

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 actually going.

The Total Cost of Care Geographic and Medical Group and Clinic **Highlights** from the Washington Health Alliance change that and help us understand in detail what we are spending to deliver health care across the state so we can begin to take action.

About the Total Cost of Care Reports

These reports show what Washington state spent to deliver health care in calendar years 2018, 2019, and 2020 on a per member per month (PMPM) basis by geographic location or a per patient per month (PPPM) basis attributed to a patient's primary care provider (PCP). Combining patient costs, such as deductibles, coinsurance, and co-payments with the payments made by multiple health plans, the costs are reported by different categories of care such as inpatient, outpatient, and professional services and then broken down by certain types of care.

All health care services are included, such as preventive care, hospital stays, and urgent care visits. In addition, other health care-related costs such as ambulance, durable medical equipment, prescription drugs, and eyeglasses are included. 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 or patient group, these results allow for more objective comparisons.

The Alliance used its Primary Care Physician Attribution Method to allocate all health care costs to a particular PCP regardless of where the associated services were received. All medical groups and clinics had to meet a minimum threshold to be included. Because of the differences in calculating the PMPM and PPPM amounts, the results should not be compared between the two. The **Geographic Highlight** includes all residents, while the **Medical Group and Clinic Highlight** only includes patients who received care during the reporting period.

Using the Reports

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

- how the results compare
- which populations face a higher disease burden than others
- what services are responsible for the highest spending
- 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 these Total Cost of Care reports, 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



To produce these reports, the Alliance used its voluntary All-Payer Claims Database with data for more than 4 million Washington residents, the Milliman Health Cost Guidelines-Grouper to categorize services, and the Milliman Advanced Risk Adjusters™ (MARA) to calculate risk adjustment.

FAQs

The **Washington Health Alliance's** Total Cost of Care Geographic and Medical Group and Clinic **Highlights** analyze the spending on health care services to residents or patients across Washington state. It helps us understand what we are spending, so we can rein in health care costs.

What Problem Do They Address?

With the high cost of receiving health care, millions of people face catastrophic medical costs. Up to now, the lack of transparency has made it impossible to know where our health care dollars are going or compare spending in different parts of the state or between medical groups and clinics.

"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 Do They Show?

These Highlights allow comparisons of health care spending at a level of detail not seen before. The reports show what is spent per person or per patient to deliver health care across Washington state in calendar years 2018, 2019, and 2020 by both medical groups and geographic regions. 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.

What's Included?

Costs are reported by different categories of care, such as inpatient, outpatient, and professional services. All services are included in these reports, including preventive care, hospital stays, and urgent care visits. The reports also include other health care-related costs, such as allergy testing, physical therapy, and hearing and speech exams.

How Were They Created?

The Alliance used its voluntary All-Payer Claims Database (APCD) with data for more than four million Washington residents with commercial and Medicaid insurance, more than half of the state's population. Using data from multiple payers and self-funded purchasers considering each patient's use of health care services, including diagnoses and prescriptions, the Alliance used risk adjustment to set the state average as the benchmark and compares the illness burden for the population in a geographic area or by medical group. Results are reported on a per member per month (PMPM) basis for counties and Accountable Communities of Health or on a per patient per month (PPPM) basis for medical groups and clinics. The Alliance used its Primary Care Provider Attribution (PCP) Methodology to allocate patients to providers and reports all health care costs for a patient to their PCP, regardless of where services the associated serves were received. Because of the difference in methodologies between the two, comparing PMPMs with PPPMs is not appropriate.

Why Are They Important?

With these Highlights, those organizations that purchase health care, such as employers and union trusts, can have a clearer understanding of how total cost of care compares between geographic areas and provider organizations, with detailed breakdowns by setting and service. This can also be valuable information to physicians who can compare the spending to deliver medical services to their patients with other physician groups.

"I am very excited to see the next steps of this analysis so the Alliance can explain the drivers of what's contributing to these costs, and the variability across the state and then we can take steps to reduce it."

— Dr. Pete Rutherford, Chief Executive Officer of Confluence Health and Alliance board member

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