COMMITTEE ON FINANCE
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Max Baucus (D-Mont.)
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Contact: Communications Office
(202) 224-4515

BAUCUS TO EXPLORE WAYS TO INCREASE PRICE TRANSPARENCY IN MEDICAL DEVICE INDUSTRY AFTER NEW REPORT REVEALS GAPS

Finance Chair: We Simply Have to Find Smart Ways to Curb Rising Costs, Preserve Quality Care and Save Taxpayer Dollars

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) pushed today for increased transparency in the medical device industry in order to guarantee hospitals, Medicare and taxpayers are paying fair value for the implantable medical devices (IMDs) used in hospital care. Baucus's push follows his release of a United States General Accountability Office (GAO) report he requested, which found both a lack of medical device pricing transparency and hospital bargaining power and a lack of information presented to Medicare regarding the implantable devices. The report also found wide discrepancy in the prices hospitals paid for IMDs. Baucus, who requested the report as part of an ongoing effort to identify opportunities for smart savings in federal health programs, said the next step should be to find an effective mechanism to increase transparency that would help contain costs, preserve high-quality care and save taxpayer dollars. For example, hospitals that treat Medicare beneficiaries could be required to report device pricing information to the Centers for Medicare and Medicaid Services**.**

"This report makes clear that too little information is available about the costs of implantable devices. It raises serious concerns over the prices hospitals and Medicare are forced to pay for implantable medical devices. Until we find a meaningful way to report prices that helps contain rising costs, this problem will only grow," Baucus said. **"The lack of available data makes it extremely difficult for Medicare and hospitals to get a full sense of the cost problem. We simply have to find smart ways to curb rising costs, preserve quality care and save taxpayer dollars, and getting more information about the cost of implanted medical devices is a strong first step. One solution could be for hospitals that treat Medicare beneficiaries to report and share device pricing information with the Centers for Medicare and Medicaid Services."**

Data from 31 hospitals responding to GAO showed wide variation in prices for cardiac devices. GAO noted that for one particular device, the difference between the lowest and highest price hospitals reported paying was as high as $9,000. In another example, one hospital paid 83 percent more than another for the exact same knee implant.

GAO found that confidentiality clauses barring hospitals from sharing price information make it difficult – or even impossible – to inform physicians about the costs of devices they ordered for their own patients. Four hospitals among the 60 GAO originally surveyed indicated they could not share information with GAO because of those confidentiality clauses.

The report also underscored the lack of data on device costs available to Medicare because of the confidentiality agreements and the methods used by Medicare to reimburse hospitals for seniors' care. Medicare pays for billions of dollars of medical device implants by reimbursing hospitals for the cost of procedures, but it does not collect information on the type or price of individual device implants. Instead, it effectively allows hospitals to bargain the prices for IMDs themselves. As the report shows, those prices tend to fluctuate and costs continue to rise. Between fiscal years 2004 and 2009, Medicare Part A, which covers patient care in hospitals, paid an estimated $108 billion for 6.9 million procedures involving medical devices.

A summary and the full text of the report are available here.

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