

Total Cost of Care Overview

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-Groupier (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 4.5 million people with Medicaid and commercial insurance.

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 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 2020, 2021, and 2022.

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)[™] 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 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