

Total Cost of Care Overview - Medical Groups and Clinics

The Washington Health Alliance's *Total Cost of Care* report provides an estimate of the average cost to provide health care to patients across Washington state. 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).

Attribution. The Primary Care Attribution method described in the Alliance's [Technical Specifications](#), is used to assign a single primary care provider who delivered the most Evaluation and Management (E & M) visits over the most recent 24-month period to a particular patient. The provider is attributed to the patient based on:

1. the greatest number of E & M visits; or
2. In the event two or more providers tie for the greatest number of E & M visits, the relative value units (RVUs) are examined. Because RVUs reflect the intensity of the services delivered, the patient is attributed to the provider with the highest RVUs; or
3. If two or more providers have the same number of RVUs, the patient is attributed to the provider with the most recent service date.

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 more than 4.5 million people with Medicaid and commercial insurance, more than half of Washington state's population.

Data Suppliers. There were 27 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 are included in this analysis, regardless of their health care cost. However, having high-cost patients in a population can affect the cost average attributed to a particular physician group. In the Highlight, users have the ability to include or exclude high-cost patients to compare results.

Measurement Year(s). Total health care costs are reported for measurement years 2020, 2021, and 2022.

Per Patient Per Month. To calculate the per patient per month (PPPM) amount, the Alliance attributes each patient to a primary care provider according to the "Attribution" methodology described above. The allowed amounts for all services provided to that patient are added up, regardless of where the care was received. For example, if a patient is attributed to a medical group but also receives care from an outside specialty provider or has an inpatient hospital procedure, those costs are also attributed to the primary care provider. The total patient cost for the reporting year is divided by 12 to derive the per month amount. Only patients who received health care services are included, those who did not receive services are not counted.

Reporting Threshold. Using the Alliance's established reporting standard, a medical group or clinic must have 4 or more providers and at least 600 patients in the reported year to be included in this report.

Risk Adjuster. For this analysis, the Alliance used the Milliman Advanced Risk Adjusters (MARA)[™] to calculate the average health risk score of the state population. MARA predicts what the total cost of providing care to each patient will be and compares that health care cost risk to the average. There are other risk adjustment tools such as the Department of Health and Human Services Hierarchical Condition Categories (HHS-HCC) risk adjustment model that may be familiar to provider organizations because it is used in government programs across the country. A major difference between the two is that HHS-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 PPPM, while a higher illness burden will result in a decrease.

Milliman Health Care Cost Guidelines-Grouper

Health Care Service Setting Detail

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

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

Prescription Drug

Prescription Drugs

Ancillary

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