



MARYLAND HEALTH CARE COMMISSION

4160 PATTERSON AVENUE – BALTIMORE, MARYLAND 21215
TELEPHONE: 410-764-3460 FAX: 410-358-1236

THE MARYLAND HEALTH CARE COMMISSION RELEASES TWO REPORTS ON KEY FACTORS AFFECTING HEALTH CARE EXPENDITURE COST CURVE

One Compares Maryland's Spending to National Stats; One Examines Private-Sector Health Insurance

Baltimore, Maryland (March 22, 2010) - The Maryland Health Care Commission's new report, *Health Care Spending in Maryland: How Does It Differ From Other States and Why*,¹ utilizes historical data to examine the potential drivers of health care costs in Maryland. Released last week, the Commission's report provides a comparative analysis of Maryland's health care spending for more than a decade—from 1991 to 2004—to other states in the nation. Based on the Centers for Medicare and Medicaid Services data, the most current state-specific trend data available, the report examines key drivers of health care costs to better understand how Maryland has the 17th highest per capita health care spending in the nation. The report examines 25 factors ranging from demographic and socioeconomic characteristics to provider wages in an effort to understand how potential cost-drivers impact health care spending in Maryland. "This new report is designed to help Maryland understand where it ranks among other states on health care spending and to take an important step toward identifying key factors that can make health care spending in the state more efficient and cost-effective," Said Ben Steffen, director of the Center for Data and Analysis at the Maryland Health Care Commission.

The Commission also releases its *Medical Expenditure Panel Survey – Insurance Component (MEPS-IC), Maryland Sample through 2008*² report last week. This biennial report describes key characteristics of health insurance coverage provided through Maryland private-sector employers in 2008. Based on the MEPS-IC report, approximately 88 percent of Maryland's private-sector employees worked in establishments that offered health insurance, a figure that mirrors the national average. Yet, 30 percent of Marylanders working in the private-sector were unable to obtain health insurance coverage through their employer due in part to the fact that they were ineligible for employer health coverage or because they worked for employers who did not offer coverage. Though Maryland is one of a few states to offer health insurance subsidies to small businesses through the Health Insurance Partnership, employers with less than 10 employees in the state continue to be the least likely private employer to offer health insurance. "These reports bring home how challenging and how vital it will be to bend the cost curve to produce higher value and better quality in health care." said Rex Cowdry, M.D., executive director of the Maryland Health Care Commission. The Commission will give a presentation to the General Assembly on "Bending the Cost Curve" **today - Monday, March 22, at 1 p.m.**

Both reports were developed and released by the Center for Analysis and Information Services in the Maryland Health Care Commission (MHCC). The MHCC is an independent state agency located within the Department of Health and Mental Hygiene whose mission is to plan for health system needs, promote informed decision-making, increase accountability, and improve access in a rapidly changing health care environment by providing timely and accurate information on availability, cost, and quality of services to policy makers, purchasers, providers and the public.

For more information, or to interview Ben Steffen, 410-764-3570. (more)

¹ To access the report online, visit: http://mhcc.maryland.gov/health_care_expenditures/hcec10/health_care_spending_report_031810.pdf

² To access the report online, visit: http://mhcc.maryland.gov/health_insurance/insurance_coverage/mepsic2008.pdf

Health Care Spending in Maryland: How does it differ from other states and why?³

This report—the first in the new health care expenditure comparison series—compares per capita personal health care spending in Maryland to other states—both levels of spending and changes over time. Important factors in the health care environment—demographic and socio-economic characteristics of residents, supply side and market characteristics, and policy choices -- that are thought to affect spending are discussed individually and together to provide a stronger framework for understanding variations in spending across states. This type of comparative analysis requires data that have been collected and adjusted consistently for all states. MHCC used the most recent source of spending data created by the Centers for Medicare and Medicaid Services for the years 1991 to 2004. While the data are not as current as desirable, the patterns and forces influencing spending can provide insights into current spending patterns. Furthermore, many of the relationships discussed in this report have proven fairly persistent. Regression analyses based on these data—with per capita spending as the outcome and demographic, supply, market and policy characteristics as the inputs—are used to identify the factors most strongly associated with health care spending.

The report analyzed 25 factors that might affect health care spending and costs in Maryland and across the nation. These factors fall into three key categories including:

- i) Demand for health care services – a section that answers the following questions: Who is utilizing health care? What services are being used? How much does this utilization cost?
- ii) Supply of health care resources – a section that answers these questions: What is the availability of health care resources such as physicians? How are these resources used? How do they affect health care spending?
- iii) Health care markets and policy decisions – a section that reviews policy interventions such as Maryland’s certificate of need program or the state’s small group market regulation and analyzes their impact on health care spending.

Of the 25 factors, only seven factors were found to be significantly associated with per capita spending: 1) proportion of the population in fair or poor health; 2) short-term hospital beds per capita; 3) physicians per capita; 4) SNF beds per capita; 5) Medicaid enrollment generosity; 6) hospital per diem costs; and 7) average insurance premiums. For Maryland, these seven factors provide the promising framework by which policymakers can begin to address and rein in health care spending.

Key findings from the report:

- In 2004, per capita health care spending Maryland averaged \$5,590—6 percent above the national average and 17th highest among the 50 states.
- The average annual growth rate for Maryland was 4.2 percent from 1991 to 1998, increasing to 7.2 percent from 1998 to 2004. For the United States overall, the average annual rate of growth was somewhat higher than Maryland in the earlier period (4.8 percent) and somewhat lower in the later period (6.3 percent). More recent data shows the average annual growth rate in the U.S. continuing to decline through 2008.
- Underlying geographic variation in health care spending are differences in utilization of services and the prices paid for those services. Utilization is driven by a range of complex, interrelated factors; health status is a major determinant and is in turn influenced by health behaviors, age, income, race/ethnicity, and other sociodemographic characteristics. These interrelationships are difficult to disentangle.

³ To access the report online, visit:

http://mhcc.maryland.gov/health_care_expenditures/hcec10/health_care_spending_report_031810.pdf

Medical Expenditure Panel Survey – Insurance Component, Maryland Sample through 2008 ⁴

This report describes key characteristics of health insurance coverage through Maryland private-sector employers in 2008, using public information from the Medical Expenditure Panel Survey – Insurance/Employer Component. The vast majority of employees in Maryland’s private-sector employers—88 percent—work for an employer that offers health insurance. This *offer rate* is essentially unchanged since 1996 and the same as the national rate in 2008. The offer rate generally increases with firm size: the smallest firms (less than 10 employees) had an average offer rate of 49% while the largest firms (1000+ employees) had an average rate of 99%. Data that shows that small business employees in Maryland are less likely to have affordable, employer-sponsored health insurance than employees working for larger firms.

From 2002 to 2008, the average premium for single coverage in PPO-type products (the most common type of coverage) offered by/through private employers in Maryland increased by 34 percent from \$3,263 (nominal dollars) to \$4,361, and the average premium for family coverage increased by 52 percent from \$7,891 (nominal dollars) to \$12,132.

Unlike the offer rate, the *enrollment rate*—the percent of employees at establishments that offer health insurance who are enrolled—declined in Maryland from 2005 to 2008 (67% to 61%). This decline was due to lower enrollment rates in two industry categories: agriculture, fishing, forestry, and construction (78% to 65%) and all others⁵ (85% to 71%). In these categories, the offer rates did not change, but the number—and likely the occupations—of workers did: construction, etc. grew by 39%, all others shrank by 32%, and their eligibility rates declined significantly. These changes are reflected in an apparent decrease in the overall percentage of private sector workers in Maryland who were enrolled in health insurance plans offered by their employers from 2005 to 2008 (59% to 53%). However, most of the workers who did not enroll in their employers’ plans obtained coverage from another source (spouse’s employer, direct purchase, public coverage), resulting in an 82% insured rate among the state’s private sector, nonelderly adult workers in 2007–2008 (Current Population Survey), a rate higher than the national average (79%).

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⁴ To access the report online, visit: http://mhcc.maryland.gov/health_insurance/insurance_coverage/mepsic2008.pdf

⁵ all others = utilities; wholesale trade; transportation & warehousing; finance & insurance; real estate, rental & leasing; management of companies