

## The Starting Point to Health Care Affordability

There is no question that health care is unaffordable for many people. It's not only consuming more of our gross domestic product, but millions of Americans face financial ruin because of devastating health care costs. Up to now, the lack of price transparency has made it impossible to know where our health care dollars are going.

The inaugural [report on Total Cost of Care](#) from the Washington Health Alliance changes that and helps to put much-needed price tags on our health care costs, so we can begin to take action.

*"We can't begin to tackle the problem of our escalating health care spending until we know where the money is going. These results allow us to do that with a level of detail that is the first-of-its-kind in our state. Being able to know what services our health care dollars are being spent on and revealing the relative health of populations is a starting point for grappling with crippling health care costs and the inequities in our health care system."*

— Alliance Executive Director Nancy Giunto

### About the Total Cost of Care Report

This report shows what Washington state spent on a per member per month basis (PMPM) to deliver health care to residents in calendar years 2018, 2019, and 2020 by counties and Accountable Communities of Health (ACHs). Combining patient costs, such as deductibles, coinsurance, and co-payments with the payments made by multiple health plans, costs are reported by different categories of care such as inpatient, outpatient, and professional services and then further broken down by certain types of care.

A wide range of health care services are included in this analysis, such as preventive care, hospital stays, and urgent care visits. It also includes other health care-related costs such as ambulance, durable medical equipment, eyeglasses, and prescription drugs. Using risk adjustment, the Alliance set the state's average health risk score as a benchmark and uses that score to compare results. By factoring in the relative health of a population, these results allow for more equitable comparisons among different regions.



To conduct this analysis, the Alliance used its voluntary All-Payer Claims Database (APCD) for approximately 4 million Washington residents, the Milliman Health Cost Guidelines-Grouper to categorize services, and the Milliman Advanced Risk Adjusters™ (MARA) to calculate the risk adjustment.

### Using the Report

With this information, state, regional and local policy makers and healthcare purchasers and providers can begin to understand:

- how the PMPM amount compares across different regions
- what services are responsible for the highest spending
- which populations face a higher disease burden than others
- where to prioritize efforts to reduce costs

*"It is often said that 'health care is a team sport,' but it's become increasingly clear that tackling health care affordability is every bit as much a team sport—even a whole of society issue that needs accurate and concise information to guide collective action. By publishing the first Total Cost of Care report, the Alliance is putting a stake in the ground to help Washington state take visible steps towards more affordable and equitable health care for all Washingtonians."*

— Sarah Greene, health care researcher, consultant, and Alliance board member

## FAQs

The **Washington Health Alliance's** inaugural **report on Total Cost of Care** analyzes the spending on health care services to residents across Washington state. It helps put much-needed price tags on our health care costs, so we can understand what changes are necessary to bring health care spending under control.

### What Problem Does it Address?

Health care is unaffordable for many people, with millions of people facing catastrophic health care costs. Up to now, the lack of price transparency has made it impossible to know where our health care dollars are going or compare health care spending in different parts of the state.

### What Does it Show?

The report makes it possible to compare the differences in health care spending at a level of detail not seen before. The report shows what it costs per person to deliver health care to Washington residents in calendar years 2018, 2019, and 2020 by counties and Accountable Communities of Health (ACHs). Patient costs, such as deductibles, coinsurance, and co-payments are combined with the payments made by multiple health plans to calculate the total cost of care. Costs are reported by different categories of care such as inpatient, outpatient, and professional services.

"This level of detail on Washington state's health care spending is the first-of-its-kind. Being able to know what our health care dollars are being spent on and seeing the relative health of populations is a crucial starting point. The Alliance is proud to facilitate this discussion — now the real work can begin to tackle health care affordability."

– Nancy Giunto, Alliance Executive Director

### What's Included?

A wide range of health care services is included in this analysis, such as preventive care, hospital stays, and urgent care visits. The report also includes other health care-related costs such as ambulance, durable medical equipment, eyeglasses, and prescription drugs.

### How was it Created?

The Alliance used its voluntary All-Payer Claims Database (APCD) for approximately 4 million Washington residents with commercial and Medicaid insurance. Using data from multiple payers and self-funded purchasers and risk-adjusting the results using age, gender, service utilization and diagnoses, the Alliance set the state average as the benchmark and analyzed spending on a per member per month (PMPM) basis. Using risk adjustment, the Alliance set the state's average health risk score as a benchmark and uses that score to compare results. By factoring in the relative health of a population, these results allow for more equitable comparisons among different regions. Costs for all patients are included.

### How Can it be Used?

With this information, state, regional and local policy makers, health care purchasers such as employers and unions trusts and providers can begin to understand:

- how the PMPM amount compares across different regions
- what services are responsible for the highest spending
- which populations face a higher disease burden than others
- where to prioritize efforts to reduce costs

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