



## Agenda Item 9

June 12, 2012

**ITEM NAME:** Urban Institute Report on Preventable Chronic Conditions

**PROGRAM:** Health Benefits

**ITEM TYPE:** Information

### **EXECUTIVE SUMMARY**

This agenda item is a report of potential savings through prevention of avoidable chronic illness among CalPERS State Active members using a limited data set from the CalPERS Health Care Decision Support System (HCDSS). Of the \$1.6 billion spent by CalPERS in 2008 on the health care services used by its State Active members, \$362 million (22.4%) was attributable to diseases amenable to prevention through changes in diet and physical activity. The analyses provide information for CalPERS that may help improve member health and limit the growth of health care costs.

### **BACKGROUND**

In April 2009, upon the request of the State Controller's Office, CalPERS began a partnership with the Urban Institute, The California Endowment, the Prevention Institute, and the Trust for America's Health to estimate the potential savings from greater disease prevention efforts for CalPERS and to explore strategies for CalPERS to achieve those savings.

### **ANALYSIS**

The Urban Institute analyzed a limited 2004-2008 data set for CalPERS Basic State Active employees and their dependents from two sources: CalPERS provided eligibility and claims data for members from the HCDSS, and the State Controller's Office provided data on salary and race/ethnicity for current State employees. In creating the limited data set, CalPERS, the State Controller's Office, and Thomson Reuters (the HCDSS vendor) fully complied with the Privacy Rule of the Health Insurance Portability and Accountability Act (HIPAA). Title 45 of the Code of Federal Regulations, section 164.514(e), which is part of the HIPAA Privacy Rule, allows the transmission and analysis of limited data sets for the purpose of health care operations under strict conditions. For example, HIPAA requires signed data use agreements that the recipient of a limited data set will "use appropriate safeguards to prevent... disclosure of the information" and will "not identify the information or contact the individuals."

The key outcome variable was total CalPERS spending during the year paid to providers on behalf of the member. The key independent variables used as

explanatory factors were diagnoses of diabetes, hypertension, and their complications; these conditions are amenable to prevention through changes in diet and physical activity. The data was analyzed by variables including gender, age, race, and ethnicity.

People with hypertension had annual expenditures that averaged \$1,595 more than people with none of the target conditions (Table 1 of Attachment 2). People with diabetes had \$2,863 higher annual expenditures. The excess annual expenditures per person ranged as high as \$24,215 for people with diabetes, hypertension and heart, cerebrovascular or renal disease.

Overall, the analysis found that of the \$1.6 billion spent by CalPERS in 2008 on the health care services used by its State Active members, \$362 million (22.4%) was attributable to diseases amenable to prevention through changes in diet and physical activity. Table 2 shows the total payments made by CalPERS and the portion of those payments that was attributable to preventable causes by gender and age. There is a much larger share of spending on preventable causes for males (27.9%) than for females (18.2%). While total CalPERS spending for females (\$914 million) exceeded that for males (\$702 million), the difference in the share attributable to preventable chronic disease makes the share of preventable costs larger among men than women.

Table 3 shows the same calculations by race and ethnicity. The groups with the highest shares of spending attributable to preventable causes are Filipinos (38.5%) and Asians (34.2%), and the groups with the lowest such shares are non-Hispanic whites (26.4%) and Pacific Islanders (26.7%). However, the largest portion of preventable expenditures in total dollars (\$113 million) was spent on behalf of non-Hispanic white employees because of their greater representation in the State workforce.

Tables 4, 5, and 6 give further analyses of the data by county, department/agency, and health plan. As noted in the report, reductions of 5-15 percent in the costs of the conditions studied are feasible, which could result in savings of \$18-\$54 million annually.

The report was released at an event in Sacramento on April 30, 2012, involving The California Endowment, the State Controller, the State Treasurer, SEIU 1000, Kaiser Permanente, Dr. Mehmet Oz, and others. CalPERS will use the data in the report to make decisions about implementing the wellness components of the Health Benefits Purchasing Initiatives.

**ATTACHMENTS**

Attachment 1: "Potential Savings through Prevention of Avoidable Chronic Illness among CalPERS State Active Members: Executive Summary"

Attachment 2: "Potential Savings through Prevention of Avoidable Chronic Illness among CalPERS State Active Members" (full report)

---

KATHY DONNISON, Chief  
Health Plan Administration Division

---

ANN BOYNTON  
Deputy Executive Officer  
Benefit Programs Policy and Planning