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Vermont Health Spending Growth Drivers Commercial and Medicaid, 2008-2012

Presentation to the Green Mountain Care Board

April 16, 2015

Outline

- Trends in spending 2008-2012
  - Two views of the overall change
  - Growth in spending by setting
- Decomposing 2008-2012 spending growth into price and utilization changes
  - Commercial and Medicaid
  - Medicare decomposition is in process

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Truven/Brandeis Analytic Contract Has Multiple Tasks

- Data assembly and management – Discuss today
- Populations for analyses
- Expenditure analyses – Briefly discuss today
- Special studies
  - Decomposition – Present results today
  - Market Analysis
  - Episodes of care

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Trends in spending 2008-2012

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Allowed Amount View of Spending

- Payers can drive trends through their reimbursement policies – a key is setting the allowed payment amount on standard claim form
- Includes payments by the insurer as well as out-of-pocket expenses
  - secondary payers with coordination of benefits claims react to allowed amount and are not separately included in this view
- Groups relevant professional claims with facility claims for:
  - Inpatient stays
  - ER visits (ER visits also include facility outpatient charges on the same day as an ER visit that does not lead to an admission)
- In contrast to the Allowed Amount view, the Health Accounts view uses the paid amounts on claims and as a result includes secondary claims to capture all payments

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Health Accounts View of Spending

PROVIDERS

Health Care Consumption

- **Personal Health Care**
  - SERVICES
    - **Hospitals**
    - **Physicians**
    - Dentists
    - **Other Professionals**
    - **Home Health**
    - **Nursing Homes**
    - **Other**
  - PRODUCTS
    - **Prescription Drugs**
    - **Nondurable Supplies**
    - **Durable Medical Equip.**
- Administration
- Public Health

PAYERS

- **Out-of-Pocket**
- **Medicare**
- **Medicaid**
- **Private Insurance**
- **CHIP**
- Department of Defense
- Department of Veterans Affairs
- Other
  - Workers' Compensation
  - Other Private
  - Other Federal Programs
  - Other State and Local Programs

NOTE: BOLDED ITEMS SUPPORTED BY VHCURES

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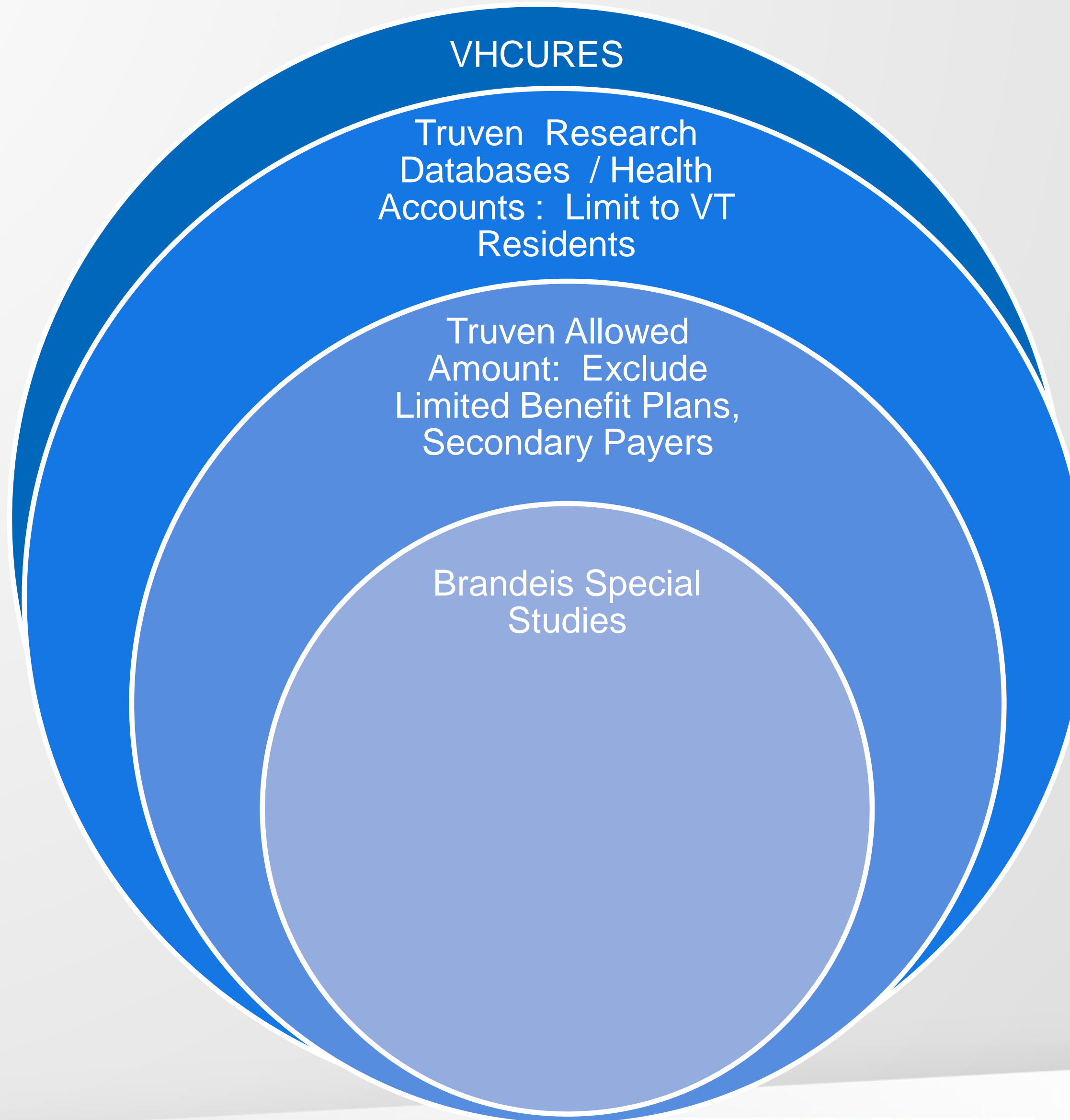
Relationship of VHCURES/Truven/Brandeis Analyses



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Impact of Different Approaches on Expenditure Calculations ($ millions)

Payer/View	2008	2012	Growth
Commercial (VHCURES)	$1,702	$1,929	3.2%
Allowed Amount	1,398	1,586	3.2%
Health Accounts	1,254	1,435	3.4%
Decomposition Study	1,042	1,174	3.0%
Medicaid (VHCURES)	970	1,162	4.6%
Allowed Amount	895	1,102	5.3%
Health Accounts	921	1,135	5.4%
Decomposition Study	478	624	6.9%
Medicare (VHCURES)	933	1,029	2.5%
Allowed Amount	879	1,026	3.9%
Health Accounts	798	976	5.2%
Total (VHCURES)	3,605	4,120	3.4%
Allowed Amount	3,172	3,714	4.0%
Health Accounts	2,973	3,546	4.5%

- Source: VHCURES Q3 2014 Release
- Allowed Amount – Allowed payments on the primary claim of the insurance payer plus consumer out-of-pocket amounts
- (Medicaid excludes limited benefit plans)
- Health Accounts – Payments on claims, including secondary payer claims, does not include out-of-pocket amount.
- Growth – Compound Annual Growth Rate

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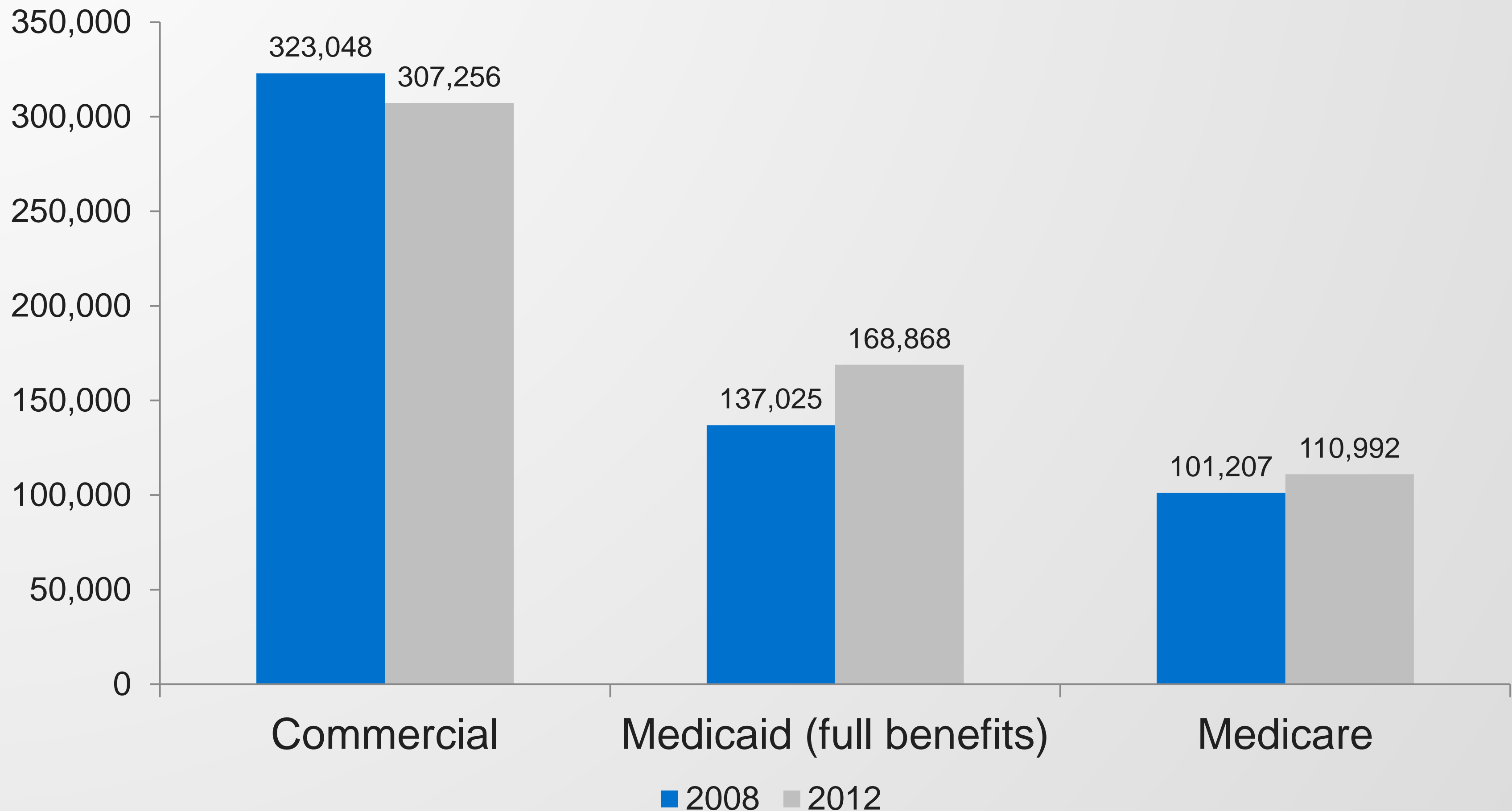
Enrollment* by Payer, 2008-2012



*Comprehensive medical enrollment weighted by months of insurance coverage.
Prescription drug coverage (not shown) is measured separately.

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Growth in Spending Per Member Per Year – Commercial

Commercial	2008	2012	Growth
Inpatient	$807	$1004	5.6%
ER	205	278	7.9%
Facility-based Outpatient	1,573	1,933	5.3%
Professional Visits	731	794	2.1%
Prescription Drug	746	964	6.6%
All other categories	156	130	-4.5%
Total	**$4,217**	**$5,102**	**4.9%**

- Source: VHCURES Q32014 Release
- Allowed amount view
- Inpatient includes professional services delivered during the stay

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Growth in Spending Per Member Per Year – Medicaid

Medicaid	2008	2012	Growth
Inpatient	600	821	8.0%
ER	141	194	8.3%
Facility-based Outpatient	1,318	1,343	0.5%
Professional Visits	781	818	1.2%
Prescription Drug	849	883	1.0%
Long Term Care Stays	359	325	-2.4%
Home Health	959	885	-2.0%
Transportation/Other	561	503	-2.7%
Unknown	951	774	-5.0%
Total	**$6,520**	**$6,546**	**0.1%**

- Source: VHCURES Q3 2014 Release
- Allowed amount view
- Inpatient includes professional services delivered during the stay
- Excludes limited benefit program participants

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Growth in Spending Per Member Per Year – Medicare

Medicare	2008	2012	Growth
Inpatient	3,617	3,532	-0.6%
ER	204	258	6.1%
Facility-based Outpatient	1,666	2,117	6.2%
Professional Visits	716	691	-0.9%
Prescription Drug	1,978	1,892	-1.1%
Long Term Care Stays	580	681	4.1%
Home Health	659	571	-3.5%
Other (Transportation, Unknown, Unclassified)	130	185	9.3%
Total	**$9,549**	**$9,926**	**1.0%**

- Source: VHCURES Q3 2014 Release
- Allowed amount view
- Inpatient includes professional services delivered during the stay
- Prescription Drug coverage includes Medicare Part D

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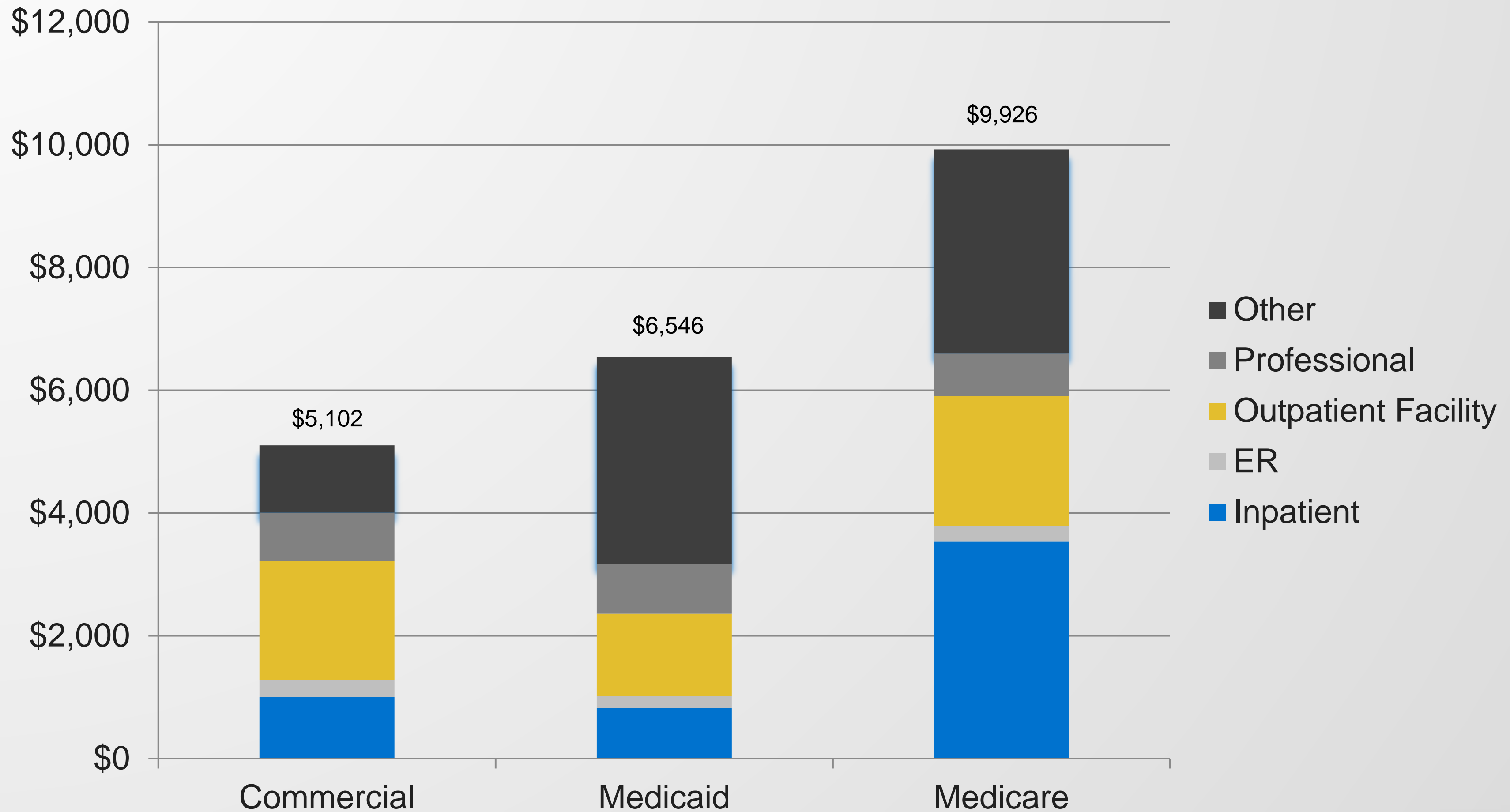
Per Member Per Year Spending by Payer, 2012



- Source: VHCURES Q3 2014 Release
- Allowed amount view

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Decomposition of 2008-2012 spending growth into price and utilization changes

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Purpose

What are the health spending growth drivers in Vermont: How much is utilization, changing services, or price?

- This study decomposes spending growth into four components:
  - Utilization
  - Price
  - Service mix/intensity of resource use
  - Enrollment

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Analysis Approach

- Data: VHCURES Q3 2014 Release, Years 2008 - 2012
- Population
  - Vermont residents
  - Age <65, non dually eligible population (a subset of health accounts)
  - Commercially insured (n ~ 300,000)
  - Medicaid full-benefit enrollees (n ~ 100,000 - 125,000)
- Analysis:
  - Measure each component of health spending growth, holding others constant
    - All Vermont
    - Regions within Vermont
    - Care received by Vermonters in other states
  - Spending: total allowed per service, insurer and patient

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Overview of Findings

- Commercial spending for institutional and professional services is growing more slowly each year.
  - 7.4% growth in 2009 to 2.5% in 2012
  - Below national average in 2012
- Price is driving health spending growth for each service type.
- Price growth more than offsets utilization or enrollment decrease in any service.
- Price and utilization levels and growth vary by region within Vermont.
- Fastest commercial price growth is for outpatient care, fastest price growth for Medicaid is for inpatient services.

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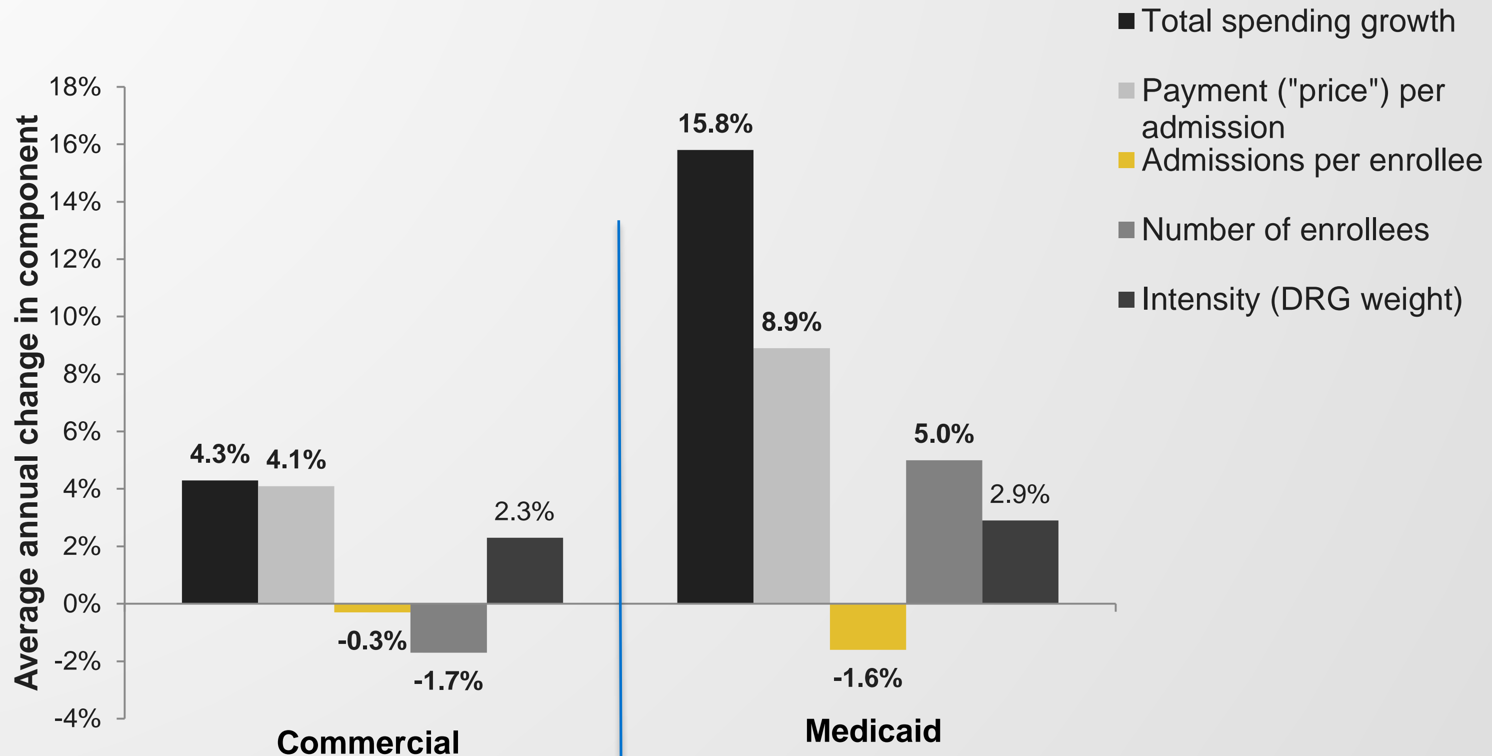
Drivers of Acute Inpatient Facility Service Spending Growth, 2008-2012



- Source: VHCURES Q3 2014 Release
- Allowed amount view
- Excludes professional services during inpatient stay.
- Medicaid excludes dual eligibles and category of Medicaid-only services, Government Health Care Activities.

- During this time, Medicaid inpatient reimbursement implemented DRG-based payment

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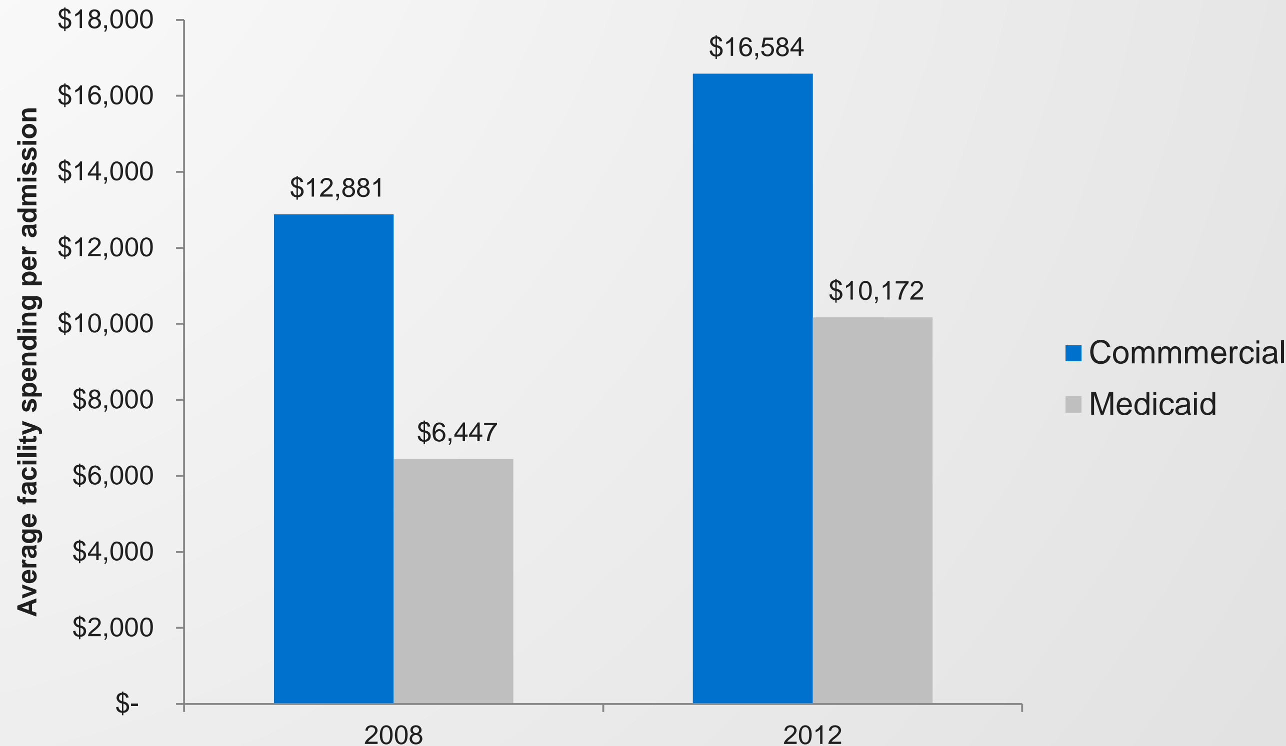
Average Spending Per Acute Hospital Admission, 2008 And 2012



- Source: VHCURES Q3 2014 Release
- Allowed amount view
- Excludes professional services during inpatient stay.
- Medicaid excludes dual eligibles and category of Medicaid-only services, Government Health Care Activities.

- Medicaid spending per admission remained lower on average than commercial, but gap is smaller (50%→ 62%)

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Acute Inpatient Facility Services - Additional Highlights

- Average case-mix adjusted price per inpatient admission for Medicaid grew nearly twice as fast as commercial prices, at 8.9 versus 4.1 percent per year.
- Variation in spending within and across hospitals for admissions with same DRG assignment.
- Price growth for commercial inpatient admissions is consistent with or higher than published studies, though average inpatient admission spending remains lower than national benchmarks.

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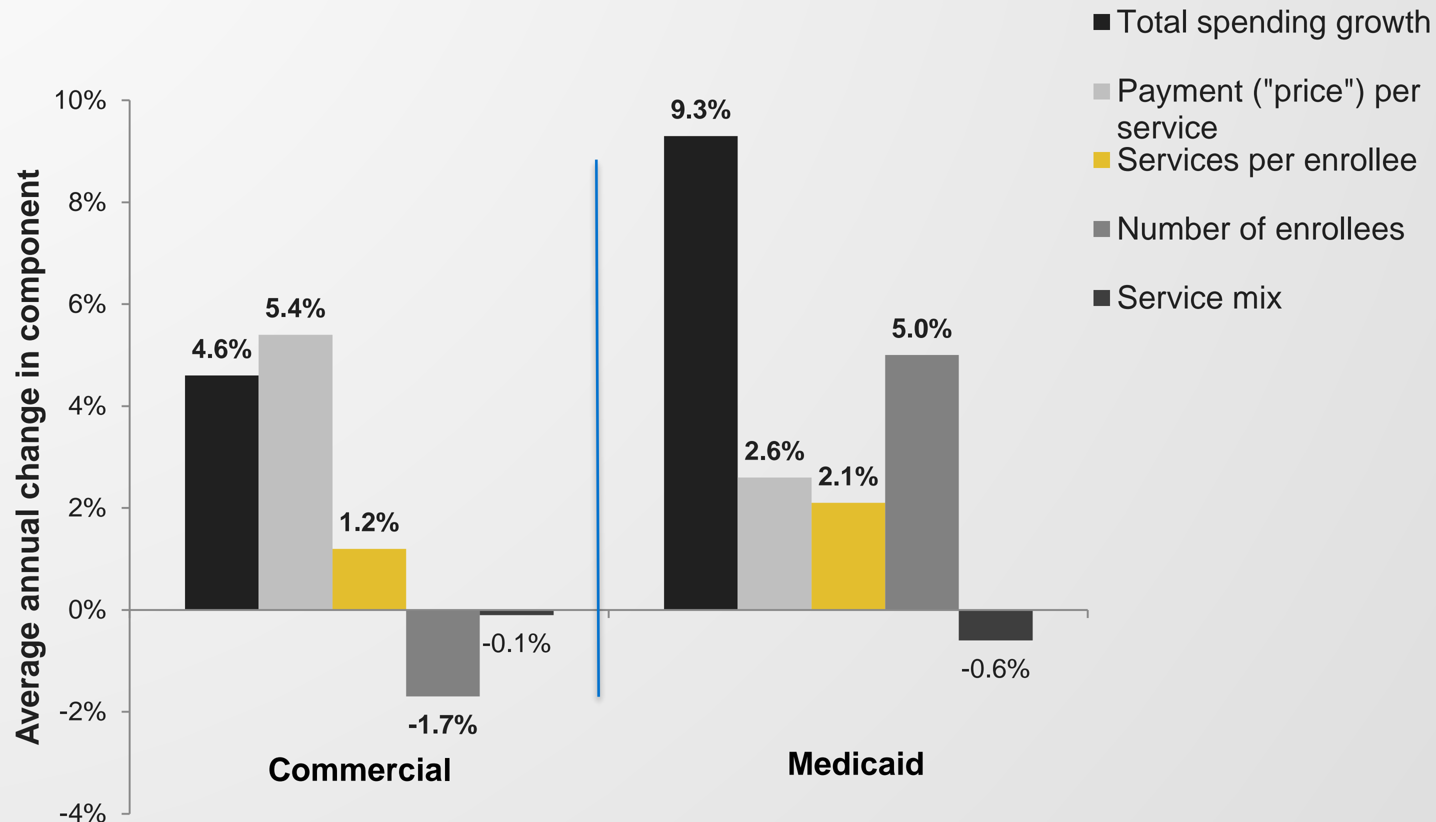
Drivers of Outpatient Facility Spending Growth, 2008-2012



- Source: VHCURES Q3 2014 Release
- Allowed amount view
- Medicaid excludes dual eligibles and category of Medicaid-only services, Government Health Care Activities.

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Outpatient Facility Services – Additional Highlights

- Outpatient facility services fastest growing PMPY setting for commercial insured.
- For outpatient facility services (mostly hospital-based), spending per member per year grew faster for commercial (6.4 percent annually) than Medicaid (4.1 percent annually).
- Prices grew twice as fast for commercial, at 5.4 percent annually, compared to 2.6 percent for Medicaid.

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Physician and Other Professional Services – Highlights

- Spending per member on professional services increased for commercial insurance by 2.2 percent annually for commercial, mostly due to price increases.
- Price for commercial professional services increased nearly 3 percent annually.
- Medicaid professional services spending growth for non-duals was driven by enrollment increases.
- This analysis excludes Government Health Care Activities, Medicaid-only often bundled services, and a large component of Medicaid professional spending. This limits interpretation of patterns of pricing and utilization for Medicaid professional services.

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Additional Findings

- Spending levels, growth and drivers of change vary by local area, even after adjusting for case mix and service mix.
  - Market analysis will further examine differences for inpatient care.
- Hospitalizations outside Vermont are increasing in number and are more costly per admission, to some extent attributable to patient case mix and severity.
- There has been an apparent substitution of facility setting for professional services. In particular, imaging is increasingly provided in outpatient facility settings.

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Policy Relevance / Implications

- Price drives spending growth in nearly all settings.
- Variation across Vermont regions in utilization and spending growth suggests further work to examine role of underlying health needs.
- Increase in outpatient institution-based care with corresponding slowing of professional service settings may have cost implications. This movement is consistent with national trends.
- Consistent measurement of service offerings (reflected in VHCURES) can improve our ability to understand trends even as new reimbursement strategies are introduced.
- This analysis should serve as baseline for measuring health spending drivers in future years.

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