The Health Cost Guidelines–Commercial include the Commercial Rating Structures, Commercial Area Factors, Commercial Claim Probability Distributions, Managed Care Rating Model (MCRM), and Prescription Drug Rating Model (RxRM).

The Rating Structures are used to determine utilization, charge levels, and claim costs for various health benefits. The Area Factors are used with the rating structures to geographically adjust national average costs. Claims Probability Distributions help assess value of deductibles, out-of-pocket maximums, and the effect of plan maximums and area factors by deductible level. The two rating models automate the input and calculation of many of the rating variables and worksheets described in the managed care and prescription drug rating structures.

The highlights of the Commercial Health Cost Guidelines include:

- Specific major medical, managed care, and prescription drug rating sections and guidance with step-by-step rating instructions

- Presentation of loosely and well-managed nationwide utilization and cost information by Milliman benefit-aligned service categories used throughout the Rating Structures-inpatient hospital services for both loosely and well-managed are also supported by diagnosis-related group (DRG)-level utilization and cost benchmarks

- Annual updates address emerging regulatory considerations such as healthcare reform and mental health parity requirements

- Annually updated benefit descriptions used in the Health Cost Guidelines service categories

- Annually updated medical trend assumption and considerations

- Rating examples containing detailed illustrations of traditional and managed care rating procedures to facilitate user training

- Presentation of two sets of nationwide area factors to facilitate development of area-specific claim costs, including separate utilization and charge level factors by type of benefit, state and Metropolitan Statistical Area for first-dollar coverage, and composite factors by deductible amount

- Claim Probability Distributions (CPDs) by type of coverage that contain distributions of claim severity patterns for unique combination of benefits and member type (adult, child, composite member)

- The Managed Care Rating Model (MCRM), a spreadsheet rating tool that simplifies benefit, rating, and pricing analyses

- The Prescription Drug Rating Model (RXRM), an automated rating tool that simplifies a more detailed analysis of prescription drug costs and benefits

- Other helpful analysis resources, such as inpatient length of stay distribution tables, MS-DRG models, and supplementary sections address mandated benefits, experience rating, and individual and small group rating considerations

Commercial Rating Structures

The Commercial Rating Structures are used to calculate utilization, charge levels, and claim cost for health benefits provided by traditional fee-for-service plans, alternative delivery systems (such as HMOs, PPOs, or systems using modified fee-for-service reimbursement methods), and freestanding or integrated prescription drug programs.

Commercial Area Factors

The Commercial Area Factors are used to adjust national average costs to specific geographic areas and are used in conjunction with the Commercial Rating Structures to develop area-specific claim costs.

Claim Probability Distributions

In addition to helping assess the value of deductibles, out-of-pocket maximums, and the effect of plan maximums and area factors by deductible level, the Commercial Claim Probability Distributions (CPDs) can be used to develop high-deductible claim costs for reinsurance, individual stop-loss and pooling charges, risk charges, contingency margins, credibility and selection factors, and aggregate stop-loss structures.

Managed Care Rating Model (MCRM)

The Managed Care Rating Model (MCRM) is a rating tool incorporating many rating variables and worksheets described in other sections of the Rating Structures, including the provider reimbursement worksheets and claim probability distributions.

Prescription Drug Rating Model (RxRM)

The Prescription Drug Rating Model (RxRM) incorporates the prescription drug rating section, providing rating variables for a more detailed analysis of prescription drug costs and benefits. Various cost-per-prescription continuance tables can be used to model unit price variation and effectiveness (expected versus nominal).

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