

MARYLAND HAS LOWEST SPENDING IN A FIRST-IN-THE-NATION MULTI-REGION HEALTHCARE COST COMPARISON

A first-ever comparison of what commercial insurers are paying for healthcare in different regions shows wide variation in spending. The report from the Network for Regional Healthcare Improvement (NRHI), a national organization representing over 35 regional multi-stakeholder groups working to improve healthcare, analyzed spending by commercial health insurance plans in five different regions nationwide (Utah, Maryland, St. Louis, Minnesota and Oregon). Analysts found a \$1,080 yearly difference in the amount plans spend, on average, per enrollee, with a high of \$369 per-enrollee-per-month in Minnesota and a low of \$279 in Maryland.

Regional variation on medical spending has long been shown to exist in the Medicare market, but differences in the amount commercial insurers pay for care has been difficult to decipher because multiple insurance plans participate in a single market. This study examined risk-adjusted healthcare spending and utilization for persons under age 65 with nine months or more of enrollment in 2014; total spending per enrollee was capped at \$100,000. The report compares the regions on dollar cost per-member-per-month (PMPM) and several *indices* that show how each region compared to the all-region averages for risk-adjusted service utilization (RUI), prices paid for services (PI), and total cost (TCI=RUI*PI). The indices are reported for all services (overall) and for each of the four components that comprise services (Inpatient, Outpatient, Professional, and Pharmacy).

In addition to having the lowest overall risk-adjusted per member per month (PMPM) cost of \$279, Maryland also had the lowest overall total cost index (TCI) (0.86), which was 14 percent below the all-region average. The State's TCI reflects its lower overall service utilization (RUI)—lowest among the regions at 0.88—and its slightly below average prices (PI of 0.97). Service prices overall in Maryland are slightly below the all-region average, but the State's low TCI was primarily due to its below average service utilization. With regard to regional comparisons of the service components, Maryland had the lowest TCIs for hospital inpatient (0.62) and outpatient (0.67), about one-third lower than the all-region averages. These low TCIs result from below average hospital service use, not from lower prices; in fact, Maryland had the highest PI for outpatient, 28 percent higher than the average. Although not the lowest, Maryland's TCI for professional services was 10 percent below average due to a PI of 0.86, lowest among the regions; use of professional services in Maryland, however, was five percent above average. Unlike the other components, for pharmacy services Maryland had the highest regional TCI—16 percent above average—driven by the highest utilization (1.14) and a PI slightly above average (1.02).

MHCC, in partnership with The Hilltop Institute at the University of Maryland, Baltimore County (UMBC), participated in the NRHI study and produced the Maryland results using data from the Maryland Medical Care Data Base, a database of claims and enrollment information from health insurance carriers doing business in the State.

NRHI experts say the report shows opportunities to curb costs in a single region are significant. If the two regions with the highest costs per participant (Minnesota and Oregon) reduced spending by as little as 2.5 percent—or roughly just \$9 per enrollee, per month—employers and private purchasers in these regions would save more than \$200 million annually in healthcare spending. Consumers and communities would also save on out-of-pocket costs that could be better used to strengthen their neighborhoods.

The study results are detailed in [*From Claims to Clarity: Deriving Actionable Healthcare Cost Benchmarks from Aggregated Commercial Claims Data*](#), which was developed with support from the Robert Wood Johnson Foundation.