



2004–2005

PRACTITIONER UTILIZATION

Trends Among Privately Insured Patients



Outline of Presentation

- Goals of the analysis
- Data, methods, and caveats
- Summary of findings previous years
- Levels and trends in spending and use overall and by characteristics of payers, providers, and patients
- Conclusions

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Data and Methods

- Private insurers' claims and encounter data
- Practitioner services only (mainly physicians)
- Payment = insurer's payment + out-of-pocket
- Medicare relative value units (RVUs) per service & user = intensity
- Payment for service/RVU per service = price
- Calculate total payments, average price (\$/RVU)

New Methods –

- Identify users (patients) who are continuously enrolled.
- Calculate cumulative risk scores based on reported diagnoses using - Chronic Illness Disability Payment System (CDPS).

Data and Methods (continued)

- MHCC analysis variables
 - Region -- Baltimore, National Capital Area, rest of Maryland
 - Payer Type -- HMO, non-HMO
 - Coverage Type – Individual, Private, Public, Small Group
 - Market Share – Large payers, Other payers
 - Risk Status -- Low risk, moderate risk, high risk based on the CDPS
 - Quintiles of Spending
 - Practice Size -- Based on number of total RVUs produced
 - Specialty

Caveats

- Total growth in \$\$s and RVUs measures changes in prices, volume, and intensity, but...
- Mix of resources needed to treat patients under different delivery systems largely unknown.
 - Complicated by...
 - Enrollment shifts (resurgence of non-HMOs & growth in CDHP)
 - Decline in use of capitation (HMO capitated services are not included)
- Absence of enrollment file makes calculation of per capita measures difficult to benchmark, but full-year users is a step forward.

An Illustration

Age and Sex-Adjusted Per Capita Use of Physician Services (as a percentage of per capita use in a FFS PPO arrangement)

	HMO	Uninsured
Anesthesiology	88%	30%
Cardiology	92%	18%
Emergency Medicine	87%	166%
General /Family Practice	88%	61%
General Surgery	88%	34%
Internal Medicine	87%	21%
Obstetrics / Gynecology	87%	32%
Ophthalmology	100%	67%
Orthopedic Surgery	87%	24%
Other Internal Medicine Subspecialties	90%	24%
Other Specialties	87%	47%
Other Surgical Specialties	88%	34%
Otolaryngology	87%	59%
Pathology	88%	28%
Pediatrics	100%	62%
Psychiatry	87%	133%
Radiology	88%	22%
Urology	94%	21%

Source: Physician Supply and Demand: Projections to 2020, U.S. DHHS, Health Resources and Services Administration Bureau of Health Professions October 2006. Based on analysis of NIS, NHAMCS, NAMCS, NNHS.

Distribution & Count of All and Full-Year Users by Coverage Type, 2005

	Percent of All Users	Percent of Full-Year Users	Percent of Full-Year Covered Lives
ALL	100%	100%	n/a
1. Individual Plan	6	6	n/a
2. Private Employer Plan	44	43	n/a
3. Public Employer Plan	33	39	n/a
4. CSHBP	17	13	n/a
ALL (count)	2,351,363	1,674,109	n/a

Summary of Prior Reports

Analyses from 1999 – 2004

- Stable practitioner rates from 1999-2001, 2% increase per year from 2002-2004.
- Quantity of care (total RVUs) grew about 10-12% per year 2001-2002, slowed in 2003-2004.
- High growth areas followed national patterns -- imaging, hospital outpatient department (OPD).
- Maryland fees averaged near Medicare level.
 - Variation in fees relative to Medicare by delivery system, service type, market size, and by region of the state.
- Appearance of CDHP and decline of HMO-POS.

Payments 2004-2005

- Growth in per capita spending is 2.8%.
 - Increases driven by 2.6% increase in price per unit
 - Very modest (0.2%) increase in RVUs per user
- Spending changes varied by region and coverage type.

Payment Per User & Change in RVU Use & Prices, 2005

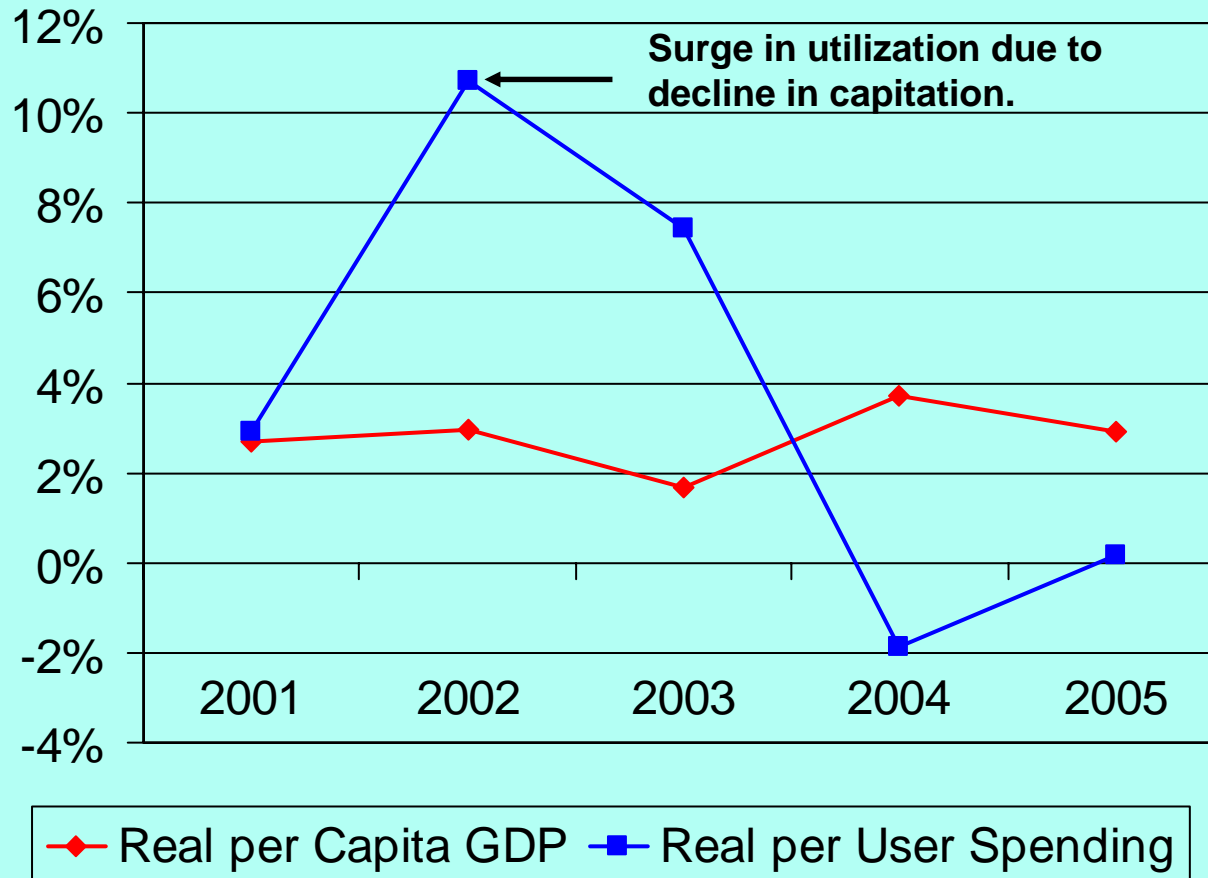
REGION	Payment per User	% Change from 2004		
		\$\$\$ per User	RVUs/ User	Price per RVU
TOTAL	\$904	2.8%	0.2%	2.6%
National Capital Area	969	0.5	-2.3	2.9
Baltimore Metro Area	894	4.6	2.2	2.3
Other Maryland	830	2.1	-0.3	2.4

Average payment per RVU is higher in NCA (\$42.27) than Baltimore (\$38.18) or other Maryland (\$38.93). RVUs per user are higher in Baltimore than NCA, and lowest of all in other parts of Maryland.

Payment Per User & Percent Paid Out-of-Pocket By Coverage Type (All Users), 2005

	Payment per User; % change from 2004		% Paid Out-of-Pocket
ALL	\$904	2.8%	18%
Non-CDHP	904	2.8	18
1. Individual Plan	840	4.2	39
2. Private Employer Plan	884	3.9	16
3. Public Employer Plan	973	-0.8	16
4. Small Group	841	5.8	20
CDHP	863	-7.5	48

% Change in Per User Practitioner Spending & Per Capita GDP: 2001-2005

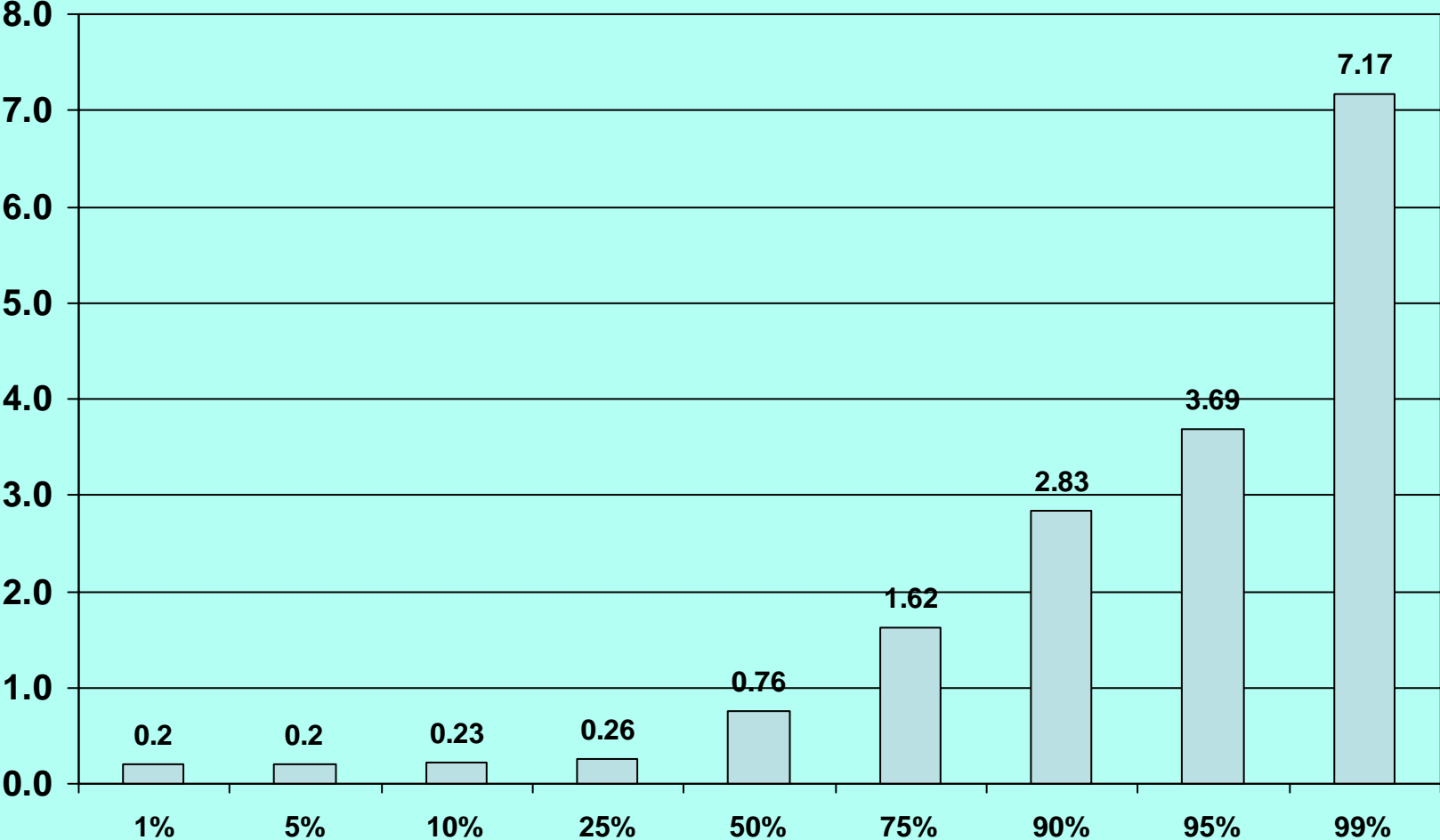


Ratio of Spending/GDP	
2001	0.0196
2002	0.0211
2003	0.0223
2004	0.0211
2005	0.0205

CDPS-- Adding Health Risk to the Analysis

- Designed to be used for making risk-adjusted capitated payments to HMOs.
 - Independent evaluations have found CDPS produces results that compare favorably to commercial products.
- Assign expected health care risk based on all reported diagnoses.
 - Risks associated with all diagnoses are accumulated to produce overall patient risk score (sum of diagnosis specific weights).
- Users of the CDPS methodology can assign weights based on expected current or future health burden.
- Our analyses used weights based on expected current health care payments.
- Patients distributed in equal groups of one-third based on expected current use – Low, Medium, High.

Risk Scores at Selected Percentiles of the Population



Distribution of Risk Among Full-Year Patients by Coverage Type

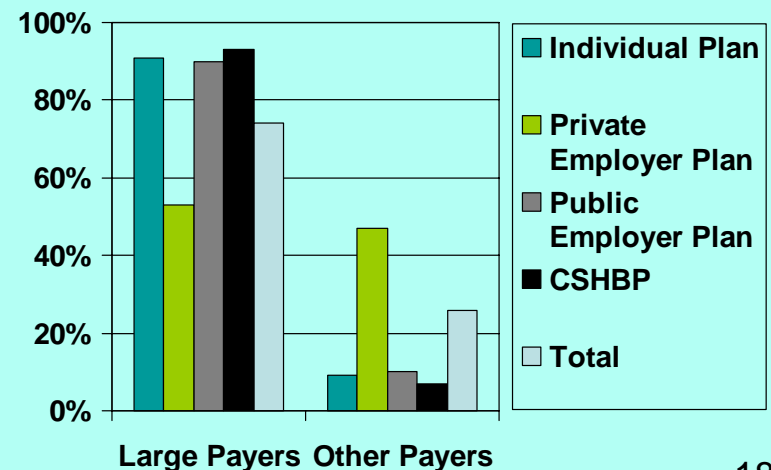
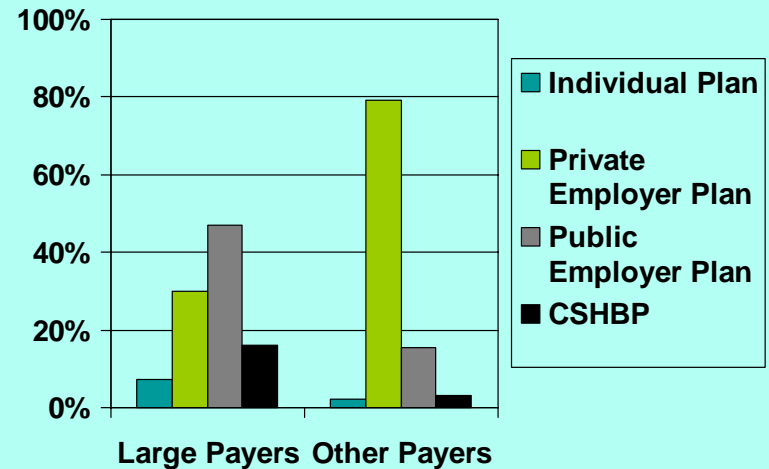
	Median CDPS Weight as a % of Overall Median	Low-Risk	Med.-Risk	High-Risk
ALL	100%	32%	32%	36%
Non-CDHP		32	32	36
1. Individual Plan	76	37	34	29
2. Private Employer Plan	94	32	33	35
3. Public Employer Plan	104	30	31	39
4. Small Group	100	32	32	36
CDHP	76	36	34	30

Payments by Risk Status and Coverage Type (Full-Year Enrollees), 2005

	% High Risk	Mean Payment per User			
		All	Low-Risk	Med.-Risk	High-Risk
ALL	36%	\$1,013	\$378	\$670	\$1,876
1. Individual Plan	29	989	415	726	2,015
2. Private Employer Plan	35	996	385	670	1,861
3. Public Employer Plan	39	1,027	360	649	1,859
4. Small Group	36	1,037	387	702	1,922
CDHP	30	975	435	705	1,939

Market Share Analysis

- Large Payers – Carefirst, United Health Care (MAMSI, UHC, GoldenRule, but no Definity or Uniprise)
- Other Payers – AETNA, CIGNA, Kaiser, Unicare (Wellpoint private label), Guardian, Fortis, Trustmark, Great West, and others.
- Large payers are active in all markets. 80% of users covered by other payers are in large employer plans.
- Large payers are dominant in 3 of 4 markets – individual, public, small group.



Payment Per User and Risk Distribution by Payer Market Share (Full-Year Enrollees), 2005

	Mean Payment per User	Mean Payment per RVU	RVUs per User	% Low-Risk Users	% High-Risk Users
ALL	\$1,015	\$39.64	25.6	32%	36%
Largest Payers	1,026	37.10	27.7	31	37
Other Payers	987	44.03	22.4	33	34

If large payers raised fees to the mean rate paid by other payers (\$44.03), payment per user would increase to \$1,268.

Contracting with Payer Networks -- the Role of Practice Size and Specialty

- Physicians' legislative efforts to shape payer practices have focused on defining network adequacy and payment levels.
- Physicians point to payer practices particularly regarding payments as having negative impact on access to physicians and physician supply.
- Organizational factors appear to play a role in contracting decisions
 - Inverse relationship between practice size and share of services provided non-par. Large practices more likely to participate and academic practices most likely of all.
 - 'Must have practices" such as academic practices have high participation rates and generally higher in-network reimbursement rates.
Note: academic practices generally provide more complex services
 - Specialties that tend to practice in large groups – radiology have higher participation rates and even if reimbursement is about average.

Network Participation and Payment Levels Maryland Practices, 2005

All Users	RVUs Produced by Typical Provider(s)	7,214
	Percent of RVUs Provided by Non-Par Providers (HMO and Non-HMO)	13%
HMOs	Percent of RVUs Provided to HMO Patients	36%
	Percent of Total HMO RVUs Provided Non-Par	14%
	Average Payment per RVU in Network	\$35.98
	Average Payment per RVU Out of Network	\$60.86
Non- HMOs	Percent of RVUs Provided to non-HMO Patients	59%
	Percent of Total non-HMO RVUs Provided Non-Par	21%
	Average Payment per RVU in Network	\$36.74
	Average Payment per RVU Out of Network	\$55.25

Note: non-HMO non-par payments include the balance bill portion, which providers are not always able to collect.

Network Participation and Payment Levels

Maryland Practices, 2005

	All Practices	Academic Practices	Emergency Medicine	Radiology	Pathology
RVUs per Practice	7,214	436,392	16,290	67,184	15,650
HMO % of Total RVUs	36%	49%	42%	44%	44%
HMO Non Par % of HMO RVUs	14%	1%	20%	7%	16%
HMO In-network rate	\$35.98	\$47.21	\$51.48	\$40.24	\$53.08
HMO Out-of-network rate*	\$60.86	\$55.79	\$56.04	\$48.06	\$61.50

Note: Out-of-network rate typically set at 125% of in-network rate. The difference between in and out-of-network fees is a function of the law and payer mix. Other payers have higher out-of-network shares.

Network Participation By Practice Size , 2005

	All Practices	Largest Practices	High Middle	Low Middle	Lowest
RVUs per Practice	7,214	22,735	3,206	1,111	258
HMO % of Total RVUs	36%	42%	39%	35%	28%
HMO Non Par % of HMO RVUs	14%	3%	5%	17%	32%
% of Providers that Never Contract	7%	0%	0%	4%	23%
% of Non-Par RVU Accounted For	100%	50%	22%	17%	9%

Conclusions

- Growth in per user payment was driven by price growth and a slight increase in resource per user (marginal intensity+ volume increase).
- Spending per user increased most rapidly in small group and was nearly stable for public employees.
- The distribution of individuals with higher risk varies with coverage and market share. Individuals insured by...
 - Public employers are more likely to be among high-risk users.
 - Through individual market have the lowest percentage of high risk individuals and lowest spending per user, but has highest spending in each risk category.
- Higher per user spending and resource among users insured by large payers.
 - Large payers dominate the public employer market, which has the highest risk status.
 - Higher user risk-level than other payer category.

Conclusions (continued)

- Network participation decisions tied to practice size and physician specialty. Simple decision rules such as 125% floor on HMO payments can be effectively circumvented by large payer and provider organizations.
- In smallest practices, a significant share of practices have “opted out” of the status quo or been ignored by managed care.