



Pension and Health Benefits Committee

Agenda Item 4e

March 20, 2018

Item Name: Health Plans Trend Report for Fiscal Year 2016/2017

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) 2017, the overall Basic plan membership increased 0.7%. The overall per Member per Month (PMPM) cost (allowed) trend increased 2.6%. Utilization in all key service categories decreased; however, unit price increased across all categories.

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 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 2017. Costs are stated in 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 2017 rose 2.6 percent over FY 2016.
- Cost trends for most service categories were generally driven by changes in both utilization and unit cost. All service categories showed decrease in utilization. Unit cost rose in all 13 cost categories in FY 2017.

Basic Plan Membership (Attachment 2)

- Basic plan membership increased 0.7% (9,000) in FY2017.
- Among the plans with increased membership Kaiser (29,000) and UHC Alliance HMO (27,000) contributed the largest membership increase by attracting 56,000 members.

- Membership decreased in the following plans: Blue Shield NetValue (73,000), PERS Choice (9,000), and Blue Shield Access+ (2,000). Blue Shield NetValue was not available to the members as of January 2017.

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

- Overall PMPM costs increased approximately 2.6 percent with hospital admissions, prescription drugs, and ambulatory surgery being the major drivers.
- Major cost drivers show only small changes from the previous year, hospital admissions increased 0.1 percent, prescription drugs decreased 0.2 percent, and ambulatory surgery increased 0.2 percent.
- For individual service categories, percent changes between FY2016 and FY2017 ranged from -4.0 percent to 15.7 percent.
- The PMPM increases in Preventative Care, Radiology, and Medical Pharmacy PMPM contributed most to the overall increase.

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

- Inpatient care had a 4.7% increase in average allowed per admission offset by a 4.2% decrease in the admits per 1,000 members. Prescription Drugs increased 1.5% over the two years, driven by a 2.8% decline in utilization (average days supply). Ambulatory Surgery price per visit rose 7.3% with a drop of 4.5% in utilization.
- Radiology price rose 18.5% per visit with a 6.4% decrease in utilization.

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 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 and Health Benefits Committee.

Benefits and Risks

- Producing the Health Care Cost Trends Report allows CalPERS to be aware of current healthcare cost and utilization trends. It 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.
- The trend of membership movement from higher-premium plans to lower-premium plans reduces the ultimate cost of healthcare for all participants; both members and employers.

Attachments

Attachment 1 – Overview: Health Plans Trend Report FY 2016/2017 Basic Plans

Attachment 2 – Basic Plan Membership

Attachment 3 – Change in Allowed PMPM by Major Service Categories

Attachment 4 – Change in Utilization and Unit Price by Key Service Categories

Attachment 5 – Utilization and Unit Price Trends by Service Category

Attachment 6 – Glossary

Shari Little, Chief

Health Policy Research Division

Liana Bailey-Crimmins

Chief Health Director

Health Policy and Benefits Branch