

THE STATE OF CONNECTICUT
Office of Health Care Access

MANAGED CARE DISCOUNT RATES

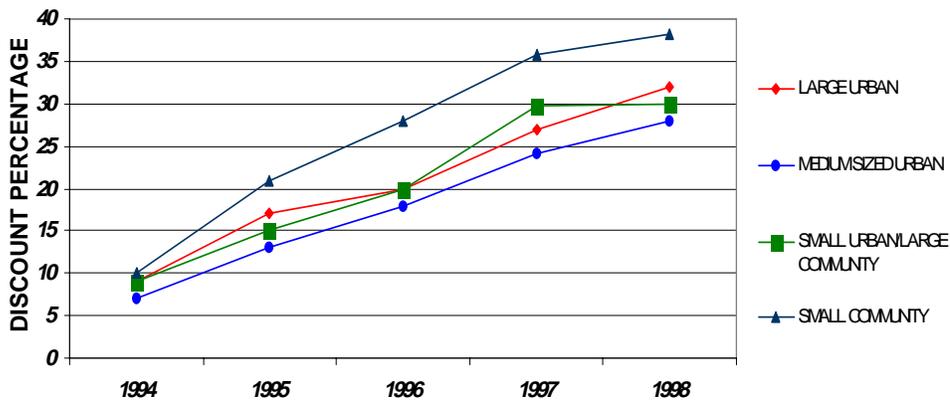
Responding to rising health care costs in April 1994, the Connecticut General Assembly deregulated hospital prices, permitted all health care payers to negotiate with hospitals for different rates and payment methods, and eliminated the 3.5% cap on all negotiated discounted rates (Connecticut General Statutes 19a-166(c)(3)).

Through managed care discount agreements, hospitals assure themselves of a volume of patients and in return managed care organizations (MCO's) receive discounts from the standard hospital charges. These discounts may be in the form of an agreed upon fee schedule, capitated rates, discounted service fees, and administrative discounts.

In the first two years following deregulation, the number of managed care agreements jumped from 163 to 560 and, as a result, the average managed care discount rate for acute care hospitals, the percentage difference between hospital charges and MCO reimbursements, expanded by 133%. Overall, from FYs 1994 to 1998, the statewide average discount rate grew from 9% to 31% of total hospital charges.

Viewing the success of managed care organizations nationally in slowing the growth of health care costs, in 1995 Medicare and Medicaid began licensing their own managed care programs.

**AVERAGE MANAGED CARE DISCOUNT RATES BY TYPES
OF ACUTE CARE HOSPITALS, FYs 1994 - 1998**



SOURCE Connecticut Office of Health Care Access Reports on the Financial Stability of Connecticut's Short-Term Acute Care Hospitals and Office of Health Care Access Acute Care Hospital Annual Reporting.

This information is presented by OHCA to inform policy makers, the public, and the health care industry. For further details, please call (860) 418-7028.