

**COMMONWEALTH OF MASSACHUSETTS**  
**HEALTH POLICY COMMISSION**

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**TECHNICAL APPENDIX C4**  
**TME BY PROVIDER GROUP**

**ADDENDUM TO 2018 COST TRENDS REPORT**

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## 1 Summary

This appendix describes the Health Policy Commission's (HPC) approach to the analyses contained in **Chart pack: "TME by Provider Group"** of the 2018 Cost Trends Report.

## 2 Unadjusted TME

### 2.1 Data

HPC used the Center for Health Information and Analysis's (CHIA) Annual Report Total Medical Expense (TME) data books for 2016 to 2018. This analysis only includes the three largest payers in Massachusetts: Tufts Health Plan (Tufts), Blue Cross Blue Shield of Massachusetts (BCBS), and Harvard Pilgrim Health Care (HPHC).

### 2.2 Definitions

TME includes all categories of medical expenses, including patient copays and deductibles, and all non-claims payments to providers, including payments based on spending and quality performance. TME figures reported encompass spending only for members of health maintenance organizations (HMOs) and point of service (POS) plans.

### 2.3 Analysis

HPC compared trend in unadjusted TME across the 10 largest PCP groups for three largest payers.

## 3 Unadjusted and adjusted TME growth by provider group

### 3.1 Data

HPC used the Center for Health Information and Analysis's (CHIA) Annual Report TME Databooks for 2018.

### 3.2 Definitions

Health status-adjusted TME (HSA TME) is TME that has been adjusted to account for the acuity of a patient population.

### 3.2 Analysis

The average risk scores for each payer, parent provide group, and year (e.g. BCBS, Atrius, 2015) were derived from CHIA's reported unadjusted and health status-adjusted TME. The risk score is the unadjusted TME divided by the health status-adjusted TME.

For each year, all three payer's risk scores were first averaged across all provider groups, weighted by that provider's member months. In 2013, average risk scores for each payer were within a few percent of each other. These risk scores were then normalized to 1.0 for each payer (across their full book of business, which is all providers in the TME data). The new blended

TME was arrived at by dividing the unadjusted TME by the new normalized risk score for each provider group. Each provider group's TME for the year was then the member-month-weighted average of TME for each of the three payers.

For subsequent payer years, the process is repeated; risk scores are continually expressed relative to their normalized 2013 values.

HPC compared growth in HSA TME as described above with growth in unadjusted TME across the 10 largest PCP groups for three largest payers.