

Updated Methodology for Grossing Up Reported TME-APM Commercial Partial Expenditures

July 2021

1. Background of Commercial Partial Gross Up Calculation

In the Total Medical Expenditures and Alternative Payment Methods (TME-APM) data submission, insurers report commercial business as either 1) Commercial Full Claims or 2) Commercial Partial Claims. Commercial self-insured or fully insured data for physicians' groups or zip codes for which the payer is able to collect information on all direct medical claims and subcarrier claims is reported in the "full claims" category. Commercial data that does not include all medical and subcarrier claims should be reported in the "partial claims" category. Commercial partial claims indicates that certain services are "carved-out" of the contract between the insurer and the purchaser, most commonly pharmacy and/or behavioral health services.

To capture the full spending of the commercial partial population, CHIA performs a calculation to gross up the claims to represent the full claim amount. These adjusted expenditures are included in the Commercial component of CHIA's Total Health Care Expenditures (THCE) calculation.

2. Current Methodology Overview

In the methodology used in previous reporting cycles to estimate the full spending of the reported partial population, CHIA has relied on comparing the risk adjusted full claims to the partial claims by service category at the payer level. CHIA calculates per member per month (PMPM) spending values for both partial and full claim spending for each TME service category. If the full claim PMPM exceeds the partial claim PMPM, the partial PMPM is grossed up to represent the same percentage of TME as the full claim spending, with excess non-claims dollars redistributed.

2.1 Limitations with Current Methodology

There are some limitations to this methodology. First, under this process CHIA must apply risk adjustment at the service category level rather than in total. Second, this methodology grosses up all service categories where the full PMPM exceeds the partial PMPM, rather than grossing up only services that insurers report carve-outs for.

3. Revised Methodology Overview

In recent years, CHIA has refined the TME-APM collection to include more granular data on carved out services and implemented a new data collection to measure Primary Care and Behavioral Health (PCBH) spending. Due to availability of more detailed data and to address the limitations of the calculation outlined above, CHIA is implementing a revised methodology to gross up partial claims for the 2021 reporting cycle. Under the revised methodology, commercial partial spending is only grossed up for services that payers report carve-outs for in

Table A.3 of the TME-APM submission template (see below). The use of risk adjustment is removed, as all calculations are done at the unadjusted spending level.

Table A.3: Commercial Partial Member Months by Carved-Out Benefits			
Carved-Out Benefit	Commercial Partial MM CY 2017	Commercial Partial MM CY 2018	Commercial Partial MM CY 2019
Pharmacy Only			
Behavioral Health Only			
Pharmacy and Behavioral Health			
Other Services (not pharmacy and behavioral health)			
Pharmacy and Other			
Behavioral Health and Other			
Pharmacy, Behavioral Health, and Other			
If 'Other' Carved-Out Benefit MMs were reported, please specify what these services include			

3.1 Pharmacy Carve-Outs

For insurers who report pharmacy carve-outs, the revised methodology grosses up partial claims using the reported commercial full Rx spending, commercial full total PMPM, and the commercial partial PMPM excluding Rx spending. For payers that report pharmacy carve-outs for 100 percent of their commercial partial member months, the following formula is applied:

Rx Grossed-up Claims =

$$\frac{TME \text{ Partial PMPM excl. Rx and nonclaims}}{(1 - TME \text{ Full Rx PMPM} / TME \text{ Full Total PMPM excl. nonclaims})} - TME \text{ Partial PMPM excl. Rx and nonclaims}$$

The above calculation uses commercial full claim pharmacy spending as a percent of commercial full total spending to estimate commercial partial pharmacy expenditures. PMPM values are calculated using the spending and member months.

For payers that report pharmacy carve-outs for less than 100 percent of their commercial partial member months, the following formula is applied:

Rx Grossed-up Claims =

$$\frac{TME \text{ Partial Rx PMPM}}{(1 - \% \text{ Rx MM Carved Out})}$$

The above calculation uses the pharmacy spending reported for commercial partial members for whom pharmacy is not carved out to account for those with reported carved out pharmacy services.

For payers with only commercial partial business, this methodology uses an all-payer market average to gross up carved out services to the full claim amount.

3.2 Behavioral Health Carve-Outs

For insurers who report behavioral health carve-outs, CHIA leveraged the new Primary Care Behavioral Health (PCBH) data collection to estimate service percentages. The PCBH and TME data collections capture the same population, therefore total spending between the two data submissions was largely consistent at the Payer/Year/Insurance Category level apart from minor differences due to claim run-out.

The main data point sourced from the PCBH submission is behavioral health spending as a percentage of total reported spending in the PCBH data by Payer/Year/Insurance Category.

After reviewing the service category spending in the PCBH data submission, CHIA identified the appropriate areas to gross up for behavioral health services. To account for both the professional claim and the facility component of spending, all TME service categories other than Non-Claims, Pharmacy, and Other Medical¹ are grossed up, as these services do not generally include behavioral health-specific spending.

After gathering the necessary payer-level data points from the PCBH submission, the revised methodology grosses up the partial claim service category spending using the following calculation -

$$\text{BH Grossed-up Claims} = \frac{\text{TME Service PMPM Partial}}{(1 - \% \text{ BH MM Carved Out} * \% \text{ of Total PCBH Spend})}$$

The above calculation adjusts service category level expenses to include estimated behavioral health spending, accounting for the percentage of member months with reported carve-outs. The “% BH MM Carved Out” is calculated using reported member months with BH carve outs in *Table A.3* of the TME-APM submission and total reported commercial partial member months.

For payers with only commercial partial business, this methodology uses an all-payer market average to gross up carved out services to the full claim amount.

3.3 ‘Other’ Carved Out Services

The services explicitly reported in the ‘Other’ carve-out category in the 2020 TME-APM submission were dental and vision services. Because the TME-APM data collection only captures medical claims, not dental and vision spending information, CHIA will not perform a gross-up calculation for payers who reported these services.

¹ ‘Other Medical’ TME spending includes services such as durable medical equipment, prosthetics, labs, and other supplies.

4. Conclusion

The revised methodology outlined above does not impact how payers submit TME-APM data to CHIA. The targeted approach of the revised methodology will allow CHIA to be more precise in the measurement of commercial spending by leveraging more detailed data points collected in both the TME-APM and PCBH data submissions to gross up only services for which carve-outs are reported. For any questions regarding this updated methodology, please reach out to Lauren Coakley (lauren.coakley@chiamass.gov).