



# 2012/2013 State Employee Health Plan Trend Analysis

Review of Medical Claims Trends by Service Category

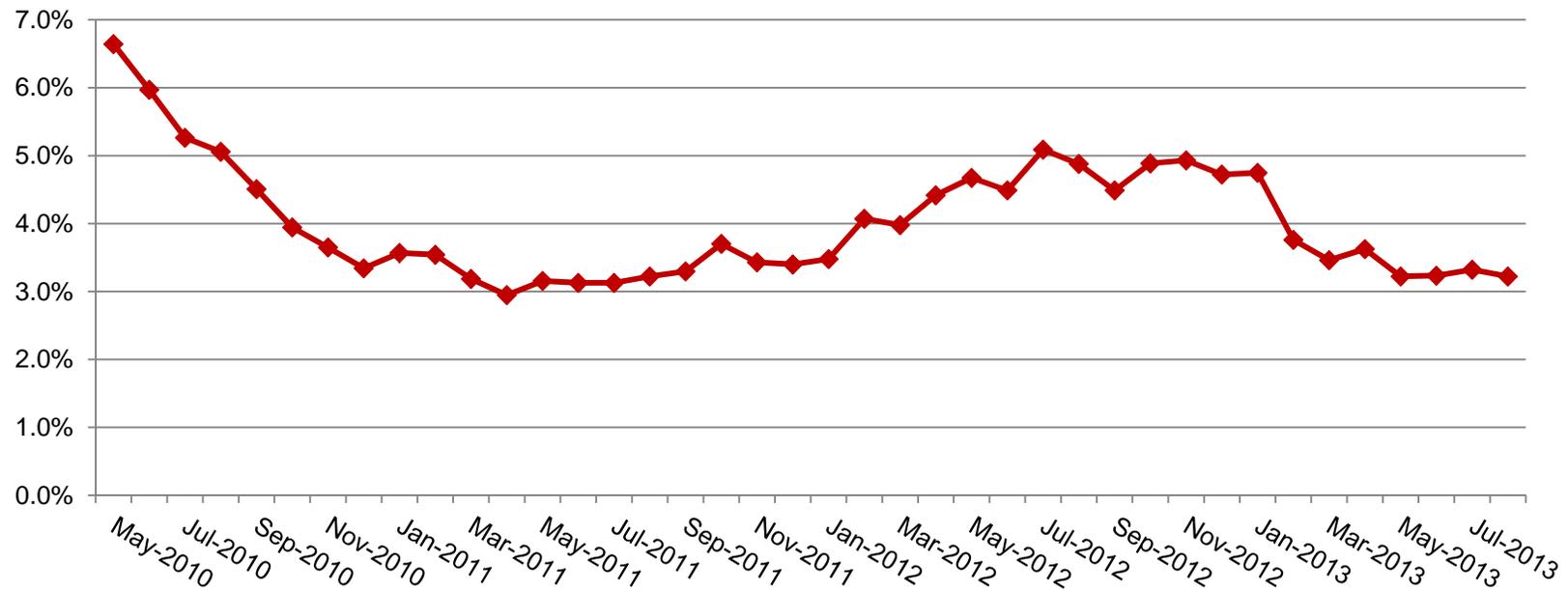
Feb 13, 2014



## Summary and Historical View of Trends

- Historical actual trend values track closely to the pattern of national index trends below
- Actual 2012-2013 – **3.1%** per-employee-per-month across actives and retirees
- Actual 2011-2012 – **5.0%**
- Actual 2010-2011 – **2.0%**
- Actual 2009-2010 – **2.5%**

**S&P National Index Trends (FFS)  
Medical + Rx  
12 Month Moving Average Trends**



## Active employees

Service Category	Overall Trend	Number of Services	Cost per Service	Comments
Inpatient Facility	-0.6%	-3.9%	3.5%	<ul style="list-style-type: none"> <li>• General medical/surgical services decreased 1%, Maternity services decreased 11%</li> <li>• Utilization decreases offset by increases in billed amount per service (negligible change in discount)</li> </ul>
Outpatient Facility	8.3%	2.3%	5.8%	<ul style="list-style-type: none"> <li>• ER utilization flat</li> <li>• Utilization increases driven by a significant increase in surgical procedures</li> <li>• Cost per service increased across the board with negligible change in discount</li> </ul>
Physician and other Provider	3.9%	2.5%	1.4%	<ul style="list-style-type: none"> <li>• Overall utilization increases seen in all professional categories except Mental Health and Surgeries</li> </ul>
Pharmacy (including phys. adm. drugs)	1.3%	-4.2%	5.7%	<ul style="list-style-type: none"> <li>• Brand utilization continued to decline</li> <li>• Cost per drug increase driven largely by 22% increase in allowed costs for physician administered drugs and specialty meds</li> </ul>
<b>Total</b>	<b>3.3%</b>	<b>-0.3%</b>	<b>3.7%</b>	<ul style="list-style-type: none"> <li>• <b>Aggregate trend driven by relatively flat utilization but modest cost per service increases with very little change in discounts</b></li> </ul>

## Retirees

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	-11.2%	-15.0%	4.5%	<ul style="list-style-type: none"> <li>Total utilization has decreased significantly</li> <li>Average cost per service increased reflecting higher intensity of services</li> <li>Discounts actually improved by 2.1%</li> </ul>
Outpatient Facility	19.3%	4.0%	14.7%	<ul style="list-style-type: none"> <li>Surgical service utilization increase by 28%</li> <li>Surgical service costs increased 23% coupled with an erosion of 8% in discounts</li> </ul>
Physician and other Provider	-1.3%	-2.5%	1.3%	<ul style="list-style-type: none"> <li>Physician office visits were flat</li> <li>Large reduction in injectable utilization offset entirely by increase in cost per service</li> </ul>
Pharmacy (including phys. adm. drugs)	-2.6%	-1.8%	-0.8%	<ul style="list-style-type: none"> <li>Brand utilization declined 5% with 7% increase in physician administered drug utilization</li> <li>Physician administered drugs experienced a 39% reduction in unit cost</li> </ul>
<b>Total</b>	<b>0.4%</b>	<b>-1.6%</b>	<b>2.1%</b>	<ul style="list-style-type: none"> <li><b>Aggregate trend driven by reduced inpatient utilization, modest cost per service increases, and slight overall discount improvement</b></li> </ul>

## Trend Comparison

- The blended incurred medical and pharmacy PEPM self-funded trend for both the active and retirees is 3.1%
- Total aggregate expenses from the Statement of Operations from 2012 to 2013 increased by 2.4% (this includes dental, ASO fees, etc.)
  - Aggregate medical and pharmacy expenditure increased by 0.8%, which is approx. 2.3% lower than the 3.1% trend stated in the report due to a 2.7% decrease in enrollment from 2012 to 2013
  - To neutralize the enrollment decrease we looked at the aggregate trend on a per-employee-per month basis (PEPM), which results in a 3.6% trend (\$689.73 versus \$665.90)
  - The remaining 0.5% variance is explained by various other differences in the measurement

Aggregate Expense Items	2012 Total Expenses	2013 Total Expenses	Aggregate Trend
Medical/Rx Self-funded Claims	\$363,731,150	\$366,744,977	0.8%
Dental Self-Funded Claims	\$26,113,483	\$26,884,495	3.0%
ASO Fees	\$15,081,744	\$14,840,312	-1.6%
Medicare Plans	\$20,501,746	\$20,877,418	1.8%
Other	\$9,006,375	\$15,425,128	71.3%
<b>Total</b>	<b>\$434,434,498</b>	<b>\$444,772,330</b>	<b>2.4%</b>

# Wellness Program Impact

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- **Method**

- Analyzed the risk adjusted cost differences for participating employees vs. non-participating employees
- Risk adjustment attempts to account for differences in demographic and morbidity levels between populations

- **Results**

- Approximately 65% of the employee population were identified as wellness participants
- Analysis indicates that the wellness participants' actual costs are ~3% lower than non-participants after risk adjustment
- Suggests Kansas saved approximately \$3.2M in medical costs with the program
- This translates roughly to a 0.9% trend reduction

- **Caveats**

- This method of estimating wellness impact is simplistic in nature and does not capture the selection bias which manifests in programs of this type. To truly measure the impact of a wellness program, longitudinal statistical based studies are performed using matched control groups. Therefore, the actual impact could be materially different than this estimate and understood in the context of its limitations.
- Wellness programs often have a long term impact and savings generally grow over time

## Trend Analysis Methodology

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- **Source data from Truven**
  - Prior period: claims incurred in 2012
  - Current period: estimated completed claims incurred in 2013
  - Enrollment is based on subscribers
  
- **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