
- Private claims data from 5 major carriers, representing about 80 percent of insured lives
- Medicare FFS claims data
- MassHealth FFS claims data for spending that received federal matching funds
Public payers accounted for more than half of total spending for covered services.

Estimated Total Spending for Covered Medical Services in Massachusetts by Major Payer, 2008

- **Private insurance**: $15.9 billion (43%)
- **Medicare**: $11.6 billion (31%)
- **MassHealth**: $9.4 billion (26%)
Massachusetts’ spending growth outpaced the nation and the economy

- Privately insured spending grew faster than publicly insured spending per member year in 2008, and both grew faster than Massachusetts’ economy.

Change in Health Care Spending Per Member Year by Payer and Massachusetts GDP Per Capita, 2007-2009

- **All payers**: 4.9%
- **Private insurance**: 5.7% (2007-2008), 10.3% (2008-2009)
- **Medicare**: 4.8%
- **MassHealth**: 2.8%
- **Per capita GDP**: 2.0% (2007-2008), -1.6% (2008-2009)
Outpatient care and professional services drove aggregate spending growth in 2008

Change in Spending Per Member Year by Service Type: Major Payers 2007-2008

- Inpatient hospital: -4.9%
- Outpatient hospital: 10.2%
- Professional services: 9.2%
- Prescription drugs: 7.9%

Private insurance
Medicare
MassHealth
Outpatient and professional services drove 84% of growth in private insurance spending in 2009.

Growth in Privately Insured Spending per Member Year by Service Type 2007-2009

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2007-2008</th>
<th>2008-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient hospital</td>
<td>6.3%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Outpatient hospital</td>
<td>10.2%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Professional services</td>
<td>9.2%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Prescription drugs</td>
<td>-1.6%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>
Outpatient spending grew disproportionately fast in Boston-area tertiary care and specialty hospitals

**Distribution of Outpatient Spending and Change in Spending by Type of Hospital 2007-2009**

- **Boston-area tertiary care hospitals**: 35% (42% change)
- **Boston-area specialty hospitals**: 11% (16% change)
- **Boston-area community hospitals**: 15% (16% change)
- **Other tertiary care hospitals**: 14% (13% change)
- **Other community hospitals**: 24% (13% change)

- Blue bars: Percent of total spending 2009
- Green bars: Percent of spending change 2007-2009
Spending for specialty services accounted for most professional services spending and spending change.

Distribution of Spending for Professional Services and Rate of Growth per Member Year, 2008-2009

- **Primary care providers**: 28.5% of spending, 8.0% average annual growth
- **Specialty physicians**: 45.6% of spending, 10.1% average annual growth
- **Other professionals**: 11.8% and 12.3% average annual growth

Percent of professional services spending 2009

Average annual growth in spending per member year 2008-2009
Inpatient spending growth was greatest for behavioral health admissions, but accounts for only 2% of total spending.
In 2008, a higher proportion of inpatient spending per member year occurred at tertiary care and specialty hospitals.

Private Payer:
- Tertiary: 59%
- Community: 29%
- Specialty: 7%
- Out of state: 5%

Medicare:
- Tertiary: 52%
- Community: 41%
- Specialty: 2%
- Out of state: 5%

Medicaid:
- Tertiary: 58%
- Community: 31%
- Specialty: 6%
- Out of state: 5%
Private insurance cost growth analysis

• Market basket of inpatient, outpatient hospital, professional services, 2007-2008 and 2008-2009

• Total spending effects due to changes in:
  - Pure price
  - Service use
  - Service mix
  - Movement among hospitals and locations (inpatient / outpatient)
Faster private insurance spending was mostly due to price growth

Higher prices explained:

• All of the growth in inpatient hospital spending in 2008 and 2009
• Half of the growth in outpatient hospital spending in 2008 and all of the growth in 2009
• 77 percent of the growth in professional services spending in 2008 and 88 percent of the growth in 2009

Higher prices also drove:

• Spending for non-generic prescription drugs from 2007-2008
• Spending for diagnostic imaging services
Growth in Medicare and MassHealth spending generally reflected greater service use

For Medicare:

• Growth in spending for outpatient hospital care and professional services was mostly or entirely due to greater service use

• Spending per inpatient admission grew, but more slowly (5.2%) than for private insurance (7.3%), likely in part due to change in case mix

For MassHealth:

• Spending for outpatient hospital care declined with lower service use

• Growth in spending for professional services was entirely due to greater service use
For more information:

www.mass.gov/dhcfp/costtrends