

Executive Summary: Health Plans Trend Report FY 2016/2017 Basic Plans



Membership in basic plans grew

Basic plan membership increased by 9,000 total covered lives in FY2017. Lower cost plans such as Kaiser and UHC HMO continue to gain members and higher cost plans continue to lose members.



Preventive care helps lower PMPM increase

The overall cost trend increased 2.6% in FY17, less than the 7.7% increase in FY16. This is likely attributed to the wellness and preventative care services incorporated into our health plans.

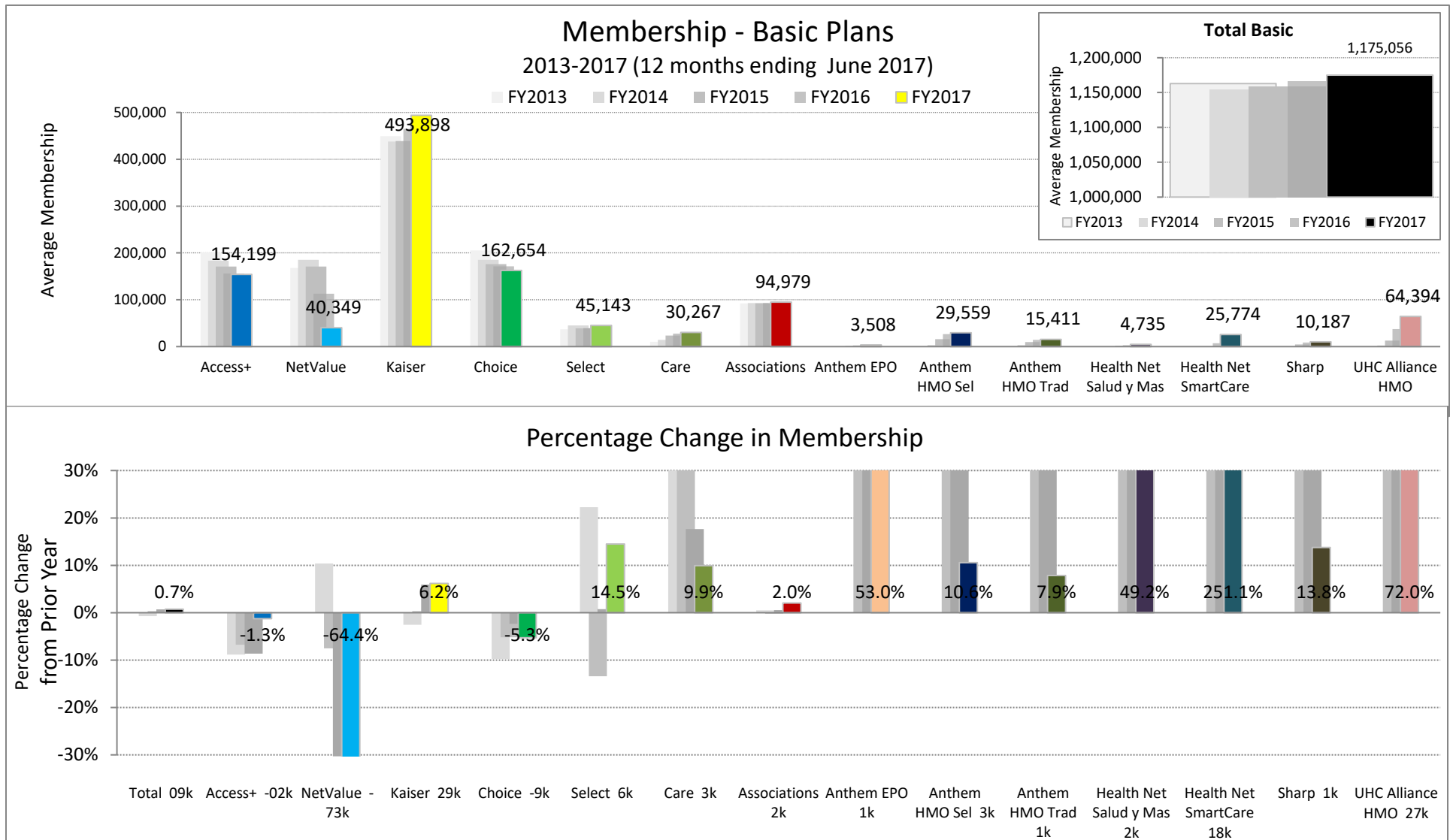


Utilization decreased, unit cost increased

Cost trends across all 13 service categories had a decrease in utilization and an increase in unit cost, consistent with what we're seeing in the industry.

1. BASIC PLAN MEMBERSHIP

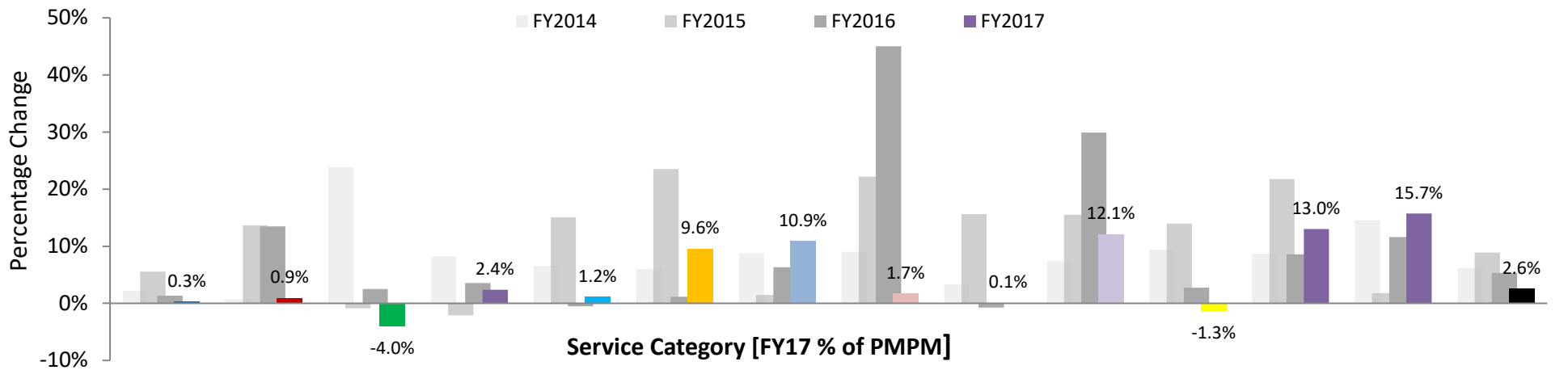
- Basic plan membership increased 0.7% (9,000) in FY2017.
- Decreases in membership were experienced across Blue Shield NetValue (73,000), PERS Choice (9,000), and Blue Shield Access+ (2,000) for FY2017.
- All other plans had an increase in membership with Kaiser showing the largest increase (29,000) followed by UHC Alliance HMO (27,000).



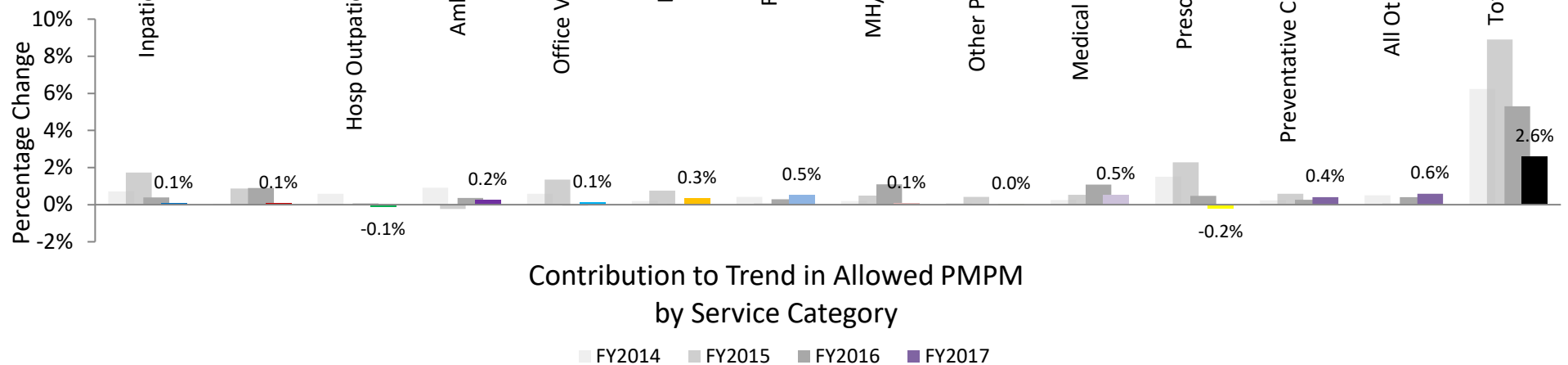
CHANGES IN ALLOWED PMPM BY MAJOR SERVICE CATEGORIES

- Total Allowed PMPM increased 2.6% in FY2017. The chart below shows the change in PMPM across 13 service categories with the lower chart showing the contribution to the 2.6% overall change.
- The largest components of PMPM (inpatient, prescription drug, ambulatory surgery, and office visits) showed only minor changes. The PMPM increases in Preventative Care, Radiology, and Medical Pharmacy PMPM contributed most to the overall increase.

Trend in Allowed PMPM within each Service Category

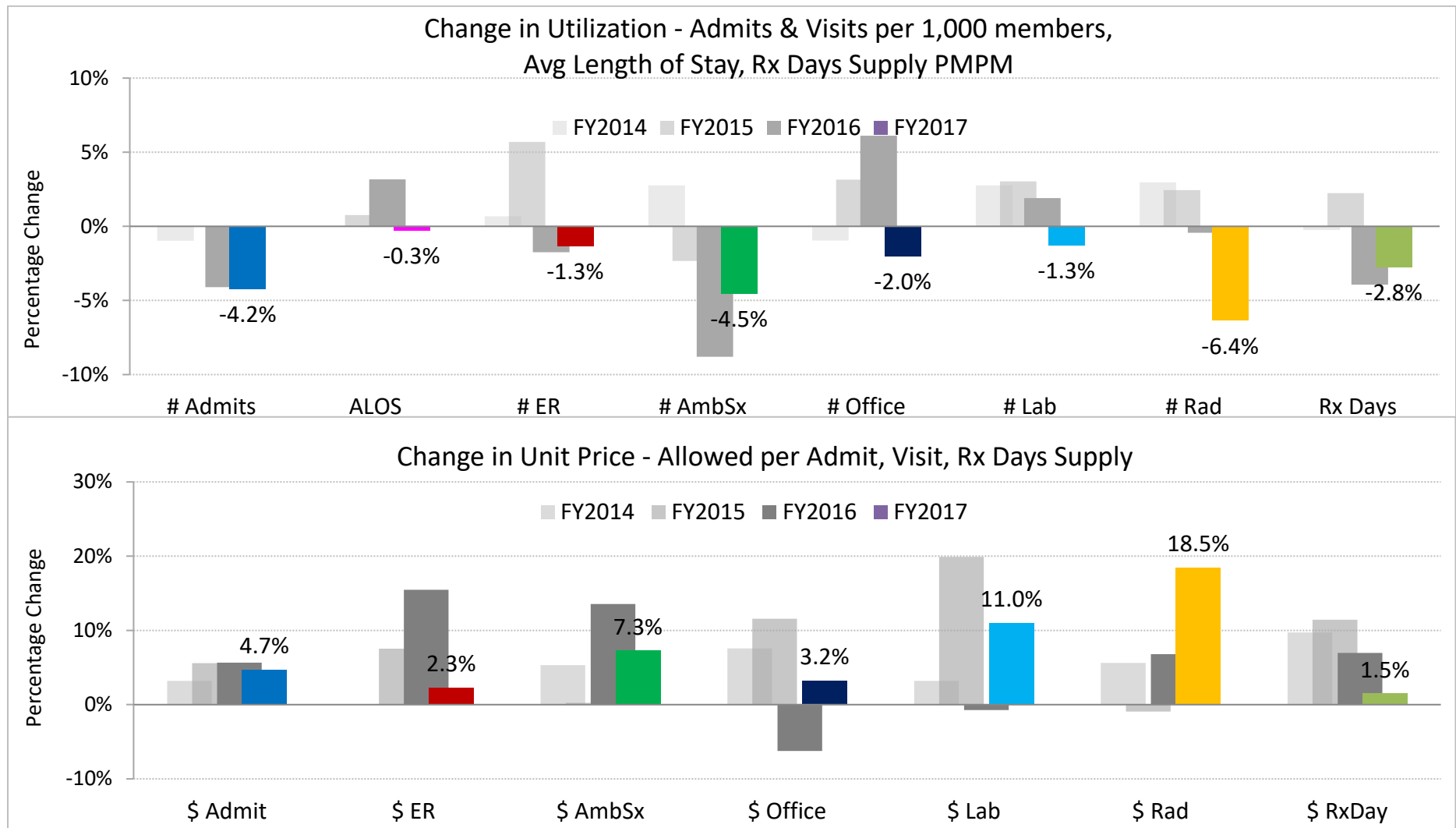


Contribution to Trend in Allowed PMPM by Service Category



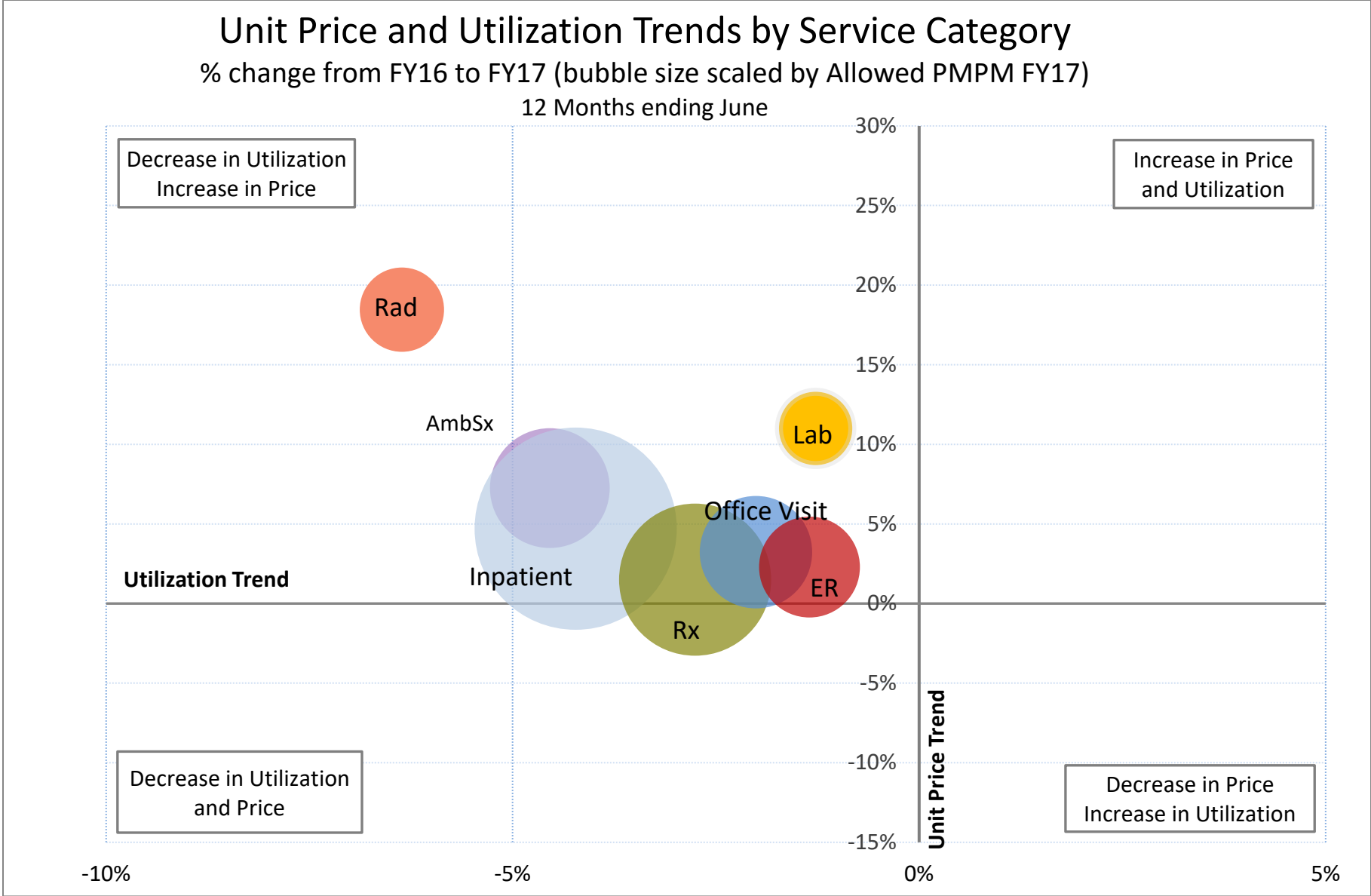
CHANGE IN UTILIZATION AND UNIT PRICE BY KEY SERVICE CATEGORIES

- Allowed PMPM is driven by change in utilization and price per unit, shown by the service category metrics below.
- 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 for FY2017. 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.



UTILIZATION AND UNIT PRICE TRENDS BY SERVICE CATEGORY

- Each quadrant below illustrates the relationship between changes in utilization and price by key service categories. The size of the bubble is the average cost PMPM for the category.



GLOSSARY

ALLOWED COSTS - CONTRACTUAL "ALLOWED AMOUNTS" INCLUSIVE OF MEMBER OUT OF POCKET OBLIGATIONS SUCH AS COINSURANCE, COPAYS, DEDUCTIBLES, ETC. REPORT SHOWS "ALLOWED" RATHER THAN "NET" TO PROVIDE EASIER COMPARISONS BETWEEN PLANS WITH DIFFERENT BENEFIT DESIGNS (e.g., HMO PLANS vs PPO PLANS)

ALLOWED COSTS PER MEMBER PER MONTH (PMPM) - ALLOWED COST DIVIDED BY SUM OF MEMBER MONTHS IN PERIOD, ADJUSTED FOR POPULATION SIZE

SERVICE CATEGORIES - MUTUALLY EXCLUSIVE BUCKETS OF HEALTH CARE EXPERIENCE BASED ON A HIERARCHY OF PLACE OF SERVICE, PROVIDER TYPE, PROCEDURE, DIAGNOSTIC CATEGORY, AND ADMISSION TYPE. VISITS ARE BASED ON SAME PATIENT, SAME SERVICE DATE

MENTAL HEALTH / SUBSTANCE ABUSE (MH/SA) - INCLUDES ALL CLAIMS (INPATIENT AND AMBULATORY) WITH MENTAL HEALTH/SUBSTANCE ABUSE DIAGNOSES

INPATIENT - ALL FACILITY AND PROFESSIONAL CLAIMS FOR INPATIENT HOSPITALIZATIONS, EXCEPT MENTAL HEALTH/SUBSTANCE ABUSE

PRESCRIPTION Drug (Presc Rx) - ALL PRESCRIPTION DRUG (RETAIL) CLAIMS

MEDICAL Rx - DRUGS ADMINISTERED IN AN OUTPATIENT OR PROFESSIONAL SETTING

EMERGENCY ROOM (ER) - ALL FACILITY AND PROFESSIONAL CLAIMS IN ER EXCEPT WHEN VISIT RESULTS IN ADMISSION

AMBULATORY SURGERY (AmbS_x) - ALL NON-INPATIENT FACILITY AND PROFESSIONAL CLAIMS WHERE A SURGICAL PROCEDURE IS PERFORMED

OFFICE VISIT - ALL PHYSICIAN AND PROFESSIONAL CLAIMS WHERE AN OFFICE VISIT PROCEDURE CODE IS PRESENT, INCLUDES ALL LAB, RAD, AND OTHER CLAIMS OCCURRING ON SAME DATE FOR SAME PATIENT

AMBULATORY LABORATORY (Lab) - OUTPATIENT LAB CLAIMS NOT ASSOCIATED WITH OFFICE VISITS

AMBULATORY RADIOLOGY (Rad) - OUTPATIENT RADIOLOGY CLAIMS NOT ASSOCIATED WITH OFFICE VISITS

HOSPITAL OUTPATIENT (Hosp Outpatient) - SERVICES PERFORMED IN A HOSPITAL OUTPATIENT SETTING. EXAMPLES INCLUDE: DIALYSIS AND DIAGNOSTIC

PREVENTATIVE CARE - SERVICES PERFORMED IN EITHER A HOSPITAL OUTPATIENT OR PROFESSIONAL SETTING. EXAMPLES INCLUDE: COLONOSCOPY, MAMMOGRAPHY, LIPID PANEL, OR PREVENTATIVE IMMUNIZATIONS

OTHER PROFESSIONAL (Other Prof) - INCLUDES PT, OT, ST, DME, AND OTHER PROFESSIONAL SERVICES NOT ASSIGNED ABOVE

ALL OTHER - ALL OTHER CLAIMS NOT ASSIGNED ABOVE INCLUDING FACILITY PT, OT, R_x, ETC., AND KAISER OTHER MEDICAL SERVICES

VISITS - SAME PATIENT, SAME DATE OF SERVICE FOR ALL NON-INPATIENT CARE

PER 1,000 MEMBERS - VISITS DIVIDED BY AVERAGE ANNUAL MEMBERSHIP TIMES 1000. ADJUSTS UTILIZATION FOR POPULATION SIZE

ADMITS - ACUTE CARE HOSPITALIZATIONS (EXCLUDES SNF)

ALLOWED COSTS PER ADMIT - ALLOWED COSTS FOR ACUTE CARE HOSPITALIZATIONS

R_x DAYS SUPPLY PMPM - NUMBER OF DAYS SUPPLY FOR R_x PRESCRIBED DIVIDED BY MEMBER MONTHS

ALLOWED COSTS PER R_x DAYS SUPPLY - ALLOWED COSTS OF R_x CLAIMS DIVIDED BY THE SUM OF R_x DAYS SUPPLY - AVERAGE COST PER DAY OF R_x