

VARIATION IN MASSACHUSETTS COMMERCIAL TOTAL MEDICAL EXPENSES BY TOWN AND REGION

CHIA's 2015 Annual Report on the Performance of the Massachusetts Health Care System reported on Total Medical Expenses (TME) within the commercial market. This brief provides more detailed information on the commercial market by examining town and regional-level variation in 2013 and 2014 TME for the commercially insured population.

INTRODUCTION

TME is defined as the total medical expenses for a member population, based on allowed claims for all categories of medical expenses and all non-claims related payments to providers, and expressed on a per member per month (PMPM) basis. TME incorporates both service price and service volume, as it includes all payments for medical care made on behalf of covered members. TME data for 2014 is preliminary because the reported data is based on four months of the claims run-out period and incorporate payers' estimates of complete calendar-year claims and financial settlements. As reported in this publication, TME represents commercial full-claim members only.¹

The Massachusetts Commercial Total Medical Expenses **map** illustrates spending by commercial health insurers on behalf of their commercial full-claim members across towns and regions. Using payer-reported data, darker blue areas represent towns or regions with higher per member per month commercial TME, while lighter blue areas represent those with lower commercial TME. The color scheme varies by map type, but the

same pattern of color intensity is repeated.² **It is important to note that the TME map displays unadjusted TME, which means that spending has not been adjusted for commercial members' health status or other factors. Therefore, higher spending may to some extent reflect sicker populations.**

This brief provides a few specific examples of maps that can be viewed in the interactive tool, including TME, TME growth and TME by service category, at the town and regional level. Please note that proportional variation in service category spending may reflect differences in payer contracting practices and differences in payer concentration across regions. For additional information on TME, please see CHIA's **2015 Annual Report on the Massachusetts Health Care System**.

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Notes

¹ For definitions and information on TME methodology, please see <http://www.chiamass.gov/assets/docs/r/pubs/15/TME-Methodology-Paper.pdf>.

² The map also incorporates demographic information, including population counts and adjusted gross income. In addition, the map illustrates TME broken down by seven service categories: Hospital Inpatient, Hospital Outpatient, Physician, Other Professional, Pharmacy, Other Medical, and Non-Claims.

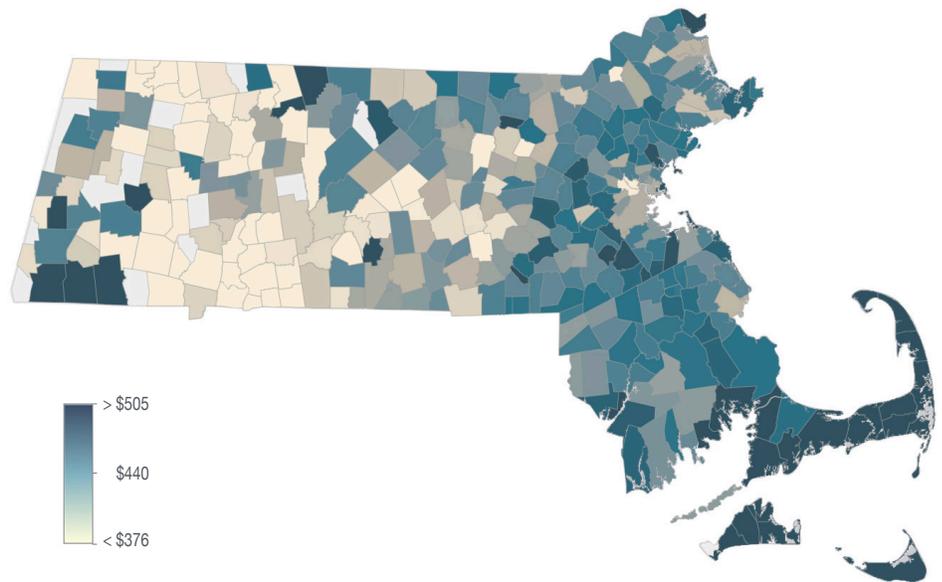
TOTAL MEDICAL EXPENSE LEVEL AND TRENDS

Note: Because this data is for commercial full-claims TME only, it is most representative for towns with higher coverage rates of commercial insurance. This data portrays a less complete picture for towns with lower coverage rates of commercial insurance.

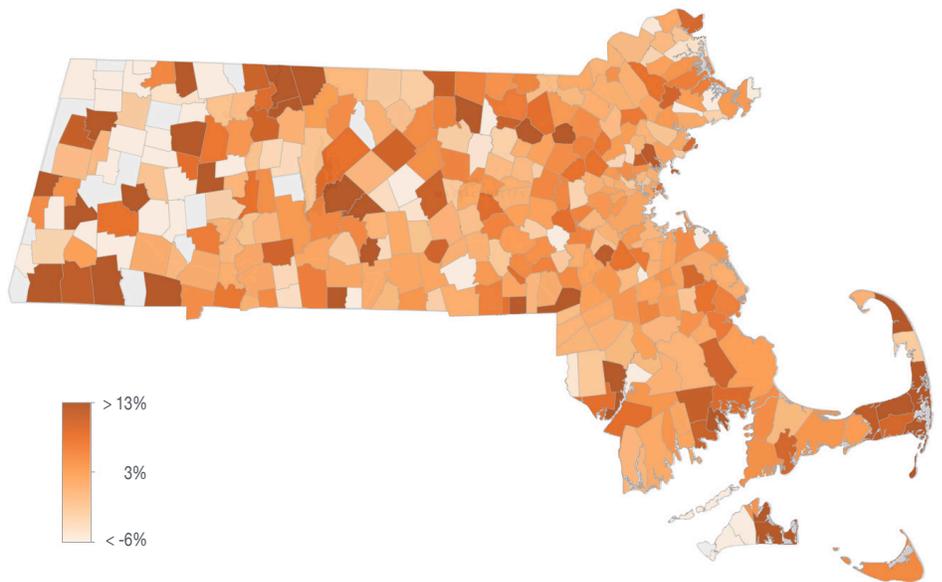
Key Findings

- From 2013 to 2014, statewide commercial full-claims TME grew by 2.9%, to \$439 PMPM.
- In 2014, commercial TME by town ranged from a high of \$735 PMPM to a low of \$208 PMPM.
- From 2013 to 2014, commercial TME growth by town ranged from a high of 70.3% to a low of -31.5%.
- Towns with the highest levels of commercial TME could be found in areas south and east of Boston, particularly on the Cape and Islands, along with some western suburbs of Boston. There was a small cluster of high commercial TME towns in the southwestern corner of the state in Berkshire County.
- Towns with low commercial TME levels were generally located in Western/Central Massachusetts.
- High commercial TME growth areas included the Southwest Berkshires and the Cape and Island regions, while low or negative commercial TME growth regions were mostly in Western Massachusetts.
- The 2014 commercial TME level and 2013-2014 commercial TME growth of the three major metropolitan areas in Massachusetts:
 - Boston: \$411, +2.4%
 - Worcester: \$385, + 0.9%
 - Springfield: \$339, +2.2%

1 Unadjusted Commercial TME by Town, 2014



2 Change in Unadjusted Commercial TME by Town, 2013-2014



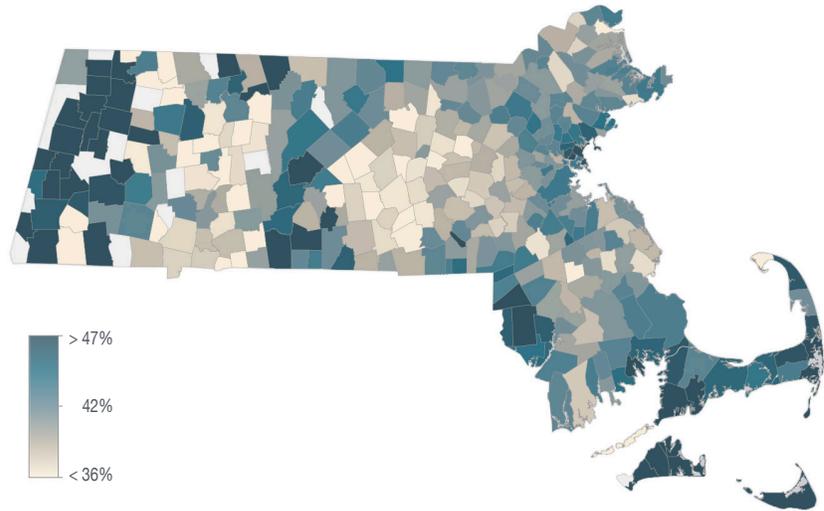
HOSPITAL SPENDING AND TRENDS BY TOWN

Note: The hospital share of commercial TME represents the percentage of every dollar spent on health care that was spent on hospital inpatient and hospital outpatient care, not the absolute amount of dollars spent. Therefore, it is possible for a town with a higher hospital share of commercial TME to spend fewer total dollars than a town with a lower hospital share.

Key Findings

- Hospital spending represented 41.4% of all commercial TME spending in 2014.
- The hospital share of 2014 commercial TME by town ranged from a high of 62.4% to a low of 6.6%.
- From 2013 to 2014, commercial hospital spending grew by 1.1%, to \$182 PMPM.
- The towns with hospital spending accounting for greater than 50% of TME were generally located in Western Massachusetts along with some towns in the Cape and Islands.

3 Hospital Share of Commercial TME by Town, 2014



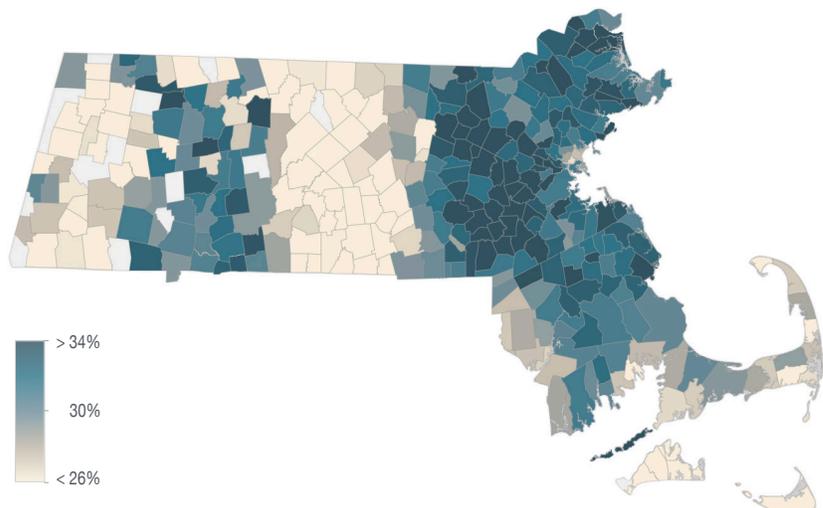
PHYSICIAN AND OTHER PROFESSIONAL SPENDING AND TRENDS BY TOWN

Note: The physician and other professional share of commercial TME represents the percentage of every dollar spent on health care that was spent on physician and other professional services, not the absolute amount of dollars spent. Therefore, it is possible for a town with a higher physician and other professional share of commercial TME to spend fewer total dollars than a town with a lower physician and other professional share. Towns with lower shares of professional TME may not necessarily spend lower overall amounts on health care for all service categories; rather their lower spending on physician and other professional services may be reflected in higher spending on other service categories, such as hospitals, pharmacy or non-claims.

Key Findings

- Physician and other professional spending represented 31.3% of all commercial TME spending in 2014.
- The physician and other professional share of 2014 TME by town ranged from a high of 38.5% to a low of 18.8%.
- From 2013 to 2014, physician and other professional spending grew by 1.1%, to \$137 PMPM.
- The towns with physician and other professional spending accounting for greater than 35% of TME were generally located in Northeastern Massachusetts and Metro West, along with a handful of towns in Metro Boston.

4 Physician and Other Professional Share of Commercial TME by Town, 2014



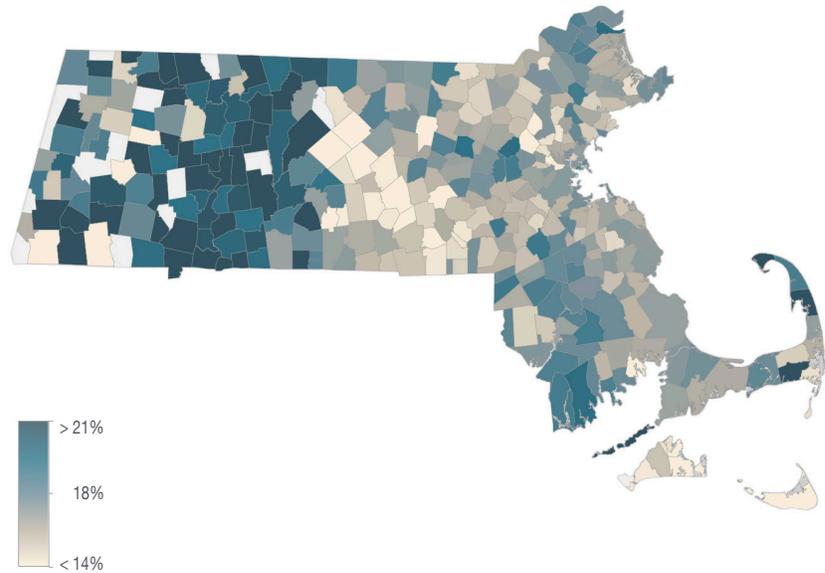
PHARMACY SPENDING AND TRENDS BY TOWN

Note: The pharmacy share of commercial TME represents the percentage of every dollar spent on health care that was spent on pharmaceuticals, not the absolute amount of dollars spent. Therefore, it is possible for a town with a higher pharmacy share of commercial TME to spend fewer total dollars than a town with a lower pharmacy share.

Key Findings

- Pharmaceutical spending represented 16.7% of all commercial TME spending in 2014.
- The pharmacy share of 2014 TME by town ranged from a high of 40.1% to a low of 8.3%.
- From 2013 to 2014, pharmaceutical spending was the fastest growing of the seven medical expense service categories. Statewide commercial pharmacy spending grew by 12.5%, to \$73 PMPM.
- There was wide variation in pharmaceutical spending growth across Massachusetts towns, ranging from a high of 77.6% to a low of -33.6%.
- The towns with pharmacy spending accounting for greater than 20% of TME were generally located in Western Massachusetts along with some towns in the Cape and Islands.

5 Pharmacy Share of Commercial TME by Town, 2014



DATA SOURCES

Data	Years Included	Source & Notes
Town or City Name	n/a	MassGIS – Community Boundaries (Towns) from Survey Points
County	n/a	MassGIS – Community Boundaries (Towns) from Survey Points
Region Name	n/a	Health Policy Commission (HPC)
Population	2010	MassGIS, US Census Town Population: 2010
Unadjusted Total Medical Expenses (TME)	2013, 2014	Payer-reported data to CHIA
Percent Change in TME	2013-2014	Payer-reported data to CHIA
Adjusted Gross Income	2013	Internal Revenue Service
TME by Service Category	2014	Payer-reported data to CHIA

For more information, please contact: