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Financial Cost

An update of reported paid medical claims associated with the existing cases of five selected cancers in Michigan is contained within this section of the report. The financial data reflect treatment costs incurred annually for as many as thirteen successive years, regardless of when the cancers were diagnosed. The data contain costs associated with a range of treatments for patients at various stages in the course of their disease for inpatient and outpatient care as well as for professional services. This report does not include costs borne by patients and their families for deductibles, medications, home health care assistance and other non-medical expenses.

Medical costs are presented for each selected cancer site: breast, cervical, colorectal, lung and prostate. Medical costs are the direct costs incurred to secure medical treatment or costs that accrue to the health system. These costs include physician office visits, screening, counseling, diagnostic testing, hospitalization, and prescription drugs. Cost data associated with claims paid for self-insured and fee-for-service plans for the years 1996-2003 was made available by Blue Cross Blue Shield of Michigan¹ (BCBSM). Cost data associated with claims for the managed care plan was made available by Blue Care Network (BCN), for 1999-2003 as well. Payment data for Medicare Part A (inpatient) and Medicare Part B (outpatient) were obtained from the Michigan Peer Review Organization and the Wisconsin Physician Service² respectively.

Ideally, medical costs reflect the true economic costs for goods and services. The true economic costs are equivalent to the value of foregone opportunities, otherwise described as opportunity costs. In the healthcare market, the terms medical costs and medical charges are often used interchangeably. However, medical charges typically do not represent the true economic costs of goods and services. The size and financial power of government and other large third-party payers greatly influence reimbursement to health systems for medical services. The ability of these entities to negotiate and pay discounted prices, accounts for significant discrepancies between costs and charges. The expenditures reported in this analysis reflect discounted medical costs or medical charges.

Reported medical charges were collected for a period of several years. To ensure that all charges are comparable, it is necessary to standardize all of the charges to the same year. The medical care component of the Consumer Price Index³ was used to adjust subsequent years to a specified base year. Based on the average value of 1982-84 as 100, the relative annual value for each year was used to adjust dollars to the 1996 base year.

Selected cancer hospitalization data was received from the statewide hospital discharge database at the Michigan Department of Community Health⁴. Hospital admissions data for BCN, BCBSM and Medicare patients were also received from Blue Care Network, Blue Cross Blue Shield of Michigan and the Michigan Peer Review Organization, respectively. In-situ cases are included in the BCN, BCBSM, Medicare, and hospitalization datasets. Analyses of hospital

¹ Blue Cross Blue Shield of Michigan, Center for Healthcare Quality; and Blue Care Network of Michigan.

² Wisconsin Physician Service, Medicare Central Data Unit.

³ US Department of Labor, Bureau of Labor Statistics, *Bureau of Labor Statistics Data 1994-2004*.

⁴ Michigan Resident Hospitalizations Files, Michigan Department of Community Health (MDCH), Division for Vital Records and Health Statistics.

admissions, number and rates of days of care, average length of hospital stays, and number and rates of hospital discharges are reported for the years 1991-2003.

Summary

BCBSM and BCN combined plans paid inpatient, outpatient, and professional claims charges totaling over \$225 million for the five cancer sites in Michigan during 2003. Paid charges during this year were 11% higher than paid charges the previous year, while the number of hospital admissions was relatively unchanged. The BCBSM self-insured and fee-for-service plans posted a 15% increase in combined outpatient and professional claims paid charges from 2002 to 2003. Paid charges for BCN managed care plan remained flat over that period.

Michigan Medicare inpatient paid charges for breast, cervical, colorectal, lung, and prostate cancers totaled more than \$77 million in 2003, a 9% reduction from 2002. Medicare outpatient paid charges increased 18% from 2002 to 2003 for the 5 cancer sites in the state.

The average length of hospital stay associated with the five cancer sites continued a gradual downward trend in Michigan from 1991 through 2003. The rates of hospital days of care (patient days per 10,000 population) followed this same pattern during these years.

Breast Cancer

Breast cancer accounted for the highest level of BCBSM outpatient and professional service paid charges among the five reported cancers. Professional services associated with the fee-for-service and self-insured BCBSM plans more than doubled from 1996 to 2003 in terms of paid charges and number of patients served. BCBSM inpatient per case average charges decreased 2% from 2002 to 2003, the fourth consecutive annual decline.

The number of Medicare patients receiving inpatient treatment for breast cancer in Michigan decreased 15% from 2001 to 2002 and again from 2002 to 2003. However, the Medicare inpatient per case average and the average length of hospital stay for these patients both increased 5%.

Cervical Cancer

From 1996 to 2003, BCBSM inpatient per case average charges for cervical cancer treatment decreased 18%. The number of inpatient admissions also decreased by 14% over these years. Combined BCBSM and BCN outpatient and professional claims decreased 31% and 36% respectively, over the period 1996 to 2003.

Medicare inpatient services associated with cervical cancer incurred a 12% decrease in per case average paid charges and a 10% decrease in average length of hospital stay from 1996 to 2003.

Colorectal Cancer

BCBSM colorectal cancer per case average charges for inpatient treatment decreased 14% from 1996 to 2003 while the number of hospital admissions among these patients over that timeframe increased 33%.

The downward trend in Medicare colorectal inpatient per case average charges continued. These charges decreased 16% from 1996 to 2003.

Lung Cancer

BCBSM per case average charges associated with inpatient treatment for lung cancer decreased 21% from 1996 to 2003. This trend coincided with a 16% decrease in the number of hospital admissions and a 17% increase in the average length of hospital stay. BCBSM also realized a 7% decrease in per case average charges for professional services attributable to lung cancer treatment from 1996 to 2003 while the number of patients receiving these services nearly tripled from 3,861 in 1996 to 10,695 in 2003. Lung cancer outpatient per case average charges for this plan type rose 25% over the 8-year period. BCN inpatient per case average charges rose significantly (36%) over 2002 as the number of hospital admissions decreased 7% during that year.

Medicare inpatient per case average charges and average length of hospital stay for lung cancer treatment declined 19% and 10% respectively, from 1996 to 2003. However, the number of hospital admissions attributable to Michigan Medicare lung cancer patients increased 14% from 1996 to 2003.

Prostate Cancer

From 1996 to 2003, the number of BCBSM inpatient admissions increased 31% while the per case average charges and average length of hospital stay associated with prostate cancer treatment decreased 31% and 28%, respectively. The number of patients receiving BCBSM outpatient services increased 94% from 1996 to 2003. Outpatient per case average charges increased 41% over the same period for this cancer site.

Medicare prostate cancer inpatient per case average charges and average length of hospital stay, decreased 19% and 25% respectively, from 1996 to 2003. The number of Medicare patients receiving inpatient services for the treatment of prostate cancer in Michigan decreased for the third consecutive year from 2,040 in 2002 to 1,738 patients in 2003, a 15% decrease.

Per case average charges for Medicare inpatient prostate claims fluctuated between \$4,376 and \$4,541 during the years 2000 to 2003.

Figure 1.

Percent of Total BCBSM Inpatient Payments Made for the Selected Cancer Sites by Cancer Site, Michigan 2003

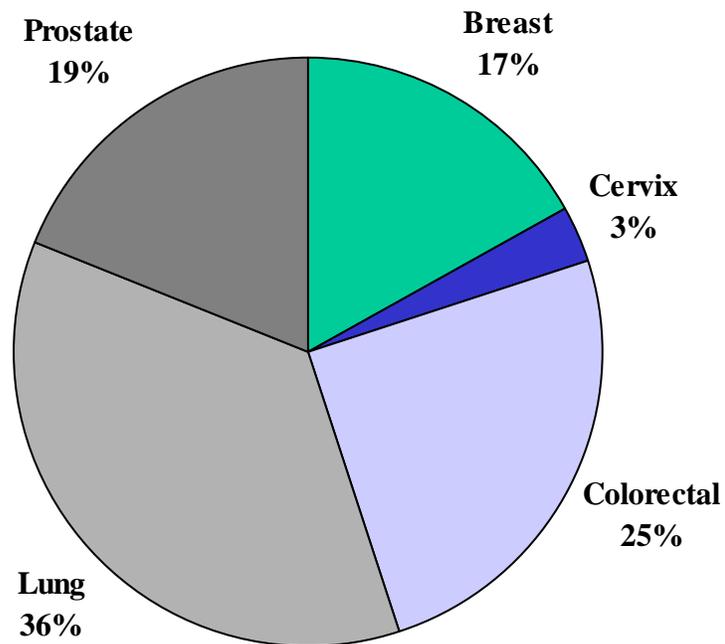


Figure 2.

Percent of Total BCBSM Professional Payments Made for the Selected Cancer Sites by Cancer Site, Michigan 2003

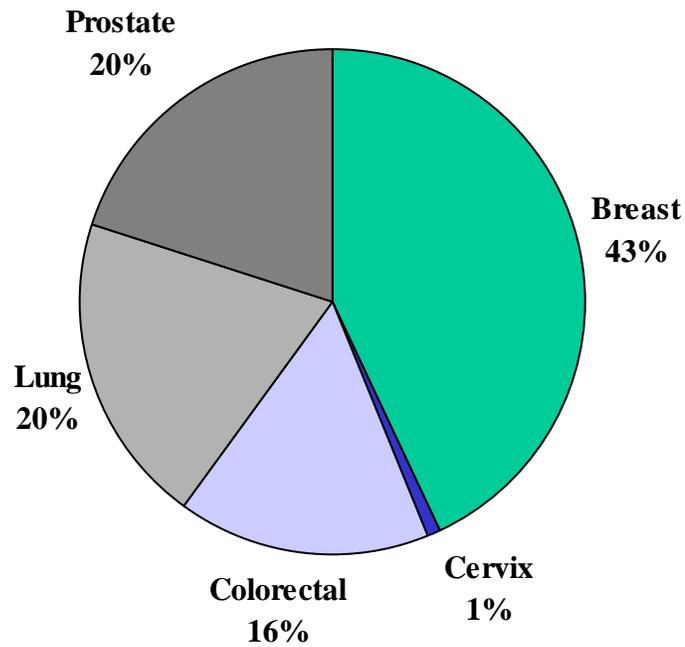


Figure 3.

Percent of Total BCBSM Outpatient Payments Made for the Selected Cancer Sites by Cancer Site, Michigan 2003

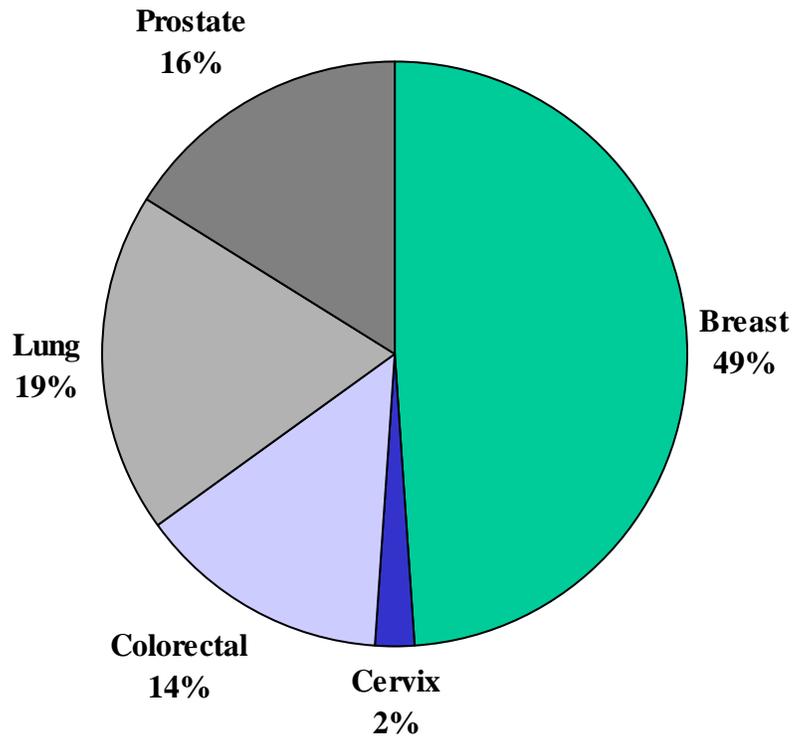


Figure 4.

Percent of Total Medicare Part A Payments Made for the Selected Cancer Sites by Cancer Site, Michigan 2003

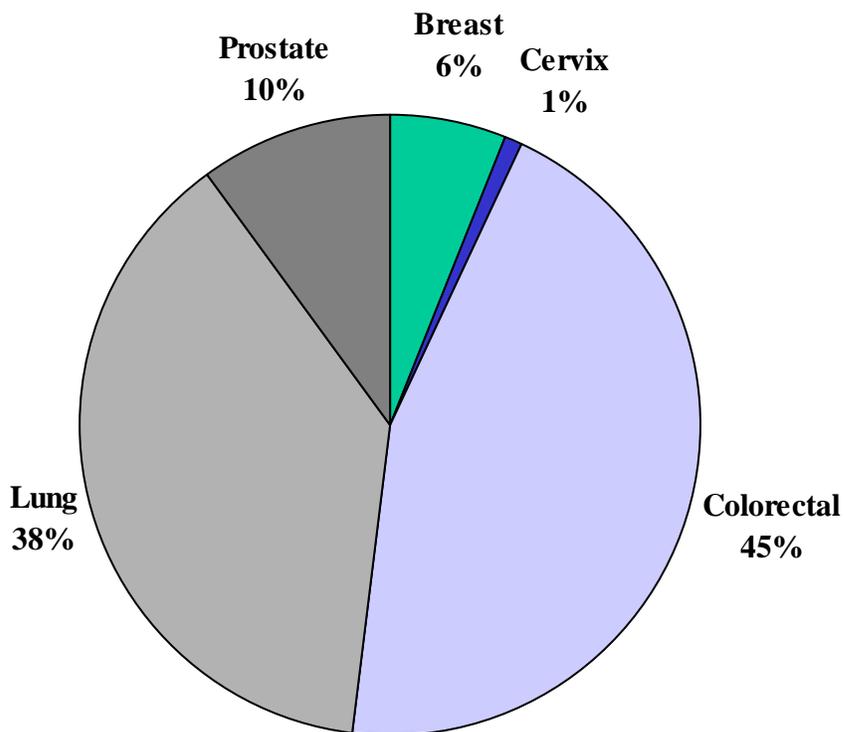


Figure 5.

Percent of Total Medicare Part B Payments Made for the Selected Cancer Sites by Cancer Site, Michigan 2003

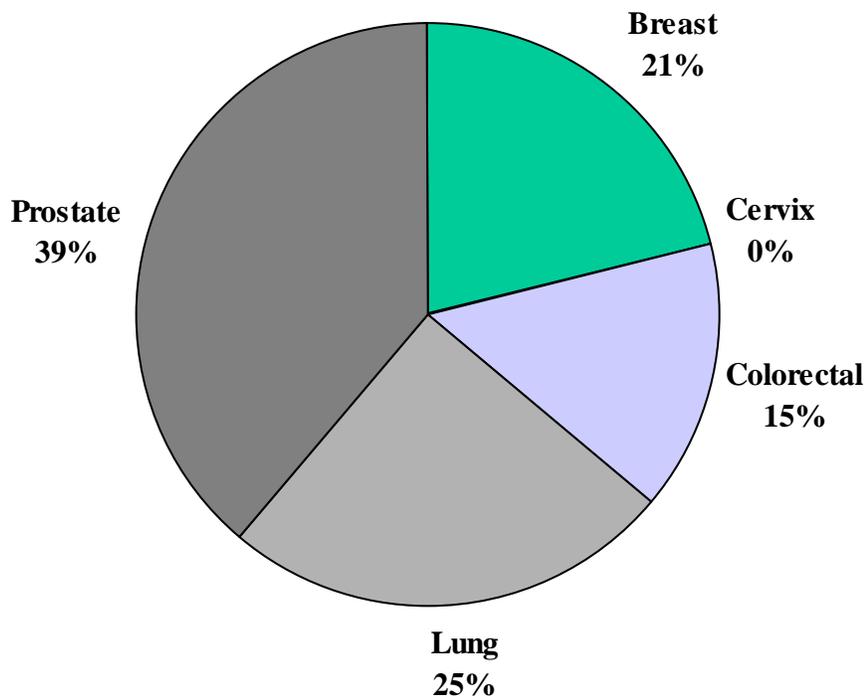


Figure 6.

Hospital Average Length of Stay by Cancer Site, Michigan 1991-2003

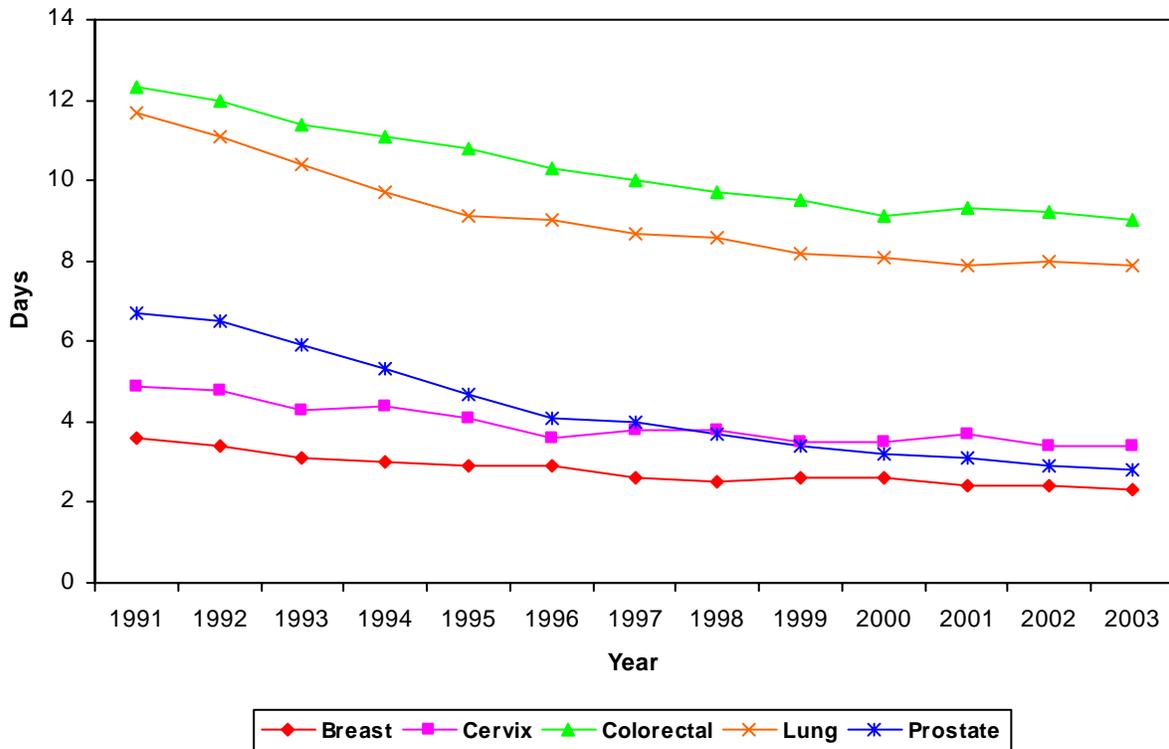


Figure 7.

Total Hospital Days of Care by Cancer Site, Michigan 1991-2003

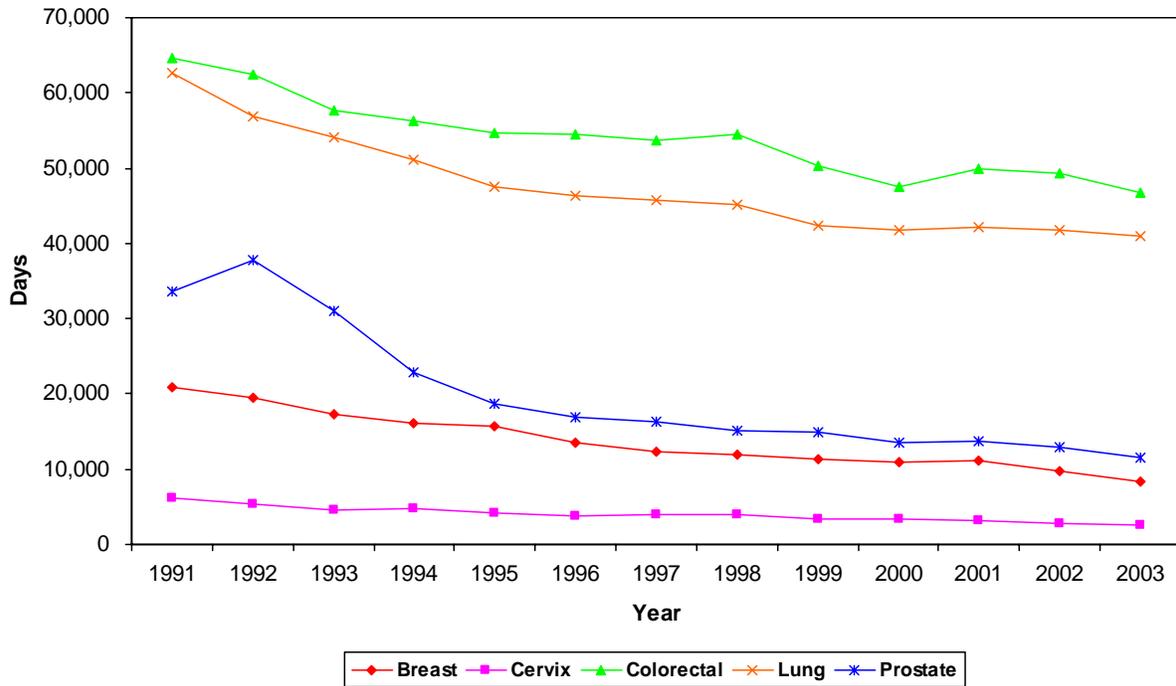


Figure 8.

Hospital Discharges by Cancer Site, Michigan 2003

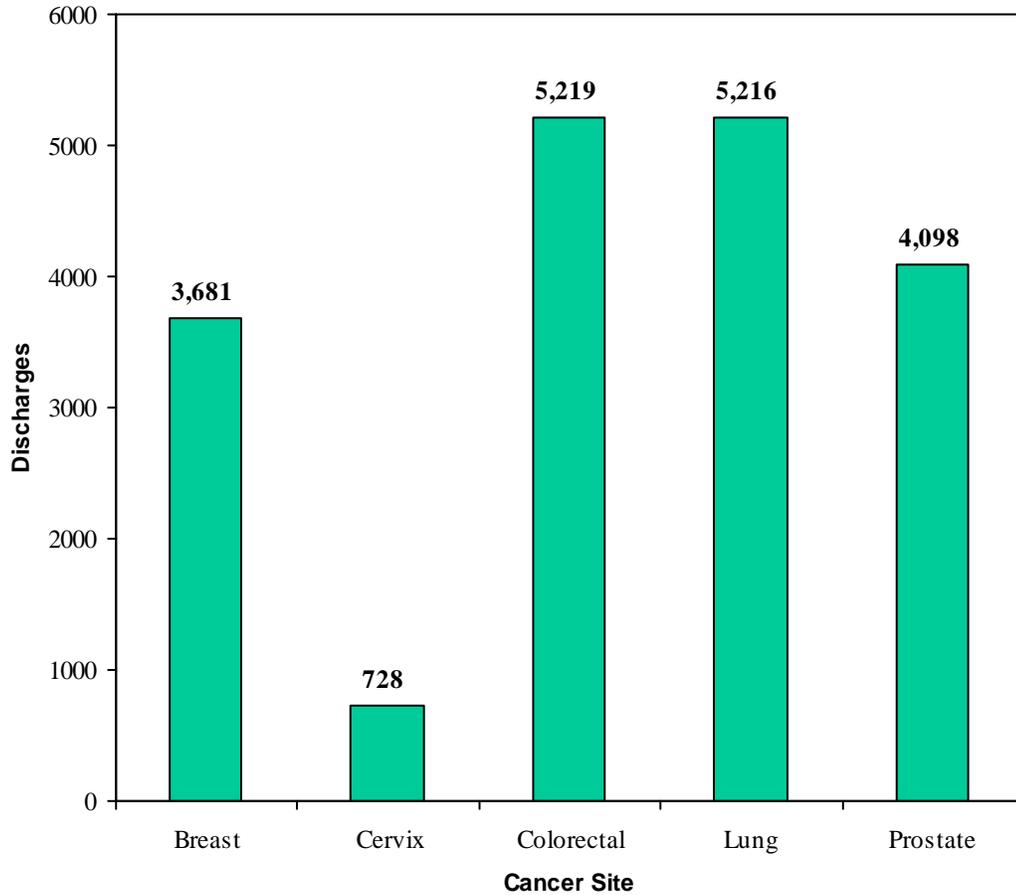
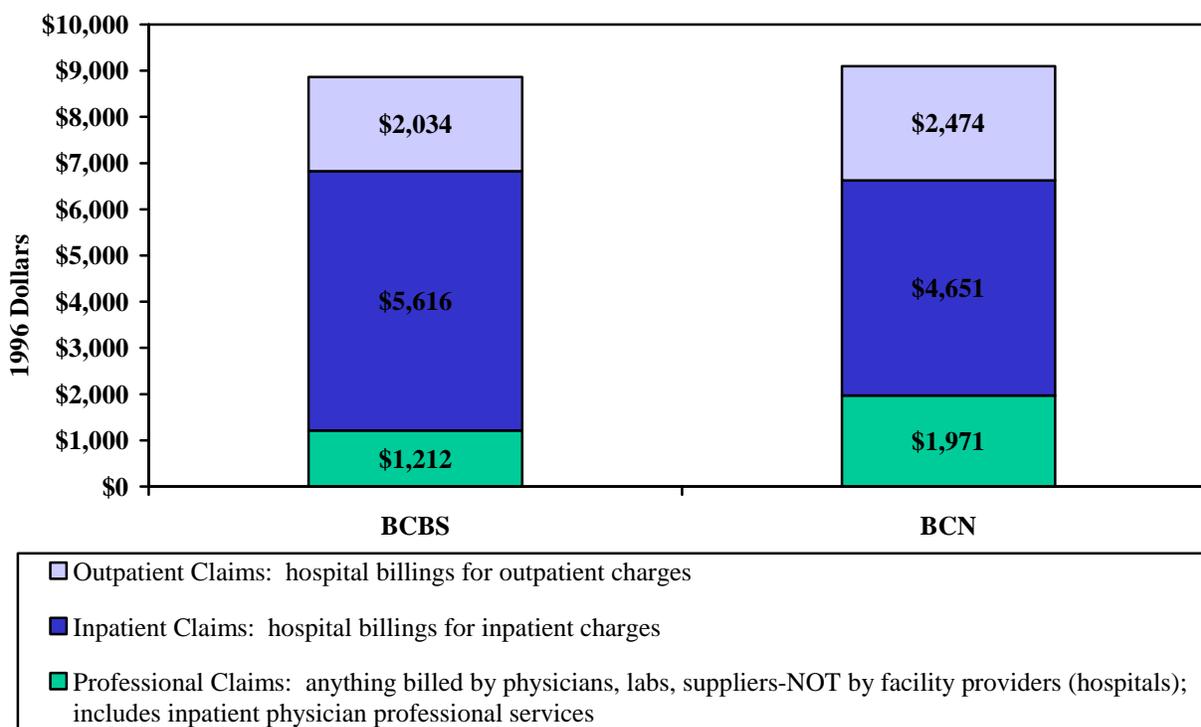


Figure 9.

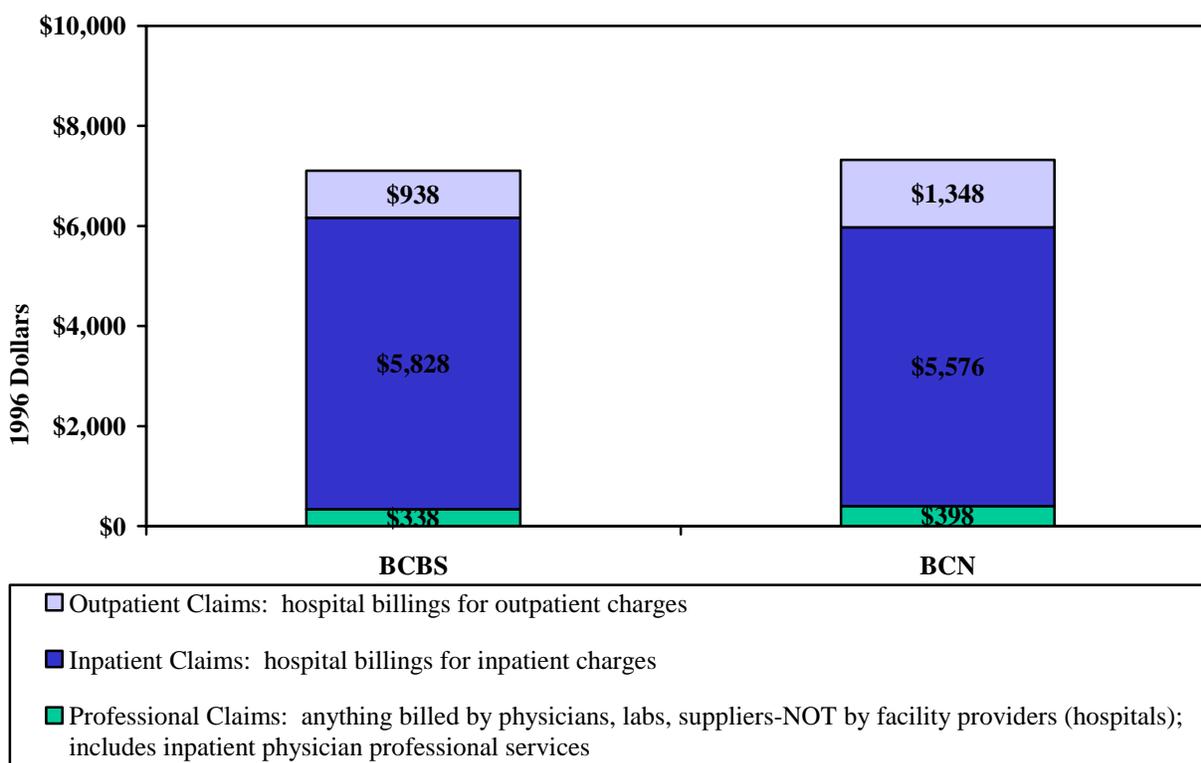
Breast Cancer 2003 Per Case Average BCBSM Payments by Type of Claim



BCBS: fee-for-service and self-insured plans
BCN: managed care plan

Figure 10.

Cervical Cancer 2003 Per Case Average BCBSM Payments by Type of Claim

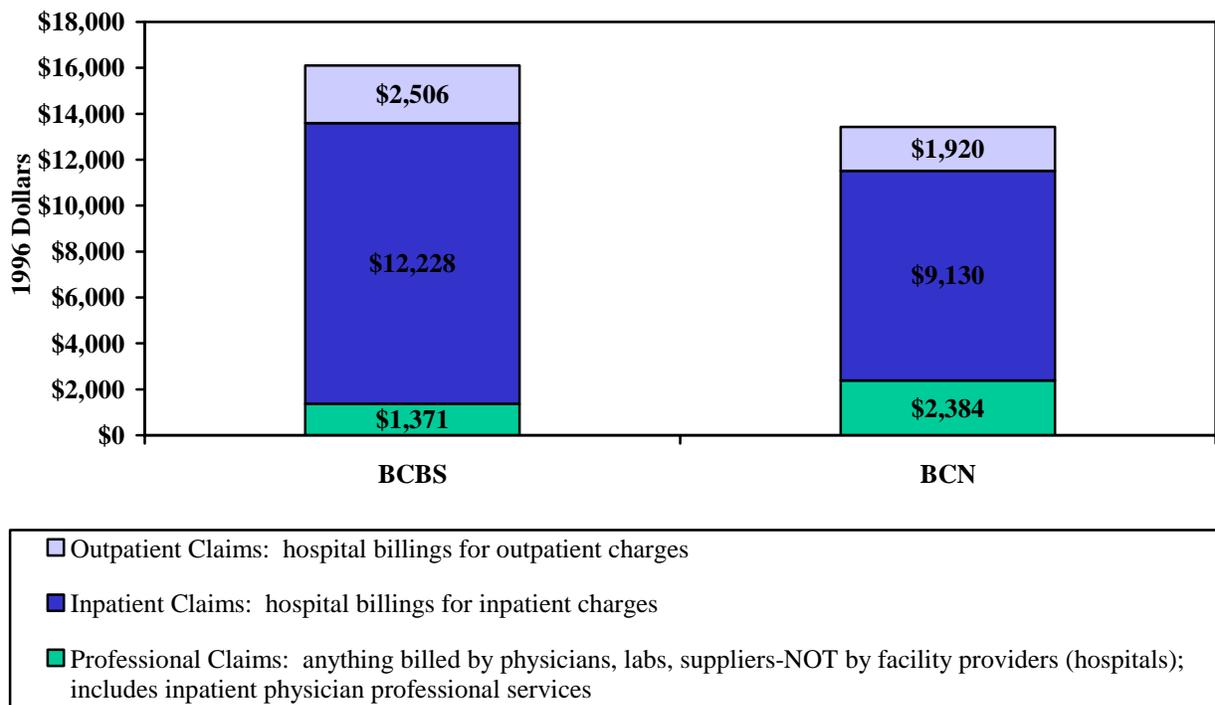


BCBS: fee-for-service and self-insured plans

BCN: managed care plan

Figure 11.

Colorectal Cancer 2003 Per Case Average BCBSM Payments by Type of Claim

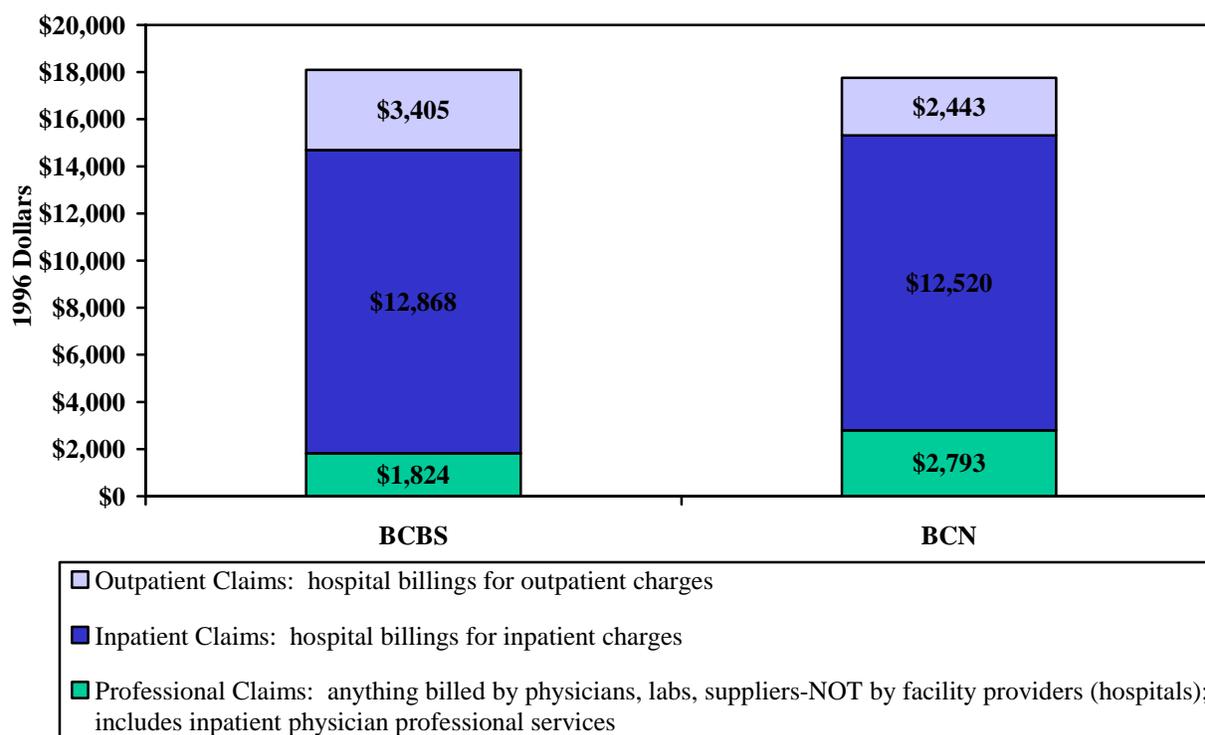


BCBS: fee-for-service and self-insured plans

BCN: managed care plan

Figure 12.

Lung Cancer 2003 Per Case Average BCBSM Payments by Type of Claim

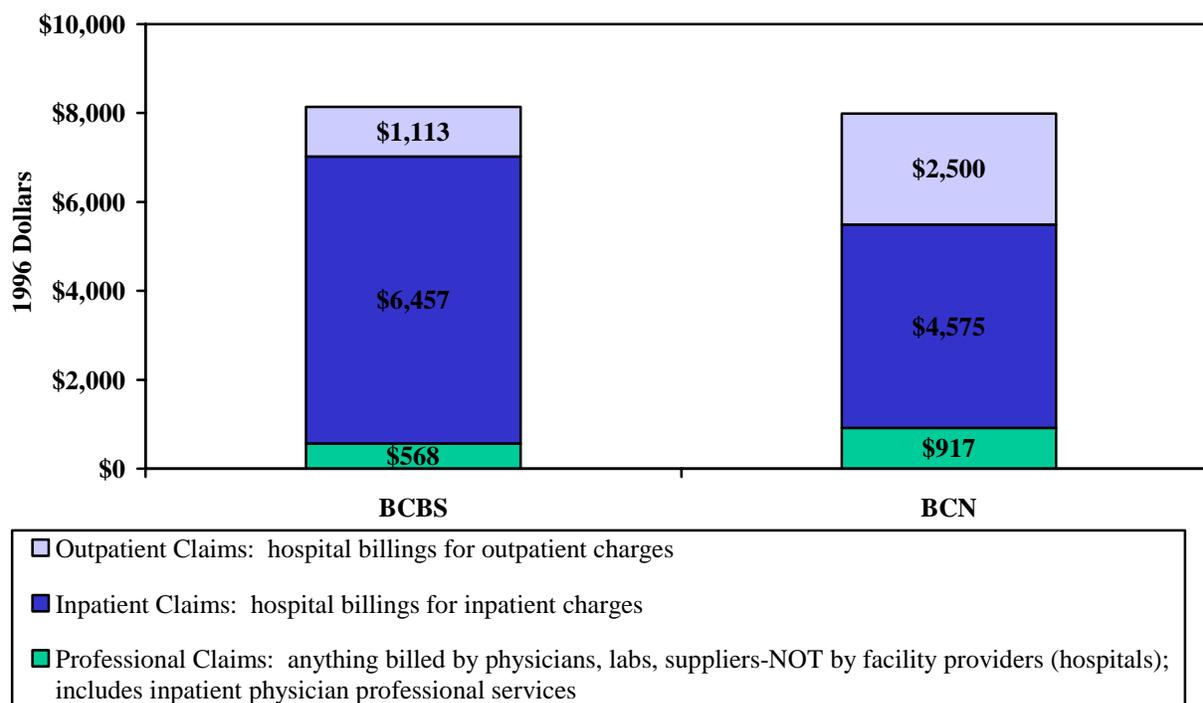


BCBS: fee-for-service and self-insured plans

BCN: managed care plan

Figure 13.

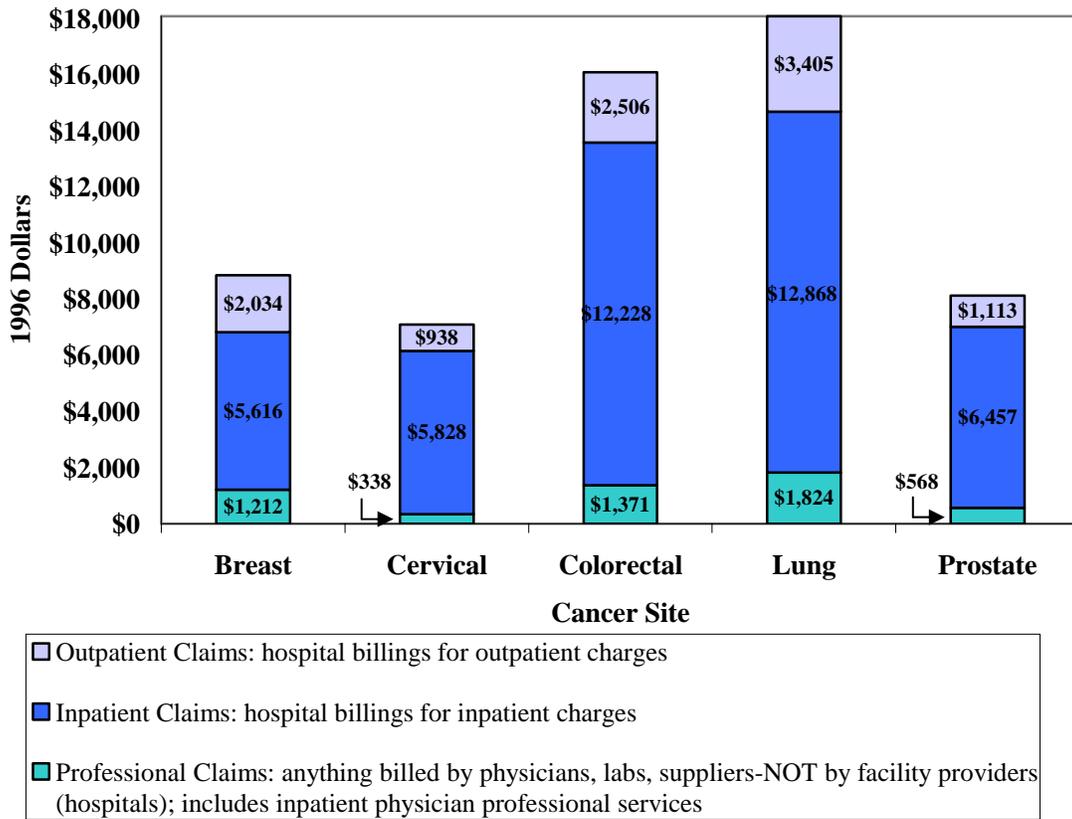
Prostate Cancer 2003 Per Case Average BCBSM Payments by Type of Claim



BCBS: fee-for-service and self-insured plans
 BCN: managed care plan

Figure 14.

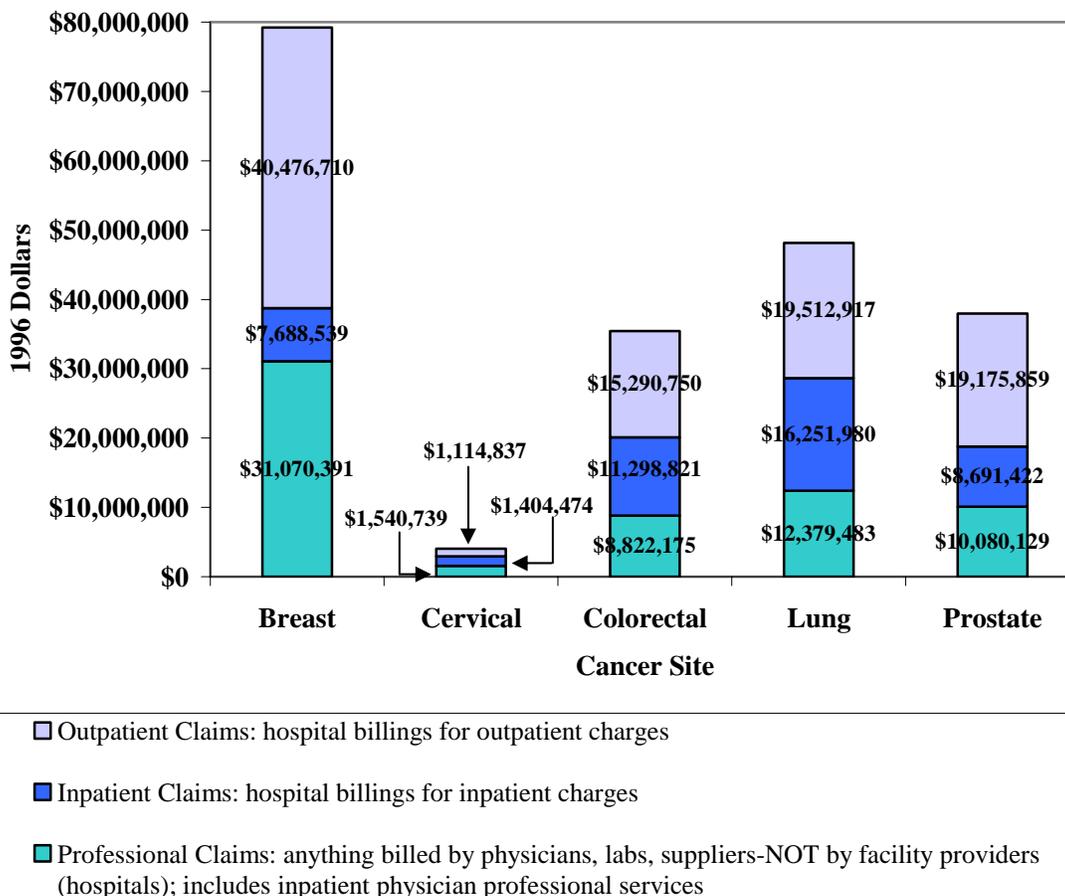
Per Case Average BCBSM* Payments by Type of Claim and Cancer Site (2003)



*Excludes managed care plan.

Figure 15.

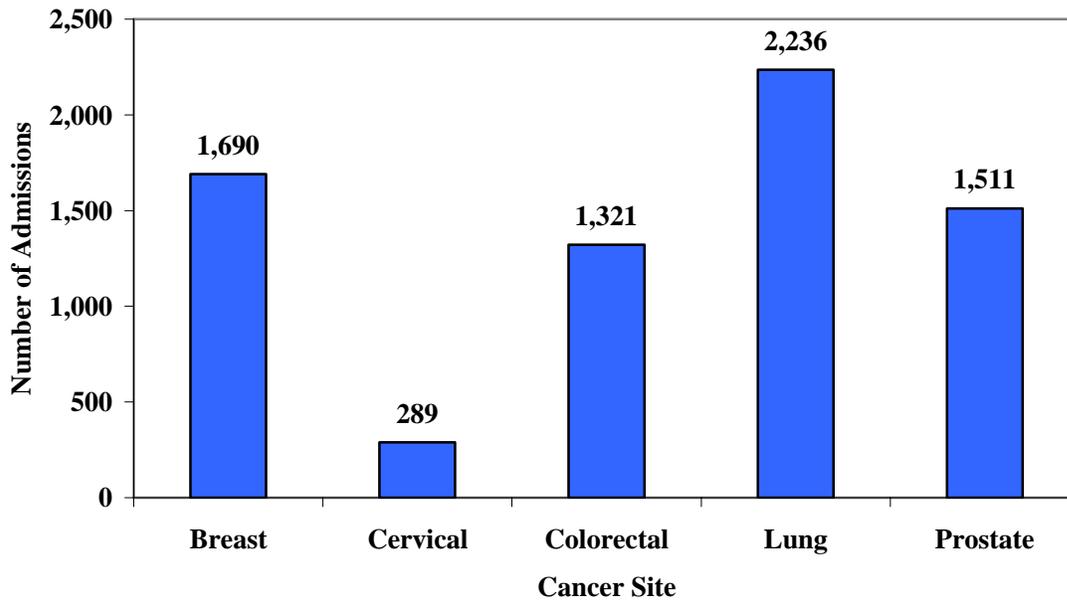
Total BCBSM* Payments by Type of Claim and Cancer Site (2003)



*Excludes managed care plan.

Figure 16.

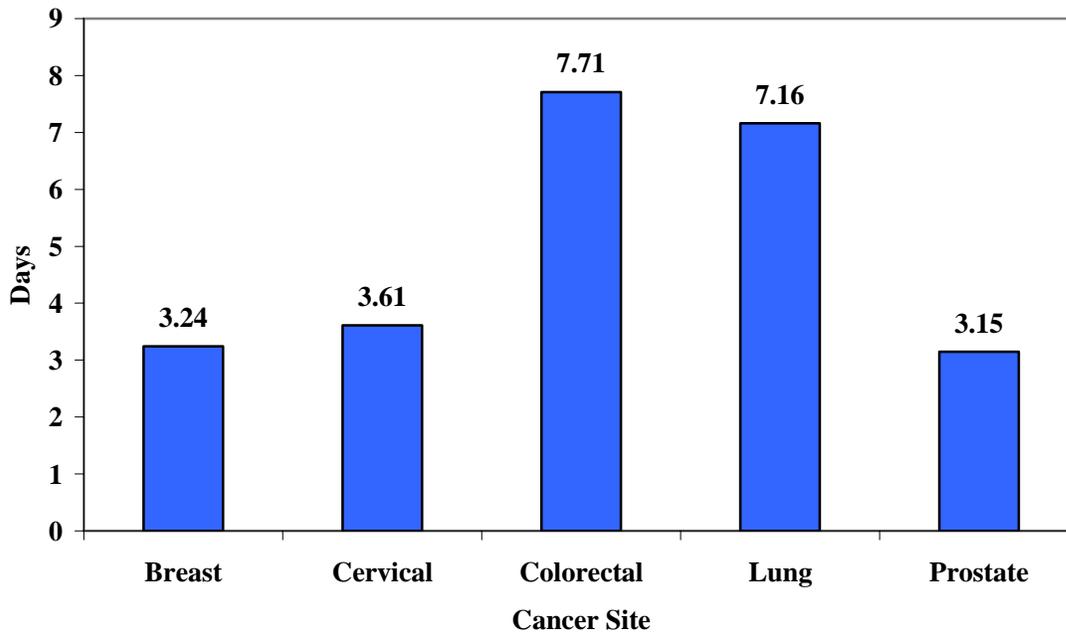
Number of Hospital Admissions for BCBSM* Inpatient Coverage Recipients by Cancer Site (2003)



*Excludes managed care plan.

Figure 17.

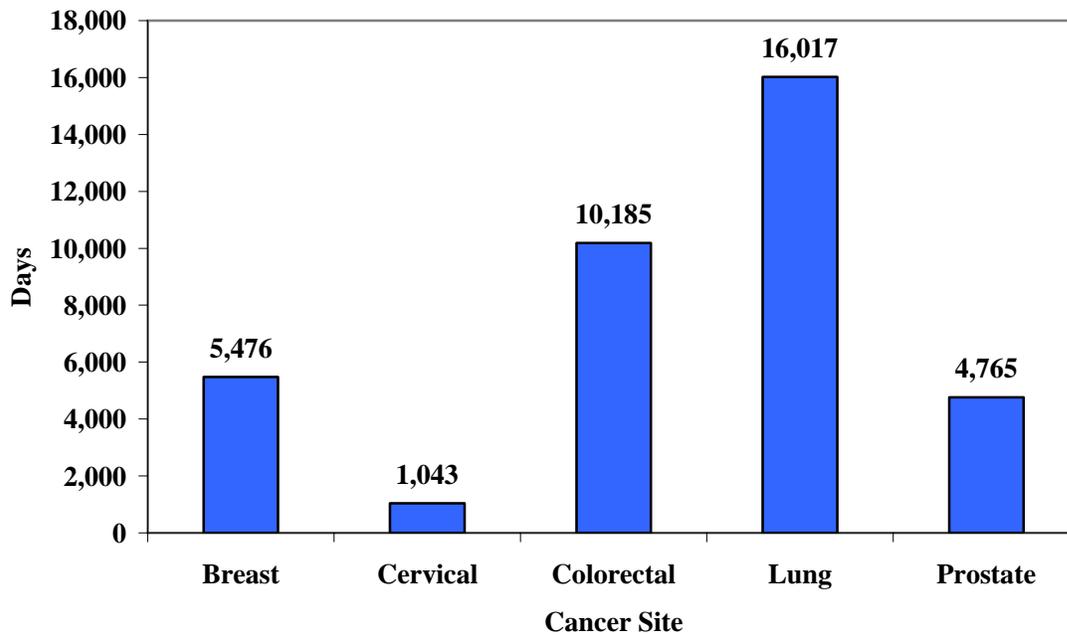
Hospital Average Length of Stay for BCBSM* Inpatient Coverage Recipients by Cancer Site (2003)



*Excludes managed care plan.

Figure 18.

Total Hospital Days of Care for BCBSM* Inpatient Coverage Recipients by Cancer Site (2003)



*Excludes managed care plan.

Figure 19.

Per Case Average Medicare Part A Payments by Cancer Site (2003)

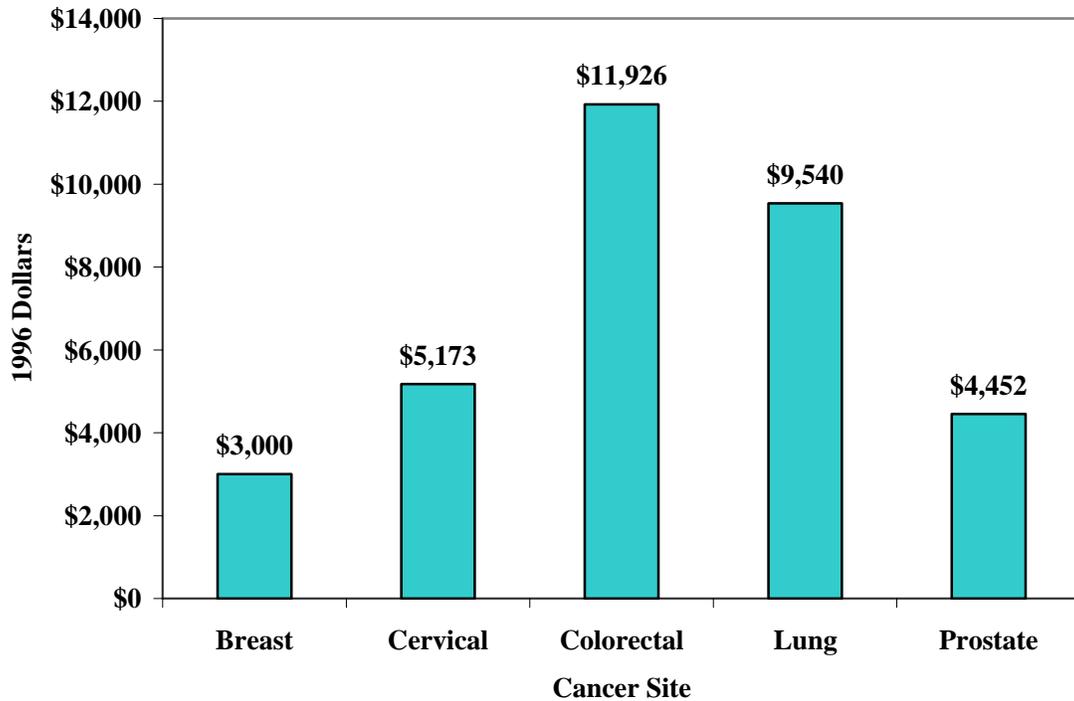


Figure 20.

Total Medicare Part A Payments by Cancer Site (2003)

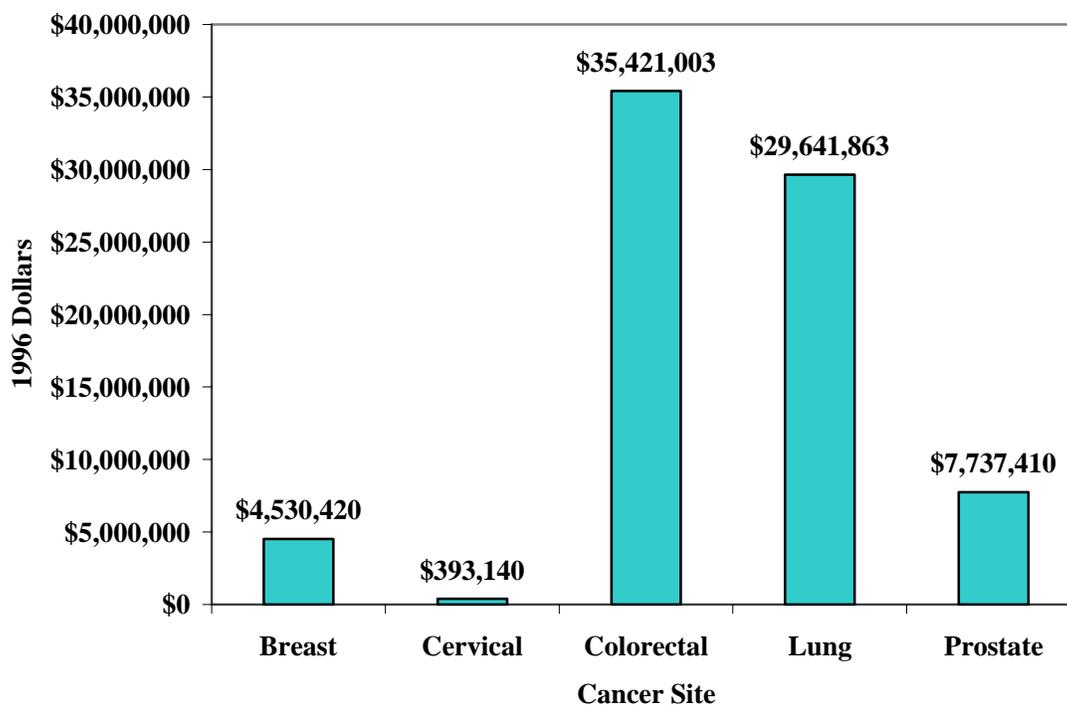


Figure 21.

Hospital Average Length of Stay for Medicare Part A Recipients by Cancer Site (2003)

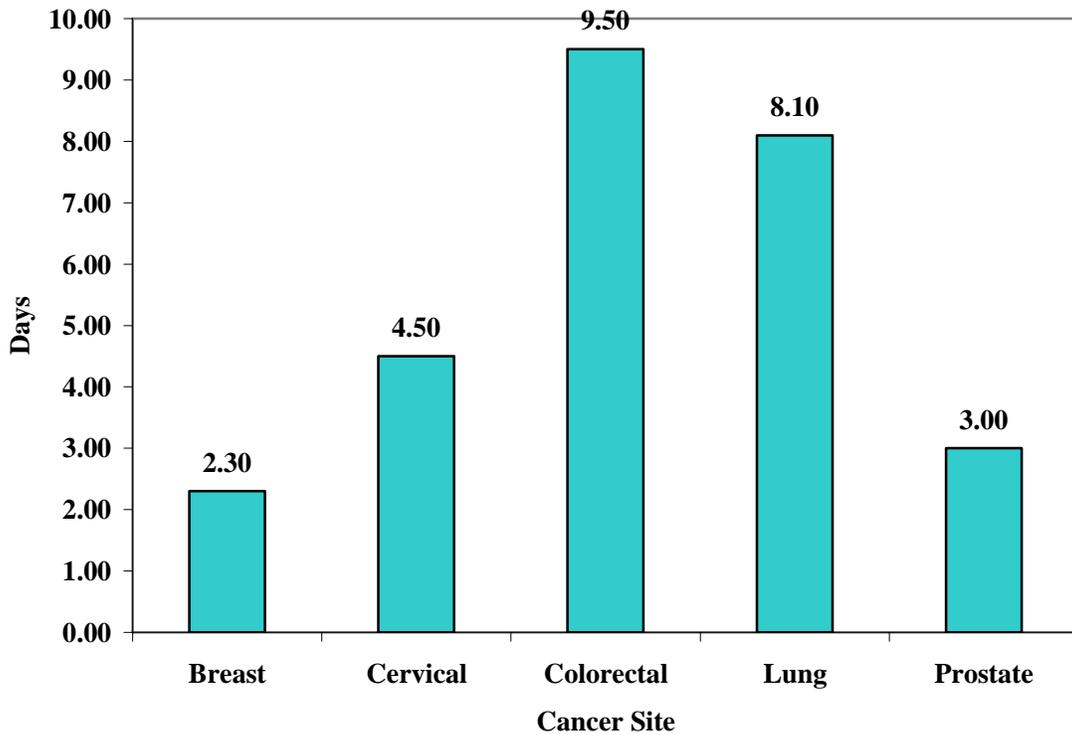


Figure 22.

Hospital Days of Care for Medicare Part A Recipients by Cancer Site (2003)

