



2019

**Payments for Professional Services
in Maryland
(In-Network Services Only)
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Introduction:

This report examines the variations in payment rates for in-network professional services among private health insurance carriers and benchmarks these payments to Medicare and Medicaid payment rates for the same services. In particular, variations in payments by payer market share and provider region are discussed.

The data source for all analyses in the report is the Maryland Medical Care Data Base (MCDB) from 2017 through 2019, which contains health claims and encounter data submitted by private payers for Maryland residents enrolled privately insured health insurance plans. For this report, the MCDB professional services files are used

Payment rates for professional services are the payments per Relative Value Unit (RVU) at the same service level. RVUs reflect the resources associated with each service, where each service has three component RVUs: the work component, or the amount of effort and skill a service entails; the practice expense component, or the costs to a physician practice for the equipment, facilities, nonphysician staff, and supplies needed to provide a service; and the liability coverage component, or the cost of obtaining medical malpractice insurance for a service. For this report, we used RVUs from 2019, 2018, and 2017 Medicare physician fee schedules, providing information for more than 10,000 physician services.

2019 Professional Services Payment Rates Highlights:

- Payments per RVU for all payers decreased about 1% in 2019 compared to 2018 (\$39.84 and \$40.27, respectively). In comparison, we observed a 1.7% increase from 2017 through 2018.
- The private payment rates for 2019 were about 103% of Medicare and about 119% of Medicaid. The benchmarks on close to results reported for 2018 when private payments were about 104% and 120% of Medicare and Medicaid rates respectively.
- Private payment rates in 2019 varied by geographic region in Maryland, with the highest rates in the DC Metro area (\$40.73 compared to \$40.04 in Baltimore Metro and \$38.32 in the rest of Maryland).

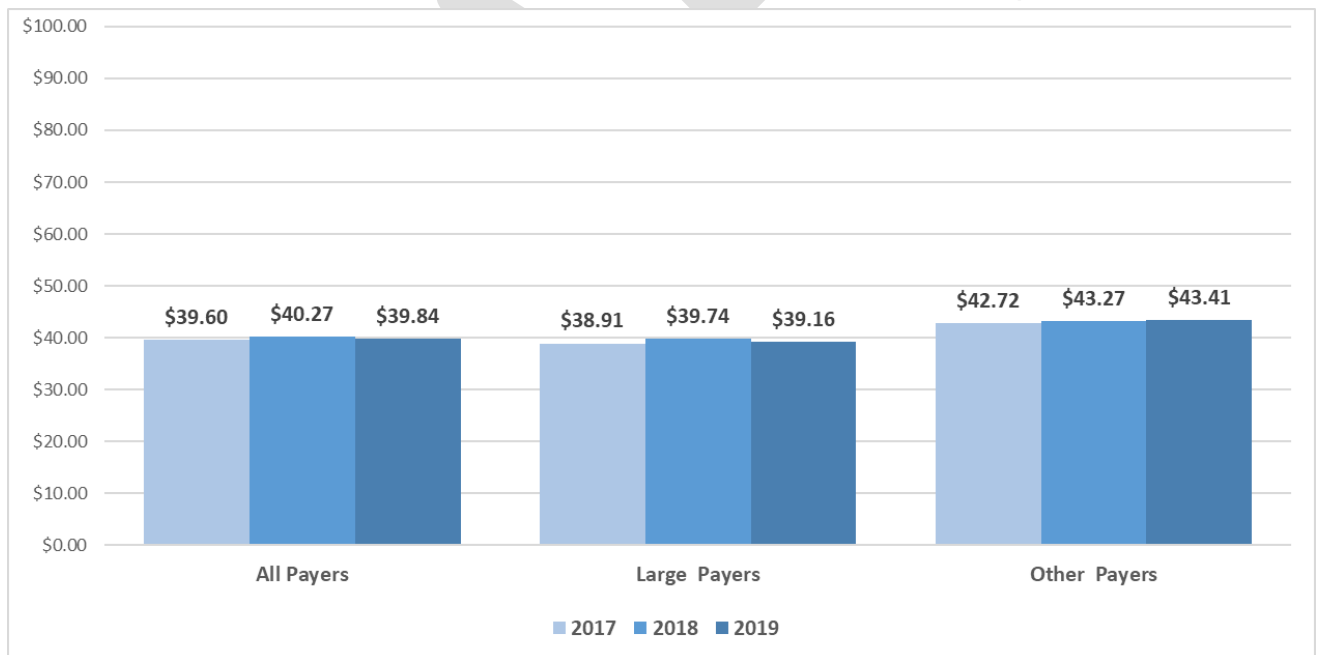
Impact of Private Payer Market Share and Region on Payment Rates

Payment rates for professional services are determined by the payment per RVU for a given group of services. RVUs measure the quantity of care rendered per service in which more difficult, resource-intensive, and, therefore, more expensive services have a higher number of RVUs assigned.

Payment Rates by Private Payer:

The payment rate for all private payers combined was \$39.84 in 2019 compared to \$40.27 in 2018, a decrease of 1.1%. The payment change from 2017 to 2018 was a 1.7% increase (see Figure 1). The payment per RVU was lower among large payers for all three years. The payment rate for large payers was 91.1% of the rate for other payers in 2017 (\$38.91 v. \$42.72), 92% of the rate in 2018 (\$39.74 v. \$43.27), and 90.2% of the rate in 2019 (\$39.16 v. \$43.41). The change in the year over year payment rate was higher among large payers compared to other payers from 2017 to 2018 (2.1% v. 1.3%). This result contrasts with the change from 2018 to 2019 (0.32% v. -1.5%) because of the lower payment in 2019 within large payers (\$39.16). These differences in growth rates were not enough to cause a material difference in market share payment rates.

Figure 1: Private Payment Rates by Payer Market Share, 2017 – 2019

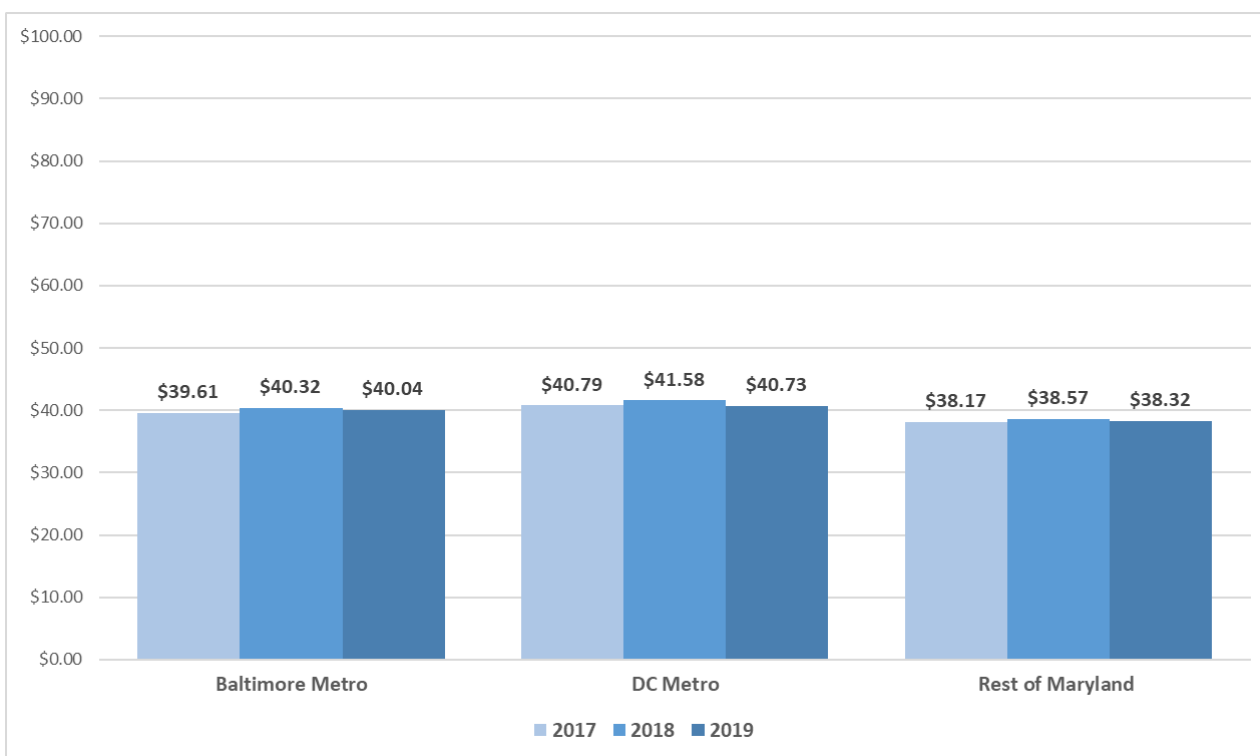


Payment Rates by Region:

Payment rates in Maryland varied by region, based on various factors including but not limited to the resource cost and payer mix (large vs. other payers) in each area. Participating providers in locations with higher resource costs tend to receive higher rates from payers because carriers account for differences in resource costs associated with the provider's geographic location. The geographic practice cost indices (GPCIs) for the "DC + MD/VA SUBURBS" region is the highest compared to any other geographic area in Maryland (not shown). Hence, providers located in the "DC Metro" received a higher average payment rate than other providers located in Maryland regardless of payer market

share, as shown in Figure 2, where payment rates were highest in the DC Metro area in 2017 through 2019.

Figure 2: Private Payment Rates by Maryland Region, 2017 – 2019



How Private Payment Rates Compare with Medicare and Medicaid Payments

Medicare payments for services are often used as a benchmark for private payment rates because Medicare is a large purchaser of professional services. Medicare payment rates are based on a resource-based relative value scale (RBRVS).¹ On a national basis, in-network private payment rates are between 18% and 79% higher than Medicare prices, with an average of 43% over the past ten years.² Much of the variation in professional payments is due to physicians' and insurers' market power, types of physicians services used in the analysis, and payment components included in the calculation.

Private payments in Maryland have been lower than the national average since MHCC began benchmarking private payer payments almost twenty years ago. In 2004, private payment rates in Maryland for professional services were very close, on average, to the Medicare rate. Fee-for-service

¹ Medicare payment rates for specific services are derived from a systematic assessment of clinician time and expertise, practice resources including equipment and staff, and medical liability expenses using RBRVS. A standard conversion factor is applied to the resources estimated to produce a service which yields a payment rate. The rate is further adjusted by variations in the costs of inputs in local markets. The RBRVS approach allows for a fair comparison of the resources needed for any specific service. The conversion factor then sets the payment rate and geographic adjustments establish a basis for ensuring payment equity across regions.

² <https://www.kff.org/medicare/issue-brief/how-much-more-than-medicare-do-private-insurers-pay-a-review-of-the-literature/>

(FFS) payments for HMO plans were 3% below the Medicare rate, while payments from non-HMO plans average 3% above Medicare. Also, for 2003, the average HMO-FFS payment rate was approximately 3% less than the Medicare rate and about 2% more than Medicare for non-HMO-FFS payment rates.³ A 2016 survey of Medicaid physician fees shows that although Maryland's Medicaid payment rate was higher than the national average (1.35 Medicaid fee index), it was significantly lower than the Medicare payment rate. The ratio of the Medicaid-to-Medicare payment rate was 0.88 in Maryland in 2016.⁴ In other words, the Medicaid payment rate was about 12% lower than the Medicare payment rate in Maryland in 2016.

What would Medicare have paid?

As shown in Figure 3, the payment rate for services reimbursed by all private payers was comparable to what Medicare would have paid for a similar set of services, with ratios of 1.03 for 2019, 1.04 for 2018, and 1.03 for 2017. Based on the difference in payment rates between large and other payers, the private payment rate ratio to the Medicare payment rate varied slightly by payer market share. Large payers paid 1% more, 3% more, and 2% more than Medicare would have paid in 2019, 2018, and 2017, respectively. The payment rate for large payers was \$39.16, \$39.74, and \$38.91, in 2019, 2018, and 2017, respectively, compared with \$38.75 in 2019 and 2018 and \$38.60 in 2017 for Medicare. Payment per RVU among other payers was \$43.41, \$43.27, and \$42.72 in 2019, 2018, and 2017, respectively; it would have been \$38.76, \$38.72, and \$38.73 in 2019, 2018 and 2017, respectively, if other payers used the Medicare fee schedule to reimburse a similar set of services (see Figure 8). Other payers paid on average, about 12% higher in 2019 and 2018, and about 10% higher in 2017 for covered services than what Medicare would have paid. The difference in what Medicare would have paid for services provided by large payers vs. other payers is due to the difference in the intensity of services provided by those payers.

³ https://mhcc.maryland.gov/mhcc/pages/plr/plr_healthmd/plr_healthmd_Utilization.aspx

⁴ <https://www.urban.org/research/publication/medicaid-physician-fees-after-aca-primary-care-fee-bump>

Figure 3: Ratio of Private-to-Medicare Payment Rate, by Payer Market Share, 2017 – 2019

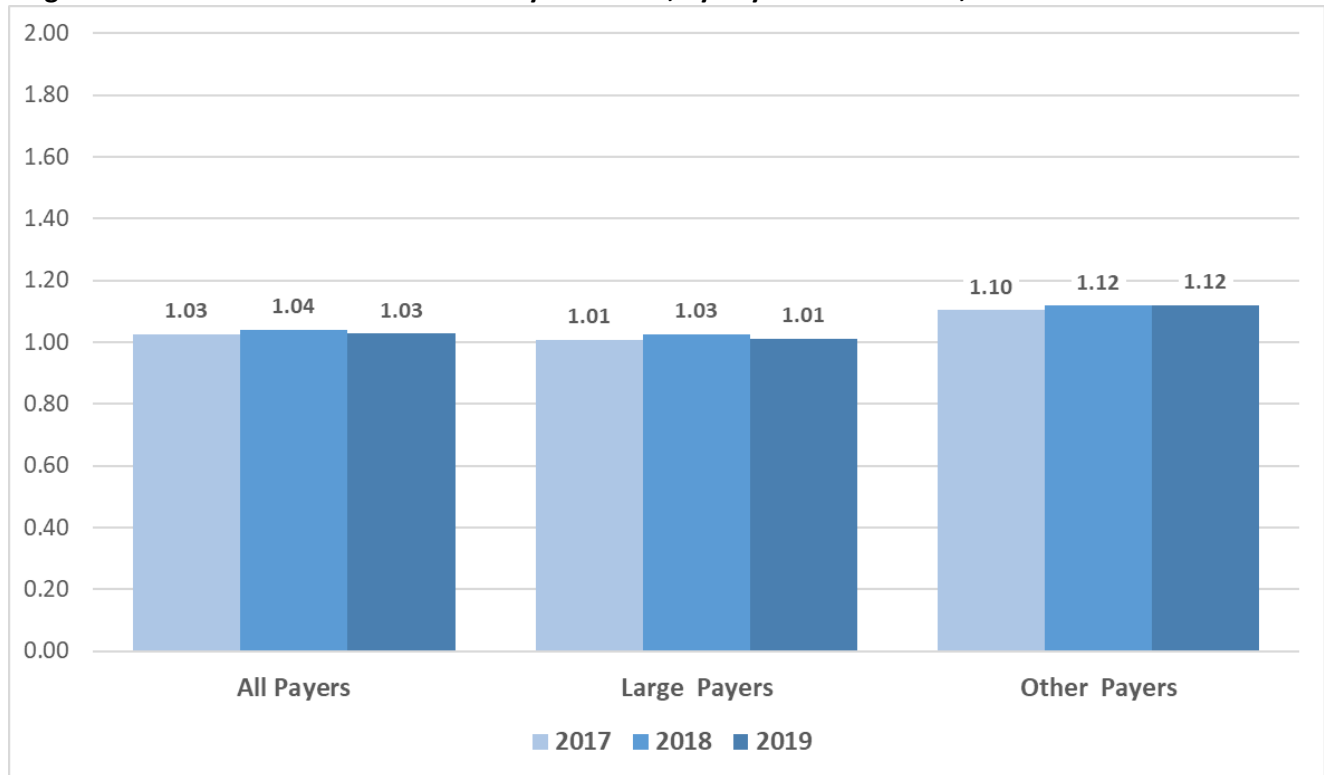


Figure 4: Private vs. Medicare Payment Rates by Payer Market Share, 2017 – 2019

Payer Type	2019		2018		2017	
	Private	Medicare	Private	Medicare	Private	Medicare
Large Payers	\$39.16	\$38.75	\$39.74	\$38.75	\$38.91	\$38.60
Other Payers	\$43.41	\$38.76	\$43.27	\$38.72	\$42.72	\$38.73
All Payers	\$39.84	\$38.76	\$40.27	\$38.74	\$39.60	\$38.62

What would Medicaid have paid?

As shown in Figure 5, the payment rate for services reimbursed by all private payers combined was 19%, 20%, and 17% higher in 2019, 2018, and 2017, respectively, than what Medicaid would have paid for a similar set of services. Both large and other payers paid substantially higher than Medicaid across all three years with a material gap (magnitude difference) in changes between the private payment rate and the Medicaid payment rate across payer market shares from 2017 to 2019.

For services reimbursed by large payers, the payment per RVU was about 16%, 18%, and 15% higher than if the services were reimbursed under the Medicaid fee schedule for 2019, 2018, 2017, respectively. From 2017 to 2019, large payers paid \$39.16, \$39.74, and \$38.91, respectively, compared with \$38.62 in both 2019 and 2018 and \$38.75 in 2017 if Medicaid reimbursed the services (see Figure 10).

The difference in payment rates between other payers and Medicaid was greater than that between large payers and Medicaid. In the years 2017 to 2019, payment per RVU was \$42.72, \$43.27, and \$43.41, respectively, for services reimbursed by other payers, compared with \$33.67, \$33.56, and \$33.57, respectively for the years 2017 through 2019 if Medicaid reimbursed the services.

Figure 5: Ratio of Private-to-Medicaid Payment Rate by Payer Market Share, 2017 – 2019

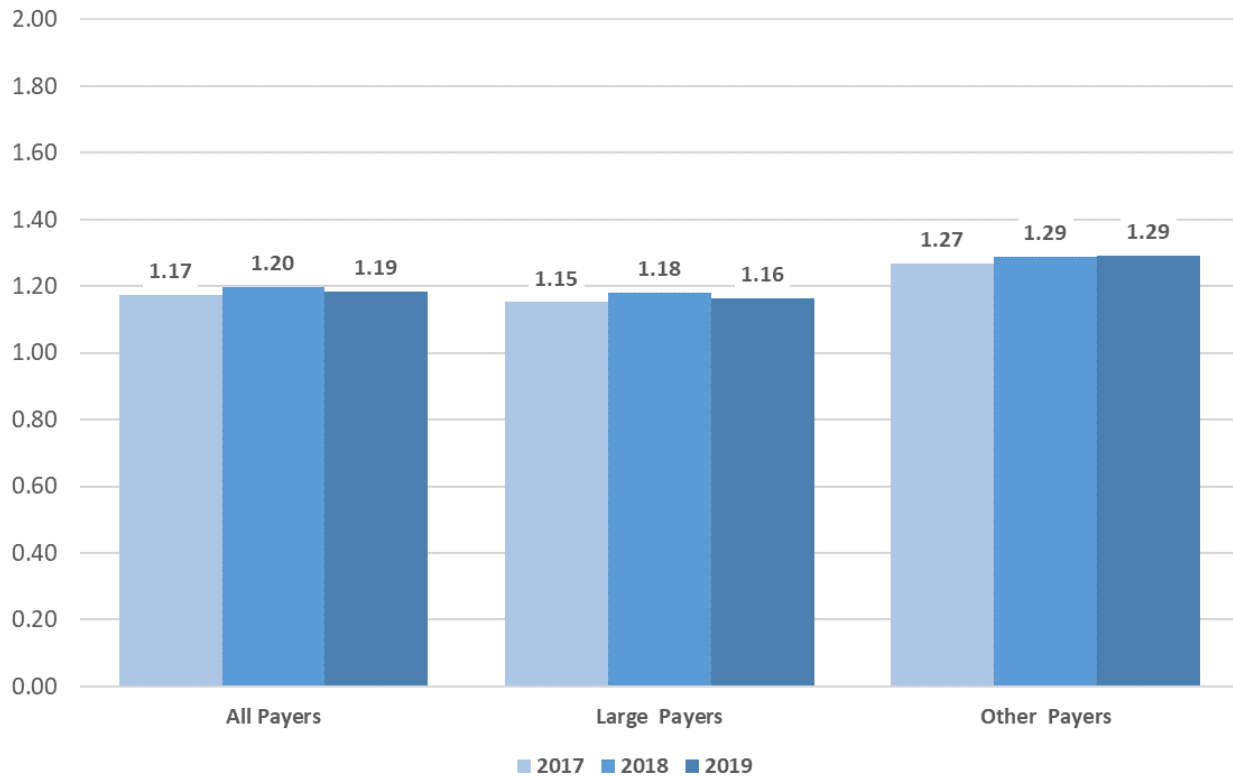


Figure 6: Private vs. Medicaid Payment Rates by Payer Market Share, 2017 – 2019

Payer Type	2019		2018		2017	
	Private	Medicaid	Private	Medicaid	Private	Medicaid
Large Payers	\$39.16	\$33.62	\$39.74	\$33.62	\$38.91	\$33.75
Other Payers	\$43.41	\$33.57	\$43.27	\$33.56	\$42.72	\$33.67
All Payers	\$39.84	\$33.61	\$40.27	\$33.61	\$39.60	\$33.73

Appendix

Methods

Data Sources.

This report's analyses used 2017 to 2019 payment and service data from the Maryland Medical Care Data Base (MCDB) professional services files for all coverage types except Medicare and Medicare Advantage. The data includes fully-insured and self-insured plans.

Relative Value Units (RVUs) of Care.

Relative value units (RVUs) are nonmonetary, relative units of measure that indicate the value of health care and relative differences in resources consumed when providing different procedures and services. The Centers for Medicare and Medicaid Services (CMS) assign relative values or weights to medical procedures primarily to reimburse services performed. More complex, resource-intensive (and typically more expensive) services have a higher number of RVUs and measure the level of resources used to produce a particular service.

Payment Rate.

The average payment per RVU measures the payment rate. This standardized measure controls for the complexity of service. A synthetic fee for large and other private payers was developed separately using the allowed amount from the MCDB professional services files. We developed these private fees by CPT code for in-network services only.

Medicare Payment Rate.

RVUs assigned in Medicare's physician payment system is added to valid services in the MCDB by CPT/HCPCS codes. The Medicare conversion factor is applied to the total RVUs to get total payment for the service. Service-level payment and RVUs are aggregated across payer market share or provider region. The aggregated payments adjusted for geography are divided by the aggregate number of unadjusted RVUs to calculate an average payment per RVU. The calculated payment per RVU reflects the average amount a provider would have received for services collected in the MCDB had Medicare been the payer. This calculated payment per RVU is the Medicare payment.

Medicaid Payment Rate.

The fee schedule provided by the Maryland Medical Assistance Program (Medicaid) lists the amount Medicaid would pay for a service. The 2019 Medicaid fee schedule is merged to the MCDB from respective years (2017 to 2019) by CPT/HCPCS codes. Service-level Medicaid payments and Medicare RVUs are aggregated at various levels (payer share and provider region), and the average payment per RVU is calculated by dividing aggregated geographically-adjusted payments by unadjusted aggregated RVUs. This average payment per RVU is the Medicaid payment.

Benchmarking with Medicare and Medicaid Payment Rate.

To examine relative payment rates, we calculated the ratio of the average payment rate among private payers in the MCDB to what Medicare or Medicaid would have paid (Medicare payment rate and Medicaid payment rate, respectively) for the service mix included in the MCDB.

Maryland Regions.

- **Baltimore Metro:** Baltimore City, Baltimore County, Harford County, Howard County, and Anne Arundel County
- **DC Metro:** Montgomery County and Prince George's County
- **Other Maryland:** Western Maryland, Eastern Shore/Southern Maryland
 - Western Maryland: Garrett County, Allegany County, Washington County, Carroll County, and Frederick County
 - Eastern Shore/Southern Maryland: St. Mary's County, Charles County, Calvert County, Cecil County, Kent County, Queen Anne's County, Talbot County, Caroline County, Dorchester County, Wicomico County, Somerset County, and Worcester County

Payer Market Share.

Large Payers: CareFirst, United Healthcare

Other Payers: All other private payers that are not CareFirst or United Healthcare

Note: This report excludes Kaiser.

Figure A1: Data Distribution - Large Payers v. Other Payers

	Distributon		
	No. of Services	No. of RVUs	Total Spending
Large Payers	83.0%	83.7%	82.4%
Other Payers	17.0%	16.3%	17.6%
Total	100.0%	100.0%	100.0%

Limitations:

- The results in this report are for in-network services only.
- All services are rendered in Maryland only.
- The private population is limited to under age 65
- The private synthetic fees are based on the allowed amount reported by private payers. However, some of these amounts are estimated by some private payers.
- The Medicaid fees are MCO imputed fee-for-service equivalents provided by Medicaid.
- Data excludes self-insured ERISA plans for 2015 and beyond due to the *Gobeille v. Liberty Mutual Ins. Co.* SCOTUS ruling for 2015 and beyond.
- Federal Employee Health Benefit (FEHB) Program data were excluded from this year's report because of the reporting restriction imposed by the Office of Personnel Management (OPM) on payers who have a contract with the Office to stop reporting all FEHB data to APCDs.

Examples where private payer payment rates are lower than Medicare payment rates in Maryland

Figure A2: Payment Rates for Private Non-HMO and HMO Fee-for-Service Claims v. Medicare, 2004 and 2013¹

Table 2-1: Payment Rates for Private Non-HMO and HMO Fee-for-Service Claims versus Medicare, 2004

CLASSIFICATION	NON-HMO PLAN				HMO PLAN			
	Pymt Per RVU Using Medicare Rate	% of Pymt	Pymt Per RVU	% Diff from Medicare	Pymt Per RVU Using Medicare Rate	% of Pymt	Pymt Per RVU	% Diff from Medicare
Total	\$38.82	100%	\$39.82	2.6%	\$38.95	100%	\$37.76	-3.0%

Table 3-1: Payment Rates for Private Non-HMO and HMO Fee-for-Service Claims versus Medicare, 2003

CLASSIFICATION	NON-HMO PLANS				HMO PLANS			
	Pymt per RVU Using Medicare Rates	% of Pymts	Pymt per RVU	% Diff from Medicare	Pymt per RVU Using Medicare Rates	% of Pymts	Pymt per RVU	% Diff from Medicare
Total	\$38.19	100%	\$38.90	1.8%	\$38.39	100%	\$37.36	-2.7%

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The Maryland Health Care Commission is an independent regulatory commission administratively located within the Maryland Department of Health.

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¹ https://mhcc.maryland.gov/mhcc/pages/plr/plr_healthmd/plr_healthmd_Utilization.aspx