

# Total Cost of Care Overview

February 2026

The Washington Health Alliance's *Total Cost of Care* report provides an estimate of what is spent to provide health care across the state, as well as for populations in geographic areas, specifically by counties and [Accountable Communities of Health](#) (ACHs). This overview provides additional information on how the information contained in the Alliance's *Total Cost of Care* report was attained.

## Allowed Amounts

The analysis used allowed amounts or the actual payment amounts contracted between plans and providers and includes all patient payments (e.g., co-pays, coinsurance, and deductibles).

## Service Setting

Health care services are categorized into five service settings using the Milliman Health Cost Guidelines-Grouper (Appendix A provides service setting details):

- facility inpatient
- facility outpatient
- professional
- prescription drug
- ancillary

## Claims Data

Data was obtained from the Alliance's voluntary All-Payer Claims Database (APCD), which is the claims data for approximately 4.6 million people with Medicaid and commercial insurance.

## Data Suppliers

There were 33 organizations that provided or authorized the provision of the medical claims data used in this analysis, including government agencies, health plans; and purchasers such as employers, union trusts, and multi-employer plans.

## High-Cost Patients

All patients for each measurement year were included in this analysis regardless of how high or low their total costs were.

## Measurement Year(s)

Total health care costs were reported for measurement years 2022, 2023, and 2024.

## Per Member Per Month

To calculate the per member per month (PMPM) amount, the allowed amounts for all services provided to individuals living within a geographic area were totaled and then divided by the number of enrollees (members) living in that area, as

represented in the Alliance's voluntary APCD. That amount is then divided by 12 to attain the per-month amount. Where the patient lives dictates where the services are counted.

For example, the care provided to an individual who lives in Snohomish County but who receives all their health care from providers in King County will be included in the Snohomish County PMPM. However, services will not be counted for a Washington state resident who gets their services out of state.

## **Risk Adjuster**

For this analysis, the Alliance used the Milliman Advanced Risk Adjusters (MARA)<sup>™</sup> to calculate the average health risk score of the state population using age, gender, service utilization, and diagnoses. MARA predicts the total cost of care provided.

There are other risk adjustment tools such as the Department of Health and Human Services Hierarchical Condition Categories (HCC) risk adjustment model that may be more familiar because it is used in government programs across the country. The major difference between the two is that HCC predicts plan liability, not total cost.

## **Risk Adjustment**

Using MARA (see above), the state's average risk score was set at 1.0. If an area has a risk score less than 1.0, it indicates the population has a lower illness burden, whereas a population with a risk score more than 1.0 has a higher illness burden relative to the state average. Risk adjustment for a population with a lower illness burden will result in an increased PMPM, while a higher illness burden will result in a decrease.

# Milliman Health Care Cost Guidelines Grouper

## Health Care Service Setting Detail

### Ancillary

Ambulance  
Benefits, Glasses and Contacts  
Benefits, Other  
DME (Durable Medical Equipment)  
Home Health Care  
Prosthetics

### Facility Inpatient

Alcohol and Drug Abuse  
Maternity, Cesarean Section Delivery  
Maternity, Normal Delivery  
Maternity, Nondelivery  
Medical  
Other Newborn  
Psychiatric  
Skilled Nursing Facility  
Surgical  
Well-Newborn

### Facility Outpatient

Alcohol and Drug Abuse  
Cardiovascular  
Emergency Room Visits  
Other  
Pathology/Lab  
Pharmacy  
Preventive  
Psychiatric  
Physical Therapy, Occupational Therapy, Speech–  
Language Therapy  
Radiology, CT/MRI/PET  
Radiology, General  
Surgery

### Prescription Drug

Prescription Drugs

### Professional

Allergy Immunotherapy  
Allergy Testing  
Cardiovascular  
Chiropractor  
Emergency Room Visits and Observation Care  
Hearing and Speech Exams  
Inpatient Anesthesia  
Inpatient Surgery  
Inpatient Visits  
Maternity  
Miscellaneous Medical  
Office Administered Drugs  
Office Surgery  
Office/Home Visits  
Outpatient Alcohol and Drug Abuse  
Outpatient Anesthesia  
Outpatient Psychiatric  
Outpatient Surgery  
Pathology/Lab, Inpatient and Outpatient  
Pathology/Lab, Office  
Physical Therapy  
Preventive Immunizations  
Preventive, Other  
Preventive, Physical Exams  
Preventive, Well-Baby Exams  
Radiology, IP (Flexible Phosphor Imaging Plate)  
Radiology Office, CT/MRI/PET  
Radiology Office, General  
Radiology Outpatient, General  
Radiology Outpatient, CT/MRI/PET  
Urgent Care Visits  
Vision Exam