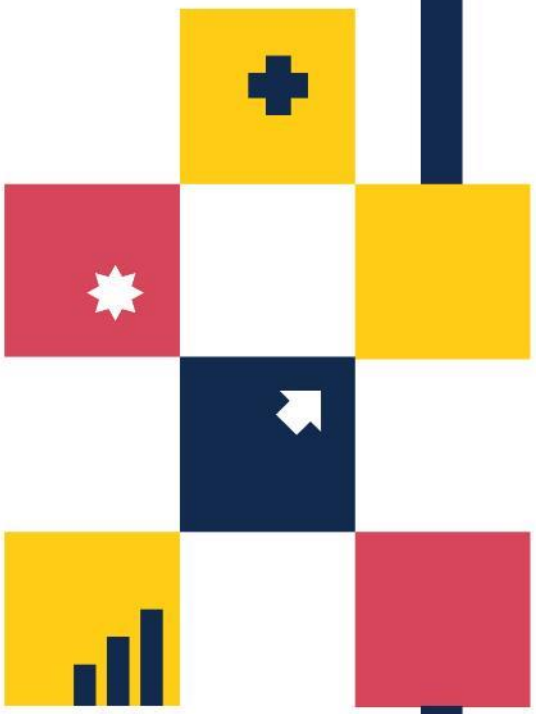
Payments for Professional Services in Maryland (In-Network services only)

2020



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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 2018 through 2020, 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 a service. For this report, we used RVUs from 2020, 2019 and 2018 Medicare physician fee schedules (PFS), which contained information for more than 10,000 physician services.

2020 Professional Services Payment Rates: Highlights:

- Payments per RVU for all payers increased about 1.4% in 2020 compared to 2019 ($40.11 and $39.57, respectively). In contrast, we observed a 0.3% decrease from 2018 through 2019.
- The private payment rates for 2020 were about 103% of Medicare and about 121% of Medicaid. Compared to a year ago, private payments were about 102% and 118% of Medicare and Medicaid rates, respectively.
- Private payment rates in 2020 varied by geographic region in Maryland, with the highest rates in the DC Metro area ($41.15 compared to $40.47 in the Baltimore Metro area and $38.17 in the rest of Maryland).

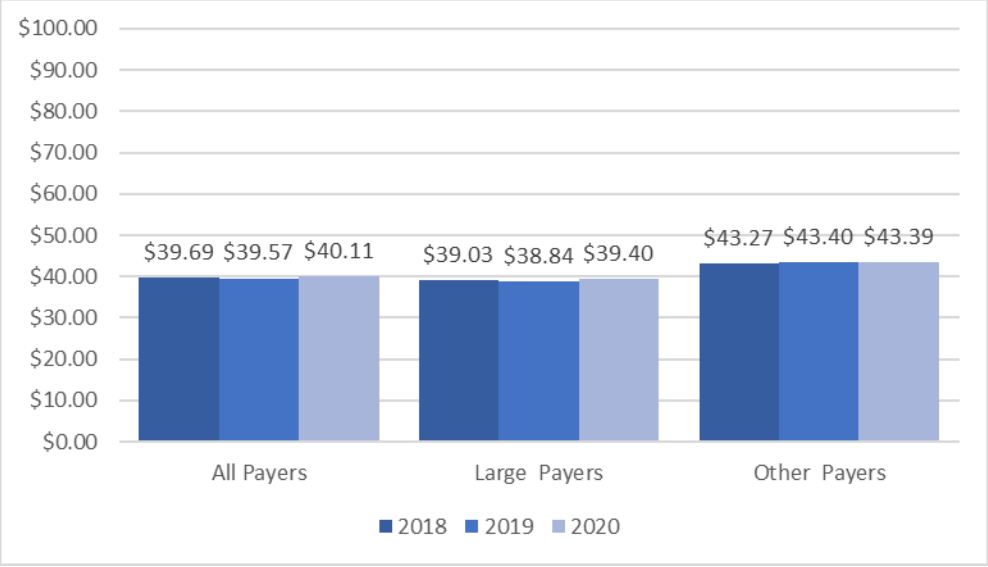
Impact of Private Payer Market Share and Region on Payment Rates

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 $40.11 in 2020 compared to $39.57 in 2019, an increase of 1.4%. The payment change from 2018 to 2019 was a 0.3% decrease (see Figure 1). The payment per RVU was lower among large payers for all three years. The payment rate for large payers was 90.2% of the rate for other payers in 2018 ($39.03 v. $43.27), 89.5% of the rate in 2019 ($38.84 v. $43.40) and 90.8% of the rate in 2020 ($39.40 v. $43.39). The change in the year-over-year payment rate was lower among large payers compared to other payers from 2018 to 2019 (-0.5% v. 0.3%). This was in contrast to the change from 2019 to 2020 (1.4% v. 0.0%) because of lower payments in 2019 within large payers ($38.84). These differences in growth rates were not enough to cause a material difference in payment rates by market share.

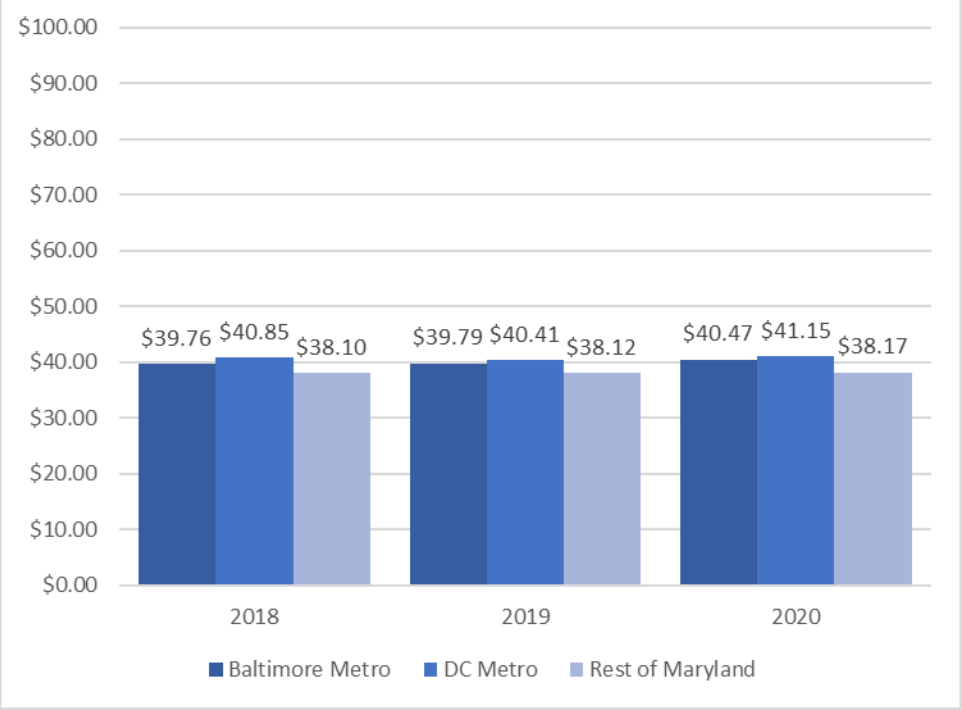
Figure 1: Private Payment Rates by Payer Market Share, 2018 – 2020



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. Hence, 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 2018 through 2020.

Figure 2: Private Payment Rates by Maryland Region, 2018 – 2020



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 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.

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 1.03 for 2020, and 1.02 for 2019 and 2018. 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 1% higher than Medicare in both 2020 and 2018, and equivalent to what Medicare would have paid in 2019.

The payment rate for large payers was $39.40, $38.84, and $39.03, in 2020, 2019 and 2018, respectively compared with $39.03 in 2020, $38.75 in 2019 and $38.74 in 2018 for

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[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

Medicare. Payment per RVU among other payers was $43.39, $43.40, and $43.27 in 2020, 2019, and 2018, respectively; it would have been $38.97, $38.76, and $38.72 in 2020, 2019, and 2018, 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 11% higher in 2020, and 12% higher in both 2019 and 2018 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, 2018 – 2020

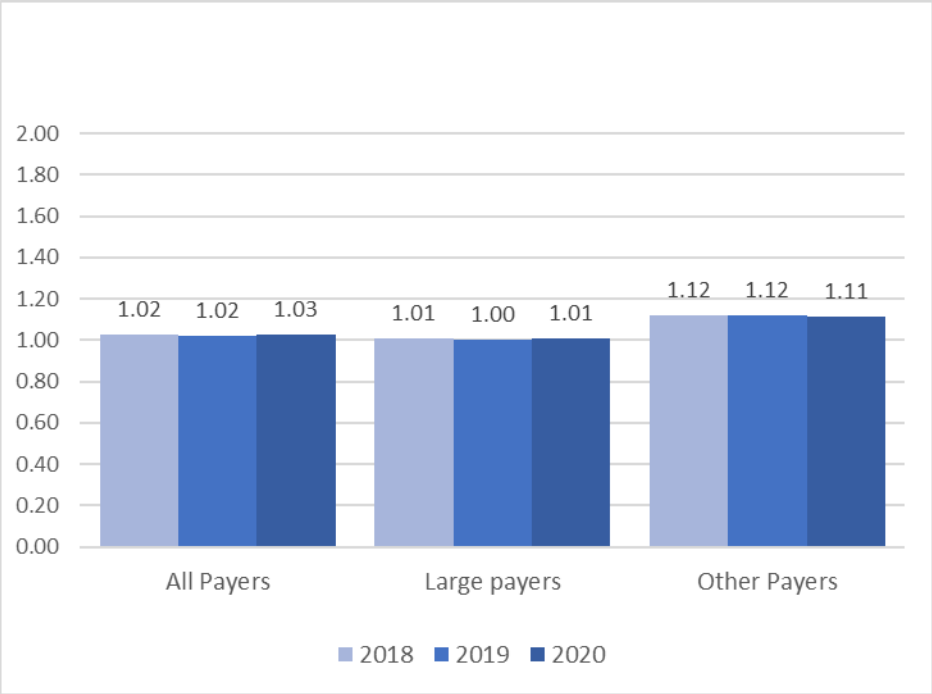


Figure 4: Private vs. Medicare Payment Rates, by Payer Market Share, 2018 – 2020

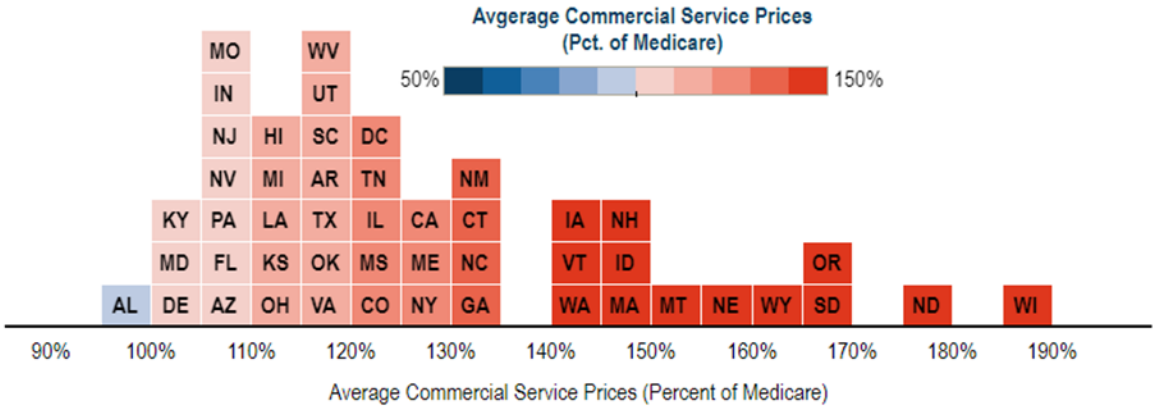
	2020		2019		2018	
Market share	Private	Medicare	Private	Medicare	Private	Medicare
All Payers	$40.11	$39.02	$39.57	$38.75	$39.69	$38.74
Large payers	$39.40	$39.03	$38.84	$38.75	$39.03	$38.74
Other Payers	$43.39	$38.97	$43.40	$38.76	$43.27	$38.72

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 commonly 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, 2017[4]



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

Private vs. Medicare Payment Rates, by BETOS Category

As shown in Figure 6, the private payment rates in 2020 for Imaging, and Tests were 127%, and 140% 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 99% of Medicare for both Procedures and Treatments categories based on the BETOS 2.0 classification system. Anesthesia services were by far the highest ratio at 617% compared to Medicare rates. Appendix section, anesthesia fee amount describes details of for anesthesia rate calculation.

Figure 6: Ratio of Private-to-Medicare payment rates by BETOS categories, 2020

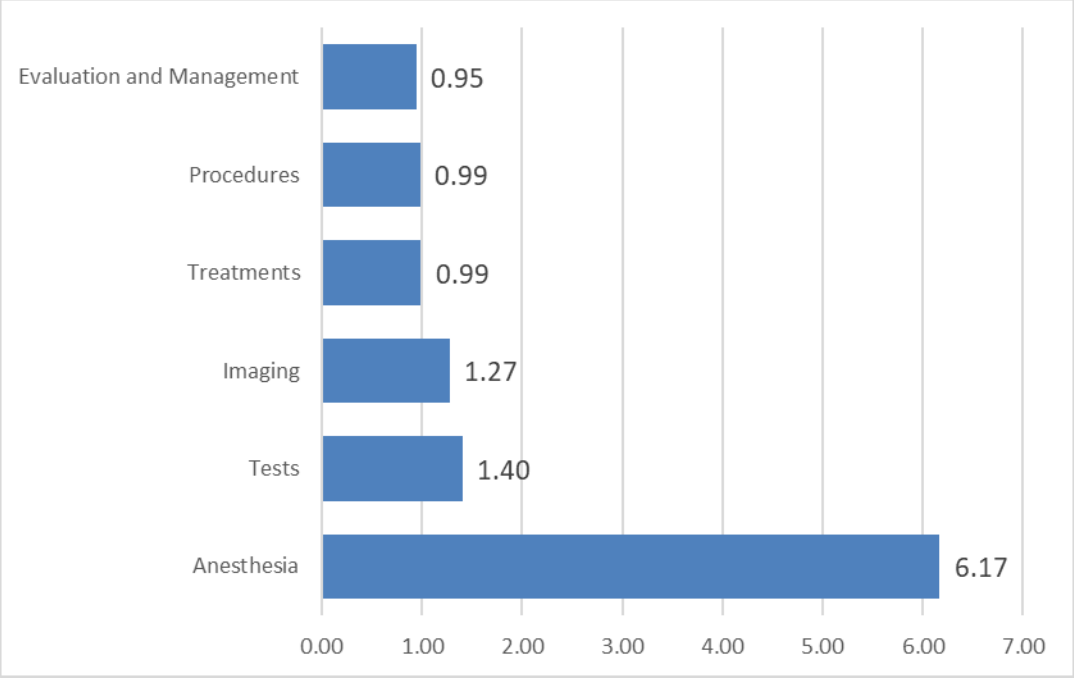
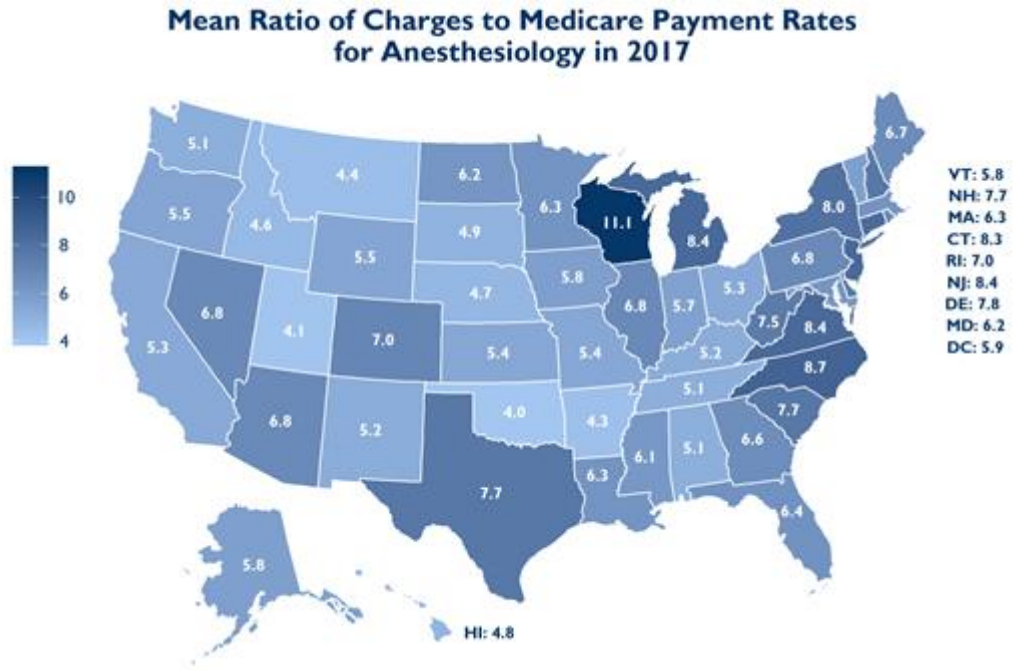


Figure 6b: Mean Ratio of Charges to Medicare Payment Rates for Anesthesiology, 2017[5]



Researchers from the USC-Brookings Schaeffer Initiative for Health Policy developed a study on "Provider charges relative to Medicare rates, 2012-2017". A portion of the study compared the ratio of mean charges to Medicare payment rates for anesthesiology in 2017. Results showed significant variations in mean anesthesiology charges across the US from about four times the Medicare rate for the same services in Oklahoma to over eleven times in Wisconsin. The study also showed that anesthesia payment rates in Maryland were about 6.2 times the Medicare rate. (See Figure 6b).[6]

[5] https://www.brookings.edu/blog/usc-brookings-schaeffer-on-health-policy/2019/12/05/provider-charges-relative-to-medicare-rates-2012-2017/

[6] https://www.brookings.edu/blog/usc-brookings-schaeffer-on-health-policy/2019/12/05/provider-charges-relative-to-medicare-rates-2012-2017/

What would Medicaid have paid?

As shown in Figure 7, the payment rate for services reimbursed by all private payers combined was 21% higher in 2020 and 18% higher in both 2019, and 2018 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 19% (2020) and 16% (2019 and 2018) higher than if the services were reimbursed under the Medicaid fee schedule. Large payers paid $39.40, $38.84, and $39.03 in 2020, 2019, and 2018 respectively, compared with $33.24 in 2020, and $33.62 in both 2019 and 2018 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 2018 to 2020, payments per RVU were $43.27, $43.40, and $43.39, respectively for services reimbursed by other payers, compared with $33.56, $33.57, and $33.42, respectively for the years 2018 through 2020 if Medicaid reimbursed the services (see Figure 8).

Figure 7: Ratio of Private-to-Medicaid Payment Rate, by Payer Market Share, 2018 – 2020

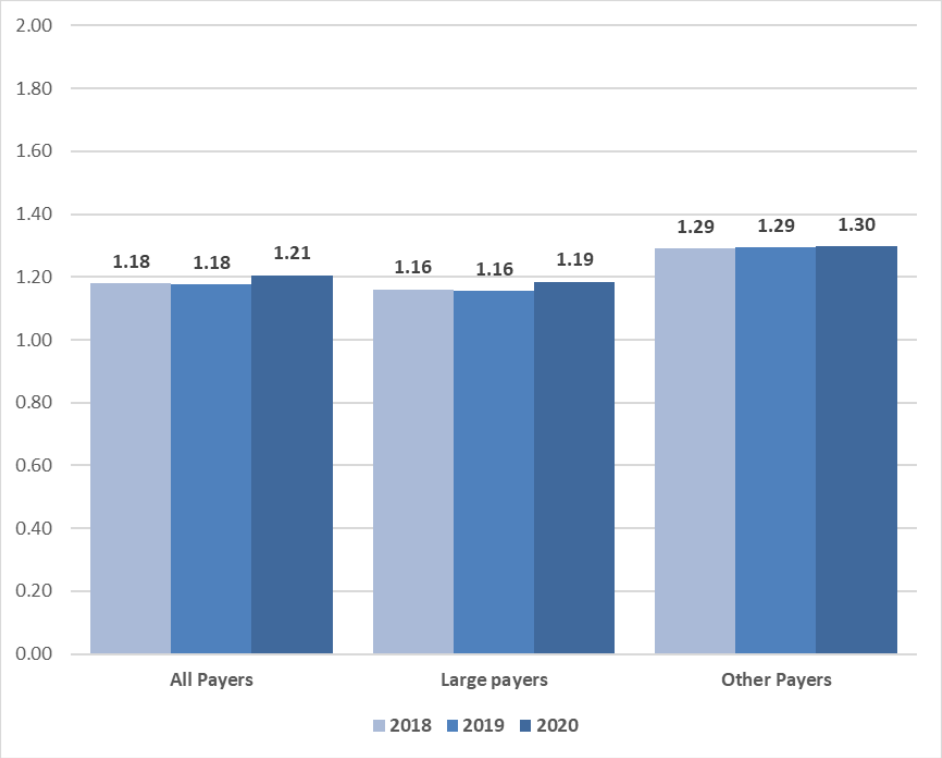


Figure 8: Private vs. Medicaid Payment Rates, by Payer Market Share, 2018 – 2020

	2020		2019		2018	
Market share	Private	Medicaid	Private	Medicaid	Private	Medicaid
All Payers	$40.11	$33.27	$39.57	$33.61	$39.69	$33.61
Large payers	$39.40	$33.24	$38.84	$33.62	$39.03	$33.62
Other Payers	$43.39	$33.42	$43.40	$33.57	$43.27	$33.56

Appendix

Data Sources.

The analyses for this report used 2018 to 2020 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.

Medicare Anesthesia Fee Amount

Anesthesia services are reimbursed differently from other procedure codes. Part of the payment for anesthesia is based on "base units," which are assigned to anesthesia CPT codes by CMS. The remainder of the payment allowance is based on the time the patient is under anesthesia. Both base units and time units are then multiplied by an anesthesia conversion factor (CF), which CMS releases annually and is specific to the locality where the anesthesia service is rendered. The formula to calculate the allowed amount for anesthesia is (Base Units + Time [in units]) x CF = Anesthesia Fee Amount. The base units assigned to anesthesia CPT codes and the annual anesthesia conversion factors are available at the CMS Anesthesiologists Center[7]. One unit of time is recorded for each 15-minute increment of anesthesia time.

Anesthesia services do not have RVUs like other Physician Schedule services. Therefore, CMS account for any necessary RVU adjustments through an adjustment to the anesthesia CF to simulate changes to RVUs. To be specific, if there is an adjustment to the components of Work, PE, or MP RVUs, these adjustments are applied to the respective shares of the anesthesia CF as these shares are proxies for the Work, PE, and MP RVUs for anesthesia services.[8]

The anesthesia fee amount needs to be geographically SHARE of anesthesia, and CF adjusted. Adjusted SHARE (Adj SHARE) is calculated as the ([Work SHARE x Work GPCI] + [PE SHARE x PE GPCI] + [MP SHARE x MP GPCI]) for each locality separately. The anesthesia payment then equals (Base Units + Time Units) x Adj SHARE x CF for each locality per anesthesia CPT code. The anesthesia units are obtained from the MCDB and are calculated per CPT code as TimeUnits = units_p_edt / 15 where the unit's indicator equals "Minutes of Anesthesia (waiver required)" for all in-network services in the MCDB professional services file. Finally, we used the median TimeUnits per CPT code.

Anesthesia Share Components[9]

- The Work Share reflects the relative time and intensity associated with providing a Medicare Physician Fee Schedule anesthesia service
- The Practice Expense (PE) Share reflects the costs of maintaining a practice (such as renting office space, buying supplies and equipment, and staff costs)
- The malpractice (MP) Share reflects the costs of malpractice insurance

[7]https://www.palmettogba.com/palmetto/jmb.nsf/DIDC/BE5QST1651~Specialties~Anesthesia%20and%20Pain%20Management

[8] https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched/downloads/AnesthesiaSharesCY2011.pdf

[9] https://www.cms.gov/files/document/physician-fee-schedule-guide.pdf

Geographic Practice Cost Indices (GPCIs)[10]

Each of the three SHARES is adjusted to account for geographic variations in costs of practicing medicine in a different area within Maryland. These adjustments are called GPCIs, and each kind of SHARE component has a corresponding GPCI adjustment.

Conversion Factor (CF)

The conversion factor (CF) is the dollar value assigned to an anesthesia SHARE. The CF is used to determine the payment rate for a specific anesthesia service by summing the product of the geographically adjusted anesthesia SHARES and the geographic CF in dollars.

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

	Distribution		
	No. of Services	No. of RVUs	Total Spending
Largest Payers	88.0%	83.6%	87.3%
Other Payers	12.0%	16.4%	12.7%
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.

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

[10] https://www.cms.gov/files/document/physician-fee-schedule-guide.pdf

Medicare, 2004 and 2003[11]

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%

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 rates[12].

Acknowledgments

This report on payments for professional services in Maryland was conducted by the Center for

[11] https://mhcc.maryland.gov/mhcc/pages/plr/plr_healthmd/plr_healthmd_Utilization.aspx

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