CENTER FOR HEALTH INFORMATION AND ANALYSIS

PERFORMANCE OF THE MASSACHUSETTS HEALTH CARE SYSTEM

ANNUAL REPORT SEPTEMBER 2017
2016 THCE Growth

Cost Drivers

APM Adoption

Cost of Coverage

Member Cost-Sharing

Hospital Readmits
Components of Total Health Care Expenditures by Insurance Category, 2015-2016

- **Other Public**: $1.40B, -2.0% growth
- **NCPHI**: $2.28B, -4.7% growth
- **Medicare**: $16.0B, 3.3% growth
- **MassHealth**: $16.4B, 4.4% growth
- **Commercial**: $21.0B, 3.4% growth

Total Overall Spending 2015: $57.2B
Total Overall Spending 2016: $59.0B

2016 THCE Growth:
- **2.8%** percent change per capita from 2015-2016
- THCE per capita: **$8,663**

**OVERALL SPENDING INCREASED ACROSS ALL MAJOR INSURANCE CATEGORIES, BUT DECLINED FOR THE NET COST OF PRIVATE HEALTH INSURANCE.**
Health Care Expenditures by Service Category, 2015-2016

- **Non-Claims**: $3.01B, -2.0%
- **Other**: $7.9B, 2.7%
- **Pharmacy**: $8.6B, 6.4%
- **Other Prof.**: $5.3B, 5.4%
- **Physician**: $9.0B, 1.7%
- **Hospital Outpatient**: $9.7B, 5.5%
- **Hospital Inpatient**: $11.4B, 2.2%

2016 THCE Growth

- **Non-Claims**: $2.95B, 8.1B
- **Other**: $9.2B, 5.6B
- **Pharmacy**: $9.1B, 1.7%
- **Other Prof.**: $10.2B, 5.5%
- **Physician**: $11.6B, 2.2%

**HEALTH CARE SPENDING INCREASED IN ALL CLAIMS-BASED SERVICE CATEGORIES, WITH PHARMACY BEING THE LARGEST AT 6.4%**.
Change in Health Care Expenditures by Service Category, 2015-2016

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Change in Expenditures (Millions)</th>
<th>Share of 2015-2016 THCE Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmacy</td>
<td>$547.6</td>
<td>27.5%</td>
</tr>
<tr>
<td>Hospital Outpatient</td>
<td>$536.9</td>
<td>27.0%</td>
</tr>
<tr>
<td>Other Prof.</td>
<td>$286.9</td>
<td>14.4%</td>
</tr>
<tr>
<td>Hospital Inpatient</td>
<td>$254.5</td>
<td>12.8%</td>
</tr>
<tr>
<td>Other</td>
<td>$213.4</td>
<td>10.7%</td>
</tr>
<tr>
<td>Physician</td>
<td>$152.8</td>
<td>7.7%</td>
</tr>
<tr>
<td>Non-Claims</td>
<td>-$60.0</td>
<td>N/A</td>
</tr>
</tbody>
</table>

FROM 2015 TO 2016, PAYER PAYMENTS FOR PRESCRIPTION DRUGS GREW BY 6.4% IN THCE. ESTIMATED REBATES TO PAYERS WOULD REDUCE THIS RATE TO 6.1%.
PHARMACY REBATES VARIED ACROSS INSURANCE CATEGORIES, FROM 10.4% IN THE COMMERCIAL MARKET TO 52.0% IN MEDICAID FFS AND PCC.
Adoption of Alternative Payment Methods by Insurance Category, 2014-2016

**KEY**

- **Global**
- **Limited Budget**
- **Other, non-FFS**

**2014**

- Commercial: 37.0%
- MassHealth MCO: 36.6%
- PCC Plan: 21.6%

**2015**

- Commercial: 35.7%
- MassHealth MCO: 34.2%
- PCC Plan: 23.0%

**2016**

- Commercial: 42.0%
- MassHealth MCO: 35.7%
- PCC Plan: 23.5%

ADOPTION OF APMS INCREASED BY 6.3 PERCENTAGE POINTS IN THE COMMERCIAL MARKET IN 2016.
<table>
<thead>
<tr>
<th>Category</th>
<th>PMPM</th>
<th>Percentage Change in Premiums, 2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>$367</td>
<td>-3.4%</td>
</tr>
<tr>
<td>Small Group</td>
<td>$455</td>
<td>4.6%</td>
</tr>
<tr>
<td>Mid-Size Group</td>
<td>$477</td>
<td>4.1%</td>
</tr>
<tr>
<td>Large Group</td>
<td>$484</td>
<td>3.6%</td>
</tr>
<tr>
<td>Jumbo Group</td>
<td>$502</td>
<td>3.0%</td>
</tr>
<tr>
<td>GIC</td>
<td>$486</td>
<td>4.4%</td>
</tr>
<tr>
<td><strong>Total (ESI only)</strong></td>
<td><strong>$478</strong></td>
<td><strong>3.9%</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$464</strong></td>
<td></td>
</tr>
</tbody>
</table>

**INDIVIDUAL PURCHASERS WERE THE ONLY GROUP TO SEE THEIR PREMIUMS DECLINE IN 2016, DUE LARGELY TO MEMBERSHIP SHIFTS TOWARD CONNECTORCARE PLANS.**
High Deductible Health Plan Prevalence by Employer Size, 2014-2016

HIGH DEDUCTIBLE PLANS WERE MOST PREVALENT AMONG SMALL AND MID-SIZE EMPLOYERS, IN TERMS OF BOTH THE ABSOLUTE NUMBER AND PERCENTAGE OF MEMBERS.
Cost-Sharing by Employer Size, 2016

- Individual: $48 PMPM, -8.0%
- Small Group: $66, 8.0%
- Mid-Size Group: $57, 8.7%
- Large Group: $49, 5.5%
- Jumbo Group: $44, 2.5%
- GIC: $51, 11.9%
- Total: $49, 4.4%
- Total (ESI only): $49, 5.0%

Member cost-sharing continued to be higher among smaller employers in 2016. Subsidies helped decrease cost-sharing for individual purchasers.
IN SFY15, 26% OF DISCHARGES ENDED UP BACK IN THE ED WITHIN 30 DAYS. 16% WERE READMITTED TO THE HOSPITAL; AN INCREASE AFTER SEVERAL YEARS OF DECLINES.
All-Payer Readmissions by Payer Type, SFY15

**READMISSION RATES FOR MEDICARE (18%) AND MEDICAID (17%) WERE SUBSTANTIALLY HIGHER THAN FOR COMMERCIAL PAYERS (11%).**
The 42% of patients with a behavioral health comorbidity had a readmission rate of 20.8%, almost twice that of those without a behavioral health diagnosis.
All-Payer Readmissions among Frequently Hospitalized Patients, SFY 2013-2015

THE 7% OF PATIENTS WITH FREQUENT HOSPITALIZATIONS ACCOUNTED FOR 25% OF DISCHARGES AND 58% OF READMISSIONS.