

**CENTER FOR HEALTH
INFORMATION AND ANALYSIS**

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

SUPPLEMENT 1: TOTAL HEALTH CARE EXPENDITURES



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Total Health Care Expenditures

Total Health Care Expenditures (THCE) is a measure of total statewide spending for health care in the Commonwealth. It includes specific health care expenditures for Massachusetts residents from public and private sources including: (i) all categories of medical expenses and all non-claims related payments to providers; (ii) all patient cost-sharing amounts, such as deductibles and co-payments; and (iii) the Net Cost of Private Health Insurance (NCPHI). It does not include out-of-pocket payments for goods and services not covered by insurance, as well as other categories of expenditures.¹

THCE is measured annually and compared to the health care cost growth benchmark (benchmark), established each year by the Health Policy Commission (HPC), which is tied to the annual rate of growth in potential Gross State Product (GSP).

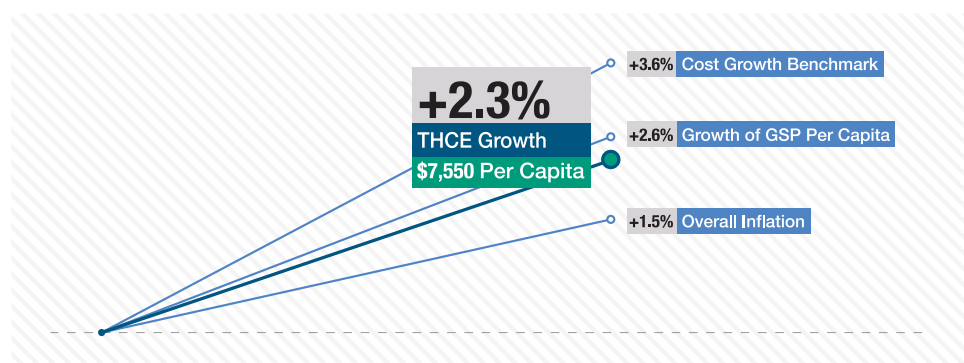
THCE, as presented in the 2014 Annual Report on the Performance of the Massachusetts Health Care System, represents an initial measure of 2012 - 2013 health care expenditures. A final assessment of 2013 THCE will be published in CHIA's 2015 report.²

Key Findings:

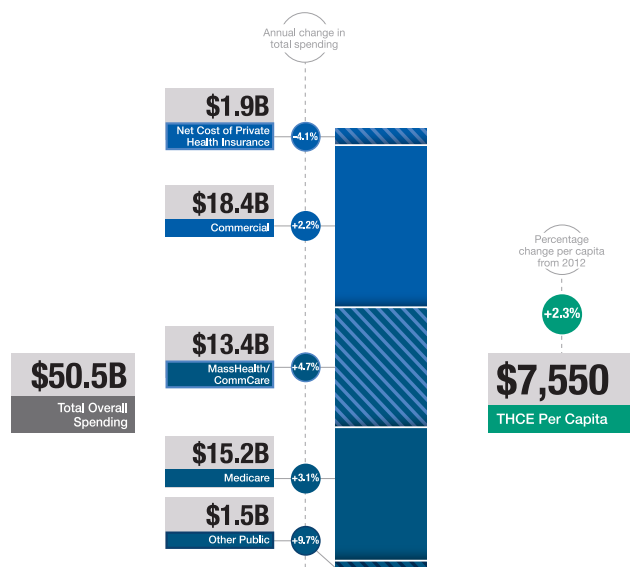
Total Health Care Expenditures in the Commonwealth increased by 2.3% per resident, falling below the health care cost growth benchmark of 3.6%. Overall spending increased to \$7,550 per resident in 2013 (\$50.5 billion statewide).

Spending by commercial payers increased to \$18.4 billion (+2.2%), while the Net Cost of Private Health Insurance decreased to \$1.9 billion (-4.1%).

Spending by all public coverage combined increased to \$30.1 billion (+4.1%). In 2013, spending for public coverage accounted for nearly 60% of Total Health Care Expenditures.



1.1 Total Health Care Expenditures in Context



1.2 Components of Total Health Care Expenditures 2012 - 2013

Note: The component spending values may not sum to total due to rounding.

I. Total Health Care Expenditures 2012-2013

THCE in 2013 was \$50.5 billion, or \$7,550 per resident, representing an increase of +2.3% per resident from 2012.³ This increase was below the benchmark of +3.6% (Figure 1.1).⁴ In the context of other statewide economic growth rates, THCE grew faster than inflation (+1.5%)⁵, but slower than the general Massachusetts economy (+2.6%).

Figure 1.1: Total Health Care Expenditures in Context

II. Components of Total Health Care Expenditures

THCE is the sum of component medical spending, plus NCPHI, divided by the Massachusetts population. Individual component spending is best examined by comparing per member spending trends within each program.⁶

In 2013, spending for public coverage accounted for the largest proportion of THCE (60%), while spending for

¹ For a more detailed definition of THCE, please see the Technical Appendix or CHIA's publication: Massachusetts Total Health Care Expenditure Methodology (December 2013). Available at: <http://www.mass.gov/chia/docs/r/pubs/13/thce-methodology.pdf> (Accessed August 28, 2014).

² This initial assessment incorporates up to four months of claims run-out, and includes estimates for claims completion and projected financial settlements.

³ According to the Census Bureau, the Massachusetts population had a 0.72% increase from 6,645,303 in 2012 to 6,692,824 in 2013.

⁴ The THCE per capita growth rate is similar to the projected 3% per capita growth rate of National Health Expenditures between 2012 and 2013. See Cuckler et al. (2013). National health expenditure projections, 2012-22: Slow growth until coverage expands and economy improves.

Category	2012 Spending (\$billions)	2013 Spending (\$billions)	Change in Spending (\$billions)	Change in Spending (%)	Change in Per Resident Spending (%)
Commercially-Insured	\$18.1	\$18.4	\$0.4	+2.2%	+1.5%
Public Coverage	\$28.9	\$30.1	\$1.2	+4.1%	+3.4%
Net Cost of Private Health Insurance	\$2	\$1.9	\$-0.1	-4.1%	-4.8%
Total Health Care Expenditures	\$49.0	\$50.5	\$1.5	+3.1%	---
Massachusetts Population	\$6.6 million	\$6.7 million	---	---	---
THCE per capita	\$7,378	\$7,550			+2.3%

1.1 Components of Total Health Care Expenditures 2012 – 2013

commercial coverage comprised 37%, and NCPHI comprised 4% (Figure 1.2).⁷

Figure 1.2: Components of Total Health Care Expenditures 2012 – 2013

From 2012 to 2013, spending for all public coverage combined increased by +4.1%, while spending for the commercially insured population grew more slowly, by +2.2% (Table 1.1). NCPHI declined by 4.1%.

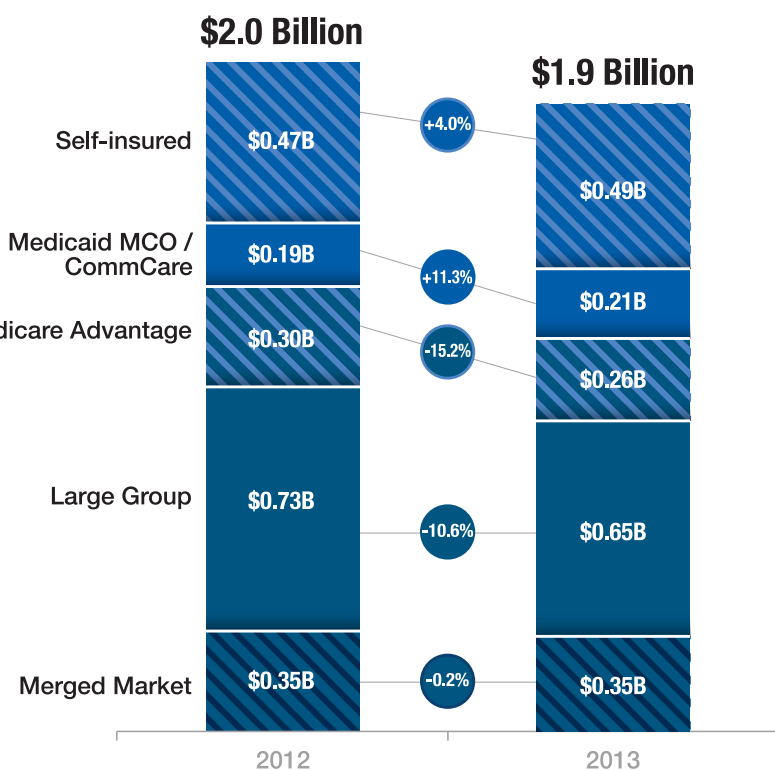
Table 1.1: Components of Total Health Care Expenditures 2012 – 2013

Net Cost of Private Health Insurance

NCPHI declined \$0.08 billion (-4.1%) to \$1.9 billion in 2013 (Figure 1.3). NCPHI captures the costs to Massachusetts residents associated with the administration of private health insurance. Because of substantial differences among segments of the Massachusetts health insurance market, NCPHI was calculated on a per member per month (PMPM) basis separately for each segment: (1) Merged Market;⁸ (2) Large Group fully-insured;⁹ (3) Medicare Advantage; (4) Medicaid MCOs and Commonwealth Care; and (5) self-insured. Please see the THCE Data Book for PMPM expenditure amounts by market segment and by payer.

Figure 1.3: Total Spending for Net Cost of Private Health Insurance by Market Segment, 2012 – 2013

For more information on CHIA's methodology for calculating THCE, please see the Technical Appendix or CHIA's publication: *Massachusetts Total Health Care Expenditure Methodology* (December 2013).¹⁰



1.3 Total Spending for Net Cost of Private Health Insurance by Market Segment, 2012 – 2013

Health Affairs, 32(10), 1820-1831. Note that National Health Expenditures is more comprehensive and contains certain spending categories that are not included in the THCE model such as dental services, government public health activities, and research. See the methodology paper on National Health Expenditure Accounts. Available at: <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/dsm-12.pdf> (Accessed August 28, 2014).

⁵ Inflation data source: Bureau of Labor Statistics: Consumer Price Index 12-Month Percent Change. Available from: http://data.bls.gov/timeseries/CUUR0000SA0?output_view=pct_12mths (Accessed August 13, 2014). Gross State Product (GSP) data source: U.S. Bureau of Economic Analysis. "Widespread But Slower Growth in 2013: Advance 2013 and Revised 1997 – 2012 Statistics by GDP by State." Available from: http://www.bea.gov/newsreleases/regional/gdp_state/gsp_newsrelease.htm. (Accessed August 13, 2014).

⁶ For more information on each of these program components, see Supplement 4 (Commercial), Supplement 7 (MassHealth and CommCare), Supplement 8 (Medicare), and Supplement 9 (Other Public Programs).

⁷ The percentages may not add to 100 due to rounding.

⁸ See Supplement 2: Commercial Insurance Premiums and Benefit Levels for more information on market sectors.

⁹ In the calculation of NCPHI, a large group means an employer with more than 51 employees.

¹⁰ Center for Health Information and Analysis (2013). *Massachusetts Total Health Care Expenditure Methodology*. Available at: <http://www.mass.gov/chia/docs/r/pubs/13/thce-methodology.pdf> (Accessed August 19, 2014).



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