FOR IMMEDIATE RELEASE

CONTACT: Kat Song
katsong@childbirthconnection.org
(212-777-5000 ext. 6)

Better Maternity Care Could Save $5 Billion Annually

New study shows unnecessary cesarean sections drive up healthcare costs for employers and government, increase health complications for mothers and newborns

NEW YORK, January 7, 2013 – Private businesses and federal and state governments could save billions of dollars if the quality of maternity care in America were improved, based on data in *The Cost of Having a Baby in the United States*, a new report issued by Childbirth Connection, Catalyst for Payment Reform, and the Center for Healthcare Quality and Payment Reform. The report shows that the high proportion of babies delivered by cesarean section costs commercial insurance plans and state/federal Medicaid programs thousands of dollars more per birth than vaginal births and the difference in costs is growing over time. The significant variation in costs within and across states for each type of birth indicates there are additional opportunities for savings.

"Four million babies are born in the U.S. every year, and one-third of them are now delivered by cesarean section instead of vaginal birth, a 50% increase in the last decade," said Maureen Corry, Executive Director of Childbirth Connection. "Not only do unwarranted c-sections create greater health risks for women and babies, this study shows that they also dramatically increase costs for employers and, through Medicaid programs, state and federal budgets. For the commercially insured, the average cost of a birth by c-section in 2010 was $27,866, compared to $18,329 for a vaginal birth. Medicaid programs paid nearly $4,000 more for c-sections than vaginal births. If the rate of c-sections were reduced from 33% to 15% (the World Health Organization recommends a c-section rate of 15% or less), national spending on maternity care would decline by more than $5 billion."

The study also found that the cost of maternal care (not including newborn care) increased by over 40% between 2004 and 2010 for commercially insured women, and that the cost was nearly 50% higher in some states than others.

"Maternal and newborn care together represent the largest single category of hospital expenditures for most commercial health plans and state Medicaid programs, so reducing maternity care costs provides a major opportunity to reduce insurance premiums for employers and to make Medicaid coverage more affordable for taxpayers," said Harold Miller, Executive Director of the Center for Healthcare Quality and Payment Reform (CHQPR). "There are many examples of physicians, midwives, hospitals, and birth centers around the country that are reducing maternity care costs in ways that improve quality and outcomes for both mothers and babies, a win-win for both payers and patients. Similar initiatives need to be implemented in every community."

"Maternity care is yet another example of how our current healthcare payment systems can actually penalize healthcare providers for delivering higher-value care," said Suzanne Delbanco, Executive Director of Catalyst for Payment Reform (CPR), a nonprofit employer coalition focused on payment reform. "We need to pay physicians and hospitals in ways that reward them for eliminating early elective deliveries, reducing unnecessary c-sections, and preventing complications of childbirth. And with the cost of this care so high, this is a huge priority for employers and others who purchase care." CPR has developed a toolkit employers can use with their health plans to drive value-oriented payment in maternity care.

Other highlights of the report include:

- **High costs for newborn care**. Total commercial payments for care of newborns were $5,809 for babies delivered vaginally and $11,193 for cesarean births. Total Medicaid payments for

newborn care were $3,014 for vaginal births and $5,607 for cesarean births. Reducing the rate of prematurity among infants could significantly reduce these costs.

- **High charges for the uninsured.** Uninsured parents could be charged over $50,000 for a baby born by c-section and over $30,000 for a baby born by vaginal birth. Average provider charges for a c-section in 2010 were $51,125, but commercial insurance plans only paid $27,866, 55% of what an uninsured patient could be asked to pay.
- **Regional variation in costs.** The costs of childbirth differ dramatically depending on where the mother lives. The average payment by commercial insurers for a vaginal birth (not including newborn care) was $10,318 in Louisiana and $11,692 in Illinois, but payments were nearly 50% higher in California ($15,259) and Massachusetts ($16,888). The average payment for a c-section was $13,943 in Louisiana and $15,602 in Illinois, but $20,620 in Massachusetts and $21,307 in California. There is also significant variation in costs for births even within individual states. For example, although the average maternal cost for vaginal birth in Massachusetts was $16,888, 25% of vaginal births cost more than $19,000 and 25% cost less than $13,000. (Although the study was not designed to determine the causes of this variation, other studies have shown that variation is due to different prices charged by different hospitals and clinicians as well as different needs of women and babies.)
- **High costs of hospital-based delivery.** The largest share of all combined maternal-newborn costs goes to pay for hospital or other facility costs regardless of the type of birth. 59% of total maternal and newborn care costs for vaginal births are used to pay facility fees, and 66% of costs for c-sections are for facility fees. Similarly, the hospitalization phase of childbirth consumed from 70% to 86% of all maternal and newborn care costs, depending on payment source and type of birth. (Consequently, increasing the use of birth centers for women who want to use them can greatly reduce procedure use and healthcare spending while improving quality.)

The complete report is available at: http://transform.childbirthconnection.org/reports/cost/

The analyses in the report were prepared by Truven Health Analytics, using its Marketscan Research Databases that include data from approximately 200 self-insured U.S. employers, 30 health plans, and 12 Medicaid agencies. For a subset of the work, Truven used a methodology comparable to the 2007 March of Dimes report *The Healthcare Cost of Having a Baby*, which was prepared by Thomson Healthcare (the predecessor to Truven), so that the increases in costs over time for maternal care could be computed.

Childbirth Connection (www.childbirthconnection.org) is a national not-for-profit organization founded in 1918 as the Maternity Center Association. Its mission is to improve the quality and value of maternity care through consumer engagement and health system transformation. In 2008, with assistance from more than 100 health care leaders, Childbirth Connection developed two direction-setting reports, "2020 Vision for a High-Quality, High-Value Maternity Care System" and "Blueprint for Action," aimed at reversing troubling trends and achieving high-quality, high-value maternity care. Childbirth Connection has developed many resources to help stakeholders improve the quality of maternity care, including new cesarean section resources for professionals and consumers.

Catalyst for Payment Reform (www.catalyzepaymentreform.org) is an independent, non-profit organization working on behalf of large employers and other healthcare purchasers to catalyze improvements in the way healthcare services are paid for and to promote better and higher value care in the United States.

The Center for Healthcare Quality and Payment Reform (www.chqpr.org) is a national policy center that encourages comprehensive, outcome-driven, regionally-based approaches to achieving higher-value healthcare. CHQPR has produced widely used and highly regarded resources on payment and delivery reform, including *How to Create Accountable Care Organizations*, *Transitioning to Accountable Care: Incremental Payment Reforms to Support Higher Quality, More Affordable Health Care*, and a new report, *Ten Barriers to Healthcare Payment Reform and How to Overcome Them*.

###