Privately Insured Spending in Maryland's Individual Market, 2016

Purpose

This report examines health care spending and utilization patterns for Maryland residents insured through the individual market. The analysis relies on 2014, 2015 and 2016 data from Maryland's Medical Care Database (MCDB), which contains healthcare claims and encounter data submitted quarterly to the Maryland Health Care Commission (MHCC) by most private health insurance carriers serving Maryland residents. Measures used in this analysis are defined in the Glossary at the end of this report.

Major Takeaways for Maryland's Individual Market

- Total members (insureds including Kaiser HMO plans) as of December 31, 2016 in the individual market decreased by about 2% compared with December 2015. (See **Exhibit 1**.)

- *All-services combined* per member per month (PMPM) spending (excluding Kaiser HMO plans) grew by 12% in 2016, well below the 2015 increase of 35%. (See **Exhibit 1**.)
  - Service categories that significantly contributed to the slowdown in growth include:
    - Prescription Drugs: 17% growth in 2016 vs. 77% in 2015
    - Physician Supplied Drugs: 27% growth in 2016 vs. 57% in 2015
    - Professional Services: 7% growth in 2016 vs. 17% in 2015
    - Labs/Imaging: -5% growth in 2016 vs. 18% in 2015
    - Inpatient Hospital Facility: 10% growth in 2016 vs. 46% in 2015

- Cost growth was driven by increases in utilization—as opposed to unit price increases—for all service categories except physician supplied drugs, for which spending growth was due to unit price increases. (See **Exhibit 2**).

- On the Exchange, membership (including Kaiser HMO plans) at the end of 2016 was about 8% higher than at the end of 2015. (See **Exhibit 3**). However, membership off the Exchange declined by about 5%, resulting in an overall decline in individual market membership. (See **Exhibit 1**).

- The *all-services combined* PMPM spending for members on the Exchange grew by about 7%, while PMPM spending off the Exchange increased by about 10%, reducing the discrepancy between on- and off-Exchange PMPM spending to just $2. (See **Exhibit 3**). Off-Exchange spending growth was driven by large increases in spending for hospital outpatient facilities (33%), physician supplied drugs (30%), and prescription drugs (10%). On-Exchange growth resulted mainly from increased spending on physician supplied drugs (25%), and prescription drugs (15%).

- Among three chronic conditions—hypertension, diabetes, depression—both hypertension and diabetes were more prevalent among on-Exchange members than among off-Exchange members in 2016: 15.6% vs. 10.7% for hypertension; 11.9% vs. 7.3% for diabetes. In the entire

individual market, prevalence of hypertension and depression was stable from 2015 to 2016, but diabetes prevalence rose from 8.4% to 9.4%, continuing an upward trend from 6.2% in 2014. (See **Exhibit 4**).

- Although the total medical out-of-pocket (OOP) spending increased by 17%, the prescription drug OOP spending declined by 6% - consistent with national data[1] – constraining the total OOP increase to 13% in the individual market overall in 2016. (See **Exhibit 1**).

- This analysis demonstrates a slowdown in spending growth in the ACA market from 2015 to 2016.
  - However, spending could accelerate if healthier people exit the individual market due to higher premiums and the elimination of the tax penalty.
  - The departure of healthier people will result in the pooled claims experience getting worse, causing large financial losses to insurance companies (CareFirst and Kaiser).
  - Initially, individuals covered through the off-Exchange market will bear the brunt of the rise in premium increases since those members do not have access to federal subsidies and pay the full premium cost.

[1] https://drive.google.com/file/d/1vi3S2pjThLFVwB7OtYwFmOiLVPTFl_wk/view

Exhibit 1. Spending Among Maryland's Younger-Than-65 Population, Privately Insured, Individual Market, 2014 to 2016

	2014	2015	2016	% Change 2014/2015	% Change 2015/2016
Members as of 12/31					
Total members (w/o Kaiser)	225,361	249,340	232,591	11%	-7%
Kaiser members	9,024	27,511	37,459	205%	36%
Total members (w/ Kaiser)	234,385	276,851	270,050	18%	-2%
Member Months					
Total member months	2,601,335	3,044,408	2,913,576	17%	-4%
Spending					
PMPM spending, all services combined	$310	$417	$468	35%	12%
PMPM OOP, all services combined	$92	$106	$120	15%	13%
PMPM OOP, Medical Only	$78	$88	$103	13%	17%
PMPM OOP, Prescription Drugs	$15	$18	$17	20%	-6%
PMPM Spending By Service Category					
Inpatient Hospital Facility	$48	$70	$77	46%	10%
Outpatient Hospital Facility	$68	$85	$104	25%	22%
Outpatient Non-Hospital Facility	$10	$10	$10	0%	0%
Professional Services	$88	$103	$110	17%	7%
Labs/Imaging	$33	$39	$37	18%	-5%
Physician Supplied Drugs	$7	$11	$14	57%	27%
SubTotal (Medical Only)	**$254**	**$318**	**$352**	**25%**	**11%**
Prescription Drugs	$56	$99	$116	77%	17%

Notes: (i) Kaiser HMO plans are excluded from this report except for membership at the end of the year.

(ii) Individuals can have multiple types of coverage during the year but are counted only once in the total.

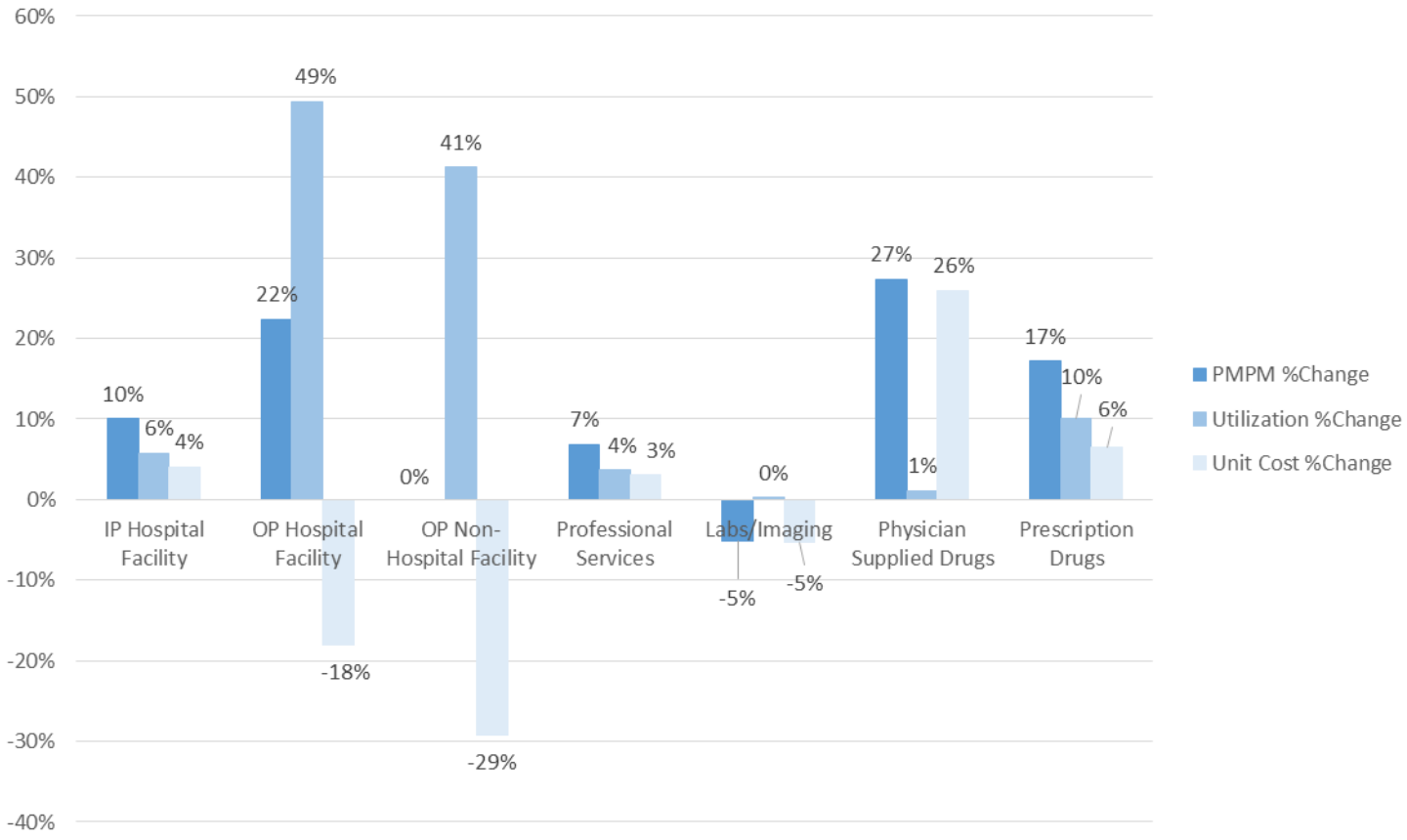
(iii) Outpatient non-hospital facility primarily includes ambulatory surgery centers, critical access hospitals, clinics and home health outpatient and inpatient non-hospital facility as it primarily includes home health. This service category is about 2% of the *all-services combined* PMPM.

(iv) Physician supplied drugs are now broken out from professional services. Physician supplied drugs are about 3% of the *all-services combined* PMPM.

(vi) PMPM portion of spending for insurers is overall PMPM (all services combined) less PMPM OOP (*all services combined*).

(vii) Some calculations in the above exhibit might not be exact due to rounding.

Exhibit 2. Annual Changes in PMPM Spending, Utilization per 1,000 Members, and Cost per Unit by Service Category, Individual Market, 2015 to 2016



Notes: (i) Kaiser HMO plans are excluded from this report except for membership at the end of the year, as shown in Exhibits 1 and 3.
(ii) Individuals can have multiple types of coverage during the year but are counted only once in the total.
(iii) Outpatient non-hospital facility primarily includes ambulatory surgery centers, critical access hospitals, clinics and home health outpatient and inpatient non-hospital facility as it primarily includes home health.
(iv) Physician supplied drugs are now broken out from professional services.
(v) Annual changes are for the individual market as a whole (including ACA-compliant and noncompliant plans).

Exhibit 3. On-Exchange vs. Off-Exchange (*ACA-Compliant Plans Only*) Spending Among Maryland's Younger-Than-65 Population, Privately Insured, Individual Market, 2015 to 2016

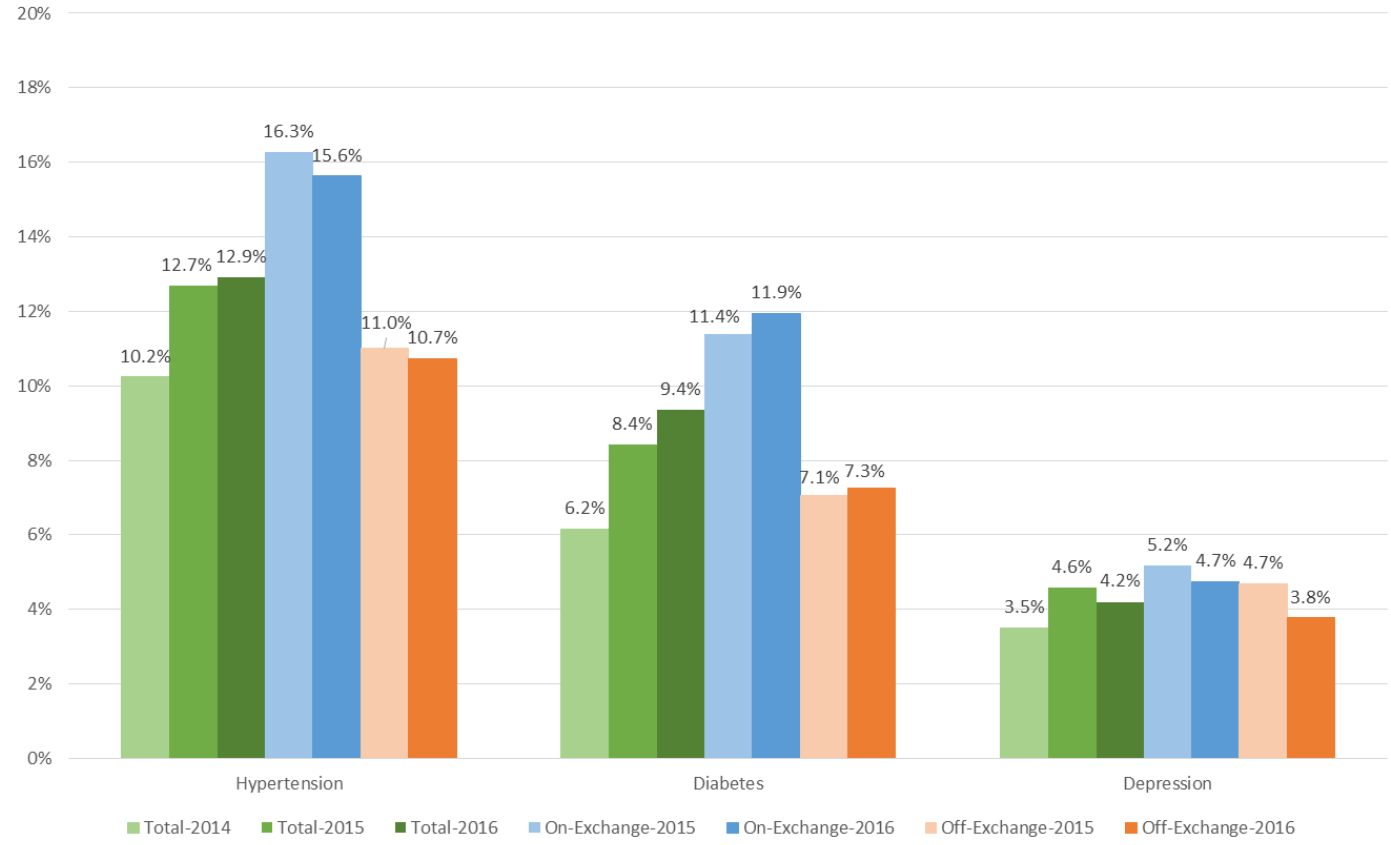
	2015		2016		% Change (2015/2016)	
	On-Exchange	Off-Exchange	On-Exchange	Off-Exchange	On-Exchange	Off-Exchange
Members as of 12/31						
Total members (w/o Kaiser)	95,603	114,646	95,388	107,502	0%	-6%
Kaiser members	16,136	10,191	25,717	10,712	59%	5%
Total members (w/ Kaiser)	111,739	124,837	121,105	118,214	8%	-5%
Distribution (w/o Kaiser)	45%	55%	47%	53%		
Distribution (w/ Kaiser)	47%	53%	51%	49%		
Member Months						
Total member months	1,137,678	1,400,012	1,185,127	1,357,993	4%	-3%
Distribution	45%	55%	47%	53%		
Spending						
PMPM spending, all services combined	$447	$432	$478	$476	7%	10%
PMPM OOP, all services combined	$92	$121	$89	$145	-3%	20%
PMPM OOP, Medical Only	$75	$103	$74	$128	-1%	24%
PMPM OOP, Prescription Drugs	$17	$19	$15	$17	-12%	-11%
PMPM Spending By Service Category						
Inpatient Hospital Facility	$79	$73	$83	$73	5%	0%
Outpatient Hospital Facility	$83	$95	$88	$126	6%	33%
Outpatient Non-Hospital Facility	$11	$11	$10	$10	-9%	-9%
Professional Services	$105	$107	$110	$112	5%	5%
Labs/Imaging	$41	$40	$39	$36	-5%	-10%
Physician Supplied Drugs	$12	$10	$15	$13	25%	30%
SubTotal (Medical Only)	**$331**	**$336**	**$345**	**$370**	**4%**	**10%**
Prescription Drugs	$116	$96	$133	$106	15%	10%

Notes: (i) Kaiser HMO plans are excluded from this report except for membership at the end of the year, as shown in Exhibits 1 and 3.

(ii) This exhibit includes Individual market **ACA-compliant plans only**. On the other hand, Exhibit 1 includes both ACA-compliant and non-compliant plans. As such, some figures in the exhibits differ.

(iii) Some calculations in the above exhibit might not be exact due to rounding.

Exhibit 4. Total (***ACA-Compliant & Noncompliant Plans***), and On-Exchange vs. Off Exchange (***ACA-Compliant Plans Only***): Prevalence of Select Chronic Conditions, Individual Market, **2015 to 2016**



Notes: (i) On v. off-Exchange data splits were not available in the MCDB until 2015.
(ii) Total includes both grandfathered and non-grandfathered plans.

Glossary

Per Member Per Month (PMPM) **spending is calculated as** the total aggregate spending during the calendar year (with three (3) months of claims run-out) divided by the total months of coverage for all members during the calendar year. PMPM spending for medical and prescription drugs was calculated separately because not all members had drug coverage. Please note that all claims incurred in 2016 and paid through March of 2017 excluded adjustments for outstanding claims.

Out-of-Pocket (OOP) spending is the member's cost-sharing responsibility.

Inpatient Facility (hospital) (Number of Discharge Days per 1,000 Members) is calculated as the Total Number of Discharge Days/Total Medical Member Months *1000*12.

Outpatient Facility (Number of visits per 1,000 Members) is calculated as Total Number of Outpatient Visits/Total Medical Member Months *1000*12.

Professional Services (Number of visits per 1,000 Members) is calculated as Total Number of Visits for Professional Services/Total Medical Member Months *1000*12.

Labs/Imaging (Number of visits per 1,000 Members) is calculated as Total Visits for Labs and Imaging Services/Total Medical Members Months *1000*12.

Physician Supplied Drugs (Number of services per 1,000 Members) is calculated as Total Services for Physician Supplied Drugs Services/Total Medical Members Months *1000*12.

Prescription Drugs (Number of Scripts per 1,000 Members) is calculated as Total Number of Prescription Drugs Filled/Total Prescription Drug Member Months *1000*12.

Notes:

Prescriptions have been "normalized" or adjusted so that they are counted in terms of a 30-day supply of medication. Therefore, each 90-day prescription is counted as three 30-day prescriptions.

Prescription drugs member months are for those pharmacy members who also have medical benefits throughout the experience period (2014, 2015, and 2016).

For outpatient visits, professional services visits, and labs/imaging visits, all visits in each service category that occur on the same day are counted as one visit.