



# State Employee Health Plan Trend Analysis

Review of Medical Claims Trends by Service Category

February 21, 2012



## Trend Analysis Methodology

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- **Source data from Thomson Reuters**
  - Prior period: claims incurred in 2010
  - Current period: estimated completed claims incurred in 2011
  
- **Allowed Dollar Basis**
  - Trend analyzed on claims costs after provider discounts but before member cost sharing
  - Neutralizes any shifts in enrollment between plans or plan design changes
  
- **Trend Components**
  - Split trend between utilization and cost per service
  - Reviewed costs by major service category
  
- **Provider Discount Impact**
  - Estimated by comparing allowed dollars to submitted charges
  - Pharmacy discounts could not be split between brand and generic drugs

## Active employee trend driven by small increase in utilization and a decrease in service costs

Service Category	Overall Trend	Number of Services	Cost per Service	Comments
Inpatient Facility	1%	0%	1%	<ul style="list-style-type: none"> <li>• General medical/surgical days were down 7%</li> <li>• Increase in average cost per day was held down by discount improvements</li> </ul>
Outpatient Facility	5%	11%	-5%	<ul style="list-style-type: none"> <li>• Increase reflects shift from expensive inpatient hospital to more cost effective setting</li> <li>• Improved discounts helped lower costs</li> </ul>
Physician and other Provider	2%	3%	-1%	<ul style="list-style-type: none"> <li>• Office visits including preventive care up</li> <li>• Lab and imaging use was flat</li> </ul>
Pharmacy	-1%	1%	-2%	<ul style="list-style-type: none"> <li>• Generic utilization improved by 2.5% to over 70%</li> <li>• Pharmacy discounts also improved significantly, lowering costs per script</li> </ul>
<b>Total</b>	<b>1.9%</b>	<b>4%</b>	<b>-2%</b>	<ul style="list-style-type: none"> <li>• <b>Increased utilization driven by cost-effective outpatient surgeries and physician office visits</b></li> <li>• <b>Overall discount improvement of 4.4% helped drive decrease in service costs</b></li> </ul>

## Wellness Program Impact

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- Impact on trend of the HealthQuest Wellness program was estimated
  
- Method
  - Compared risk adjusted costs of wellness participants to the risk adjusted costs of non-participants
  - Risk adjustment takes into account demographic and health status differences in the populations
  
- Results
  - Analysis indicated that the risk adjusted costs of those participating in the program were 15% lower than those who did not participate
  - Suggests Kansas saved approximately **\$3.7 million** in medical costs with the program
  - This translates roughly to a 1% trend reduction
  
- Wellness programs often have a long term impact and savings generally grow larger over time

## Retiree trend is significantly higher than active trend

Retiree population is smaller than the active population, so trend results are less credible

Service Category	Overall Trend	Number of Services	Cost per Service	Comments
Inpatient Facility	5%	-9%	15%	<ul style="list-style-type: none"> <li>• Medical/surgical days were down 9%</li> <li>• Increase in cost partially reflects increase in intensity of services</li> <li>• Provider discounts were flat year to year</li> </ul>
Outpatient Facility	7%	19%	-10%	<ul style="list-style-type: none"> <li>• Increase reflects shift from expensive inpatient hospital to more cost effective setting</li> <li>• Improved discounts helped lower costs</li> </ul>
Physician and other Provider	8%	6%	2%	<ul style="list-style-type: none"> <li>• Office visits including preventive care up</li> <li>• Lab and imaging use increased, as well</li> </ul>
Pharmacy	1%	2%	-1%	<ul style="list-style-type: none"> <li>• Generic utilization and a decrease in generic drug costs lower trend</li> <li>• Pharmacy discounts improved significantly, lowering costs per script</li> </ul>
<b>Total</b>	<b>4.7%</b>	<b>5%</b>	<b>-1%</b>	<ul style="list-style-type: none"> <li>• <b>Increased utilization driven by cost-effective outpatient surgeries and physician office visits</b></li> <li>• <b>Overall discount improvement of 5% helped drive decrease in service costs</b></li> </ul>