

Health Care Cost Trends CY 2018

Basic Plans

Executive Summary

Membership

Membership in basic plans grew 0.5% or 6,000 total covered lives in CY 2018.

Per Member Per Month (PMPM)

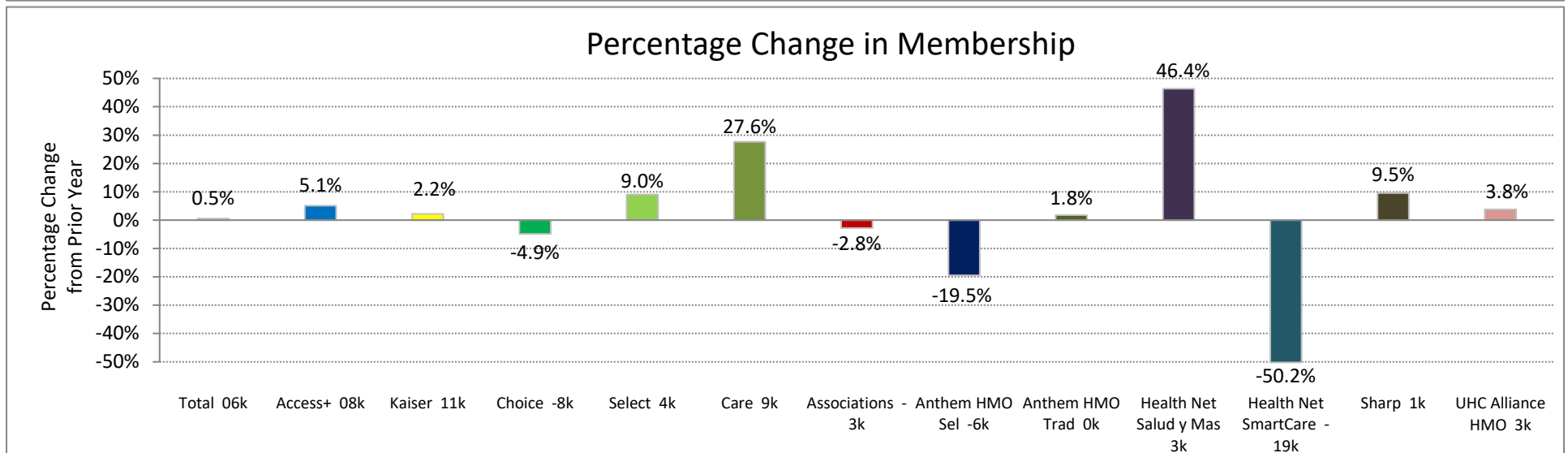
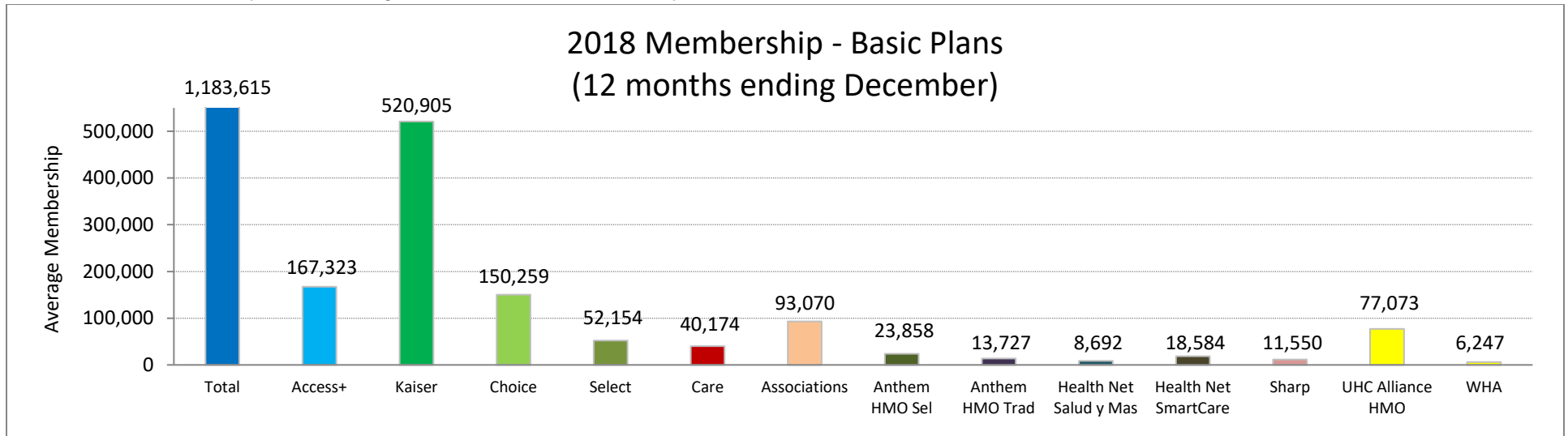
The overall cost trend increased 3.8% in CY 2018 with Inpatient, Prescription Drugs, and Ambulatory Surgery being the major drivers of PMPM.

Utilization and Unit Costs

Utilization and cost of services impact plan premiums.

1. BASIC PLAN MEMBERSHIP

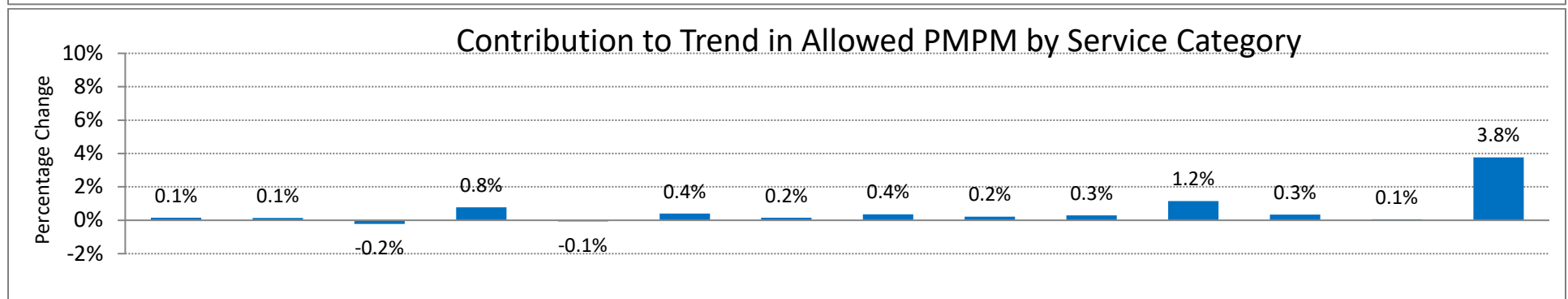
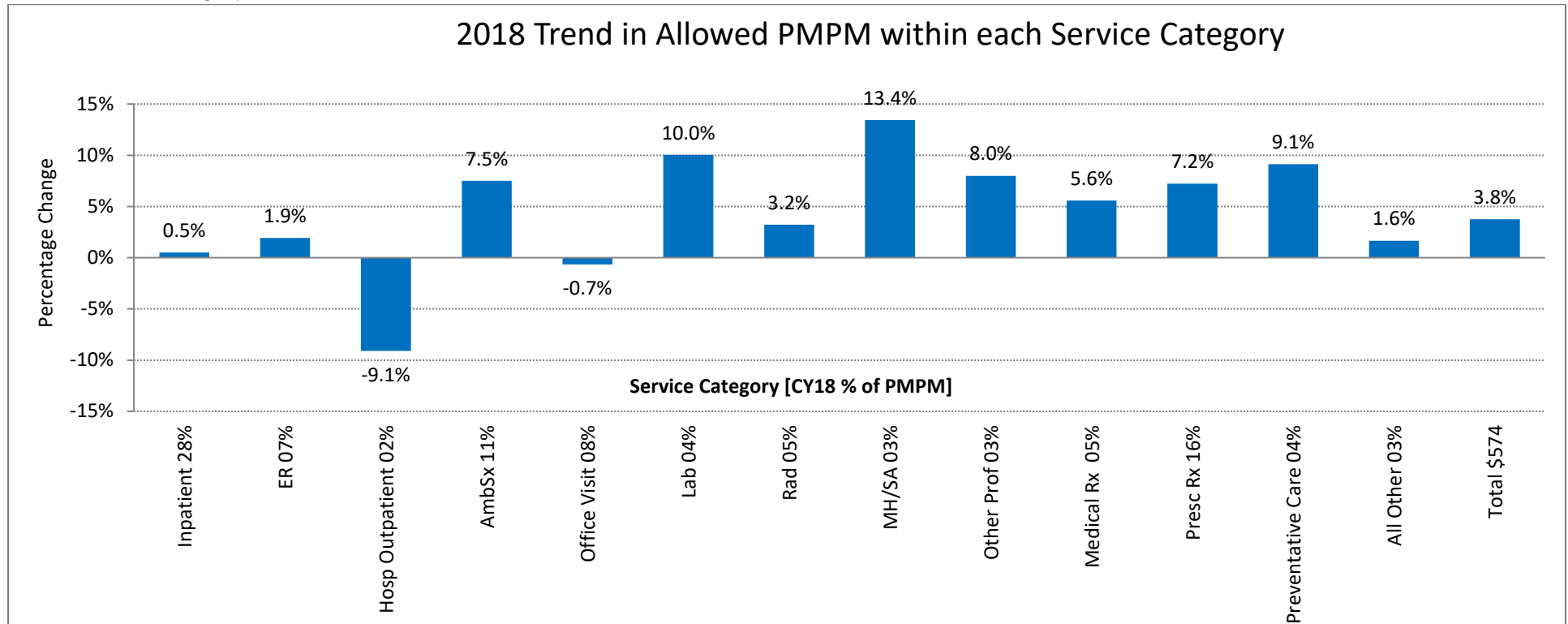
- Basic plan membership increased 0.5% (6,000) in CY 2018.
- Decreases in membership were experienced across Health Net SmartCare (19,000), PERS Choice (8,000), Anthem Blue Cross HMO Select (6,000), and Association health plans (3,000) for CY 2018.
- All other plans had an increase in membership with Kaiser showing the largest increase (11,000) followed by PERSCare (9,000).
- The Western Health Advantage HMO plan is new effective January 1, 2018 with over 6,000 members. Anthem Blue Cross EPO Monterey was no longer offered effective January 1, 2018.



Data as of March 25, 2019

CHANGE IN ALLOWED PMPM BY MAJOR SERVICE CATEGORIES

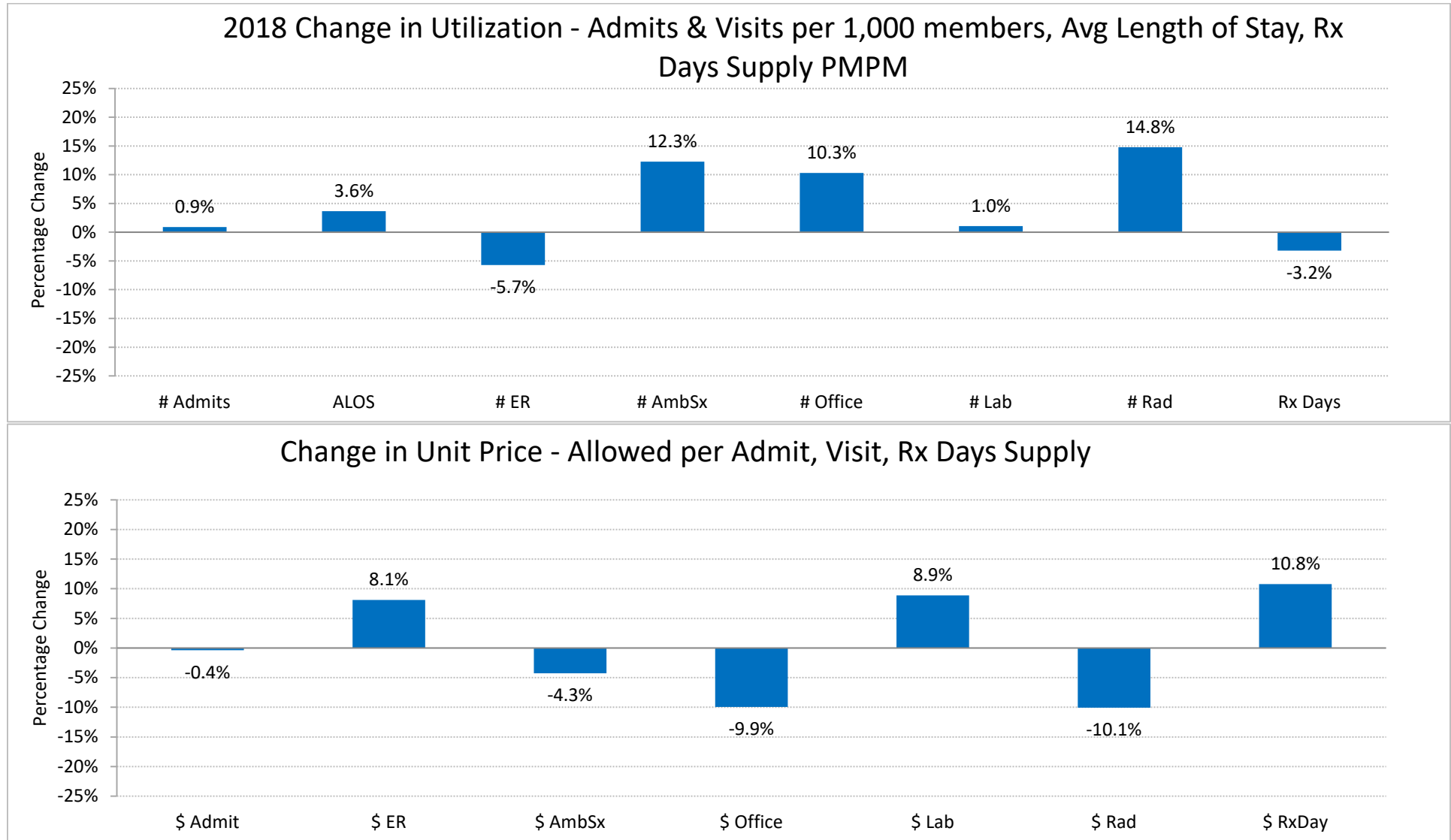
- Total Allowed PMPM increased 3.8% in CY 2018. The chart below shows the change in PMPM across 13 service categories with the lower chart showing the contribution to the 3.8% overall change.
- The following major service categories comprise of 55% of the total allowed costs: Inpatient, Prescription Drug, and Ambulatory Surgery.



Data as of March 25, 2019

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.
- Ambulatory Surgery, Office Visits, and Radiology all saw an increase in utilization but a decrease in unit price.
- Emergency Room and Prescription Drugs saw a decrease in utilization but an increase in unit price.



Data as of March 25, 2019

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