice expense component that measures average practice expenses such as rent and wages; and 3) a malpractice expense component that accounts for average insurance costs.

In order to calculate the exact payment for a given service in a given geographic areas (see formulas below), one must multiple the relative value unit (RVU) and geographic practice cost index (GPCI) for each of the three

components – work, practice expense (facility/non-facility), and malpractice. The three combined components are then added together and multiplied by the conversion factor to get a final dollar amount.

### Formulas

Non-Facility Pricing Amount =

$$[\text{Work RVU} * \text{Work GPCI}] + \\ (\text{Non-Facility practice expense(PE) RVU} * \text{PE GPCI}) + \\ (\text{Malpractice (MP) RVU} * \text{MP GPCI})] * \text{Conversion Factor}$$

Facility Pricing Amount =

$$[(\text{Work RVU} * \text{Work GPCI}) + \\ (\text{Facility PE RVU} * \text{PE GPCI}) + \\ (\text{MP RVU} * \text{MP GPCI})] * \text{Conversion Factor}$$

Medicare payments to physicians are also impacted by the Medicare sustainable growth rate (SGR). The SGR was enacted by the Balanced Budget Act of 1997 to control spending by Medicare on physicians.

However, in response to the ever increasing cuts to physician payments required by the SGR, Congress has continually overridden the scheduled cuts (currently at 27% in 2012). This has led to last minute updates to the physician fee schedule to prevent the large cuts from taking effect. Current payment rates for 2012 (that only apply for January 1, 2012 through February 29, 2012) are available

here: <http://www.cms.gov/PhysicianFeeSched/PFSRVF/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=1&sortOrder=descending&itemID=CMS1255291&intNumPerPage=10>

Files needed:

- GPCI2012 (geographic price indices)
- 12LOCCO (counties included in 2012 localities for GPCI)
- PPRVU12 (relative value units and the conversion factor)

### Example

HCPCS code: 99211 (established patient office visit)

Locality: Alabama

2012 Conversion Factor: 34.0376

	Alabama GPCI	"99211" RVUs (Non- facility)
Work Practice	1.000	0.18
Expense	0.878	0.39
Malpractice	0.474	0.01

$$(1.000*0.18) + (0.878*0.39) + (0.474+0.01) * 34.0376 = \$17.94$$

So Medicare payment for HCPCs code 99211 in Alabama is \$17.94

**We also used** some court papers from a New Jersey case – we got these by a Pacer request, though they didn't ultimately fit because we ran out of time.

[http://www.state.nj.us/dobi/pressreleases/pr070725\\_ordera07\\_59.pdf](http://www.state.nj.us/dobi/pressreleases/pr070725_ordera07_59.pdf)  
<http://www.bloomberg.com/news/2011-03-24/ultrasound-at-59-490-is-outrage-in-aetna-claim-against-doctors.html>

**We also used** a FOIA disk with UMDNJ prices, but that turned out to be too gnarly and did not fit in the scope of our project.