



2017

# **Payment For Professional Services in Maryland (In-Network Only)**

# Payment For Professional Services in Maryland for In-Network Only (2015 – 2017)

## Introduction:

Despite a continued system-wide focus on improving the quality of health care while constraining cost growth, several federal and state health care reforms leverage payments to providers to create incentives for providing more efficient and less costly care to consumers. However, the cost of delivering health care services across the U.S. remains significantly high. Medicare and Medicaid initiatives have used higher payment rates to incentivize providers to serve patients with more complex health challenges. This report examines the variations in payment rates for professional services among private health insurance carriers and benchmark these payments to Medicare and Medicaid payment rates for the same services. Payment rates for professional services are the payment per relative value unit (RVU) at the same service level.

## Highlights:

- The payment rate for privately insured professional services in 2017, 2016, and 2015 averaged \$39.74, \$38.74, and \$37.72 respectively. These rates increased by about 2.7% from 2015 to 2016 and by about 2.6% from 2016 to 2017.
- Payment rates for large private payers were lower than those for other private payers from 2017 to 2015 (7.5%, 8.6% and 6.9% lower for 2017, 2016 and 2015 respectively).
- The private payment rates in 2017, 2016, and 2015 were comparable (1.03, 1.00, 0.97 of Medicare respectively) to what Medicare would have paid for similar services. On the other hand, the private payment rates were about 18%, 15%, and 11% higher in 2017, 2016 and 2015 respectively than the Medicaid payment rates.
- On average, large payers paid about 2% more than Medicare in 2017, and 1%, and 4% less than Medicare in 2016 and 2015 respectively. Other payers paid about 9%, 8%, and 3% more than Medicare in 2017, 2016, and 2015 respectively.
- Private payment rates were higher than Medicaid for both large and other payers across all three years. Large payer payment rates were 16%, 13%, and 10% higher than Medicaid in 2017, 2016, and 2015 respectively.
- Other payer rates were substantially higher than Medicaid payment rates for all three years (26%, 23%, and 18% higher in 2017, 2016, and 2015 respectively).
- Private payment rates varied across the Maryland regions, with the highest rates in the DC Metro (\$41.11 in 2017, \$40.08 in 2016 and \$38.66 in 2015).

## Impact of Private Payer Market Share and Region on Payment Rates

Payment rates for professional services are 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 payers combined was \$39.74 in 2017 compared to \$38.74 in 2016, an increase of 2.6%. The payment rate change from 2015 to 2016 was by about a 2.7% increase (see Figure 1). The payment per RVU was lower among large payers for all three years. The payment rate for large payers was 93% of the rate for other payers in 2015 (\$37.26 v. \$40.04), 91% in 2016 (\$38.07 v. \$41.65) and 93% of the rate in 2017 (\$39.20 v. \$42.37). However, the change in the overall payment rate was higher among large payers than among other payers from 2016 to 2017 (3.0% v. 1.7%) but lower than among other payers from 2015 to 2016 (2.2% v. 4.0%). These differences in growth rates were not enough to cause a material difference in payment rates my market share.

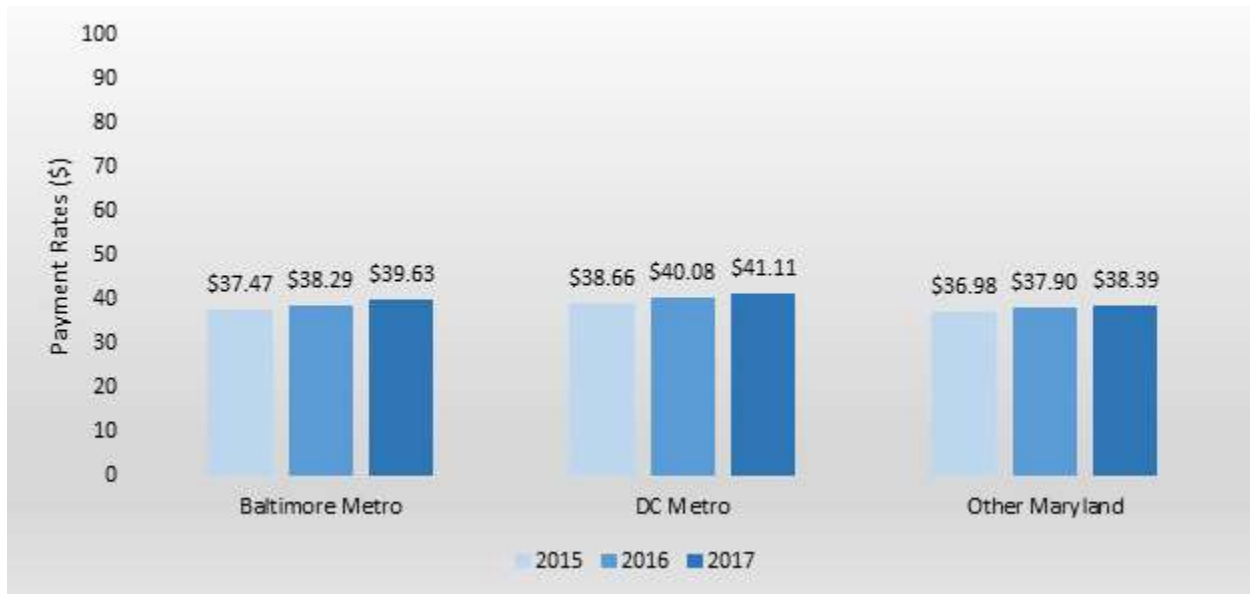
**Figure 1: Private Payment Rates by Payer Market Share, 2015 – 2017**



### Payment Rates by Region:

The payment rates varied by region, based on various factors including but not limited to the resource cost and payer mix (large vs. other payers) in each region. As shown in Figure 2, payment rates in all three years were highest in the DC Metro area which is influenced by the high cost of living indices in Montgomery County, Prince Georges County, and the District of Columbia of 142.8, 116.8 and 158.5 respectively. In other words, the cost of living is about 42.8%, 16.8%, and 58.5% higher than the national average for Montgomery County Prince Georges County, and the District of Columbia respectively. Similar to the DC Metro, payment rates increased every year in the Baltimore Metro and Other Maryland regions as well.

**Figure 2: Private Payment Rates by Maryland Region, 2015 - 2017**



### 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, and Medicare’s resource-based fee schedule serves as the frame of reference for other payers. On a national basis, private payment rates are between 10% and 33% higher than Medicare FFS prices on average over the past ten years.<sup>1</sup> However, private payments in Maryland have been lower compared to the national average. Areas with lower payment rates for the basket of physician services—such as Maryland—also are areas with lower payment rates across service categories. For example, Bethesda, Maryland, has relatively low payment rates for 58 of 74 service categories.<sup>2</sup> 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 also approximately 3% less than the Medicare rate and about 2% more than Medicare for non-HMO-FFS payment rates.<sup>3</sup> 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 Medicaid-to-Medicare payment rate was 0.88 in Maryland in 2016.<sup>4</sup> 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?

<sup>1</sup> <https://www.cbo.gov/system/files/115th-congress-2017-2018/workingpaper/53441-workingpaper.pdf>

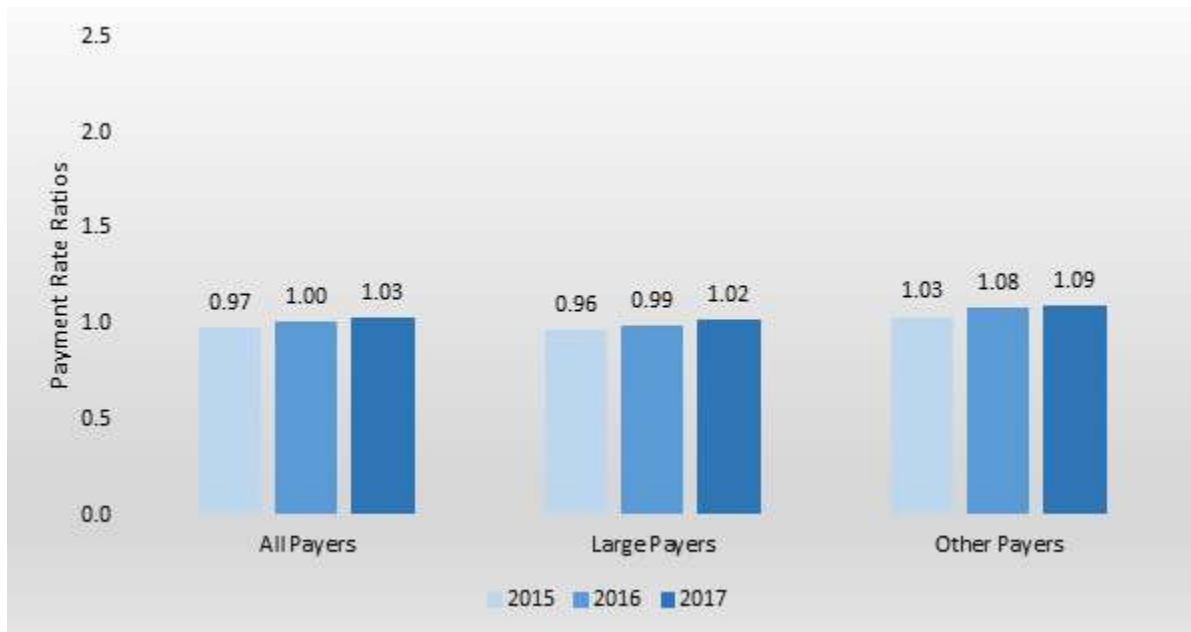
<sup>2</sup> [http://medpac.gov/docs/default-source/reports/Jun11\\_Ch07.pdf](http://medpac.gov/docs/default-source/reports/Jun11_Ch07.pdf)

<sup>3</sup> [https://mhcc.maryland.gov/mhcc/pages/plr/plr\\_healthmd/plr\\_healthmd\\_Utilization.aspx](https://mhcc.maryland.gov/mhcc/pages/plr/plr_healthmd/plr_healthmd_Utilization.aspx)

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

As shown in Figure 3, the payment rate for services reimbursed by private payers was comparable to what Medicare would have paid for a similar set of services, with ratios of 1.03 for 2017 and 1.00 for 2016 and 0.97 in 2015. Based on the difference in payment rates between large and other payers, the ratio of the private payment rate to Medicare payment rate varied slightly by payer market share. Large payers paid about 2% more, 1% less, and 4% less than Medicare would have paid in 2017, 2016, 2015 respectively. The payment rate for large payers was \$39.20, \$38.07, and \$37.26 in 2017, 2016 and 2015 respectively compared with \$38.58, \$38.57, and \$38.74 in 2017, 2016 and 2015 respectively for Medicare. Payment per RVU among other payers was \$42.37, \$41.65, and \$40.04 in 2017, 2016 and 2015 respectively; it would have been \$38.77, \$38.65, and \$38.80 in 2017, 2016 and 2015 respectively if other payers used the Medicare fee schedule to reimburse a similar set of services (see Figure 4). Other payers paid on average about 9% higher in 2017, 8% higher in 2016, and 3% higher in 2015 for covered services than what Medicare would have paid. As depicted in Figure 3, the private-to-Medicare payment rate for all payers combined is 0.97 in 2015, 1.00 in 2016 and 1.03 for 2017. The difference in what Medicare would have paid for service 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, 2015 – 2017**



**Figure 4: Private vs. Medicare Payment Rates, by Payer Market Share, 2015 – 2017**

Payers	2017		2016		2015	
	Private	Medicare	Private	Medicare	Private	Medicare
Large Payers	\$39.20	\$38.58	\$38.07	\$38.57	\$37.26	\$38.74
Other Payers	\$42.37	\$38.77	\$41.65	\$38.65	\$40.04	\$38.80
All Payers	\$39.74	\$38.61	\$38.74	\$38.58	\$37.72	\$38.75

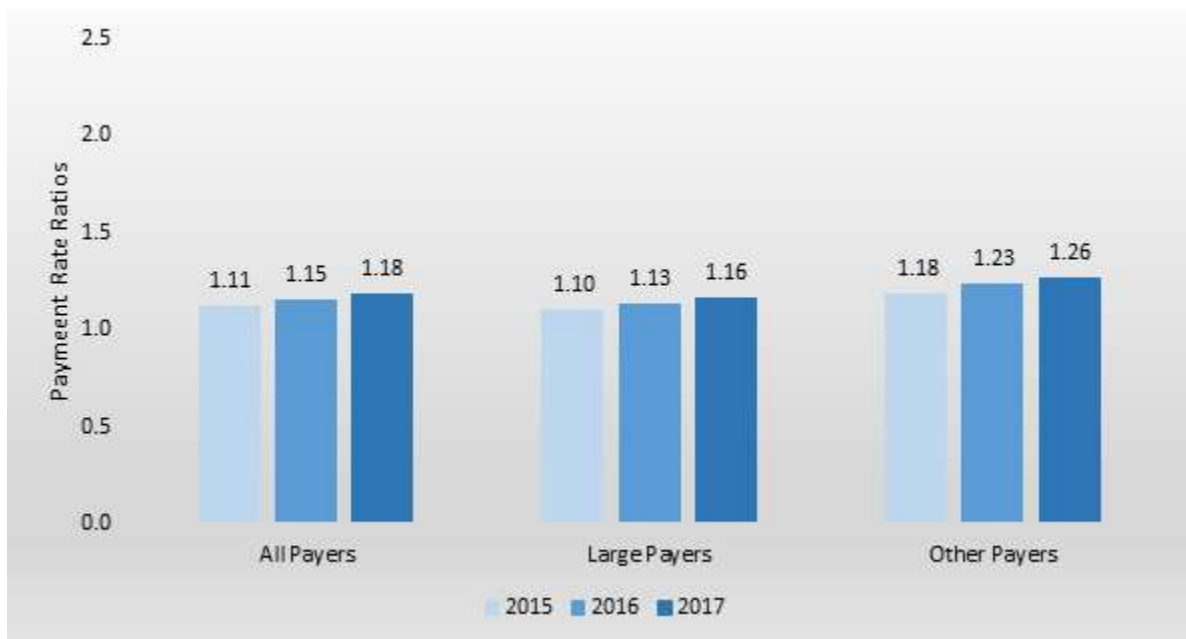
**What would Medicaid have paid?**

As shown in Figure 5, the payment rate for services reimbursed by all private payers combined was 11%, 15%, and 18% higher in 2015, 2016, 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 Medicaid payment rates across payer market shares from 2015 to 2017.

For services reimbursed by large payers, the payment per RVU was about 10%, 13%, and 16% higher than if the services were reimbursed under the Medicaid fee schedule for 2015, 2016 and 2017 respectively. In the years 2015 to 2017, large payers paid \$37.26, \$38.07, and \$39.20 per RVU respectively compared with \$33.82, \$33.78, and \$33.73 respectively for the years 2015 through 2017 had the Medicaid fee schedule for reimbursement was used (see Figure 6).

The difference in payment rates between other payers and Medicaid was greater than that between large payers and Medicaid. In the years 2015 to 2017, payment per RVU was \$40.04, \$41.65, and \$42.37 respectively for services reimbursed by other payers, compared with \$33.91, \$33.81, and \$33.64 respectively for the years 2015 through 2017 if Medicaid reimbursed the services.

**Figure 5: Ratio of Private-to-Medicaid Payment rate, by Payer Market Share, 2015 – 2017**



**Figure 6: Private vs. Medicaid Payment Rates, by Payer Market Share, 2015 – 2017**

Payers	2017		2016		2015	
	Private	Medicaid	Private	Medicaid	Private	Medicaid
Large Payers	\$39.20	\$33.73	\$38.07	\$33.78	\$37.26	\$33.82
Other Payers	\$42.37	\$33.64	\$41.65	\$33.81	\$40.04	\$33.91
All Payers	\$39.74	\$33.72	\$38.74	\$33.79	\$37.72	\$33.83

# Appendix

## Methods

### **Data Sources.**

The analyses used 2015 to 2017 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 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. This standardized measure controls for the complexity of service. A synthetic fee for large and other private payers were developed separately using the allowed amount from the MCDB professional services files. We developed these private fees by CPT 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 get 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 the Maryland Medical Assistance (Medicaid) program lists the amount Medicaid would pay for a service. The 2017 Medicaid fee schedule is merged to the MCDB from respective years (2015 to 2017) by CPT/HCPCS codes. Service-level Medicaid payment 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 calculate 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	82.3%	82.7%	81.5%
Other Payers	17.7%	17.3%	18.5%
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 due to Gobeille v. Liberty Mutual Ins. Co. SCOTUS ruling for 2015 and beyond.

**Cost of Living Index.**

The cost-of-living index gives the percentage difference in the cost of living between your location and another. For this report, the cost-of-living index compares to the U.S. which has an index of 100. An index greater than 100 means that the cost of living is greater than the national average. For example, an index of 120 means that the cost of living is 20% higher than the national average.

**Figure A2:**

<b>Cost of Living Index By County</b>	
	Index
<b>Baltimore Metro</b>	
Baltimore City	89.5
Baltimore County	108.8
Harford County	114.1
Howard County	142.4
Anne Arundel County	126.1
<b>DC Metro</b>	
Montgomery County	142.8
Prince George's County	116.8
<b>Rest of Maryland</b>	
Garrett County	102.6
Allegany County	109.3
Washington County	92.5
Carroll County	112.6
Frederick County	118.8
St. Mary's County	111.2
Charles County	111.8
Calvert County	113.9
Cecil County	108.7
Kent County	102.8
Queen Anne's County	117.8
Talbot County	117.4
Caroline County	99.7
Dorchester County	109.9
Wicomico County	111.5
Somerset County	109.5
Worcester County	109.3
<b>District of Columbia</b>	
DC	158.5

Source: [https://www.bestplaces.net/cost\\_of\\_living/county/maryland/baltimore](https://www.bestplaces.net/cost_of_living/county/maryland/baltimore)

Note: The cost of living index for the District of Columbia is included here only for reference.

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

**Figure A3:** Payment Rates for Private Non-HMO and HMO Fee-for-Service Claims v. Medicare, 2004 and 2013<sup>5</sup>

**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%

### Acknowledgements

This report on payment for professional services in Maryland was conducted by the Center for Analysis and Information Systems staff of the Maryland Health Care Commission. Staff who created this report is Kenneth Yeates-Trotman.

Questions about the report should be directed to Kenneth Yeates-Trotman.

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

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<sup>5</sup> [https://mhcc.maryland.gov/mhcc/pages/plr/plr\\_healthmd/plr\\_healthmd\\_Utilization.aspx](https://mhcc.maryland.gov/mhcc/pages/plr/plr_healthmd/plr_healthmd_Utilization.aspx)