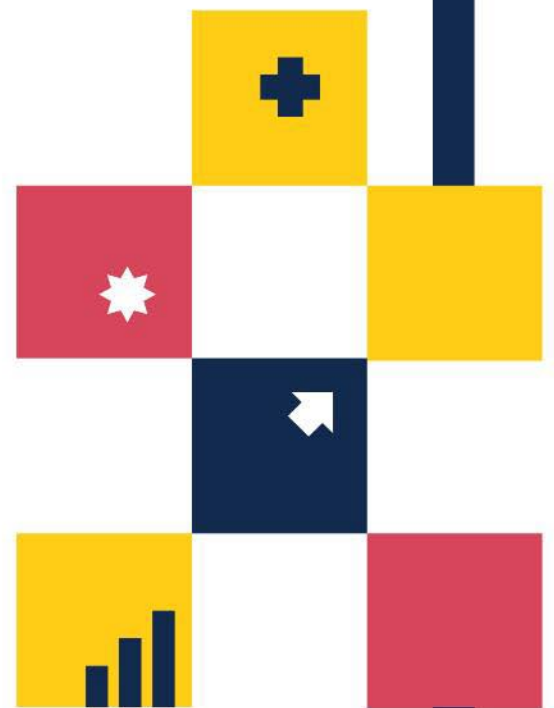


Payments for Professional Services in Maryland (In-Network services only)

2021





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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 2019 through 2021, which contains health claims and encounter data submitted by private payers for Maryland residents enrolled in privately insured health insurance plans. For this report, the MCDB professional services and enrollment 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 service. For this report, we used RVUs from 2021, 2020 and 2019 Medicare physician fee schedules (PFS), which contained information for more than 10,000 physician services.

2021 Professional Services Payment Rates: Highlights:

- Payments per RVU for all payers decreased about 5.4% in 2021 compared to 2020 (\$37.97 and \$40.13 respectively). In contrast, we observed a 0.8% decrease from 2019 through 2020.
- The private payment rates for 2021 were about 101% of Medicare and about 120% of Medicaid. Compared to a year ago, private payments were about 103% and 118% of Medicare and Medicaid rates respectively.
- Private payment rates in 2021 varied by geographic region in Maryland, with the highest rates in the Baltimore Metro area (\$38.66 compared to \$37.97 in DC Metro and \$35.61 in the rest of Maryland).
- 2021 Private to Medicare payment ratios across specialties showed variation. Internal Medicine and family medicine rates were modestly higher than Medicare rates. Six specialties received private rates between 113% to 132% of Medicare rates.
 - Orthopedics (113%), Cardiology (117%), Surgical & Radiation Oncology (124%), Neurosurgery (125%), Radiology (128%) and Emergency & Critical care (132%)



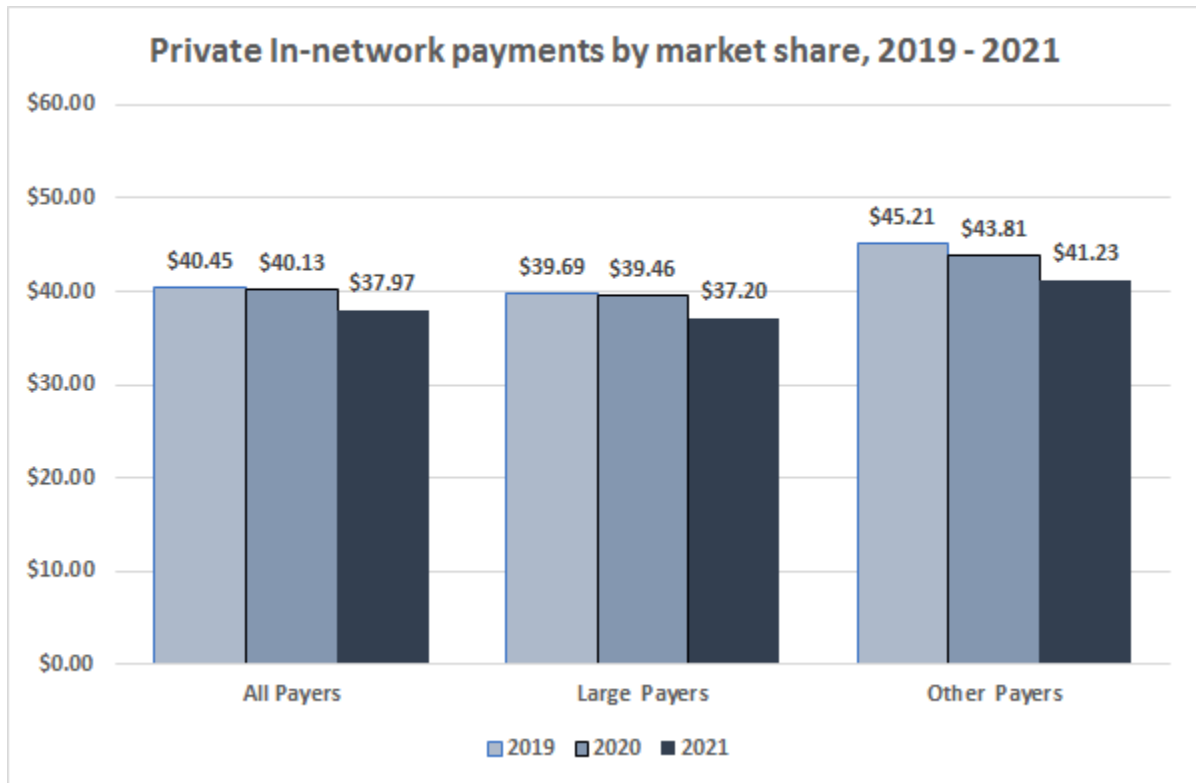
Impact of Private Payer Market Share and Region on Payment Rates

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 \$37.97 in 2021 compared to \$40.13 in 2020, a decrease of 5.4%. The payment changes from 2019 to 2020 was a 0.8% decrease (see Figure 1). The payment per RVU was lower among large payers for all three years. The payment rate for large payers was 88% of the rate for other payers in 2019 (\$39.69 v. \$45.21), 90% of the rate in 2020 (\$39.46 v. \$43.81) and 90% of the rate in 2021 (\$37.20 v. \$41.23). The change in the year-over-year payment rate was lower among large payers compared to other payers from 2019 to 2020 (-0.6% v. -3.1%). This was consistent with the change from 2020 to 2021 (-5.7% v. -5.9%). These differences in growth rates were not enough to cause a material difference in payment rates by market share.

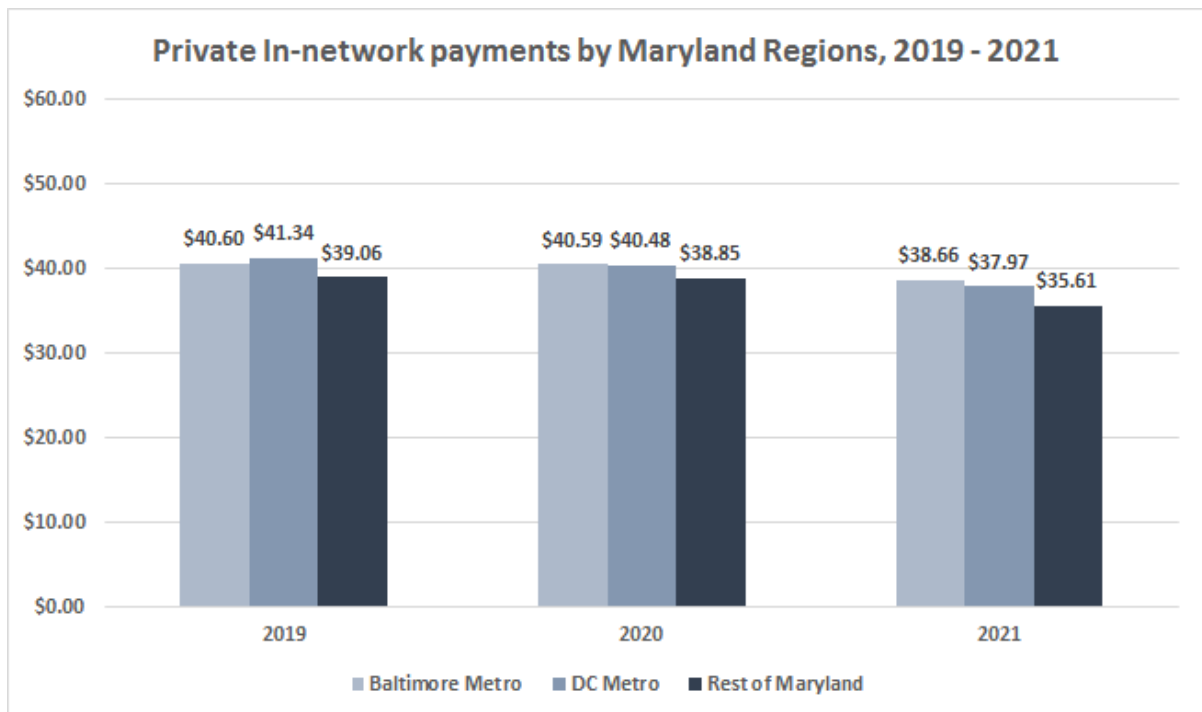
Figure 1: Private Payment Rates by Payer Market Share, 2019 – 2021



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 payers vs. other payers) in each region. 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 region much as Medicare does in the Medicare Physician Fee Schedule (MPFS). Many private payers align their fee schedules with the MPFS or with certain components of the MPFS. Medicare’s 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). Private payers apply a similar approach. Providers located in the “DC Metro” area 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 2019. In comparison, providers in the Baltimore metro region received marginally higher rates during 2020 and 2021. A recent study by HSCRC found that total cost of care for commercial patients were 4% higher in the Baltimore area than in other urban areas in Maryland. This was mainly driven by higher unit costs in the Baltimore area.

Figure 2: Private Payment Rates by Maryland Region, 2019 – 2021



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, private payment rates are between 118% and 179% higher than Medicare prices, with an average of 143% over the past ten years². 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.

A 2016 survey of Medicaid physician fees shows that although Maryland's Medicaid payment rate was higher than the national average (Maryland Medicaid's fee index was 1.35 of the national 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 2016.³ 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 1.01 for 2021, 1.03 for 2020 and 1.04 for 2019. Based on the difference in payment rates between large payers and other payers, the ratio of the private payment rate to the Medicare payment rate varied slightly by payer market share. Large payer payment rates were 2% lower than Medicare in 2021, 1% higher in 2020 and 3% higher in 2019.

The payment rate for large payers was \$37.20, \$39.46, and \$39.69, in 2021, 2020 and 2019, respectively compared with \$37.78 in 2021, \$38.96 in 2020 and \$38.72 in 2019 for Medicare. Payment per RVU among other payers was \$41.23, \$43.81, and \$45.21 in 2021, 2020, and 2019, respectively; it would have been \$37.75, \$38.96, and \$38.73 in 2021, 2020, and 2019, respectively if other payers used the Medicare fee schedule to reimburse

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/>

³ <https://www.urban.org/research/publication/medicaid-physician-fees-after-aca-primary-care-fee-bump>



a similar set of services (see Figure 4). Other payers paid on average about 9% higher in 2021, and 12% higher in 2020 and 17% higher in 2019 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.

Figure 3: Ratio of Private-to-Medicare Payment Rate, by Payer Market Share, 2019 – 2021

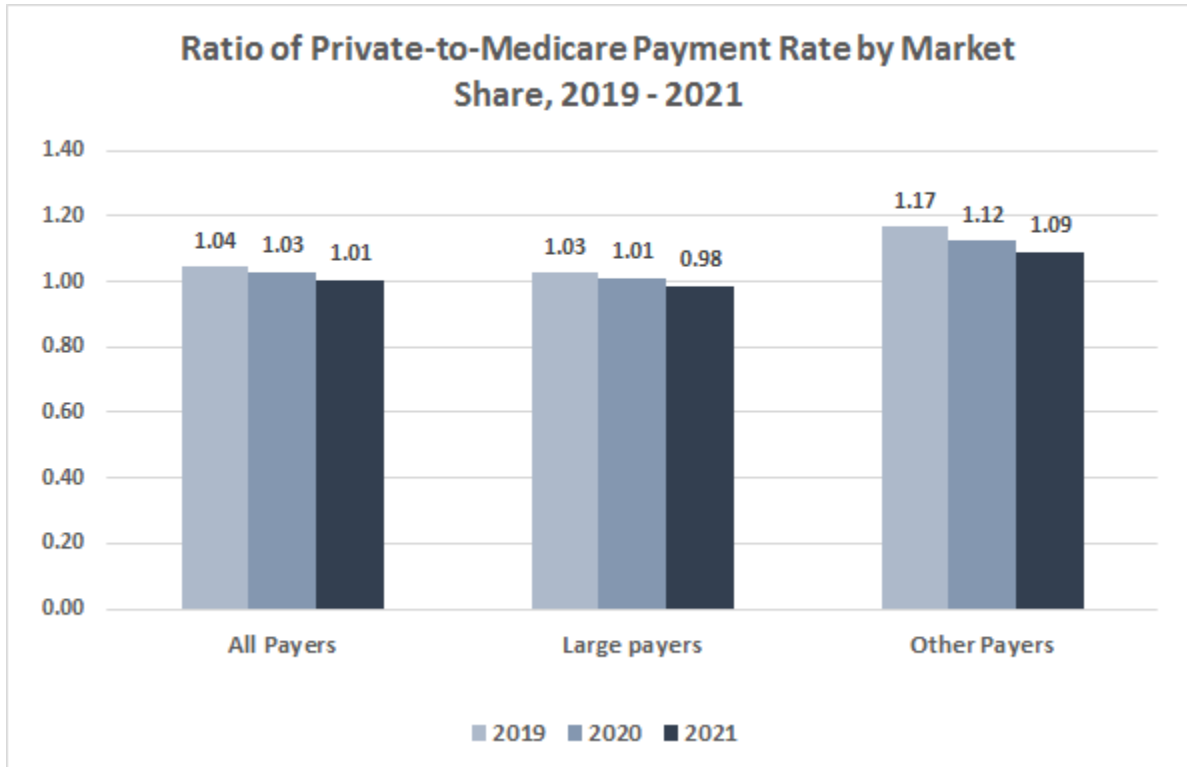


Figure 4: Private vs. Medicare Payment Rates, by Payer Market Share, 2019 – 2021



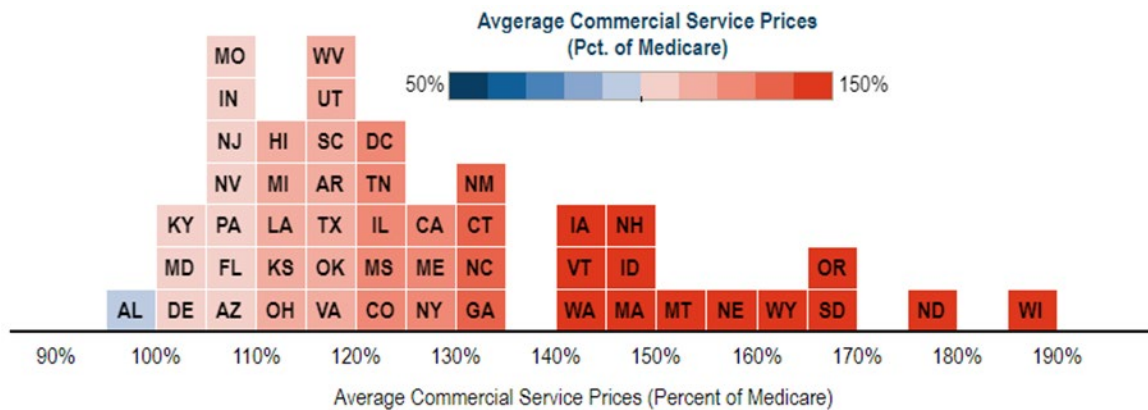
	2021		2020		2019	
	Private	Medicare	Private	Medicare	Private	Medicare
All Payers	\$37.97	\$37.77	\$40.13	\$38.96	\$40.45	\$38.72
Large payers	\$37.20	\$37.78	\$39.46	\$38.96	\$39.69	\$38.72
Other Payers	\$41.23	\$37.75	\$43.81	\$38.96	\$45.21	\$38.73

How Private Professional Payment Rates in Maryland Compare Nationally

To understand how Maryland physician payment rates compare with other states, we compared our methodology with a similar methodology adopted by the health care cost institute (HCCI) to calculate payment rates. HCCI used claims data to compare the negotiated rates paid by commercial payers for physician services to the Medicare payments for the same services in different areas of the country. Using a sample of nearly 210 million claims for employer-sponsored insurance individuals in 2017, they measured the average commercial prices paid for the 500 most provided services in physician settings across 271 metro areas and across 48 states and Washington, DC. They found that private physician payment rates were, on average, 122% of Medicare rates nationally in 2017.

As shown in Figure 5, the average private rates varied dramatically across the states, from below Medicare rates in Alabama (98%) to nearly twice Medicare rates in Wisconsin (188%). Maryland showed an average private rate of 104%.

Figure 5: Average Nationwide Private Physician Payment Rates, 2017⁴



Private vs. Medicare Payment Rates, by BETOS Category

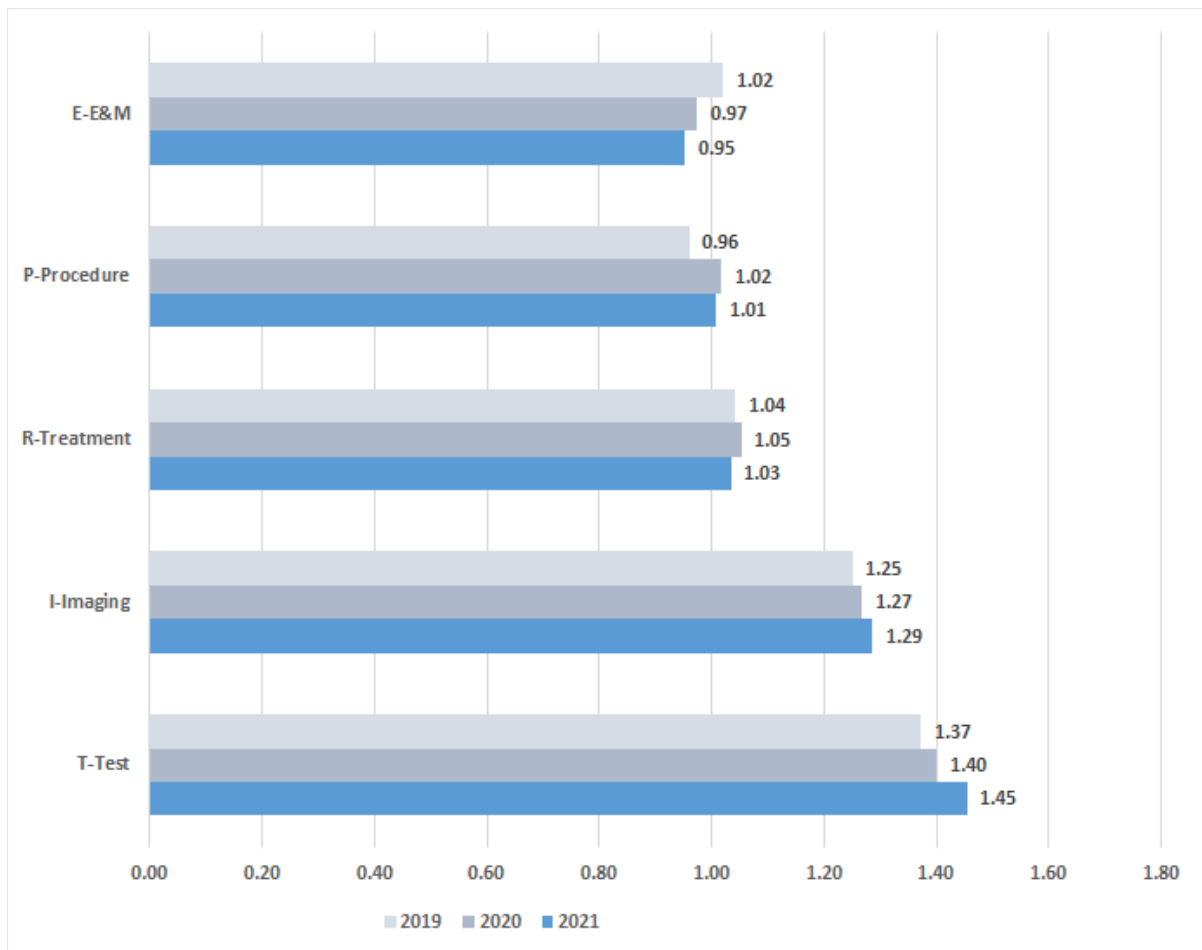
As shown in Figure 6, the private payment rates in 2021 for Imaging, and Tests were 129%,

⁴ <https://healthcostinstitute.org/hcci-research/comparing-commercial-and-medicare-professional-service-prices>



and 145% higher, respectively than what Medicare would have paid for these service categories based on the Berenson-Eggers Type of Service (BETOS) 2.0 classification system. In contrast, private payment rates were 95% of Medicare for Evaluation and Management services and 101% and 103% of Medicare for both Procedures and Treatments categories based on the BETOS 2.0 classification system.

Figure 6: Ratio of Private-to-Medicare payment rates by BETOS categories, 2019 -2021



What would Medicaid have paid?

As shown in Figure 7, the payment rate for services reimbursed by all private payers combined was 20% higher in 2021 and 18% higher in 2020, and 19% higher in 2019 than what Medicaid would have paid for a similar set of services. Both large payers and other payers paid substantially higher than Medicaid across all three years.



For services reimbursed by large payers, the payment per RVU was about 17% (2021) and 16% and 17% (2020 and 2019) higher than if the services were reimbursed under the Medicaid fee schedule. Large payers paid \$37.20, \$39.46, and \$39.69 in 2021, 2020, and 2019 respectively, compared with \$31.71 in 2021, \$33.96 in 2019 and \$34.06 in 2019 if Medicaid reimbursed the services (see Figure 8).

The difference in payment rates between other payers and Medicaid was greater than that between large payers and Medicaid. In the years 2019 to 2021, payments per RVU were \$45.21, \$43.81, and \$41.23, respectively for services reimbursed by other payers, compared with \$34.09, \$34.22, and \$31.72, respectively for the years 2019 through 2021 if Medicaid reimbursed the services (see Figure 8).

Figure 7: Ratio of Private-to-Medicaid Payment Rate, by Payer Market Share, 2019 – 2021

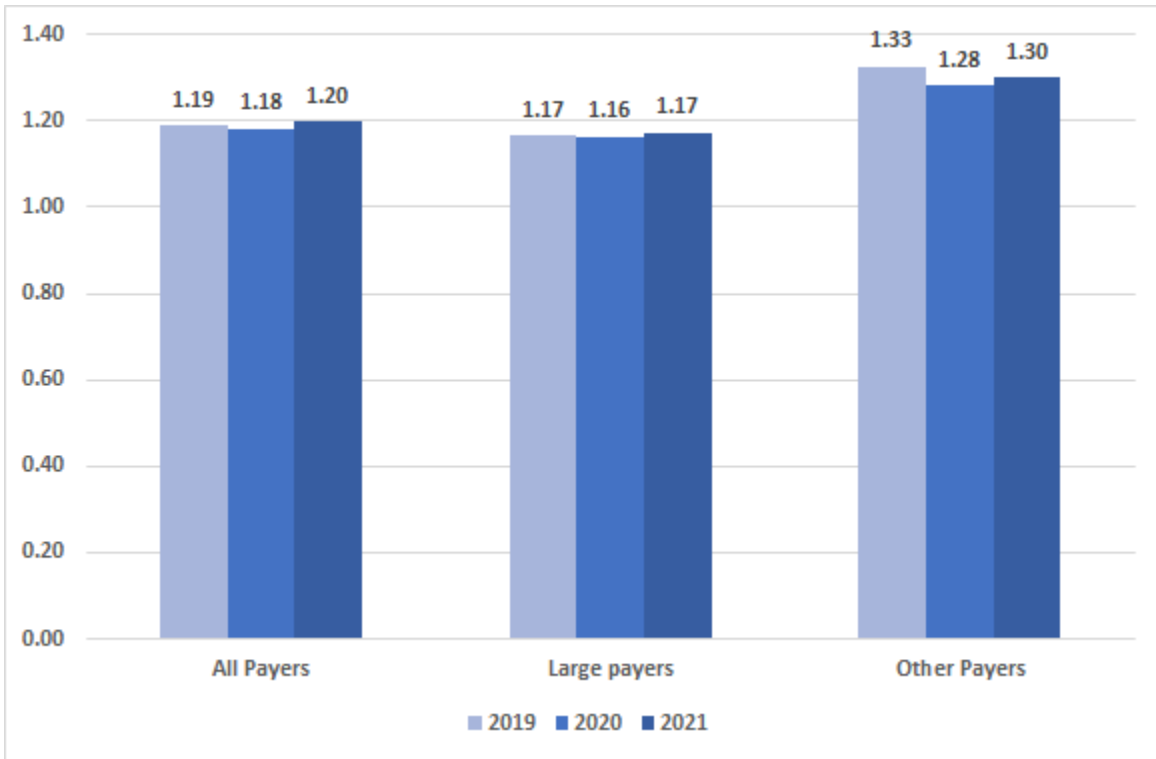


Figure 8: Private vs. Medicaid Payment Rates, by Payer Market Share, 2019 – 2021

	2021		2020		2019	
	Private	Medicaid	Private	Medicaid	Private	Medicaid
Market share						
All Payers	\$37.97	\$31.71	\$40.13	\$34.00	\$40.45	\$34.06
Large payers	\$37.20	\$31.71	\$39.46	\$33.96	\$39.69	\$34.06
Other Payers	\$41.23	\$31.72	\$43.81	\$34.22	\$45.21	\$34.09

Private to Medicare Payment Ratios By Provider Specialty, 2021

As shown in Figure 9, the payment ratio for services reimbursed by all private payers varied across different provider specialties when compared to Medicare payment rates. The Private payment for ophthalmology (78%), dermatology (79%), Gastroenterology (84%), Psychiatry (88%) and Pediatrics (98%) were lower than Medicare rates. Internal Medicine (102%), Cardiovascular Surgery (102%), Family Medicine (103%) and Urology (103%) payment rates were modestly higher than Medicare rates. General Surgery and Obstetrics & Gynecology rates were 105% and 106% of Medicare rates respectively.

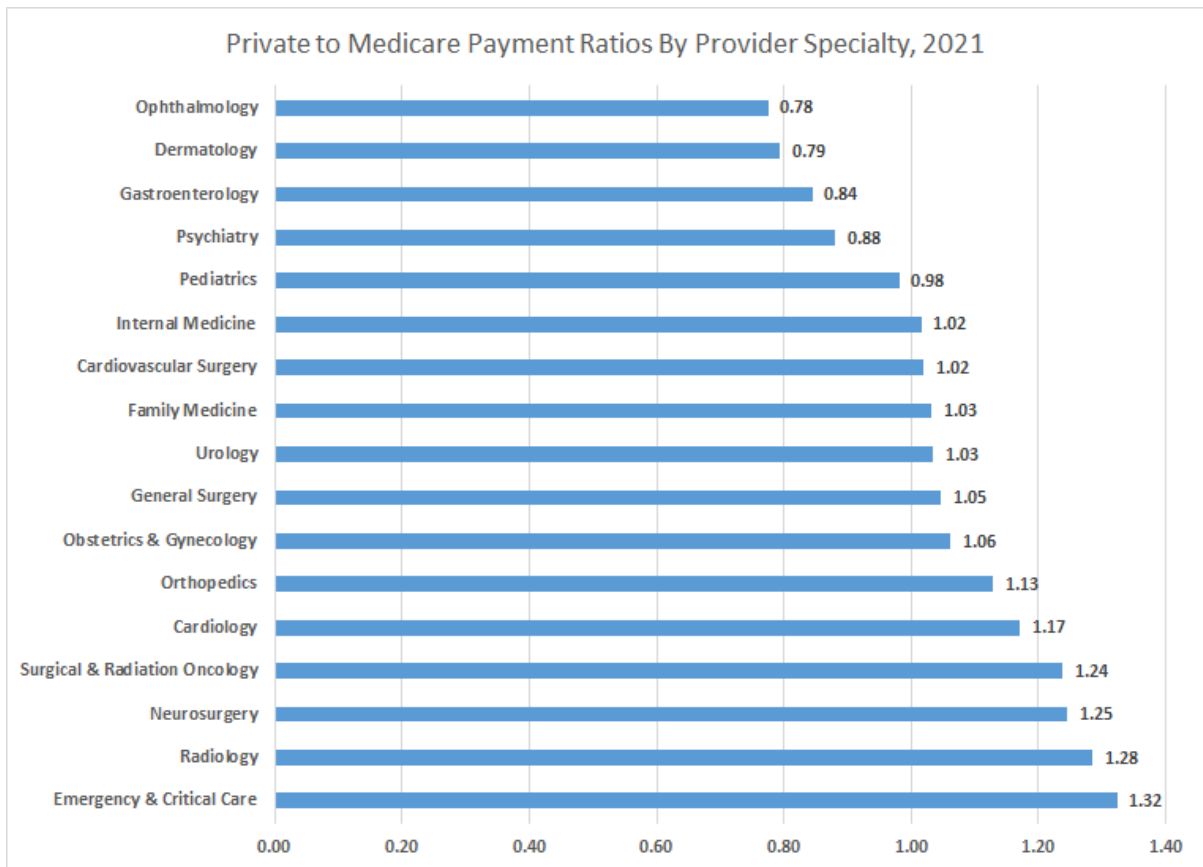
Six specialties received private rates between 113% to 132% of Medicare rates.

Orthopedics (113%), Cardiology (117%), Surgical& Radiation Oncology (124%), Neurosurgery (125%), Radiology (128%) and Emergency & Critical care (132%)

The professional services file in the MCDB contains about 70% and 30% of claims submitted by physicians and non-physicians. Evaluation and management and treatment BETOS categories make up about 61% and 21% of the total claims. As shown in Figure 6, private payment rates Evaluation and management is lower and payment rates for procedure services is modestly higher than Medicare rates. The analysis of private to Medicare payment rates is influenced by these two types of BETOS categories.



Figure 9: Private to Medicare Payment Ratios By Provider Specialty, 2021



Appendix

Data Sources.

The analyses for this report used 2019 to 2021 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 that measure 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 for the reimbursement of 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 in a standardized manner controlling for the complexity of a given service. A synthetic fee for large payers and other private payers was developed separately using the allowed amount by CPT code from the MCDB professional services files. e private fees by CPT code for in-network services only.

Medicare Payment Rate.

RVUs assigned in Medicare's physician payment system are added to valid services in the MCDB by CPT/HCPCS codes. The Medicare conversion factor is applied to the total RVUs to produce the total payment for the service. Service-level payment and RVUs are aggregated across payer market share or provider region. The aggregated payments which are 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 2020 Medicaid fee schedule is merged to the MCDB from respective years (2018 to 2020) 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

	Distribution		
	No. of Services	No. of RVUs	Total Spending
Largest Payers	81%	81%	79%
Other Payers	19%	19%	21%
Total	100%	100%	100%

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.

Figure A2: Payment Rates for Private Non-HMO and HMO Fee-for-Service Claims v. Medicare, 2004 and 2003⁵

Table A 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%

⁵ https://mhcc.maryland.gov/mhcc/pages/plr/plr_healthmd/plr_healthmd_Utilization.aspx



Table A 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%

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 (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 rates⁶.

Acknowledgments

This report on payments for professional services in Maryland was conducted by the Center for Analysis and Information Systems staff of the Maryland Health Care Commission. The staff involved in this report's development was Shankar Mesta. Questions about the report should be directed to Shankar Mesta (shankar.mesta@maryland.gov).

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

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