

Maryland Hospitals Deliver Savings for Commercial Health Insurers

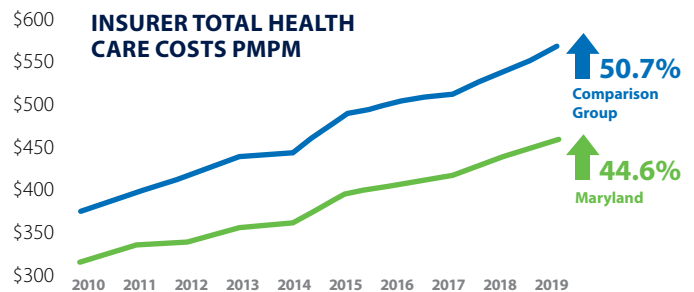
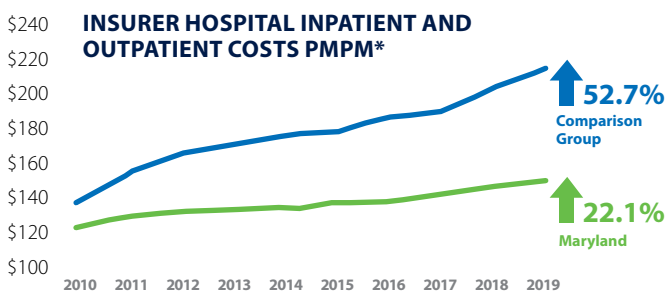
Commercial insurers in Maryland enjoy steadily improving cost savings thanks to Maryland’s unique hospital payment model, according to independent research commissioned by Maryland Hospital Association. Yet it appears those savings are not fully passed along to customers – both employer groups and individual consumers.

Insurers pay less for both hospital inpatient and outpatient services than in comparison states. The hospital cost gap has widened in the last decade, in Maryland’s favor. Under the state’s longstanding hospital payment regulation system, hospitals accept limits not just on prices but on total hospital revenue as set by the Health Services Cost Review Commission.

Maryland Holds Down Cost Despite Uncontrolled Growth in Services Outside of Hospitals

With no state regulation on payment for health care services or items not delivered by hospitals—professional care, ambulatory facilities, and prescription drugs—insurers’ costs have trended more steeply. Those costs rose 62.4% over ten years in Maryland, versus 49.2% in the comparison states.

Nevertheless, Maryland’s total cost of care in the commercial insurance sector is below comparison states and has grown more slowly.

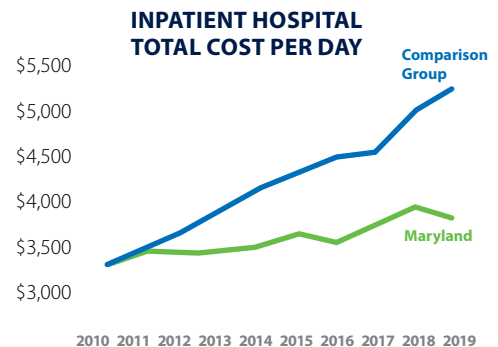
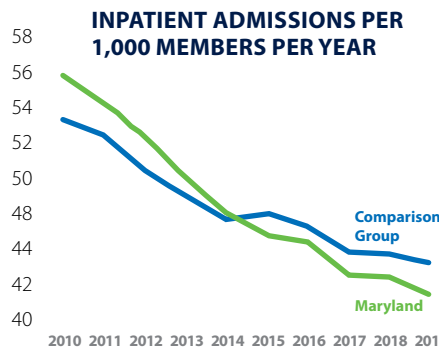


Model Agreement with U.S. Government Promotes Hospital and Total Cost Savings

Utilization of hospital inpatient services by commercially insured populations has declined more rapidly in Maryland than elsewhere. At the same time, owing to hospitals’ success becoming more efficient, the insurers’ cost for a hospital patient day has trended up much more slowly.

Since 2019, the federal government has explicit goals for controlling the state’s total spending. But it makes hospitals—and no one else—accountable for results.

Maryland Insurers See Fewer Admissions, Lower Prices



Maryland Patients See Lower Out-of-Pocket Cost-Sharing for Hospital Services; Premiums Can Go Lower

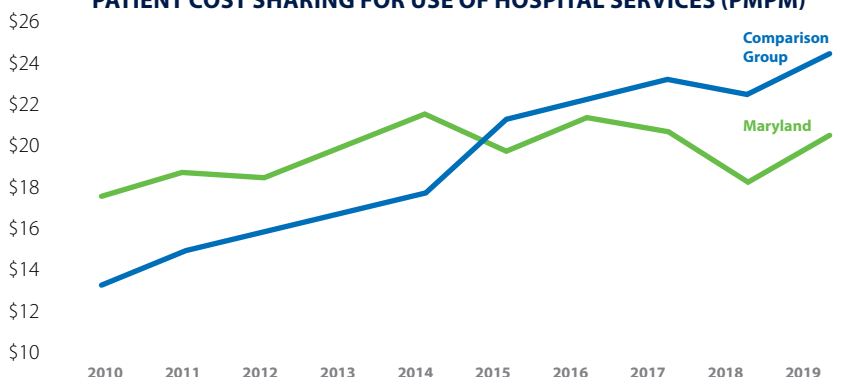
Employers and consumers pay for health care in two main forms: premiums to buy health insurance and, for people who use health services, cost sharing in the form of deductibles, coinsurance, and copayments.

As insurers continue to raise patient cost shares, in Maryland, consumers are spared much of the burden thanks to the state’s low rate of growth in hospital spending.

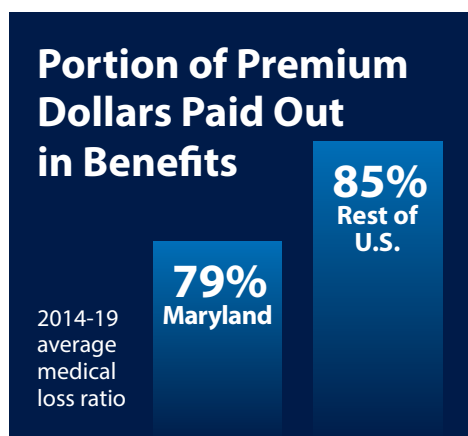
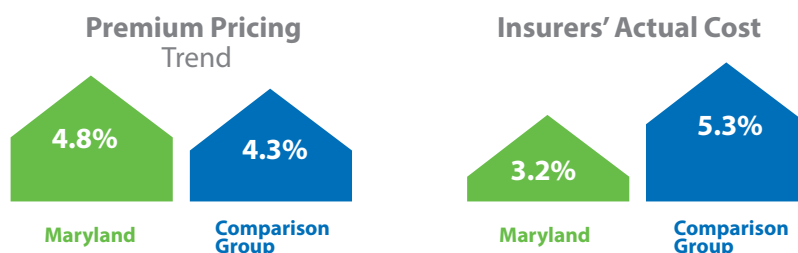
Health Insurance Premiums Don’t Reflect Health Cost Savings

Trends in premium rates insurers charge Maryland customers have not kept track with favorable underlying cost trends in health care services.

PATIENT COST SHARING FOR USE OF HOSPITAL SERVICES (PMPM)



ANNUAL GROWTH, SMALL GROUP MARKET 2014-2019



Consequently, Maryland insurers pay out a smaller share of premium dollars on health care services (the “medical loss ratio”) than in other states. As a result, and to comply with the Affordable Care Act, Maryland insurers were required to rebate \$271 million

to customers in just a five-year period.

The findings suggest health insurers have a real opportunity to give Marylanders the benefit of health cost savings up front through lower premiums.

Maryland health insurers have paid lowest costs in nation for hospital care of COVID-19 patients		Maryland	U.S.	Highest State
	Complex Inpatient	\$49,127	\$98,139	\$128,650 (NJ)
Non-Complex Inpatient	\$12,531	\$33,525	\$44,239 (AK)	

Sources: Independent actuarial firm examination of a group of six comparison states with insurance market characteristics similar to Maryland. Data sources included IBM Market Scan, filings insurers submit to the federal government as required by the Affordable Care Act, and the Medical Expenditure Panel Survey – Insurance Component. (Summer 2021).

FAIR Health, “COVID-19 Treatment and Hospitalization Costs,” December 2021. Analysis of private payer claims, Apr 2020 - Aug 2021. Amounts shown are average payer allowed.

*PMPM = Per member per month