Paid Amount Data: Pro/Con

The Issue

Should encounter data from managed care plans include the amount paid to the service provider, in addition to the amount billed by the service provider?

Pro

- The need to estimate cost by applying a cost-to-charge ratio (CCR) to billed amount data would be largely eliminated if paid amount data were available. Where still necessary (e.g. subcapitated services), the process could be more accurate.
- Reduced reliance on cost-to-charge ratios would mean that fewer assumptions need to be made in the per capita cost and capitation rate development process.
- Paid amount data would greatly reduce the need to rely on the always-dated Medicaid audited hospital cost reports.
- Paid amount data would greatly reduce the need to rely on the RBRVS for valuing physician services.
- Paid amount data would greatly reduce the need to rely on plan reporting of their pharmacy benefit manager (PBM) arrangements for valuing pharmacy services.
- Paid amount data would make it possible to calculate Oregon-specific trend rates. Currently, cost-per-unit trends must be based on non-Oregon sources (typically CMS or industry sources) because Oregon cost per unit of service is not known.
- It is not currently possible to make retrospective comparisons of actual costs to those projected by the actuary because actual costs are not known. Paid amount data would facilitate such retrospective comparisons.
- Collection of paid amount data would improve HIPAA compliance.

Con

- Managed care plans have a variety of withholds, incentives, and other risk-sharing arrangements with their subcontractors. The annual settlements in these arrangements would need to be analyzed along with the individual claim paid amounts.

- Along with individual protected health information (PHI), managed care plan proprietary information would need to be protected.