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**ANNUAL REPORT ON THE  
PERFORMANCE OF THE MASSACHUSETTS  
HEALTH CARE SYSTEM**

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**SUPPLEMENT 4: COMMERCIAL TOTAL  
MEDICAL EXPENSES**



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# Commercial Total Medical Expenses

Commercial Total Medical Expenses (TME) is one component of Total Health Care Expenditures (THCE). It includes expenditures by commercial payers on behalf of fully-insured and self-insured members in Massachusetts. These expenditures consist of claims and non-claims (such as performance payments to health care providers by commercial payers), as well as member cost-sharing (deductibles, co-payments, and co-insurance).<sup>1</sup> TME is measured on a per member per month (PMPM) basis.

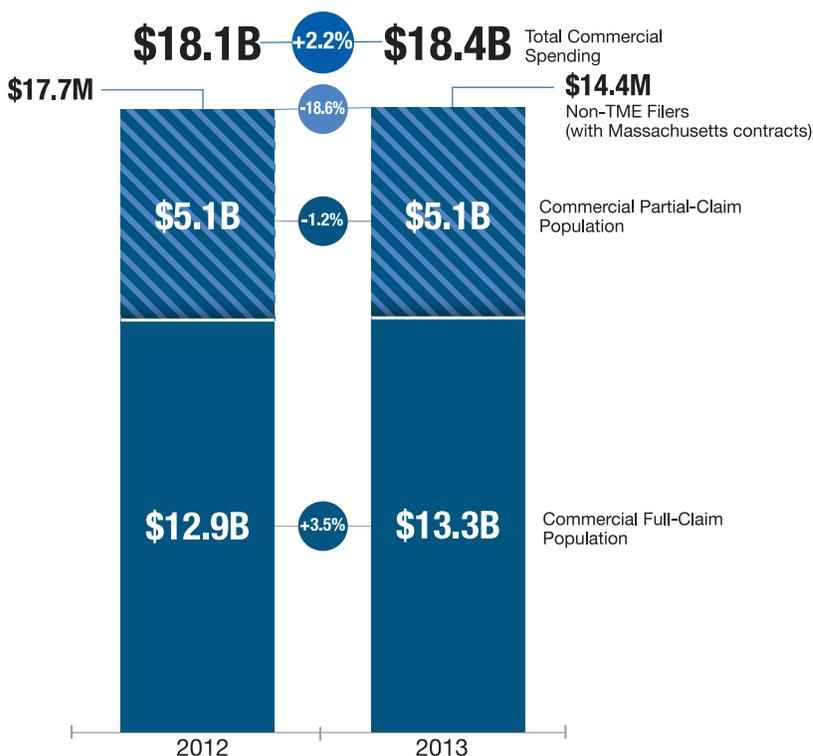
## Key Findings:

Overall commercial health care expenditures grew to \$18.4 billion in 2013, an increase of 2.2%.

Total Medical Expenses per commercially-insured member per month grew by 1.7% to \$430.

Commercial spending for hospital outpatient services grew 3.8%, the highest rate of growth among all service categories.

Blue Cross Blue Shield of Massachusetts had the highest rate of growth (3.65%) among all payers in health status adjusted Total Medical Expenses, exceeding the state's spending growth benchmark of 3.6%.



**4.1** Total Spending for Commercially Insured Members 2012 – 2013

## Total Spending for Commercially Insured Members

Health care expenditures for the Commonwealth's commercially-insured population grew from \$18.1 billion in 2012 to \$18.4 billion in 2013, a 2.2% increase (Figure 4.1). TME for commercial payers represents the largest component of commercial expenditures included in THCE.

Total spending increased by +3.5% for full-claim members (for whom the payers are able to collect and report spending information for a comprehensive set of benefits). For the partial-claim members (for whom the payers are unable to collect and report spending information for carved out services such as behavioral health and prescription drugs), total spending decreased by an estimated 1.2%.<sup>2</sup> Expenditures for the commercial payers that are not required to report TME data to CHIA but are licensed to offer health insurance in Massachusetts were estimated; these estimated expenditures declined by 18.6%, from \$17.7 million in 2012 to \$14.4 million in 2013.<sup>3 4</sup>

**Figure 4.1: Total Spending for Commercially Insured Members 2012 – 2013**

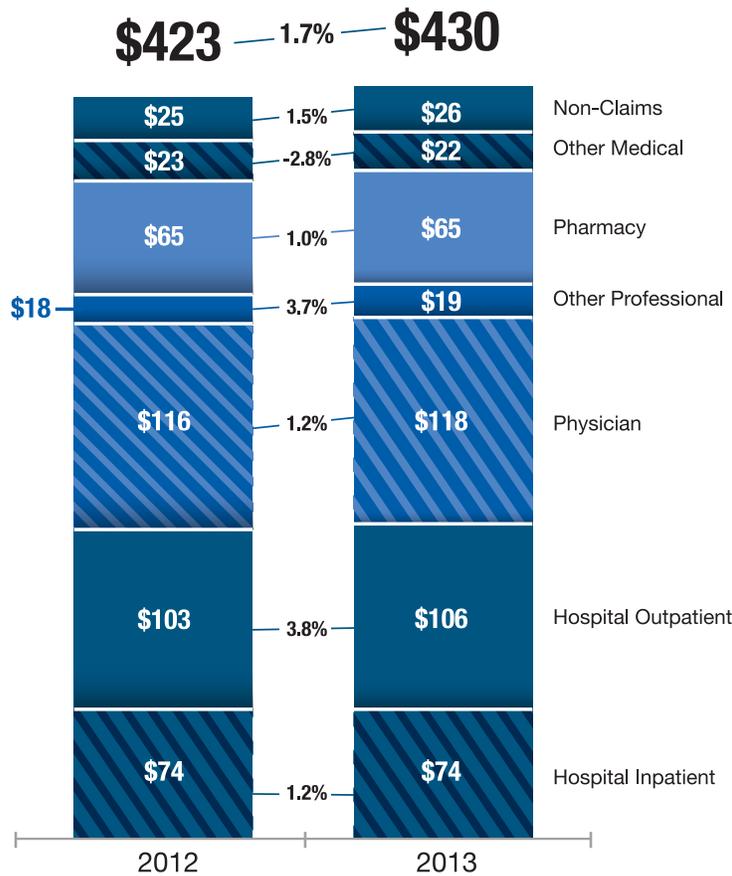
<sup>1</sup> The primary data source for this category is the Total Medical Expense (TME) data reported to CHIA annually by large commercial payers that are licensed in Massachusetts. Please see Technical Appendix for the list of commercial payers annually reporting TME data to CHIA. TME includes spending for Massachusetts residents only.

<sup>2</sup> The estimates for the partial claims spending were developed for each applicable payer's partial-claim population based upon its full-claim population.

<sup>3</sup> These payers collectively represent less than 1% of commercial market enrollment.

# I. Total Medical Expenses for Commercial Full-Claim Members

Statewide commercial TME for the full-claim members was \$430 per member per month (PMPM) in 2013, a 1.7% increase from the \$423 PMPM in 2012 (Figure 4.2).<sup>5 6</sup>



**4.2** Statewide Commercial Full Claims TME PMPM by Service Category 2012 - 2013

## Commercial TME by Service Category

TME is composed primarily of payments made to hospitals and physicians. In 2013, as in 2012, hospital and physician services including non-claim payments accounted for 75% of statewide commercial TME (full-claim populations only).<sup>7</sup> All service categories except Other Medical grew moderately from 2012 to 2013. Spending for hospital outpatient services had the greatest increase of all service categories from 2012 to 2013 at 3.8%. This growth could be related to an increase in outpatient volume and/or an increase in prices paid for hospital outpatient services. Other service categories with notable increases in growth rates from 2012 to 2013 include: non-claims (1.5%) and non-physician professional services (3.7%).

**Figure 4.2: Statewide Commercial Full Claims TME PMPM by Service Category 2012 - 2013<sup>8</sup>**

## Commercial TME by Payer

After adjusting TME for payer-reported changes in health status of the full-claim members,<sup>9</sup> the only payer that reported health status adjusted (H.S.A.) TME growth between 2012 and 2013 exceeding the 3.6% benchmark was Blue Cross Blue Shield of Massachusetts of MA (BCBS), the largest commercial payer in the Commonwealth (Table 4.1). BCBS H.S.A. TME increased by 3.65%. BCBS also reported a slight decrease of 1.5% in member health status score, indicating an improvement

<sup>4</sup> See Technical Appendix and the Total Health Care Expenditures Methodology Paper. Available from: <http://www.mass.gov/chia/docs/r/pubs/13/thce-methodology.pdf> (Accessed August 19, 2014).

<sup>5</sup> Statewide TME is not adjusted for the health status of payers' covered member populations since the tools used for such adjustments vary among payers resulting in adjustments that are not uniform or directly comparable across payers.

<sup>6</sup> This initial assessment incorporates up to four months of claims run-out, and includes estimates for claims completion and projected financial settlements.

<sup>7</sup> Non-claims payments are generally made to physician groups and hospitals for quality performance, financial settlements, and other purposes.

Payer <sup>a</sup>	% Change in Member Months 2012 - 2013	2013 Unadjusted TME PMPM	% Change Unadjusted TME 2012 - 2013	2013 H.S.A. TME PMPM	% Change H.S.A. TME 2012 - 2013
BCBS	-1.34%	\$456.85	2.12%	\$298.41	3.65%
HPHC	1.25%	\$451.42	1.55%	\$308.73	0.92%
Tufts	-1.44%	\$448.88	4.25%	\$303.94	2.38%
Cigna <sup>b</sup>	9.83%	\$308.72	3.45%	\$231.34	-1.42%
Aetna	-6.36%	\$343.88	4.57%	\$412.78	0.17%
Fallon	20.01%	\$420.83	2.89%	\$332.47	2.44%
HNE	1.02%	\$359.67	0.42%	\$245.60	0.31%
United	9.88%	\$451.11	-6.56%	\$313.12	-19.81%
NHP	9.20%	\$418.68	-1.54%	\$315.24	-7.90%
CeltiCare <sup>c</sup>	21.77%	\$69.50	-4.41%	\$142.80	0.24%
BMC HealthNet <sup>d</sup>	--	\$189.31	--	\$225.37	--
Network Health <sup>d</sup>	--	\$213.58	--	\$213.58	--

in overall health status of its members, which may contribute to a larger proportional growth in BCBS' H.S.A. TME. Without adjusting for member health status, TME for BCBS increased by 2.1%.

**Table 4.1: Unadjusted and Health-Status Adjusted TME for Commercial Full-Claim Members by Payer**

#### 4.1 Unadjusted and Health-Status Adjusted TME for Commercial Full-Claim Members by Payer

- a. Commercial partial claims are not shown due to the variability of covered benefits/services between payers.
- b. Cigna reported one new line of commercial business for 2013 which was not included in the table. Please see the Data Appendix for detailed information.
- c. CeltiCare also had a small size of commercial business with total of 6,060 member months in 2012 and 7,379 member months in 2013.
- d. BMC Health Net and Network Health began offering commercial full-claim products in 2013. The size of the commercial business is very small for these two payers: total of 5,020 member months for BMC Health Net and 2,609 member months for Network Health.

<sup>8</sup> Note that the percentage changes in Figure 1.2 are calculated from the full dollar values, and may not match the rounded values presented in the chart.

<sup>9</sup> The tools used for adjusting TME for health status of a payer's covered members vary among payers so that adjustments are not uniform or directly comparable across payers. Please note that TME data is not adjusted for differences in covered benefits within payers and between

payers. Thus, the unadjusted TME reflects the actual spending for each payer's members without adjusting for differences in benefits and member health status. Health status adjusted (H.S.A.) TME for the commercial partial-claim populations are not comparable between payers due to wide variation in covered services, and the lack of uniformity in health status risk adjustments.



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