



Pension and Health Benefits Committee Agenda Item 5

April 18, 2017

Item Name: Health Plan Trend Report

Program: Health Benefits

Item Type: Information

Executive Summary

Analysis of trends allows a better understanding of the factors that impact healthcare premiums. Trend is the pattern of cost and utilization metrics over time. In Fiscal Year (FY) 16 (July 1, 2015 to June 30, 2016), the overall Basic Plan membership increased 0.7 percent from the previous FY. The overall cost trend increased 7.7 percent across all 13 service categories. Inpatient care ("Inpatient"), prescription drugs ("Presc Rx"), and ambulatory surgery ("AmbSx") are the largest categories of cost, accounting for over 50 percent of the total. Change in utilization varied across service categories. Unit price increases occurred across all key service categories with the exception of office visits.

Strategic Plan

This item supports Strategic Goal Plan A: "Improve long-term pension and health benefit sustainability."

Background

The healthcare cost trend reports provide cost utilization information to inform the Pension & Health Benefits Committee members on where changes in premiums, benefits, plan and provider contracting, or other areas may be required in the future.

Analysis

This Health Care Cost Trend analysis reports findings for FY 16. Costs are stated in per member per month (PMPM) terms.

Overview (Attachment 1)

- Lower cost plans continue to gain members and higher cost plans continue to lose members.
- The overall cost trend for FY 16 rose 7.7 percent.
- Cost trends for most service categories were generally driven by changes in both utilization and unit cost. Increases were observed in Inpatient, Presc Rx, and AmbSx.

Basic Plan Membership (Attachment 2)

- Basic Plan membership increased 0.7 percent (8,000 members) from FY 15 to FY 16.
- Among the plans with increased membership, Kaiser (26,000) and United Healthcare (25,000) contributed the largest membership increase by attracting 51,000 members.
- Decreases in membership were experienced in Blue Shield Access+ (15,000), Blue Shield NetValue (58,000), and PERS Choice (4,000).

Change in Allowed PMPM by Major Service Categories (Attachment 3)

- Overall PMPM costs increased approximately 7.7 percent, with Inpatient, Presc Rx, and AmbSx accounting for over half of the total costs.
- Inpatient increased 2.8 percent, Presc Rx increased 2.4 percent, and AmbSx increased 7.8 percent.
- For individual service categories, percent changes between years ranged from 2.4 percent to 39.6 percent.
- Medical prescriptions (Medical Rx), while only contributing 5 percent of total costs, increased by approximately 40 percent.

Utilization and Unit Price Trends by Service Category (Attachment 4) and Change in Utilization and Unit Price by Key Service Categories (Attachment 5)

PMPM costs are a result of the relationship between utilization (number of admissions, office visits, services, etc.) and unit cost (cost per admission, office visit, service, etc.). PMPM trend is examined across 13 service categories, revealing the key drivers of change between years.

- Increase in utilization occurred in average length of stay (“ALOS”) by 3.3 percent, office visits (“Office”) by 5.7 percent and lab (“Lab”) by 1.6 percent.
- All other key service categories experienced a decrease in utilization with hospital admissions (“Admits”) experiencing the largest decrease of -4.9 percent, followed by Rx days with a decrease of 4.2 percent.
- With the exception of office visits, unit price trend increased across all service categories for FY 16.

Analysis Notes

This report includes only Basic health plan data because payment schedules and operational rules in the Medicare plans are typically established by the federal government rather than the California Public Employees’ Retirement System (CalPERS) or its health plans.

The cost changes shown are based on the contractual “allowed” amounts due to healthcare providers for each claim rather than the “net” amounts paid by each plan. This allows for easier comparisons between Health Maintenance Organization and Preferred Provider Organization healthcare costs, because the portion of the allowed amount paid by the health plan versus the member can vary significantly due to differences in benefit design (copays vs. deductibles, coinsurance, etc.).

The three association plans (California Association of Highway Patrolmen, California Correctional Peace Officers’ Association, and Peace Officers Research Association of California) are consolidated into “Associations” for this analysis.

Budget and Fiscal Impacts

This trend report is for information purposes only and has no bearing on the CalPERS budget. Impacts on future premiums will be addressed during the rate development process occurring through June in the Pension & Health Benefits Committee.

Benefits and Risks

- The benefits of producing the Health Plan Financials Report on a FY or Calendar Year (CY) basis allow CalPERS to not only be aware of current healthcare cost and utilization trends during the FY or CY, but also provides a performance management tool to ensure that plan performance is being aligned with the CalPERS initiative of lowering healthcare costs while increasing quality of care.



Attachments

Attachment 1 – Overview: Health Plans Trend Report FY16/Basic Plans

Attachment 2 – Basic Plan Membership

Attachment 3 – Change in Allowed PMPM by Major Service Categories

Attachment 4 – Utilization and Unit Price Trends by Service Category

Attachment 5 – Change in Utilization and Unit Price by Key Service Categories

Attachment 6 – Glossary

Shari Little, Chief

Health Policy Research Division

Liana Bailey-Crimmins

Interim Deputy Executive Officer

Benefit Programs Policy and Planning