

CHIA Standard Statistics: Average Cost of Commercial Coverage



Time Period/Data Year(s): CY2012 – CY2015

Governing Legislation: M.G.L. c. 12C, section 10; Regulation 957 CMR 10.00

<p>Description</p>	<p>CHIA's Cost of Coverage statistic is the annual cost to employers and/or members of providing or procuring primary medical health insurance coverage in Massachusetts. The cost of fully-insured coverage is measured by the annual premium an employer or direct purchaser pays to a private commercial payer to assume the risk of eligible employees' and employee-dependents' medical expenses. The cost of self-insured coverage is measured by the annual cost-of-claims, which is the amount an employer pays annually for the medical costs of its employees and employee-dependents; this <u>does not</u> include the amount an employer agrees to pay a payer or third party administrator to design its plans, administer its claims, and/or utilize its network of negotiated provider rates.</p> <p>Fully-insured premiums and self-insured cost-of-claims are not directly comparable. Premiums are set prospectively by payers, based on expected health care claims; this includes the cost to the insurer ("risk premium") of carrying the medical expense liability associated with a given population. Self-insured cost-of-claims, by contrast, are based on actual claims paid directly by employers and do not include any administrative service fees charged by the payer or third party administrator.</p>
<p>Frequency</p>	<p>The Annual Premiums Data Request is issued each February, with data submissions requested by mid-/late-May.</p>
<p>Statutory Definition</p>	<p>CHIA is directed by M.G.L. c. 12C, section 10 to report on "changes over time in health insurance premium levels." 957 CMR 10.00 defines Health Insurance Premiums as "[t]he gross premiums earned for providing health insurance coverage, including any portion of the premium that is paid to a third party" and Incurred Claims (cost-of-claims) as "[t]he total cost of claims, after the provider/network discount (if any) and after member cost sharing," including "medical claims, drug claims, and capitation payments, and all other payments to providers including those paid outside of the claims system."</p>
<p>Data Submitters</p>	<p>Under 957 CMR 10.00, "[a] Payer is subject to the reporting requirements in 957 CMR 10.00 if the Payer, including Affiliated Payers, had at least 50,000 Massachusetts Private Commercial Plan members for the latest quarter as reported in the Center's most recently published Enrollment Trends report as of February 1st of the Reporting Year and posted on the Center's website. If a Payer is subject to the reporting requirements of 957 CMR 10.00, it shall file the required data for all of its Private Commercial Plans, clients, and Affiliated Payers."</p>
<p>Data Included</p>	<p>Payers submit aggregate data for their primary, medical, commercial Massachusetts contract-membership for the previous three calendar years. Submitted data falls into two categories: membership and financial, as outlined below.</p> <p>Membership: Contract-member months by funding type (fully-/self-insured), market sector (employer size), product type (HMO/PPO), benefit design (High Deductible Health Plan (HDHP)/Limited Networks/Tiered Networks), and demographics (age, gender, and region).</p> <p>Financial: Premiums (incl. Earned Premiums Net of Medical Loss Ratio (MLR) Rebates (fully-insured only)), Allowed Claims, Incurred Claims, and "3R" Amounts by all membership breakouts.</p> <p>When combined, submitted membership and financial data allow CHIA to calculate Massachusetts' cost of coverage, including unadjusted and adjusted* premiums and cost-of-claims.</p> <p>*Adjusted for benefit levels and various rating factors.</p>

CHIA Standard Statistics: Average Cost of Commercial Coverage

<p>Quality Assurance Process</p>	<p>Data submitted as part of the Annual Premiums Data Request undergoes a two-stage quality assurance and verification process:</p> <ol style="list-style-type: none"> 1. Internal & External Validity Checks: Along with CHIA's actuary, CHIA runs internal and external validity checks on all payer-submitted data. Internal validity checks are run on payer-submitted data for point-in-time and trend consistency and reasonableness. External checks are also run, comparing payer-submitted data against other payer-submitted state and federal reports, including the Supplemental Health Care Exhibit, the Massachusetts Annual Comprehensive Financial Statement, and the CCIO Medical Loss Ratio Reporting Form. Where discrepancies are found and confirmed, CHIA requests revised data submissions from payers. 2. PMPM Validation: After a payer's submission passes CHIA's internal and external validity checks, CHIA asks payers for final verification of key "per member per month" (PMPM) figures prior to reporting.
<p>Reports</p>	<p>Cost of coverage data is profiled in CHIA's:</p> <ul style="list-style-type: none"> • Annual Report on the Performance of the Massachusetts Health Care System (Released each August/September) • Performance of the Massachusetts Health Care System Briefing Series (Released each Fall/Winter) <p>Reports include databooks, chartpacks, and technical appendices.</p>
<p>Data Notes</p>	<p>Important notes about data received from the Annual Premiums Data Request:</p> <ul style="list-style-type: none"> • Massachusetts contract-membership includes non-Massachusetts residents. • Adjusted premiums account for membership differences in age, gender, area, group size, and plan benefits. Beginning with the 2015 analysis (CY2012-14 data), CHIA revised the methodology for calculating adjusted premiums; trends remained consistent with prior methodology. • Starting with the 2015 analysis (CY2012-14 data), both premiums and claims amounts were scaled to account for the "percent of benefits not carved out" (e.g. pharmacy or behavioral health). Previous reported data was not scaled. <p>Each year's premiums submissions include slight methodological refinements and the addition of several payers. See relevant technical appendices.</p>
<p>How to Obtain Data</p>	<p>Most aggregate data from the Annual Premiums Data Request is published each year in databooks on CHIA's website concurrently with the reports noted above.</p>
<p>Related CHIA Measures</p>	<p>Massachusetts Employer Survey: Average annual Massachusetts individual and family health insurance premiums and premium contributions; limited fully- vs. self-insured breakouts.</p>
<p>Questions?</p>	<p>Questions may be directed to Ashley Storms, Associate Analytic Reporting Manager, at ashley.storms@state.ma.us.</p>