Utah Healthcare Spending Growth Trends 2021-2023

Annual Report

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One Utah Health Collaborative

Overview

As the steward of the Utah Model of Care, the One Utah Health Collaborative is committed to helping healthcare stakeholders, patients, employers, and policymakers understand and monitor the growth of healthcare spending. This allows us—as a community—to take deliberate actions to ensure a sustainable course and measure the impact of those actions. Healthcare affordability, transparency, and accountability are central to ensuring Utah's healthcare system is sustainable for patients and employers. The Utah Healthcare Spending Growth Measurement report, examining healthcare spending growth trends in Utah, reflects our commitment to provide critical insights that will guide collaborative efforts. This work will address emerging challenges and prevent further escalation resulting in financial burdens for Utahns.

With support from payers across Medicaid, Medicare, and commercial markets, this initiative identifies areas of concentrated spending growth and pinpoints partnership opportunities with stakeholders to create impactful, data-driven solutions toward the shared vision of the Utah Model of Care. This collective effort entails a commitment to accountability and strives to build a healthier, more sustainable future for the state.

Key Takeaways

The findings highlight several important trends at both the state and market levels:

- From 2021 to 2023, Utah's healthcare expenditures rose, with a 6.2% increase from 2021 to 2022 and an 8.3% from 2022 to 2023. Per capita healthcare spending grew modestly by 1.7% in 2021–2022, lagging behind a 4.5% rise in per capita income, likely due to the impact of the pandemic, cost management by payers, increased average membership, and reduced inpatient spending. However, in 2022–2023, per capita healthcare spending accelerated to 6.6%, outpacing a 5.6% per capita income growth, driven by higher outpatient spending and professional service use and rising retail pharmacy costs, after accounting for rebates.

- **Commercial** insurance, being the largest healthcare market in Utah by total dollars spent with a 47.2% spending share, experienced a 4.8% increase in total healthcare expenditures from 2021 to 2022, followed by a 9.7% increase from 2022 to 2023. Cumulative commercial growth was 7.6% ($5,769 to $6,210 per member per year). From 2021 to 2023, there was an increase in average member enrollment as well as spending on **outpatient**, **professional behavioral health services**, and **retail pharmacy** (net of rebates). In contrast, hospital **inpatient** spending experienced a decrease.

- **Medicare,** being the second-largest market by total dollars spent with 35.8% spending share, grew from 6.1% (2021-2022) to 7.6% (2022-2023) during the same two-year periods. Cumulative Medicare per capita healthcare spending growth was 10.1%

($14,054 to $15,471). **Retail pharmacy** (net of rebates), **outpatien**t spending, and non-claims spending grew substantially. Medicare Advantage **professional behavioral health spending** grew at a significant rate but had only a moderate impact because of relatively low baseline behavioral health spending relative to other service categories.

- **Medicaid** witnessed a 10.3% increase between 2021 and 2022 followed by a 6.1% increase from 2022 to 2023 for total healthcare spending. Per capita total healthcare spending grew cumulatively by 10.2% between 2021 and 2023, from $6,677 to $7,361 per member per year. From 2021 to 2022, average member enrollment saw a substantial increase, which was followed by a moderate decline in 2022-2023. During this time, expenditures on **retail pharmacy** (after rebates) and **professional behavioral health services** saw significant growth.

- The shifting of spending from **inpatient** to **outpatient** services may likely be due to increased utilization of **outpatient** services, the need for additional ancillary services, higher administrative costs of complex billing methods, and investments in additional equipment and infrastructure.

- The rise in **professional behavioral health services** can be attributed to several factors, including a growing demand driven by increased member needs, a higher number of individuals accessing these services, a shift toward managing more complex cases requiring extended care and specialized treatments, advancements in standardizing data collection, improvements in care delivery, and escalating treatment costs.

- **Retail pharmacy** spending remains a significant driver of overall spending growth. The rising cost may be attributed to increasing market share of specialty drugs, increasing drug prices, and increasing utilization.

- Performance incentive payments declined over the reporting years.

- Payments to support population health remained relatively modest.

- Total healthcare spending on **professional primary care services** experienced growth, increasing from $0.66 billion in 2021 to $0.75 billion in 2023. Despite this growth, **professional primary care** spending continues to represent a small portion of the overall professional services expenditure.

These statistics not only underscore areas of rapid growth but also illuminate potential opportunities for collaboration and innovation among healthcare stakeholders.

Influencing Factors and Limitations
While this report provides a comprehensive look at healthcare spending trends, certain limitations and external factors may influence its findings:

- **Data limitations**: The data used for this report is not inflation-adjusted. Contracts between payers and providers often include inflation adjustments, with some tied to government rates or influenced by chargemaster rate changes, while medical inflation effects may not be immediately apparent or may vary depending on economic conditions. Furthermore, variability in data sources from payers could also have an impact on the results of the report.

- **Economic and demographic shifts**: Workforce shortages contribute to delays in healthcare delivery and may have resulted in acute treatments later that drove up costs. Rising administrative and labor expenses, including compliance and billing complexities along with competitive wages, further strain budgets. Additionally, the increasing cost of living may have caused patients to delay treatment due to affordability concerns. The aging population adds to the challenge, requiring more frequent and complex care, as well as increased chronic disease management and long-term care needs.

- **Environmental and policy changes**: Public health emergencies may have led to shifts in utilization of medical care and emergency services. This can have a long-term impact on costs, while regulatory changes can require significant investments. Policy shifts such as expansion in coverage might have impacted healthcare utilization and spending.

- **Medical and technological advances**: The emergence of new treatments, the development of pharmaceuticals, and other healthcare innovations, while transformative and aimed at improving outcomes, may also contribute to rising costs.

We trust this report serves as a foundation for transparent discussions and actionable strategies as we continue to align with stakeholders to ensure Utah's healthcare system remains affordable, high-quality, and trusted.
We extend our heartfelt thanks to the committed payers who contributed data for this crucial, ongoing project. Your efforts exemplify alignment and collaboration, which enables our community and stakeholders to effectively monitor and address the trajectory of health spending growth. A special thank you to our generous donors who support the One Utah Health Collaborative. Your support is instrumental in driving meaningful progress toward a sustainable system.

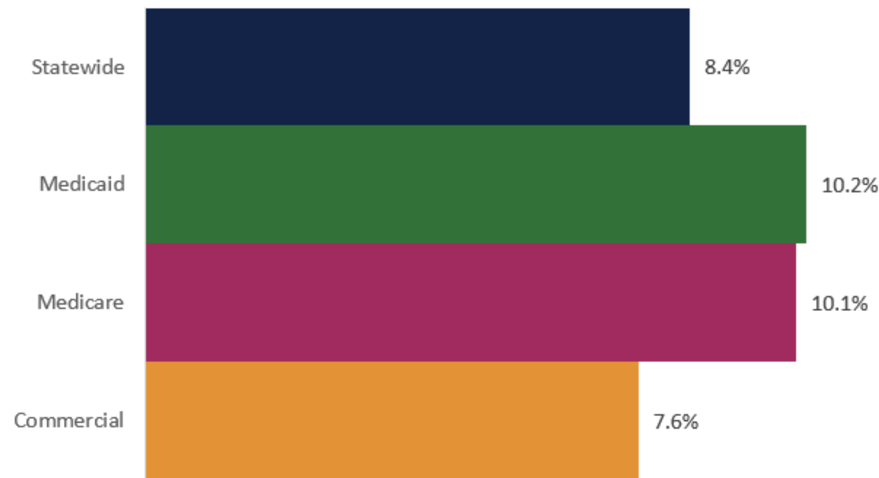
Executive Summary

This report describes healthcare spending growth in Utah between 2021 and 2023 statewide, by market (Medicare, Medicaid, and commercial) and by service category. The expenditures collected from payers and other sources together represent the total cost of healthcare in Utah and are referred to as "Total Health Care Expenditures" (THCE) throughout this report. This assessment of healthcare spending in Utah was developed to inform policymakers and other stakeholders of the current state of healthcare spending growth, illustrate potential cost drivers, and identify focused opportunities to slow healthcare spending.

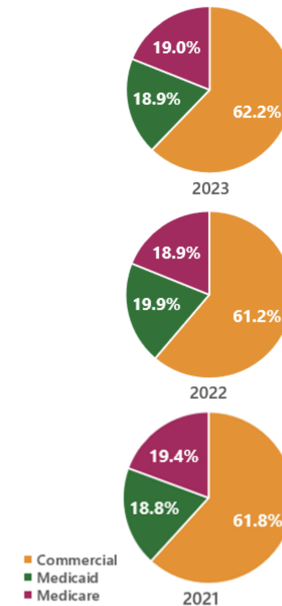
Summary Findings: THCE Per Member Per Year and Enrollment Share

Statewide THCE in Utah in 2021 was $15.78 billion and grew to $18.14 billion in 2023, a 15.0% increase. On a per member per year (PMPY) basis, the statewide THCE PMPY grew by 8.4%, from $7,547 in 2021 to $8,183 in 2023, driven by a sharp 6.6% increase between 2022 and 2023. Medicaid and Medicare had the highest cumulative growth rate for THCE PMPY between 2021 and 2023 at 10.2% and 10.1%, respectively, and the commercial market saw the lowest growth at 7.6%. The Medicare proportion of statewide health insurance member years decreased from 19.4% in 2021 to 19.0% in 2023, which put some downward pressure on statewide THCE PMPY growth given that Medicare THCE PMPY is more than twice as large as THCE PMPY for commercial and Medicaid.

Cumulative Percentage Change in THCE PMPY by Market, 2021-2023



Enrollment Share by Market, Statewide



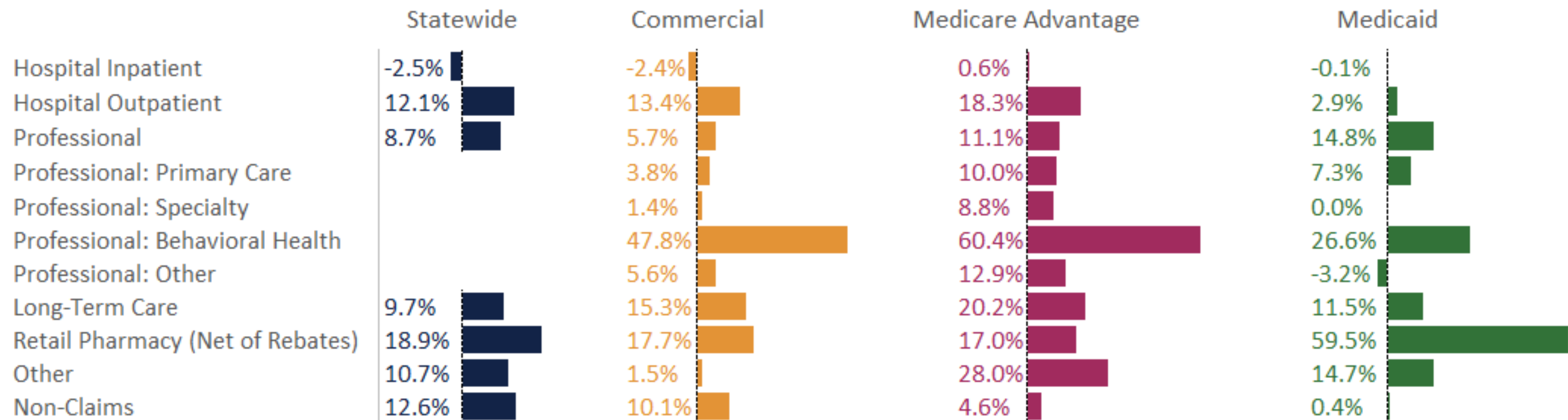
Percentages may not add to 100 due to rounding

Summary Findings: Total Medical Expenses

Total Medical Expenses (TME) are comprised of claims and non-claims expenditures and were submitted by participating payers at the year, line of business, and service category level. From 2021 to 2023, statewide TME increased 15.7% and statewide TME PMPY grew 9.1%.

Analyzing TME PMPY spending for each service category shows that retail pharmacy and outpatient spending drove much of the statewide spending growth between 2021 and 2023. Statewide hospital inpatient PMPY spending decreased by 2.5% during that time and was the only service category with negative growth statewide. For Commercialand Medicare Advantage, professional behavioral health services were the service category with the largest increase (+47.8% and +60.4%). The Medicaid market, which includes Medicaid fee-for-service and Medicaid Accountable Care Organization payment arrangements, saw a large increase in retail pharmacy (net of pharmacy rebates from the drug manufacturers) of over 59.5%.

Cumulative Change in TME PMPY from 2021 to 2023 by Market and Category



Note: Statewide professional spending by subcategory is not available because Medicare FFS data included only a professional spending category without any subcategories.

Table of Contents

Utah Healthcare Spending Growth Trends, 2021-2023 i

Overview ii

Executive Summary v

Summary Findings: Total Medical Expenses.... vi

Background.... 1

Total Health Care Expenditures.... 2

Statewide THCE 3

Statewide THCE PMPY.... 3

Statewide THCE by Component and Enrollment.... 4

Statewide THCE PMPY by Component and Enrollment 5

THCE and Enrollment by Market 6

THCE PMPY and Enrollment by Submarket 7

THCE PMPY by Market by Component and Enrollment 8

Statewide TME by Component: Claims and Non-Claims Spending 11

Statewide TME by Category 12

Professional Spending by Category 13

Non-Claims Spending by Category 14

TME by Market by Category.... 15

Pharmacy Rebates by Market 18

Percentage Change in TME by Category and by Market, 2021-2023.... 19

TME – Cumulative Change in PMPY Spending by Category and by Market, 2021-2023.... 21

Appendix 25

Data Sources.... 25

Data Validation.... 27

Market-Specific Notes 28

Limitations and Considerations.... 29

Glossary of Definitions 30

Background

In 2022, Utah Governor Spencer J. Cox launched the One Utah Health Collaborative (the Collaborative), an independent 501(c)(3) organization. The organization is committed to addressing the growth of healthcare spending in Utah. Through public and private funding, a community-centric approach, and an emphasis on supporting innovation, the Collaborative aligns the community on a long-term roadmap to a better healthcare system.

Payers Who Submitted Data by Market

Payer	Market				
	Commercial	Medicaid ACO	Medicaid Fee-for-Service	Medicare Advantage	Medicare Fee-for-Service
Aetna	X			X	
Cigna Health and Life Insurance Co.	X				
Centers for Medicare & Medicaid Services					X
Health Choice Utah		X		X	
Molina Healthcare of Utah	X	X		X	
Public Employee Health Plan	X				
Regence BlueCross BlueShield of Utah	X			X	
Select Health	X	X		X	
UnitedHealthcare	X			X	
University of Utah Health Plans	X	X		X	
Utah Medicaid			X		

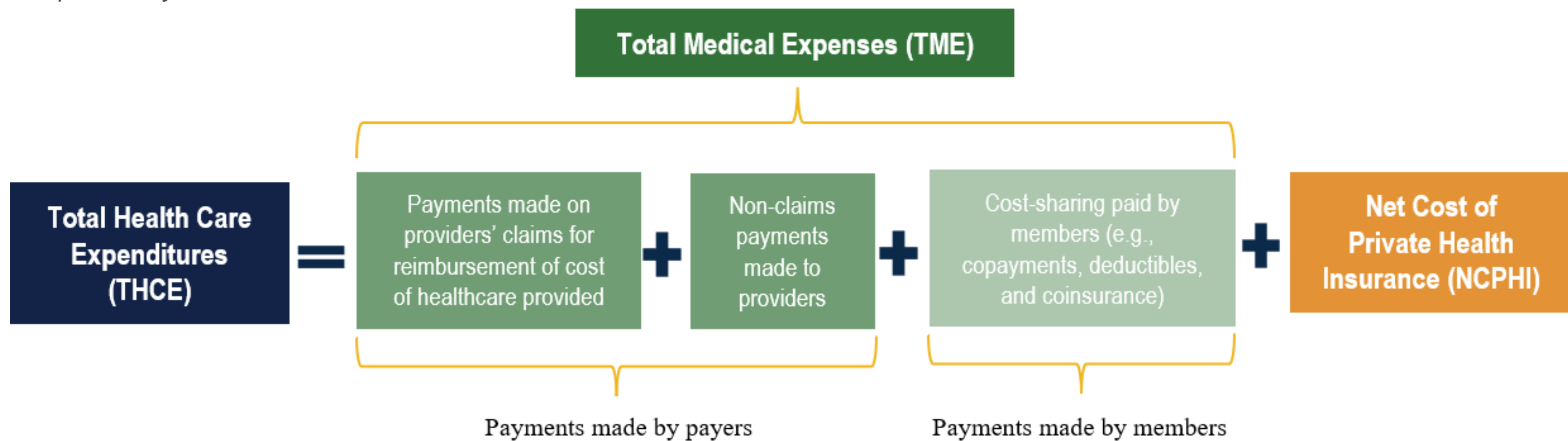
To address the growth of healthcare spending in Utah, the Collaborative implemented the Utah Healthcare Spending Growth Measurement Initiative with support from consultant Mathematica.

As part of this initiative, the Collaborative is reporting on annual healthcare spending at two levels: for the state overall and for each insurance market (Medicaid, Medicare, and commercial) using annual data submitted from payers and other sources. The Medicare market is composed of Medicare Fee-for-Service (FFS), Medicare/Medicaid Dual Eligibles, and Medicare Advantage. The Medicaid market is composed of Medicaid FFS and Medicaid Accountable Care Organization (ACO). Individual, self-insured, small and large group, and student health insurance plans are collectively referred to as the commercial market. Eleven payers submitted data for this initiative.

Total Health Care Expenditures

The Collaborative uses Total Health Care Expenditures (THCE) as the measure of overall healthcare spending in Utah statewide and by market. THCE is the Total Medical Expenses (TME) incurred by Utah residents for all healthcare services for all payers reporting data, plus the payers' Net Cost of Private Health Insurance (NCPHI) (i.e., cost to Utah residents associated with the administration of private health insurance). TME includes claims and non-claims spending reported by payers, net of pharmacy rebates. Non-claims payments include incentive payments, prospective payments for healthcare services, payments that support care transformation and infrastructure, and other payments that support provider services. The Collaborative reports THCE on a per member per year (PMPY) basis.

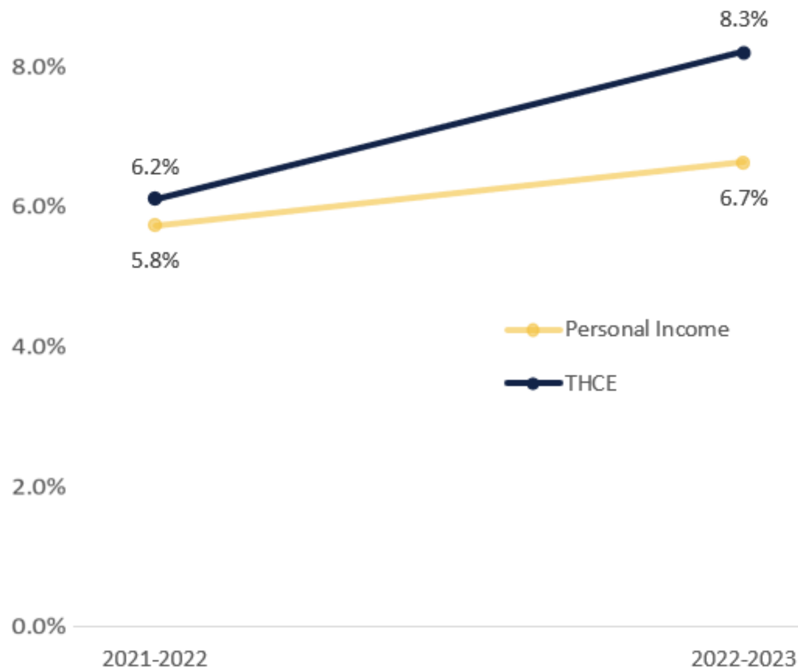
Components of THCE



Statewide THCE

To understand growth in healthcare spending in the broader Utah context, the Collaborative compares growth in THCE with growth in Utah personal income across years. Between 2021 and 2022, statewide THCE grew 6.2%, slightly faster than personal income growth of 5.8%. Between 2022 and 2023, statewide THCE grew 8.3%, somewhat faster than personal income growth of 6.7%.

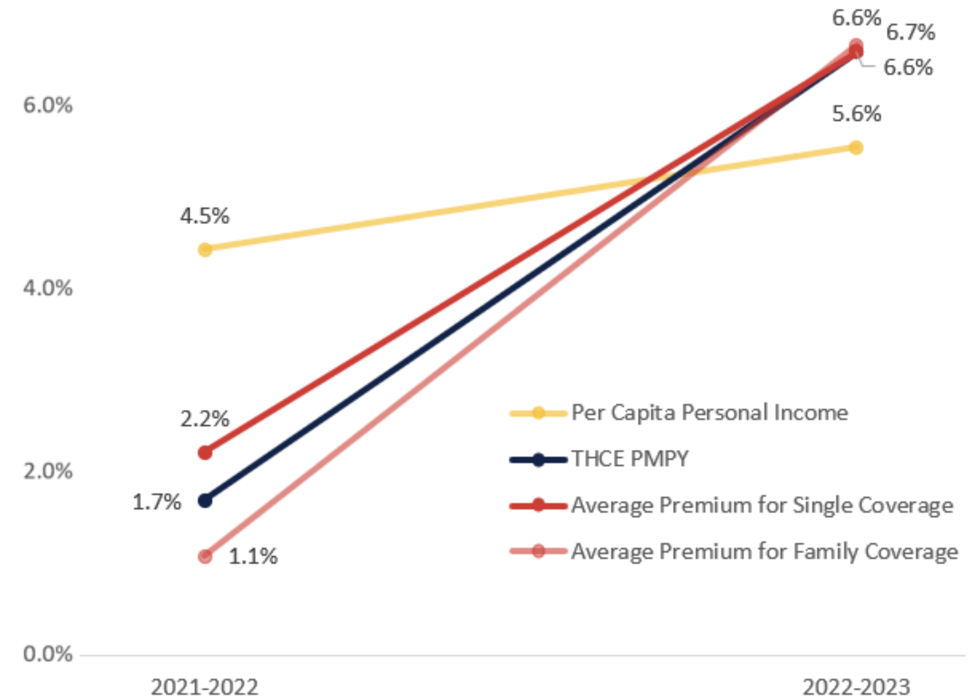
Percentage Change in THCE and Income, Statewide



Statewide THCE PMPY

The Collaborative compares growth in THCE PMPY across years with growth in Utah per capita personal income and health insurance premiums – as a proxy of the degree to which Utah residents can afford increases in healthcare expenses. From 2021 to 2022, growth in statewide THCE PMPY (+1.7%) and average health insurance premiums (+2.2% for single coverage, +1.1% for family coverage) were slower than the growth in per capita personal income of 4.5%. However, from 2022 to 2023, the growth in per capita personal income of 5.6% was about one percentage point lower than growth in THCE PMPY and average health insurance premiums. The THCE PMPY growth is lower than THCE growth because it is calculated on a per capita basis and accounts for growth in the number of Utah residents who are enrolled in health insurance.

Percentage Change in THCE PMPY, Per Capita Income, and Premiums



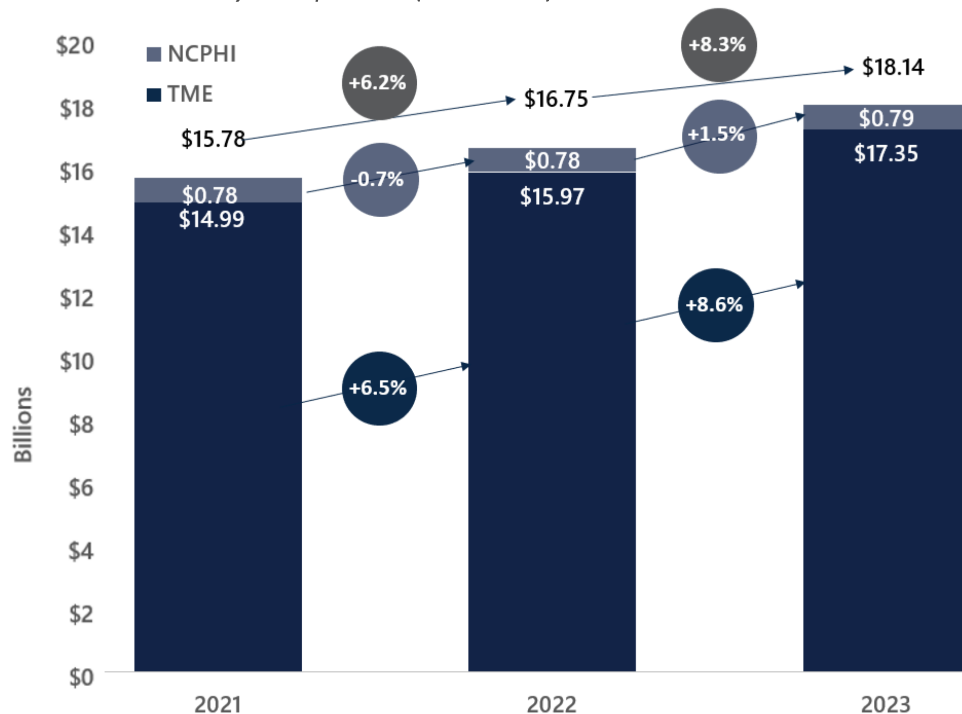
Statewide THCE by Component and Enrollment

NCPHI is used for payer costs related to healthcare claims processing, paying bills, advertising, sales commissions, other administrative costs, premium taxes, and fees. It also includes a payer's profits (contribution to margin) or losses. NCPHI can fluctuate year to year depending on how accurately premium projections are able to forecast actual services rendered.

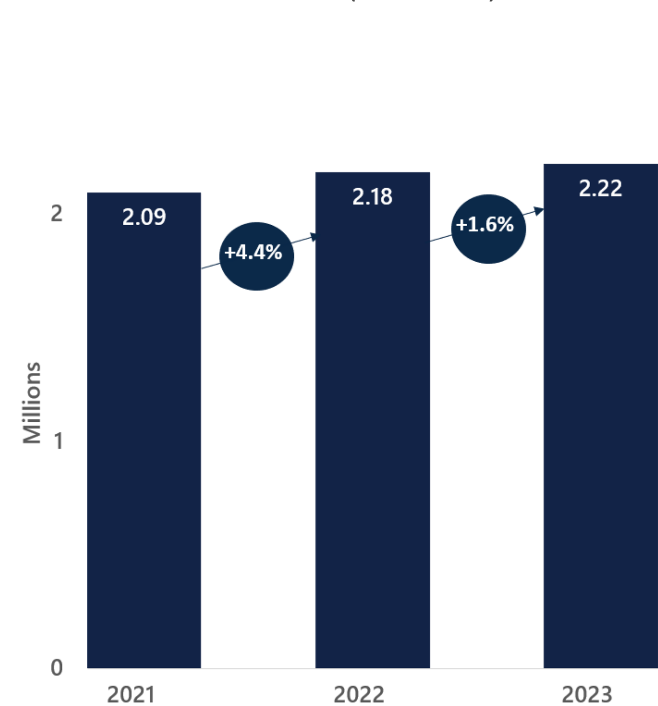
THCE in Utah grew from $15.78 billion in 2021 to $18.14 billion in 2023. TME accounted for about 95% of THCE and grew at a similar pace from 2021 to 2023 as THCE. NCPHI totaled around $800 million each year and changed less than TME from 2021 to 2023, resulting in an overall minor impact of NCPHI on the growth in statewide THCE.

Statewide enrollment in health insurance grew 4.4% from 2021 to 2022 from 2.09-million-member years in 2021 to 2.18 million in 2022. Statewide enrollment in health insurance grew more slowly from 2022 to 2023 at 1.6%.

Statewide THCE by Component (in billions)



Statewide Member Years (in millions)

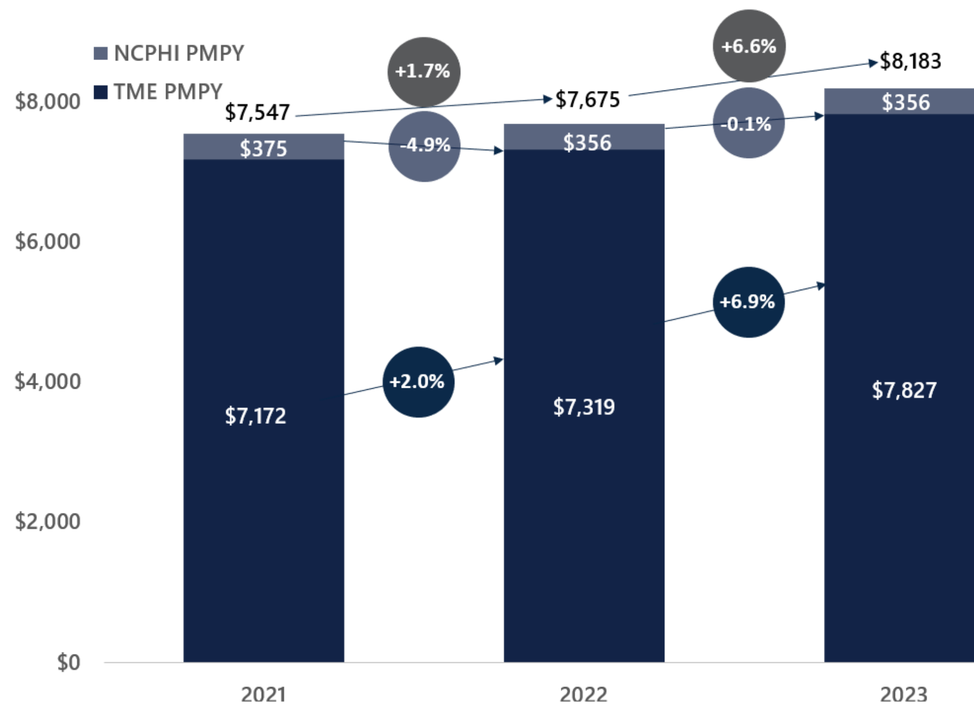


Statewide THCE PMPY by Component and Enrollment

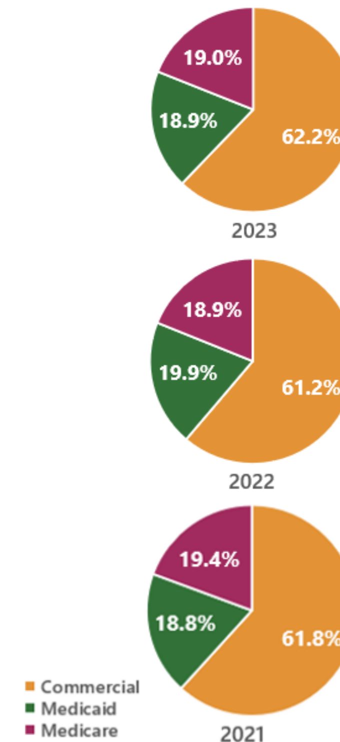
Statewide THCE PMPY increased slightly (+1.7%) from $7,547 in 2021 to $7,675 in 2022. Statewide THCE PMPY increased more sharply in 2023 to $8,183 – a 6.6% increase from 2022. Growth in statewide TME PMPY was 0.3% higher than growth in statewide THCE PMPY. NCPHI PMPY decreased by 5.0% from 2021 to 2023 but had a small impact on growth in THCE PMPY because NCPHI PMPY is only about 5 percent of THCE.

The Medicare proportion of statewide health insurance member years decreased by about 0.4% from 2021 to 2023, which put some downward pressure on statewide THCE PMPY growth given that Medicare THCE PMPY is more than twice as large as THCE PMPY for commercial and Medicaid.

THCE PMPY by Component, Statewide



Enrollment Share by Market, Statewide

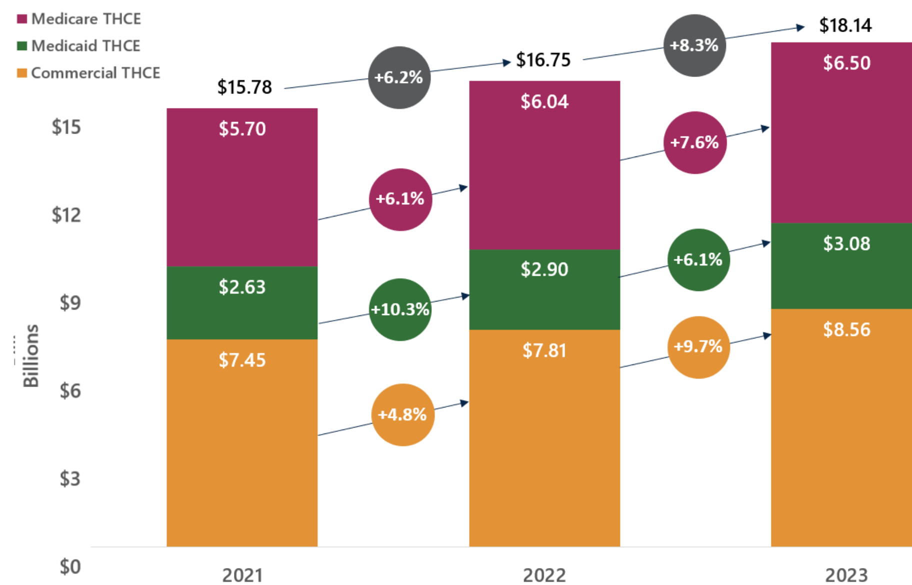


THCE and Enrollment by Market

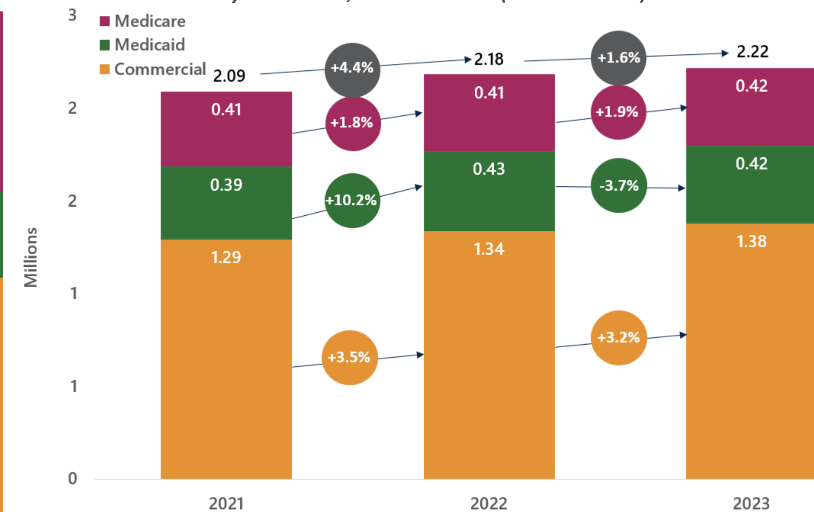
Commercial is the largest healthcare market in Utah by total dollars spent, with a THCE of $8.56 billion in 2023, representing 47.2% of Utah healthcare spending. Medicare is the second-largest market in Utah by total dollars spent, with $6.50 billion in 2023, and represented 35.8% of healthcare spending in Utah. Total Medicaid spending in Utah was $3.08 billion in 2023, 17.0% of healthcare spending in Utah. From 2021 to 2022, the growth in THCE for Medicaid was 10.3%, which was greater than the statewide THCE growth of 6.2%. From 2021 to 2022, commercial THCE grew at about 4.8% and Medicare THCE grew at 6.1%, which was similar to the statewide growth of 6.2%. From 2022-2023, the trend by market reversed: growth in Medicaid THCE of 6.1% was lower than commercial THCE growth (9.7%) and Medicare THCE growth (7.6%).

From 2021 to 2022, health insurance enrollment increased 4.4% and was driven by a 10.2% increase in Medicaid member years. From 2022-2023, health insurance enrollment grew more slowly at 1.6% and was pushed down by a 3.7% decrease in Medicaid member years.

THCE by Market, Statewide (in billions)



Member Years by Market, Statewide (in millions)

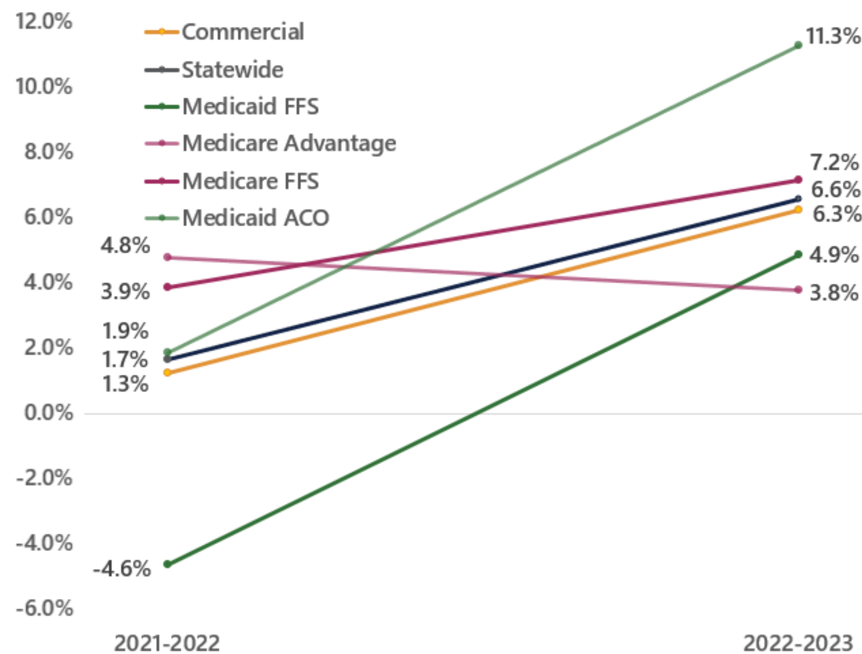


THCE PMPY and Enrollment by Submarket

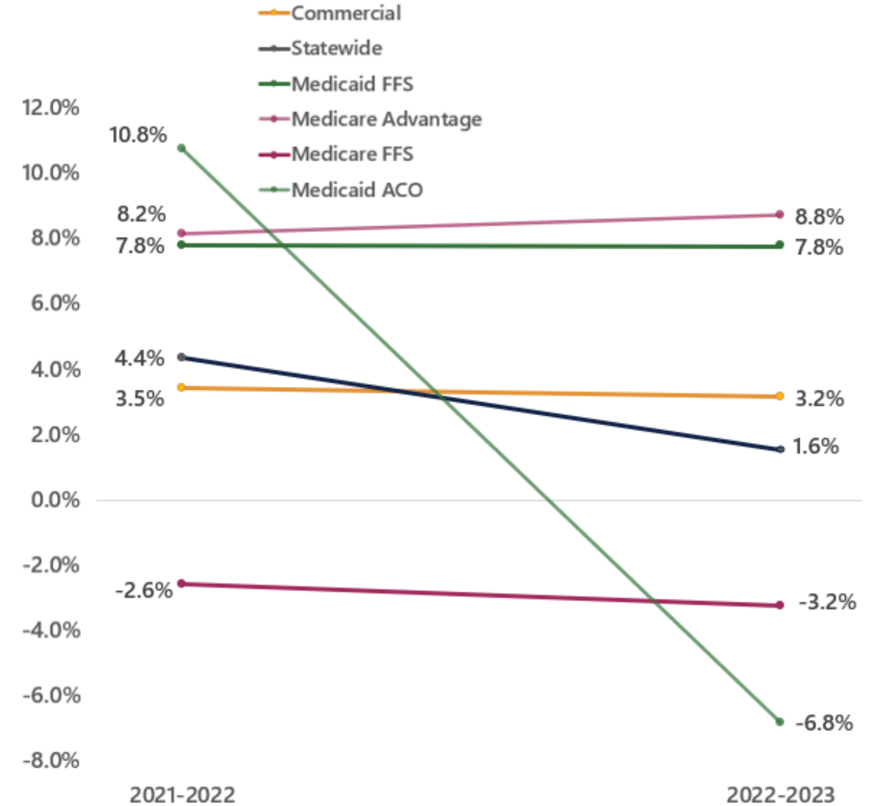
From 2021 to 2022, compared to statewide growth in THCE PMPY of 1.7%, THCE PMPY grew faster for Medicare Advantage (+4.8%) and Medicare FFS (+3.9%) and grew similarly for Medicaid ACO (+1.9%) and commercial (+1.3%). Medicaid THCE PMPY decreased by 4.6% from 2021 to 2022. From 2022 to 2023, compared to statewide growth in THCE PMPY of 6.6%, THCE PMPY grew faster for Medicaid ACO (+11.3%) and Medicare FFS (+7.2%), grew similarly for commercial (+6.3%), and grew more slowly for Medicaid FFS (+4.9%) and Medicare Advantage (+3.8%).

From 2021-2022 and 2022 to 2023, compared to statewide enrollment growth, enrollment in Medicaid FFS and Medicare Advantage grew much faster and commercial enrollment growth was similar. Medicaid ACO enrollment grew the fastest from 2021 to 2022 at 10.8% but decreased sharply by 6.8% from 2022 to 2023.

THCE PMPY Percent Change Statewide and by Submarket



Member Years Percent Change Statewide and by Submarket



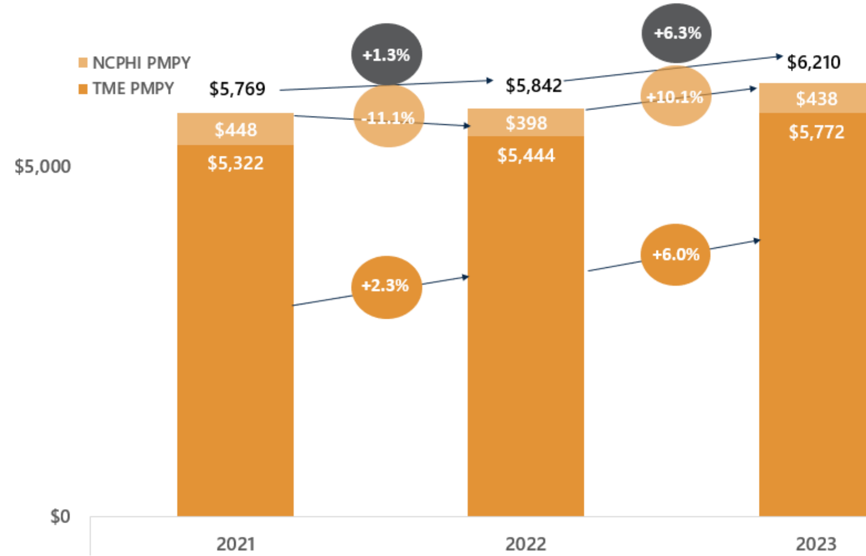
THCE PMPY by Market by Component and Enrollment

Commercial THCE PMPY by Component and Enrollment

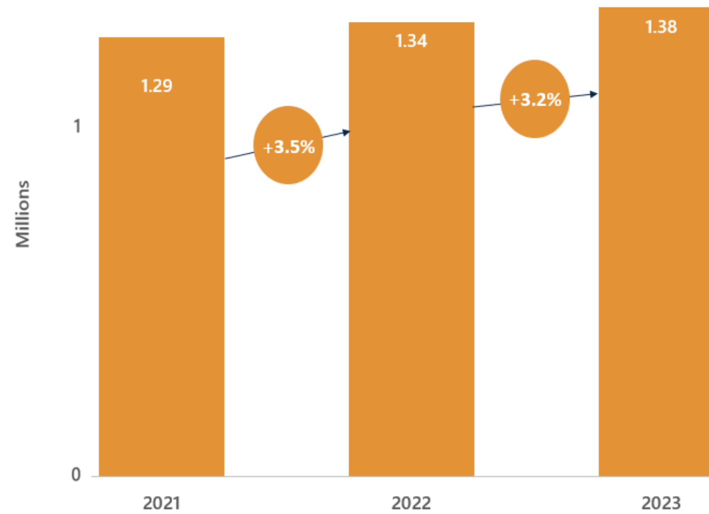
From 2021 to 2022, commercial THCE PMPY growth of 1.3% was slower than TME PMPY growth of 2.3% because NCPHI PMPY decreased by 11.1%. From 2022 to 2023, commercial THCE PMPY growth of 6.3% was larger than TME PMPY growth of 6.0% because NCPHI PMPY grew 10.1%.

For Commercial, enrollment increased from 1.3 million in 2021 to 1.4 million in 2023, growing at about 3 percent a year.

Commercial THCE PMPY by Component



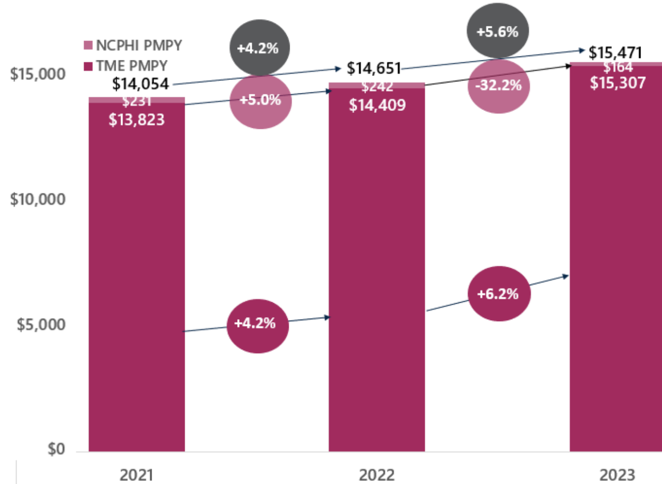
Commercial Member Years



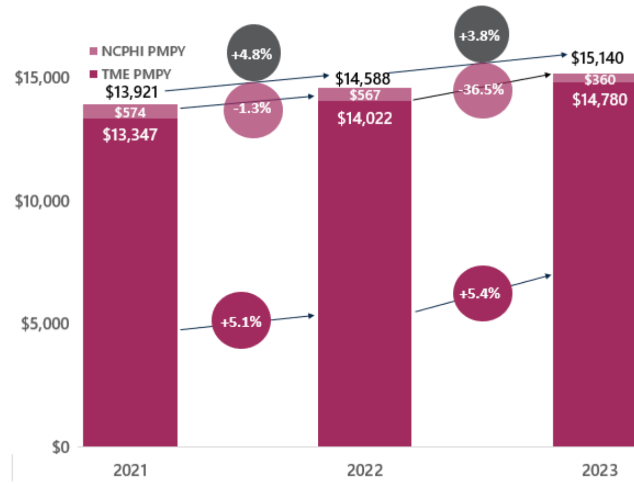
Medicare THCE PMPY by Component and Enrollment

Medicare THCE PMPY growth of 4.2% from 2021 to 2022 was driven by a 5.1% increase in Medicare Advantage TME PMPY and 3.9% increase in Medicare FFS TME PMPY. From 2022 to 2023, a 36.5% decrease in Medicare Advantage NCPHI counteracted growth of 5.4% in Medicare Advantage TME PMPY and growth of 7.2% in Medicare FFS THCE PMPY, resulting in Medicare THCE PMPY growth of 5.6%.

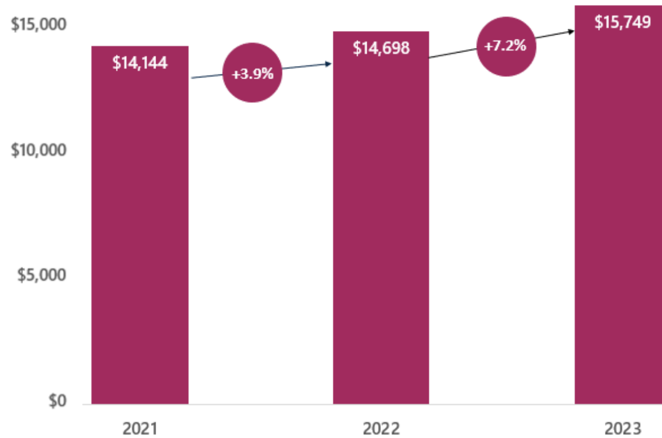
Medicare THCE PMPY by Component



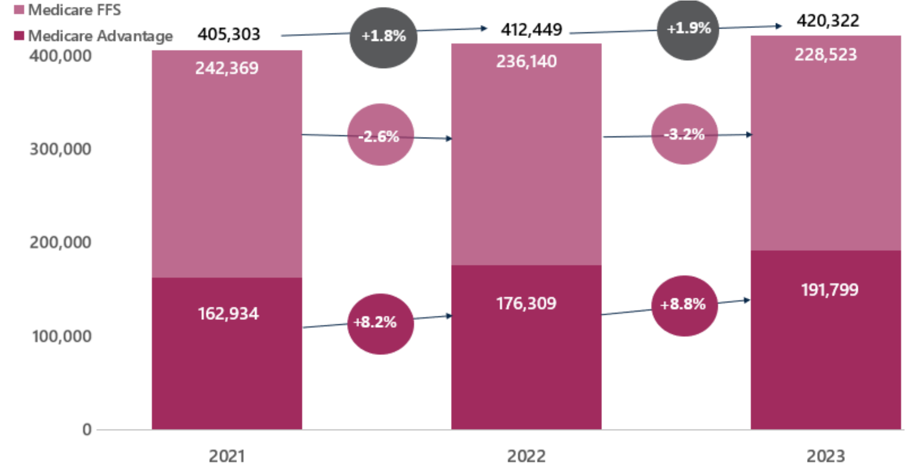
Medicare Advantage THCE PMPY by Component



Medicare FFS THCE PMPY



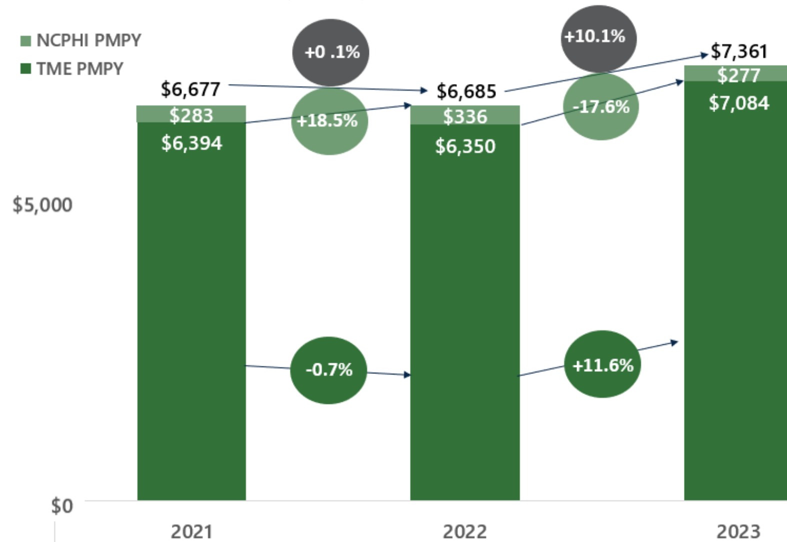
Medicare Member Years by Submarket

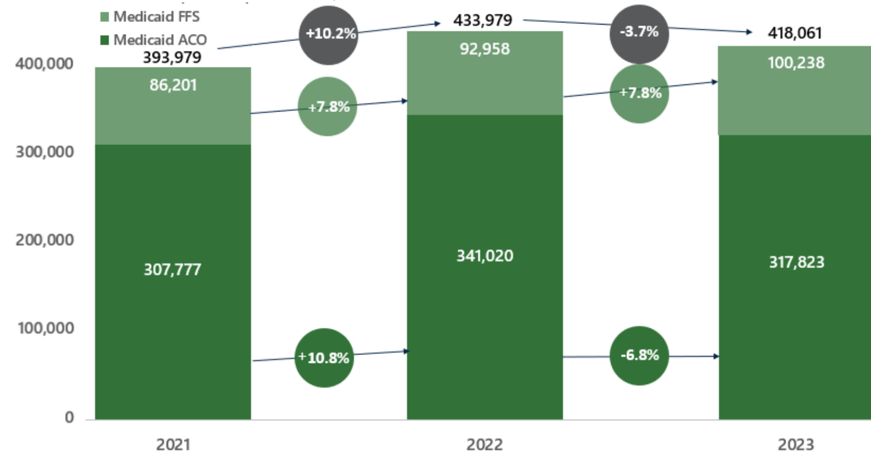


Medicaid THCE PMPY by Component and Enrollment

From 2021 to 2022, Medicaid THCE PMPY growth was essentially flat (+0.1%) due largely to an 17.8% increase in Medicaid ACO NCPHI canceling out a 4.6% decrease in Medicaid FFS THCE PMPY. From 2022 to 2023, Medicaid THCE PMPY growth of 10.1% was driven by a 13.2% increase in Medicaid ACO THCE PMPY, a 7.8% growth in Medicare FFS enrollment, and a 6.8% decline in Medicaid ACO enrollment. Growth in Medicare FFS enrollment and decline in Medicaid ACO enrollment put upward pressure on Medicaid THCE PMPY.

Medicaid THCE PMPY by Component



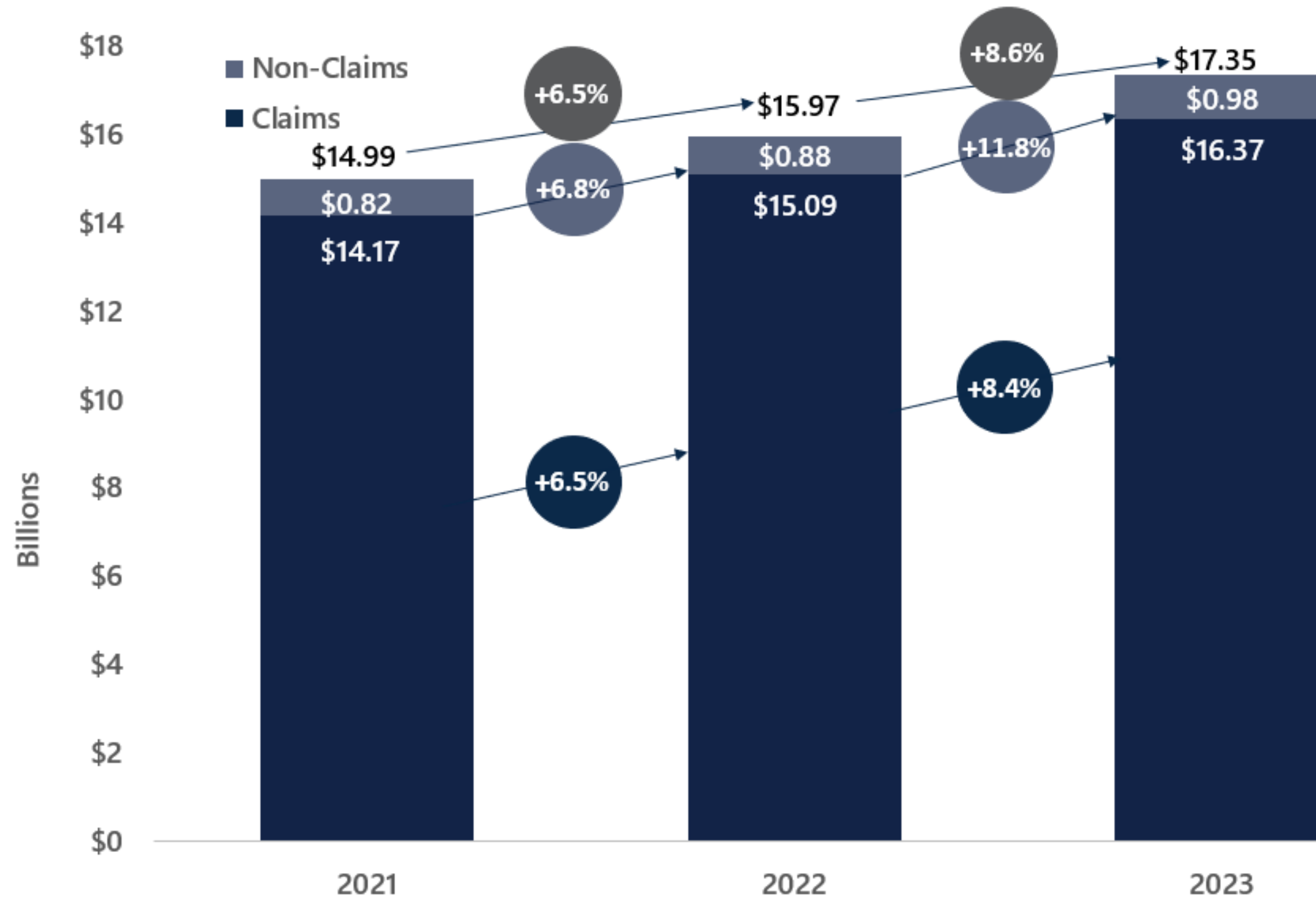


Statewide TME by Component: Claims and Non-Claims Spending

Service categories can be organized into two major buckets: claims and non-claims.

- Claims spending includes the allowed amount reimbursed from payers to provider organizations for specific services rendered (e.g., for a doctor's visit).
- Non-claims spending includes payments made through alternative kinds of arrangements. Providers may receive incentive dollars from a payer for meeting certain quality metrics or a monthly flat rate to manage the care.

Claims Spending and Non-Claims Spending, Statewide (in billions)

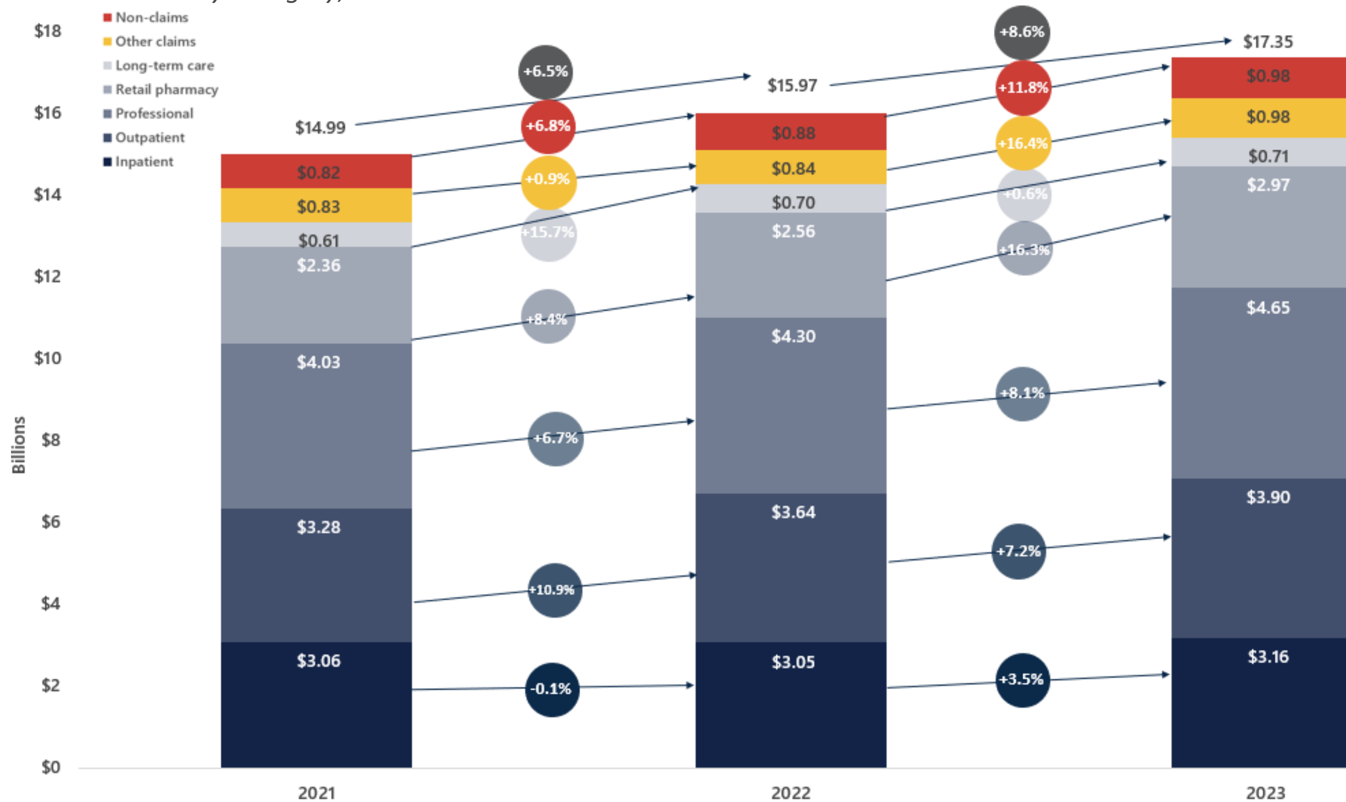


Growth from 2021 to 2022 in both non-claims spending and claims spending was about 7 percent. From 2022 to 2023, non-claims spending grew somewhat faster than claims spending (+11.8% versus +8.4%).

Statewide TME by Category

Inpatient, outpatient, professional services, and retail pharmacy are the four largest service categories statewide, together accounting for about 85 percent of overall claims and non-claims spending. Long-term care, other claims (including but not limited to durable medical equipment, hospice, hearing aids, optical services, transportation, and diagnostic services at freestanding facilities), and non-claims have much smaller contributions to overall spending.

Statewide TME by Category, Statewide



From 2021 to 2022, compared to overall spending growth of 6.5%, growth in retail pharmacy (+8.4%) and outpatient spending (+10.9%) was faster and growth in professional services spending was similar (+6.7%). From 2021 to 2022, inpatient spending slightly decreased (-0.1%).

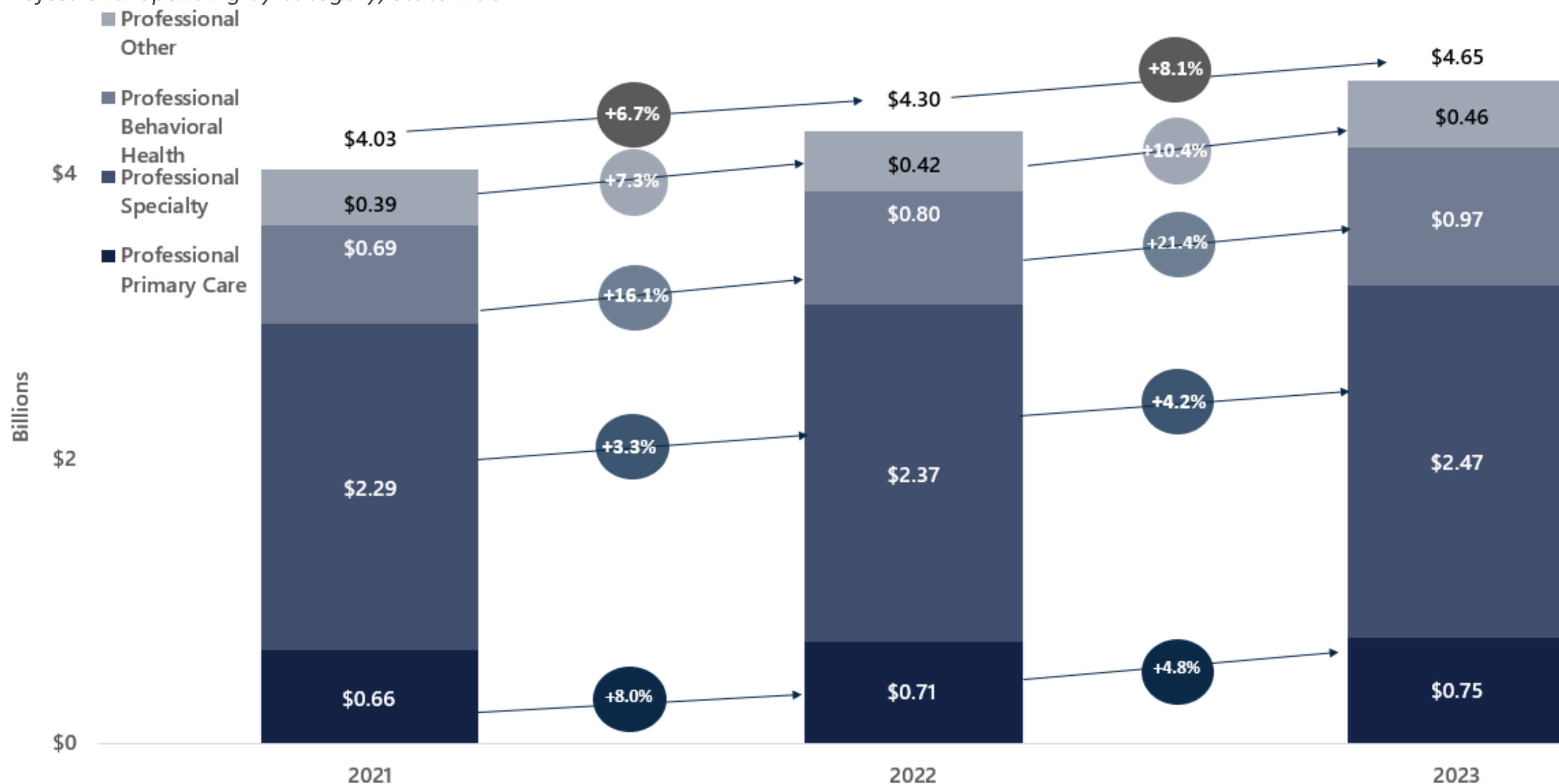
From 2022 to 2023, compared to overall spending growth of 8.6%, growth in retail pharmacy spending was much larger (+16.3%), growth in professional services (+8.1%) and outpatient spending (+7.2%) was slightly slower, and growth in inpatient spending (+3.5%) was much slower.

Professional Spending by Category

From 2021 to 2022, professional primary care spending grew at 8.0%, outpacing growth in overall professional services spending of 6.7%, whereas professional specialty spending was slower, with 3.3% growth. From 2022 to 2023, professional primary care spending grew at 4.8% and professional specialty spending grew at 4.2%, slower than overall growth in professional services spending of 8.1%.

Professional behavioral health spending grew substantially faster than overall professional spending, with a 16.1% increase from 2021 to 2022 and a 21.4% increase from 2022 to 2023.

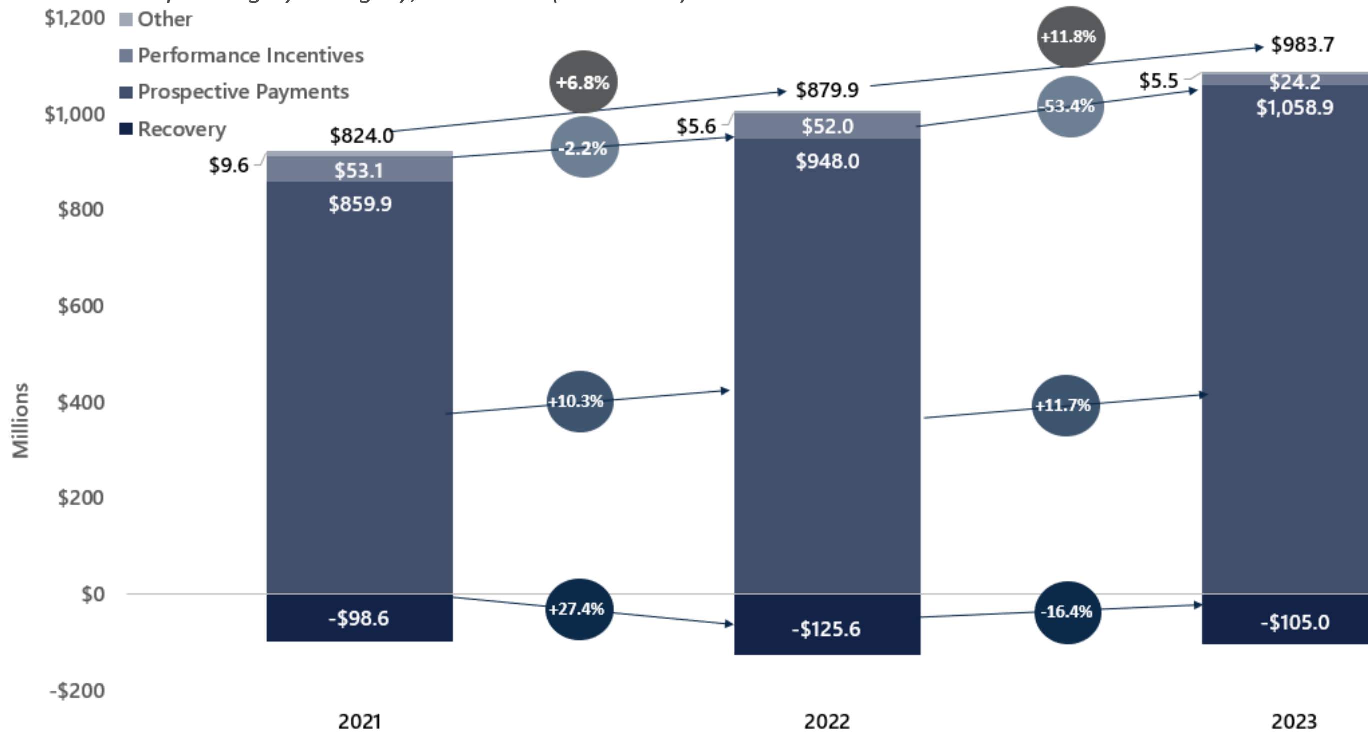
Professional Spending by Category, Statewide



Non-Claims Spending by Category

Non-claims payments are payments that payers make to providers outside of claims. Statewide, the largest category of non-claims spending by far was prospective payments (i.e., non-claims-based payments for services delivered under capitation payments, global budget payments, case rate payments, and prospective episode-based payments). Prospective payments grew from $859.9 million in 2021 to $948.0 million in 2022 to $1.06 billion in 2023, growing at around 10 to 12 percent each year.

Non-Claims Spending by Category, Statewide (in millions)



Note: One payer's 2023 non-claims data was omitted from these results because the payer was not able to finalize their non-claims payments for 2023 by the Collaborative's validation and reporting timeline.

Recovery (i.e., payments recouped due to a review, audit, or investigation) was the second-largest category of non-claims spending, hovering around negative $100 million in 2021, 2022, and 2023.

The third-largest non-claims spending category – performance incentive payments – represents a small fraction of healthcare spending, with around $50 million in 2021 and 2022 and only $24 million in 2023.

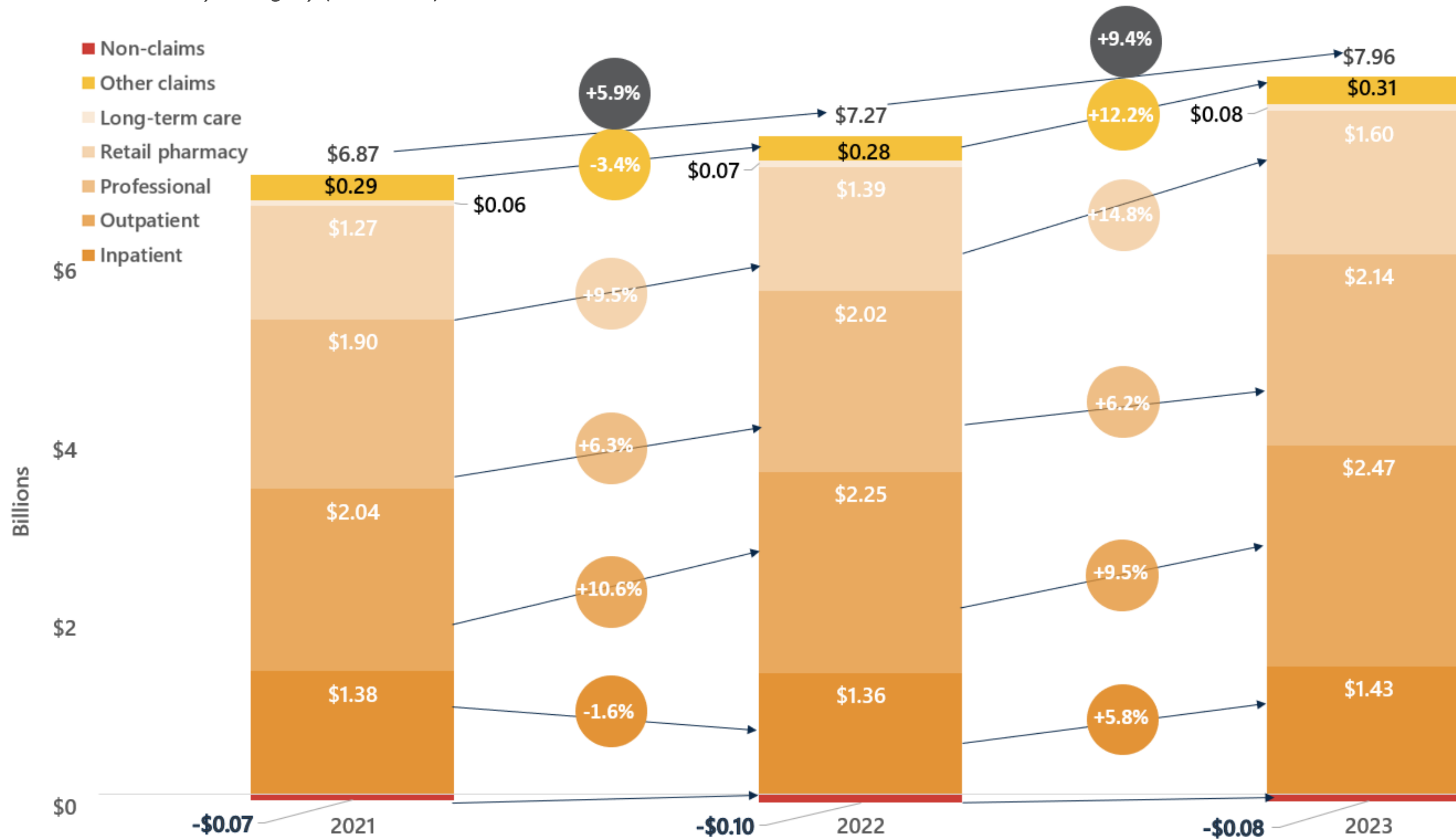
Payments to support population health and practice infrastructure were only a few million dollars each year and were included in the Other non-claims category.

TME by Market by Category

Commercial TME by Category

Compared to growth in overall commercial claims and non-claims spending from 2021 to 2023, retail pharmacy and outpatient spending grew faster, professional services spending grew somewhat more slowly, and inpatient spending grew much more slowly.

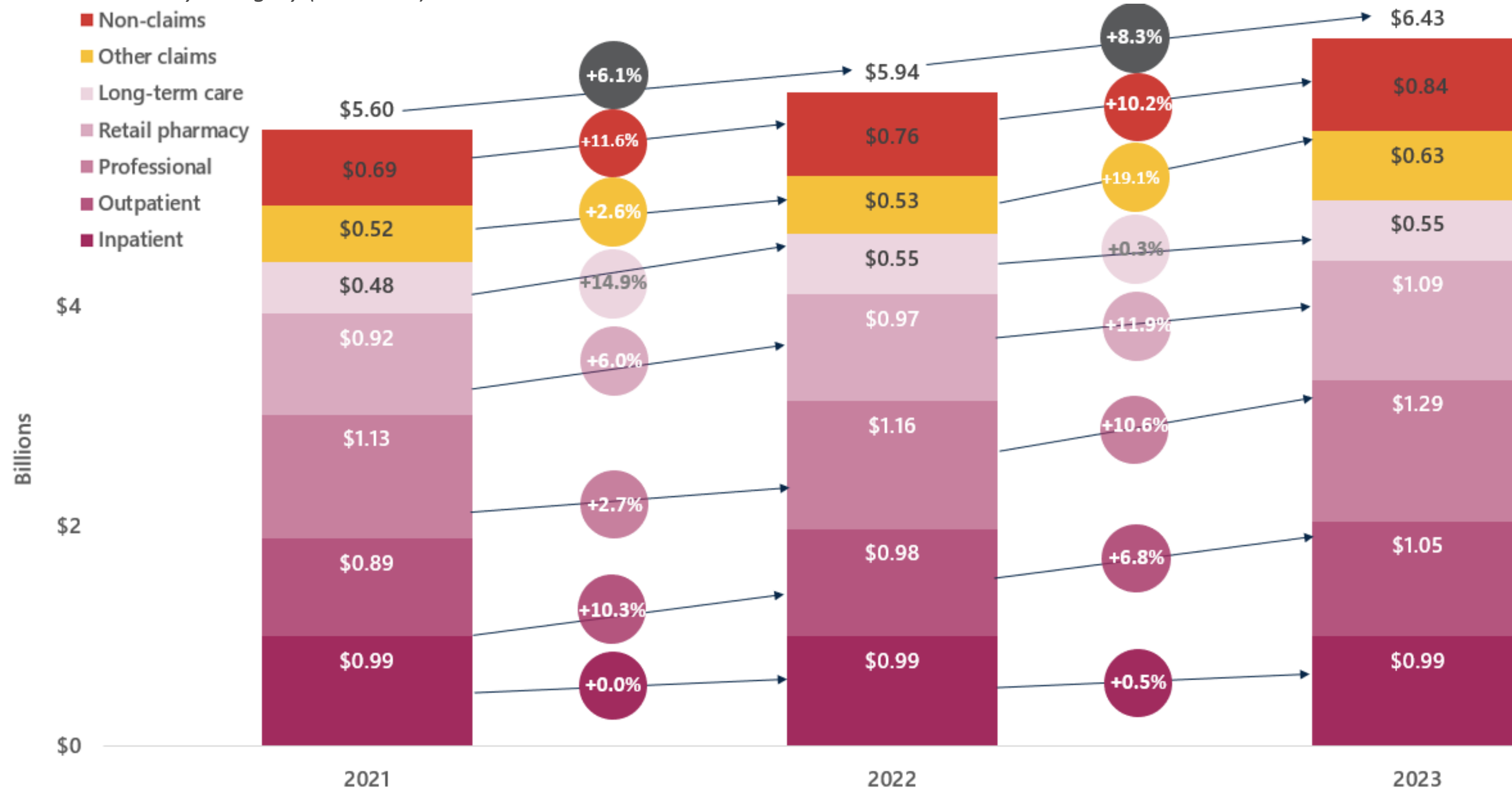
Commercial TME by Category (in billions)



Medicare TME by Category

Compared to growth in overall Medicare claims and non-claims spending from 2021 to 2023, non-claims spending grew faster, professional services and retail pharmacy spending grew similarly, and inpatient spending grew much more slowly.

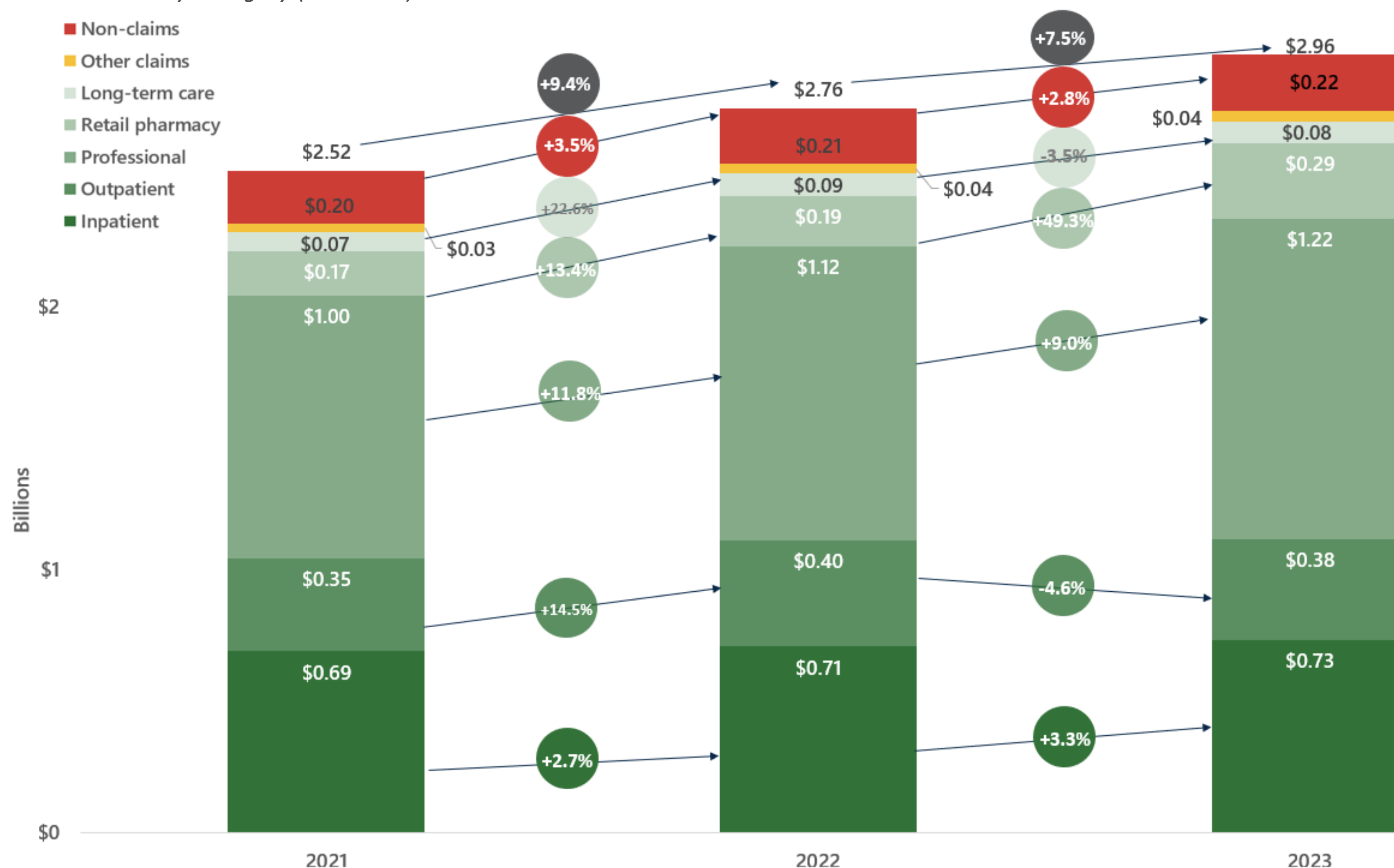
Medicare TME by Category (in billions)



Medicaid TME by Category

Compared to growth in overall Medicaid claims and non-claims spending from 2021 to 2023, retail pharmacy and professional spending grew much faster, and inpatient spending grew much more slowly. Outpatient spending grew much faster than overall Medicaid spending from 2021 to 2022 (+14.5% versus +9.4%) but subsequently decreased by 4.6% from 2022 to 2023 as overall Medicaid spending increased by 7.5%.

Medicaid TME by Category (in billions)

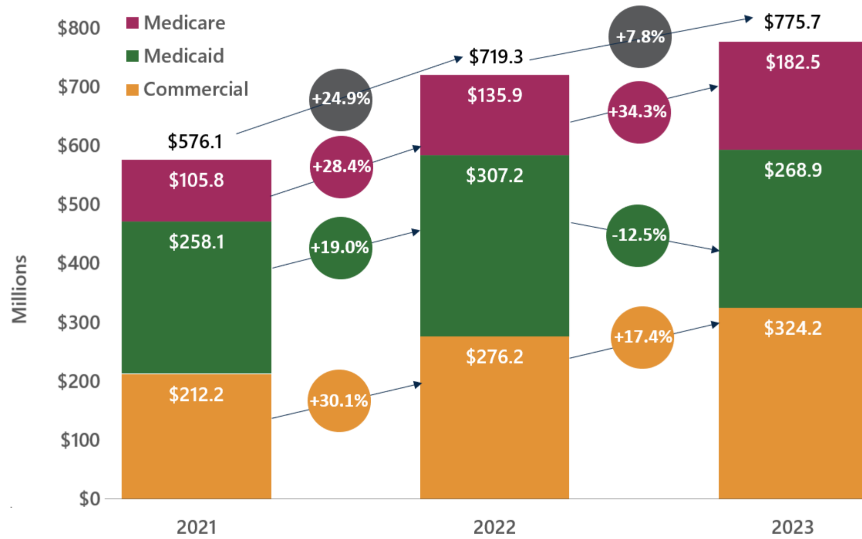


Pharmacy Rebates by Market

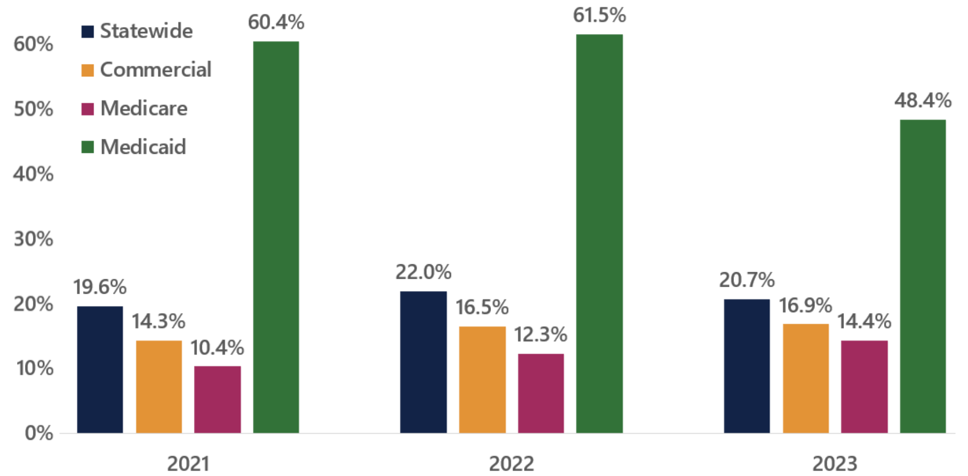
Pharmacy rebates totaled $576.1 million in 2021 and grew rapidly by 24.9% to $719.3 million in 2022 and another 7.8% to $775.7 million in 2023. Commercial and Medicare pharmacy rebates grew more rapidly than Medicaid pharmacy rebates from 2021 to 2022 and continued to grow rapidly from 2022 to 2023, while pharmacy rebates decreased by 12.5% for Medicaid from 2022 to 2023.

Statewide from 2021 to 2023 about 20% of spending for retail pharmacy was returned to payers and pharmacy benefit managers (PBMs) through rebates, driven by large Medicaid rebates. Medicaid recouped about 60 percent of prescription drug costs through rebates in 2021 and 2022 and just under half in 2023 due to federal and state policies that ensure that Medicaid gets the lowest available price for pharmaceuticals. Commercialand Medicare payers recouped a smaller percentage of spending for retail pharmacy; however, there was a slight increase in rebates as a percent of overall pharmacy spending for commercial and Medicare from 2021 to 2023.

Pharmacy Rebates by Market, Statewide (in billions)



Pharmacy Rebates as a Percent of Gross Retail Pharmacy Spending, by Market

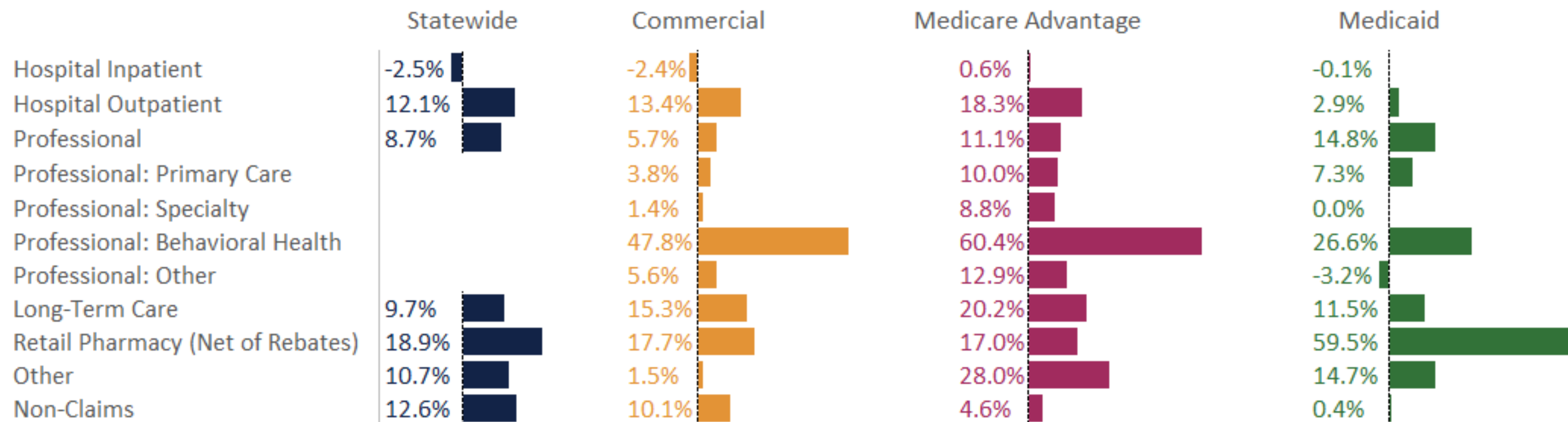


Percentage Change in TME by Category and by Market, 2021-2023

The previous pages included breakdowns of aggregate spending by category for each market. TME are reported below on a PMPY basis to provide a standardized comparison across markets and service categories.

TME PMPY increased by 9.1% between 2021 to 2023 statewide, driven by increases in spending on retail pharmacy after accounting for rebates and hospital outpatient services across markets. Professional services spending grew relatively quickly statewide, especially professional behavioral health spending across markets. Statewide hospital inpatient PMPY spending decreased by 2.5% during that time and was the only service category with negative growth statewide.

Cumulative Change in TME PMPY from 2021 to 2023 by Market and Category



Note: Statewide professional spending by subcategory is not available because Medicare FFS data included only a professional spending category without any subcategories.

Statewide PMPY spending growth from 2021 to 2023 was concentrated in three of the four largest service categories: retail pharmacy (+$212.91), hospital outpatient (+$189.65), and professional (+168.41). Hospital inpatient spending shrank slightly during this period (-$36.58). Retail pharmacy spending PMPY grew steadily across markets and particularly steeply for the Medicare Advantage market (+$417.08). Statewide hospital outpatient PMPY spending growth was heavily driven by the commercial (+$211.08) and Medicare Advantage (+$332.78) markets. Statewide professional PMPY spending growth was heavily driven by the Medicaid and Medicare Advantage markets. Growth in Medicaid TME PMPY professional spending (+$375.53) was almost exclusively driven by increases in behavioral health spending (+$356.88). Non-claims spending PMPY grew substantially for the Medicare Advantage market (+$193.02) but grew minimally for the commercial and Medicaid markets.

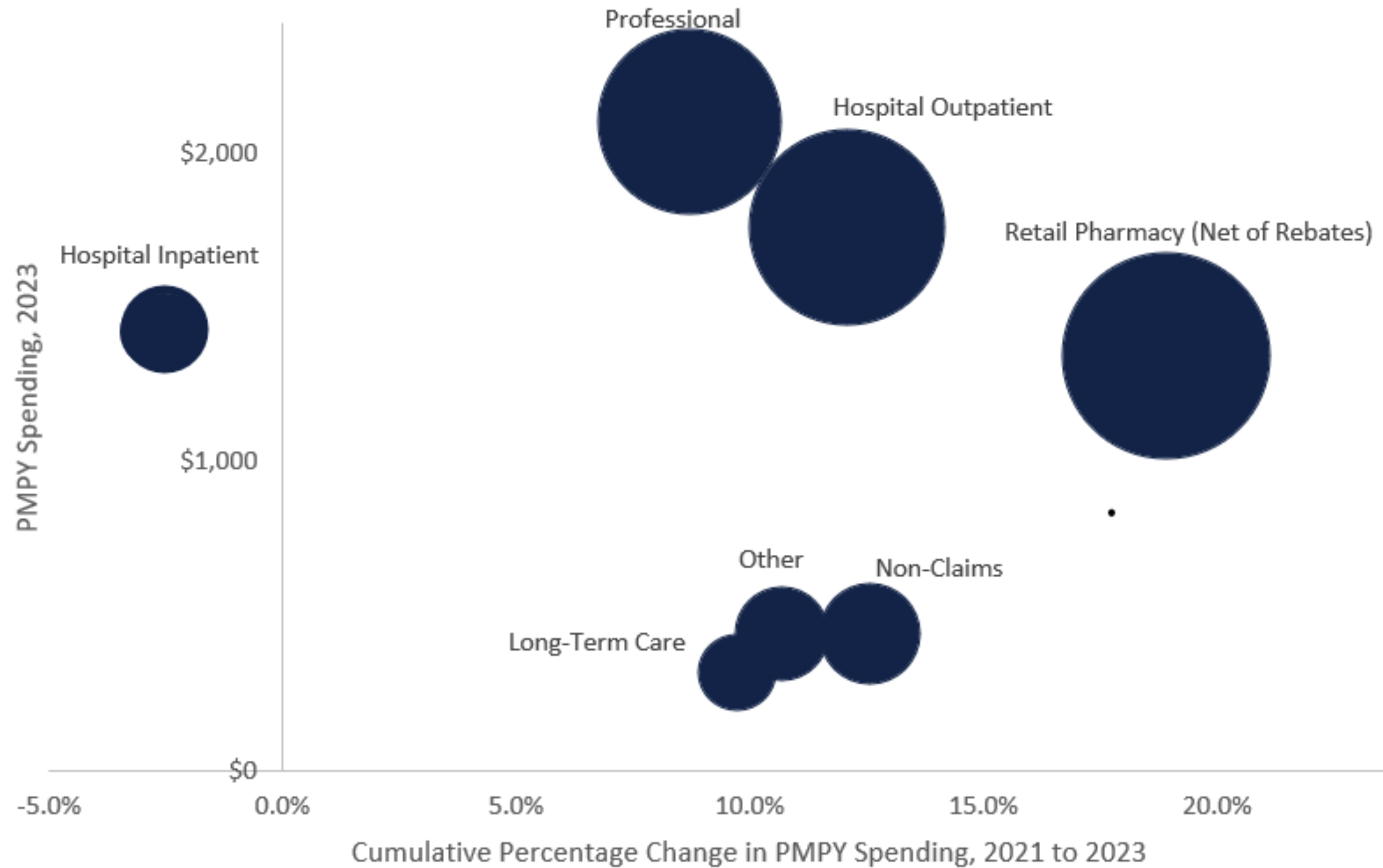
Change in TME PMPY by Market and Category, 2021 to 2023

	Statewide	Commercial	Medicare Advantage	Medicaid
Hospital Inpatient	-$36.58	-$25.92	$10.48	-$1.20
Hospital Outpatient	$189.65	$211.08	$332.78	$26.09
Professional	$168.41	$84.49	$229.66	$375.53
Professional: Primary Care		$14.14	$40.78	$21.26
Professional: Specialty		$11.90	$127.61	-$0.11
Professional: Behavioral Health		$51.63	$44.62	$356.88
Professional: Other		$6.83	$16.65	-$2.50
Long-Term Care	$28.26	$7.25	$154.01	$20.31
Retail Pharmacy (Net of Rebates)	$212.91	$174.69	$417.08	$255.90
Other	$42.76	$3.31	$96.61	$12.02
Non-Claims	$49.57	-$5.10	$193.02	$1.83

TME – Cumulative Change in PMPY Spending by Category and by Market, 2021-2023

Relatively large increases in retail pharmacy spending after accounting for rebates (+18.9%, +$212.91 PMPY), hospital outpatient spending (+11.8%, $189.65), and professional spending (+8.7%, $168.41) explain a large portion of the 9.1% growth in statewide TME PMPY from 2021 to 2023. Hospital inpatient spending statewide decreased notably by -2.5% (-$36.58 PMPY).

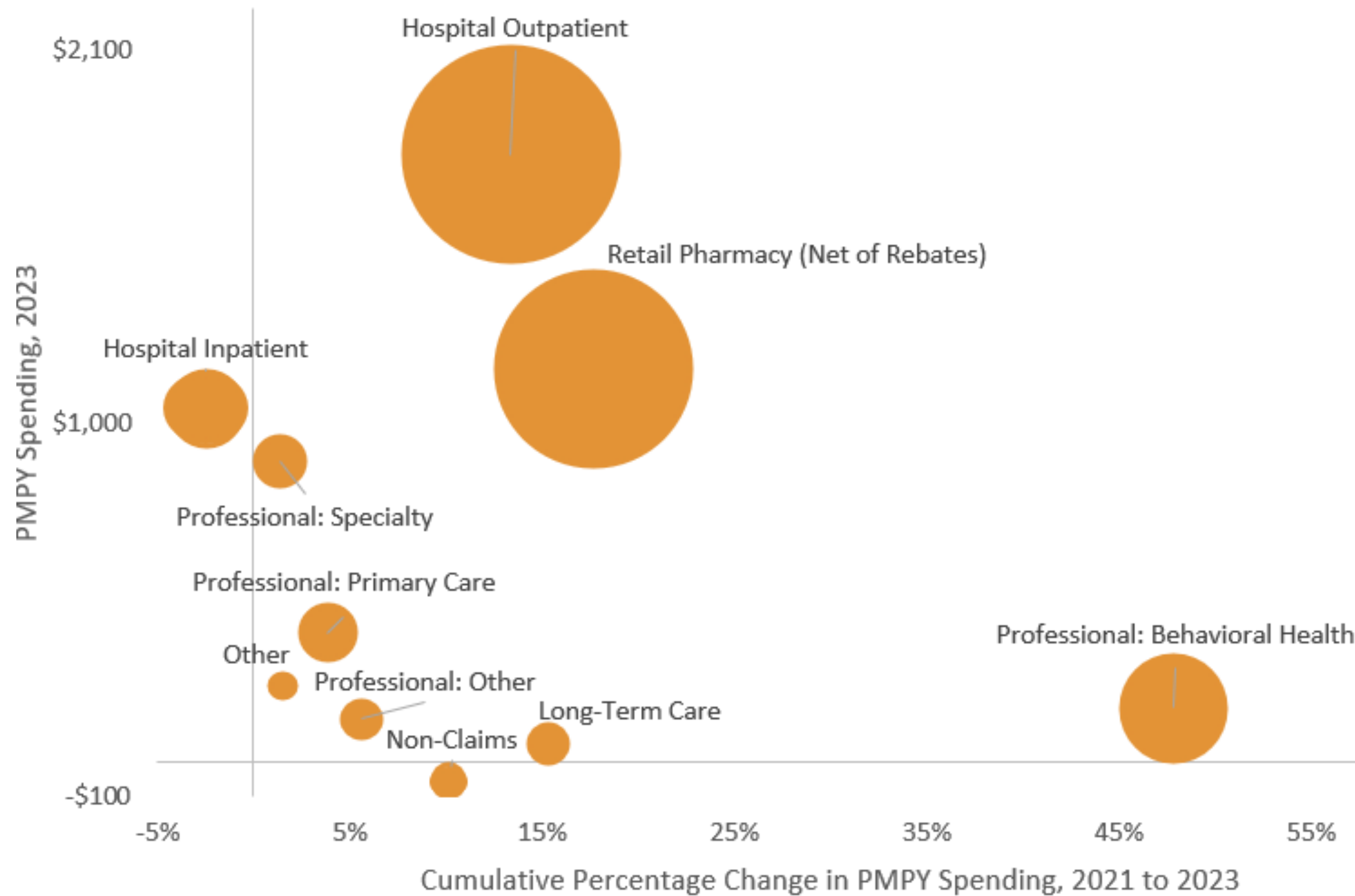
Statewide Cumulative Change in Spending PMPY from 2021-2023 by Category and 2023 PMPY Spending by Category



Note: Larger bubbles indicate larger absolute dollar change in PMPY spending for category.

Between 2021 to 2023, large increases in hospital outpatient (+13.4%, +$211.08 PMPY), retail pharmacy after accounting for rebates (+17.7%, +$174.69 PMPY), and behavioral health spending (+47.8%, +$51.63 PMPY) drove commercial TME PMPY growth of 8.5%. commercial hospital inpatient spending decreased by 2.4% from 2021 to 2023 (-$25.92 PMPY).

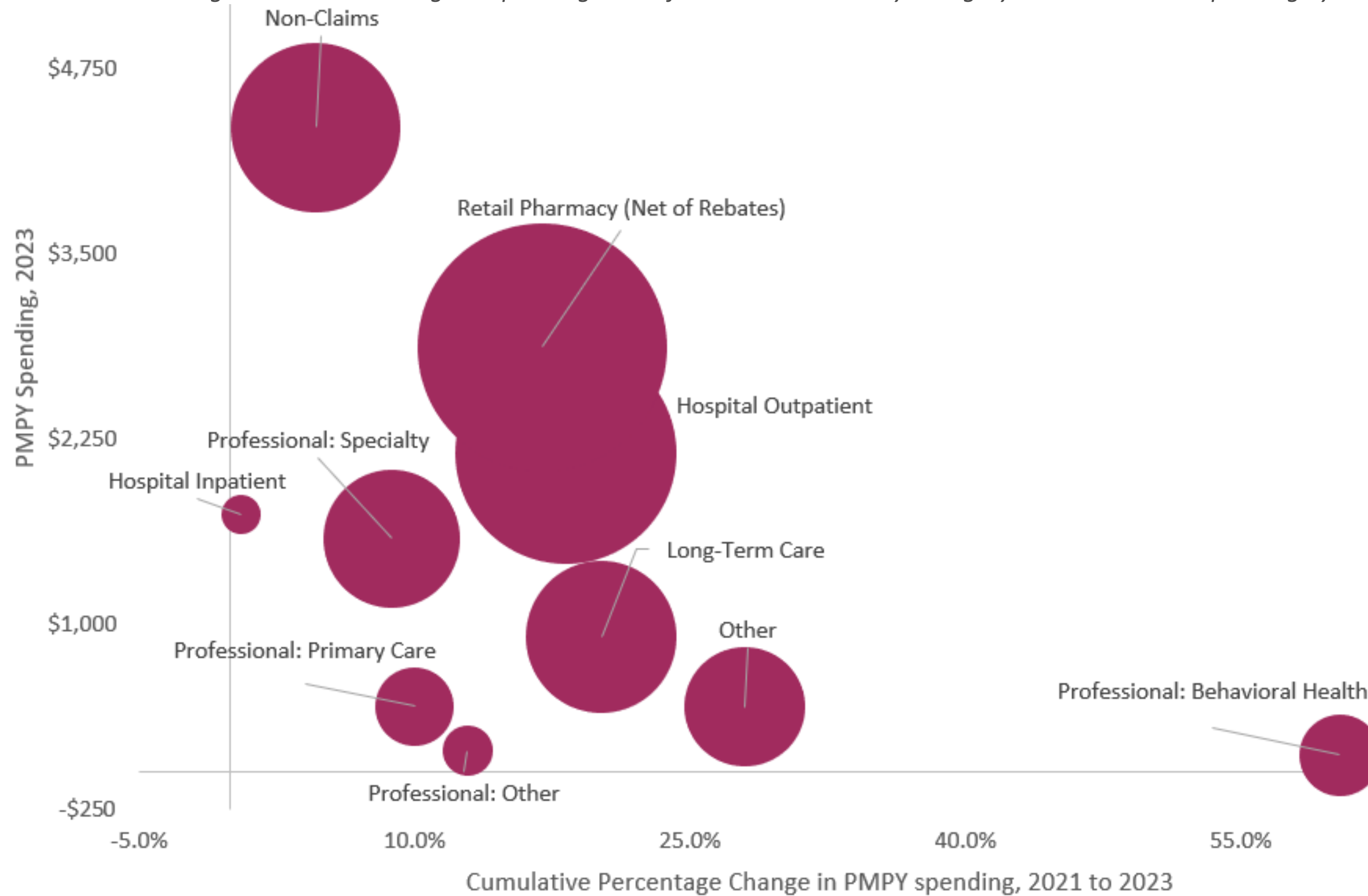
Commercial Cumulative Change in Spending PMPY from 2021 to 2023 by Category and 2023 PMPY Spending by Category



Note: Larger bubbles indicate larger absolute dollar change in PMPY spending for category.

Medicare Advantage TME PMPY growth of 10.7% between 2021 to 2023 was predominately driven by increases in retail pharmacy spending after accounting for rebates (+17.0%, +$417.08 PMPY), outpatient spending (+18.3%, +$332.78), and non-claims spending (+4.6%, +$193.02 PMPY). Medicare Advantage behavioral health spending PMPY grew 60.4% between 2021 to 2023 but had only a moderate impact on Medicare Advantage TME PMPY growth (+$44.62) because of relatively low baseline behavioral health spending in 2021 compared to other service categories.

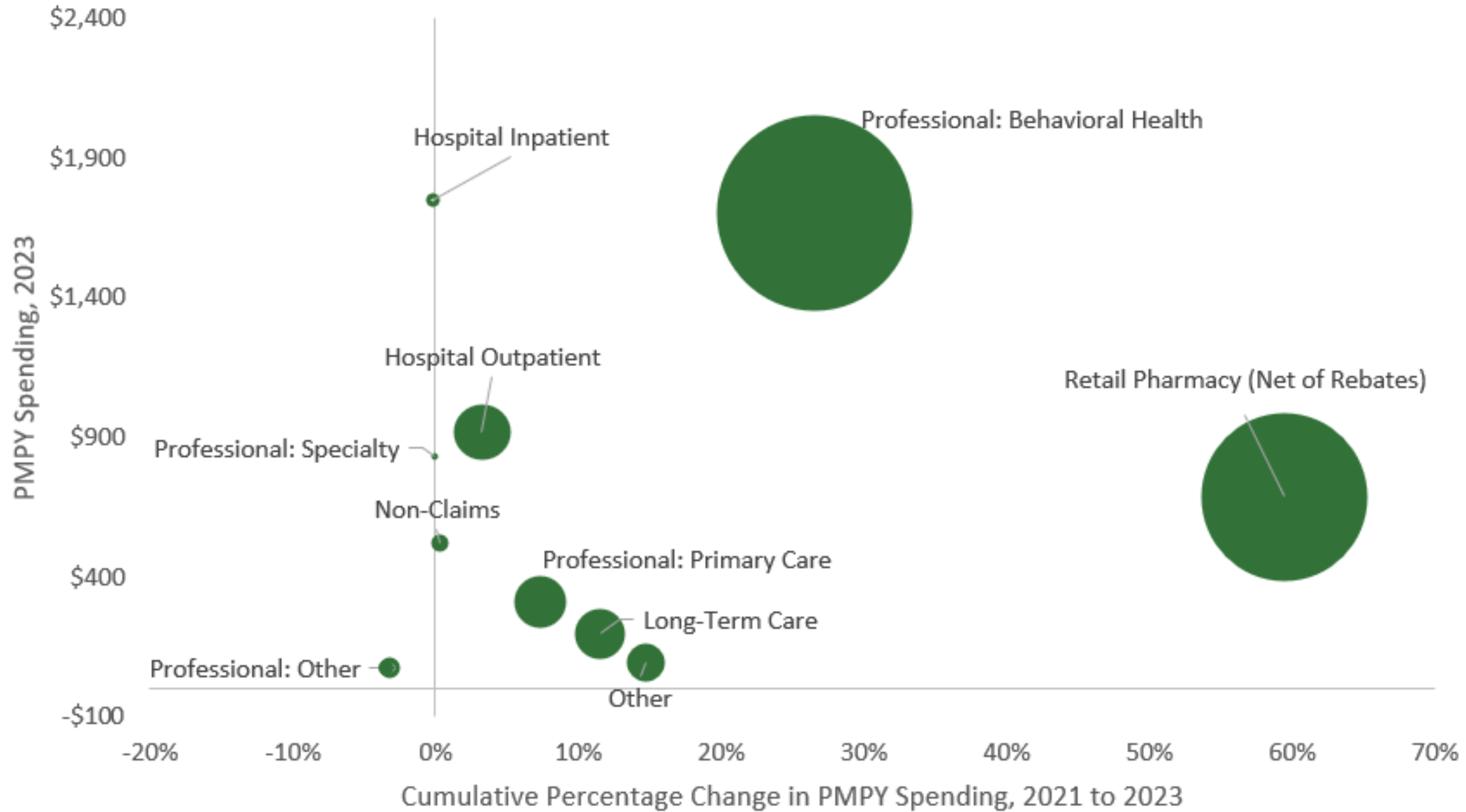
Medicare Advantage Cumulative Change in Spending PMPY from 2021 to 2023 by Category and 2023 PMPY Spending by Category



Note: Larger bubbles indicate larger absolute dollar change in PMPY spending for category.

Between 2021 to 2023, large increases in retail pharmacy after accounting for rebates (+59.5%, +$255.90) and professional behavioral health spending (+26.6%, +$356.88) drove Medicaid TME PMPY growth of 10.8%. Medicaid hospital inpatient spending decreased slightly, by 0.2%.

Medicaid Cumulative Change in Spending PMPY from 2021 to 2023 by Category and 2023 PMPY Spending by Category



Note: Larger bubbles indicate larger absolute dollar change in PMPY spending for category.

Appendix

Data Sources

Eleven payers participating in the Utah Healthcare Spending Growth Measurement Initiative submitted THCE data for calendar years 2021-2023 to the Collaborative in Fall of 2024.

Payers Who Submitted Data by Market

	Market				
Payer	Commercial	Medicaid ACO	Medicaid FFS	Medicare Advantage	Medicare FFS
Aetna	X			X	
Cigna Health and Life Insurance Co.	X				
Centers for Medicare & Medicaid Services					X
Health Choice Utah		X		X	
Molina Healthcare of Utah	X	X		X	
Public Employee Health Plan	X				
Regence BlueCross BlueShield of Utah	X			X	
Select Health	X	X		X	
UnitedHealthcare	X			X	
University of Utah Health Plans	X	X		X	
Utah Medicaid			X		

The Collaborative also compiled data to calculate the Net Cost of Private Health Insurance from the CMS MLR resources website and National Association of Insurance Commissioners (NAIC) Supplemental Health Care Exhibit (SHCE) reports.

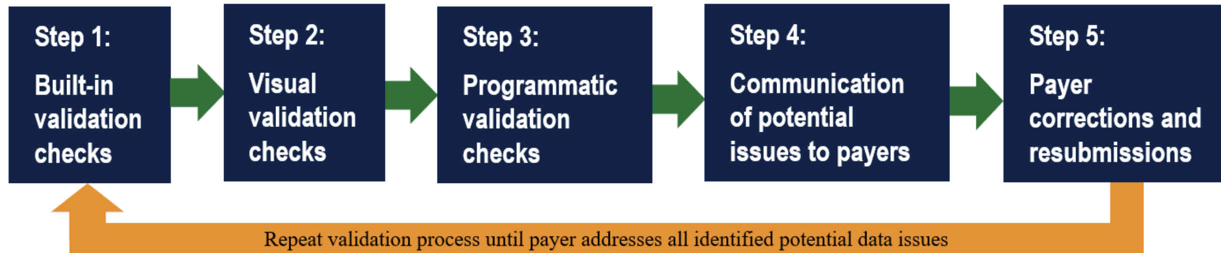
Components of THCE by Data Source

Component	Category	Data Source
TME	Payer claims payments, non-claims payments, and enrollment for commercial, Medicaid ACOs, and MA	Payer data submissions
	Payer pharmacy rebates	Payer data submissions
	Medicare FFS claims payments and enrollment, Part D spending	CMS
	Medicaid FFS claims payments and enrollment	Utah Medicaid
NCPHI	NCPHI for commercial fully insured market	Federal commercial MLR reports; SHCE for payers without MLR report
	NCPHI for MA and Medicaid ACOs	SHCE
	Income from fees of uninsured plans	Payer data submissions: SEC 10-k filings if omitted from payer data submission
	Enrollment for commercial, Medicaid ACOs, and MA	Payer data submissions

Data Validation

The Collaborative and consultant Mathematica conducted a rigorous data validation process to confirm that aggregate payer data conformed to expectations.

Data Validation Process



Step 1: Built-in validation checks. The Excel data collection template payers used for data submissions contained built-in validation checks that enabled payers to validate their data before submission. The built-in validation checks included highlighting cells with unexpected values (e.g., negative values that should be positive values) and identifying internal inconsistencies in TME, member months, and demographic scores across the various levels of data payers submit.

Step 2: Visual validation checks. Each payer data submission was visually inspected for potential issues. If visual inspection uncovered potential issues, the Collaborative communicated the potential issue(s) to the payer and asked the payer to address the issue(s) and resubmit a corrected file.

Step 3: Programmatic validation checks. After a payer data submission passed visual inspection, each payer's data submission was run through a Python validation program to programmatically identify any incompleteness or unreasonable values falling outside of anticipated ranges.

Step 4: Communication of potential issues to payers. The Collaborative and Mathematica met with payers to discuss a validation report outlining potential issues with data completeness and reasonableness identified during visual and programmatic validation. Payers resolved each potential issue by either providing an explanation (e.g., large demographic change in patient population explains large annual increase) or making a correction.

Step 5: Payer corrections and resubmissions. The Collaborative and Mathematica implemented the validation process for each corrected and resubmitted payer data file. A payer's data file was deemed acceptable after all potential issues were addressed.

Market-Specific Notes

Payers reported all claims and non-claims payments in three major markets: commercial, Medicare, and Medicaid.

Commercial: includes individual, large group, small group, self-insured, short-term, and student plans. The commercial data in this report includes fully-insured and for self-insured plans, but not all self-insured spending.

Medicare: includes both Medicare Advantage and traditional Medicare fee-for-service (FFS). The Medicare data at the statewide level include both commercial, Medicare Advantage plans (Part C) and Medicare fee-for-service (A, B, D). Medicare FFS data included only a professional spending category without any subcategories.

Medicaid: includes Medicaid fee-for-service (FFS) and Medicaid Accountable Care Organization (ACO). Payers submitted Medicaid ACO expenses separately for integrated members and non-integrated members.

Dual-Eligible Members: At the statewide level, THCE data for people dually enrolled in Medicare and Medicaid are reported in the Medicare market. For TME data reporting, Medicare expenses and Medicaid expenses reported for Medicare/Medicaid dual-eligible beneficiaries are reported using Paid Amounts regardless of whether the payer is the primary or secondary payer.

Limitations and Considerations

The following are limitations to the reported measurements of healthcare spending in Utah and considerations to understand when examining the Utah healthcare spending results included in this report:

1) One payer’s 2023 non-claims data was omitted from the estimates of 2023 non-claims payments because the payer was not able to finalize their non-claims payments for 2023 by the Collaborative’s validation and reporting timeline.
2) Statewide professional spending by subcategory is not available because Medicare FFS data included only a professional spending category without any subcategories.

Glossary of Definitions

Allowed Amounts: the maximum allowed charge for a covered benefit, which includes both the amount paid by the insurer to the provider and the patient liability owed directly to the provider, regardless of whether the patient actually paid the owed amount; this is also known as the negotiated rate or the contract rate. The full allowed amount is reported, regardless of whether stop loss/reinsurance policies are applied. The allowed amount is not necessarily the sum of what the provider organization is paid.

Claims Payments: all the allowed amounts on provider claims to payers, including the amount payers paid to providers and any member cost sharing, including copayments, deductibles, and co-insurance.

Cost Sharing: includes patient liability, such as copayments, deductibles, and coinsurance payments recorded by payers.

Market: the highest levels of categorization of the health insurance market. For example, traditional Medicare and Medicare Advantage are collectively referred to as the "Medicare market" and Medicaid Fee-for-Service and Medicaid ACO are collectively referred to as the "Medicaid market." Individual, self-insured, small and large group, and student health insurance plans are collectively referred to as the "commercial market."

Net Cost of Private Health Insurance (NCPHI): captures the cost to Utah residents associated with the administration of private health insurance. It is the difference between health premiums earned and claims paid. It consists of payers' costs related to paying bills, advertising, sales commissions, other administrative costs, premium taxes, and other fees. It also includes payers' profits (contribution to margin) or losses.

Non-Claims Payments: all payments that payers make to providers other than providers' claims. This includes incentive payments, prospective payments for healthcare services (e.g., capitation), payments that support care transformation and infrastructure (e.g., care manager payments, lump sum investments, patient-centered primary care home payments), and other payments that support provider services.

Paid Amounts: the actual dollar amount paid by the insurer to the provider.

Payer: a public or private organization or entity that offers one or more of the following: commercial insurance, benefit administration for self-insured employers, Medicaid, and/or Medicare.

Pharmacy Rebates: any rebates from pharmaceutical manufacturers to payers for prescription drugs, excluding manufacturer-provided fair market value bona fide service fees. TME is reported net of pharmacy rebates.

Total Healthcare Expenditures (THCE): the total medical expense incurred by Utah residents for all healthcare services for all payers reporting data, plus the payers' NCPHI.

Total Medical Expense (TME): the sum of the allowed amount of total claims and total non-claims spending paid to providers for all healthcare services delivered to Utah residents. TME is measured net of pharmacy rebates. Only allowed amounts from final, paid claims are included; TME excludes claims that have been denied or are in an adjudication process.

Claims Spending Categories

Hospital Services	
Inpatient Care	This service category includes: • all room and board and ancillary payments for all hospital types • both medical and behavioral hospitalizations • payments for emergency room services when the member is admitted to the hospital in accordance with the specific payer's payment rules This service category does not include: • payments made for observation services • payments made for physician services provided during an inpatient stay that have been billed directly by a physician group practice or an individual physician • inpatient services at non-hospital facilities (e.g., residential treatment facilities)
Outpatient Care	This service category includes: • all hospital types and payments made for hospital-licensed satellite clinics • emergency room services not resulting in admittance • observation services This service category does not include: • payments made for physician services provided on an outpatient basis that have been billed directly by a physician group practice or an individual physician
Professional Services	
Primary Care	This service category includes claims paid to healthcare providers that are defined as a primary care provider (including but not limited to: doctors of medicine or osteopathy in family medicine, internal medicine, general medicine, pediatric medicine, nurse practitioners, and physician assistants).
Specialty Care	This service category includes claims for services provided by doctors of medicine or osteopathy working in clinical areas other than family medicine, internal medicine, general medicine, or pediatric medicine, not defined as primary care (see above).
Behavioral Health	This service category includes claims for services provided by behavioral health providers, including, but not limited to: physician—addiction specialist, physician – psychiatrist, community mental health center, certified community behavioral health clinic, counselor (including LMHC and LADC), early intervention agency, licensed social worker, local education agency, marriage and family therapist, peer recovery specialist, nurse practitioner (psychiatric), psychiatric rehabilitation practitioners, psychologist, registered behavior technician, and single specialty group.
Other	This service category includes claims for services provided by licensed practitioners other than a physician but not identified as primary care, specialist, or behavioral health above. This includes but is not limited to: licensed podiatrists,

<table>
<tr><td></td><td>non-primary care nurse practitioners, non-primary care physician assistants, physical therapists, occupational therapists, speech therapists, dieticians, dentists, chiropractors, and any other professional claims that do not fit other categories.</td></tr>
<tr><td colspan="2">Retail Pharmacy</td></tr>
<tr><td colspan="2">This service category includes claims for prescription drugs, biological products, and vaccines as defined by the payer’s prescription drug benefit. Pharmacy spending provided under the medical benefit should be attributed to the location in which it was delivered (e.g., pharmaceuticals delivered in a hospital inpatient setting should be included in the Hospital Inpatient service category).</td></tr>
<tr><td colspan="2">Other</td></tr>
<tr><td>Long-Term Care</td><td>This service category includes claims for:
• nursing homes and skilled nursing facilities (SNFs)
• intermediate care facilities for individuals with intellectual disabilities (ICF/ID) and assisted living facilities
• providers of home- and community-based services, including personal care (e.g., assistance with dressing, bathing, eating), homemaker and chore services, home-delivered meal programs, home health services, adult day care, self-directed personal assistance services (e.g., assistance with grocery shopping), and programs designed to assist individuals with long-term care needs who receive care in their home and community, such as PACE
This service category does not include:
• payments made for professional services rendered during a facility stay that have been billed directly by a physician group practice or an individual practitioner</td></tr>
<tr><td>All Other</td><td>This service category includes claims for all other services not mentioned above, including but not limited to:
• durable medical equipment (DME)
• freestanding diagnostic facility services
• hospice
• hearing aid services
• optical services
• transportation
• facility fees for community health center services
• facility fees for non-hospital-owned ambulatory surgical center services</td></tr>
</table>

Non-Claims Spending Categories

Prospective Capitated, Prospective Global Budget, Prospective Case Rate, or Prospective Episode-Based Payments

All non-claims-based payments for services delivered under the following payment arrangements:

- capitation payments, i.e., single payments to providers to provide healthcare services over a defined period of time
- global budget payments, i.e., prospective payments made to providers for a comprehensive set of services for a broadly defined population or a defined set of services where certain benefits (e.g., behavioral health, pharmacy) are carved out
- case rate payments, i.e., prospective payments made to providers in a given provider organization for a patient receiving a defined set of services for a specific period of time
- prospective episode-based payments, i.e., payments received by providers (which can span multiple provider organizations) for a patient receiving a defined set of services for a specific condition across a continuum of care, or care for a specific condition over a specific time period.

Performance Incentive Payments

All payments to reward providers for achieving quality or cost-savings goals, or payments received by providers that may be reduced if costs exceed a defined pre-determined, risk-adjusted target.

Includes pay-for-performance, i.e., payments to reward providers for achieving a set target, and pay-for-reporting, i.e., payments to providers for reporting on a set of metrics, usually to build capacity for pay-for-performance payments. Includes shared savings distributions, i.e., payments received by providers if costs of services are below a set target, and shared risk recoupments (i.e., payments providers must recoup if costs of services are above a set target).

Payments to Support Population Health and Practice Infrastructure

All payments made to develop provider capacity and practice infrastructure to help coordinate care, improve quality, and control costs. This category includes but is not limited to payments that support care management, care coordination, and population; data analytics; EHR/HIT infrastructure payments; medication reconciliation; patient-centered medical home (PCMH) recognition payments; and primary care and behavioral health integration that are not reimbursable through claims.

Provider Salaries

All payments for salaries of providers who provide healthcare services not otherwise included in other claims and non-claims categories. This category is typically applicable only to closed delivery systems.

Recovery

All payments received from a provider, member/beneficiary, or other payer, which were distributed by a payer and then later recouped due to a review, audit, or investigation. This can also include infrastructure payments that are recouped under total cost of care arrangements if a provider does not generate savings.

Other

All other payments made pursuant to the insurer’s contract with a provider not made on the basis of a claim for healthcare benefits/services and cannot be properly classified elsewhere. This may include governmental payer shortfall payments, grants, or other surplus payments.