



Pension and Health Benefits Committee

Agenda Item 5c

May 14, 2019

Item Name: Health Care Cost Trends

Program: Health Benefits

Item Type: Information Consent

Executive Summary

Analysis of trends allows a better understanding of the factors that impact health care premiums. Trend is the pattern of cost and utilization metrics over time.

In Calendar Year (CY) 2018 (January 1, 2018 to December 31, 2018), overall Basic membership increased 0.5 percent in comparison to 2017. The overall cost trend increased 3.8 percent in CY 2018.

Strategic Plan

This item supports Strategic Goal: "Transform health care purchasing and delivery to achieve affordability."

Background

The Health Care Cost Trends provides cost and utilization information to inform Pension and Health Benefits Committee (PHBC) members where changes in premiums, benefits, plan and provider contracting, or other areas may be required in the future.

The California Public Employees' Retirement System (CalPERS) utilizes the Health Care Decision Support System (HCDSS) to manage health care data for analytical reporting. The HCDSS provides a rich source of health care financial and utilization data. This report was prepared based on the data from the HCDSS, which contains 12 years of data, with more than 1 billion records. This data includes, in aggregate form, member eligibility and enrollment, facility and provider claims and encounters, prescription drug, disease management, and select lab and biometric results.

In December 2018, CalPERS implemented the GEN4 HCDSS. The GEN4 HCDSS includes updated methodologies and improvements to how data is categorized. CalPERS has made changes to enhance the quality and accuracy of data within the HCDSS and worked with individual health plans to improve the quality and standards of data transmitted to the HCDSS. These efforts have resulted in more accurate data that is more consistent amongst all plans.

The GEN4 implementation along with health plan improvements may result in changes to the trend data.

Analysis

This Health Care Cost Trends analysis reports findings for CY 2018. Costs are stated in Per Member Per Month (PMPM) terms.

Basic Plan Membership

- Basic plan membership increased 0.5% (6,000).
- Among the plans with increased membership, Kaiser (11,000), PERSCare (9,000) and Blue Shield Access+ (8,000) contributed the largest membership increase by attracting 28,000 members.
- Membership decreased in the following plans: Health Net SmartCare (19,000), PERS Choice (8,000), Anthem Health Maintenance Organization (HMO) Select (6,000), and the Association plans (3,000).

PMPM Cost

- Overall PMPM costs increased 3.8% with inpatient, prescription drugs, and ambulatory surgery continuing to be major drivers of PMPM costs making up 55% of the total allowed costs.

Utilization and Unit Price

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

Analysis Notes

This report includes only Basic health plan data because payment schedules and operational rules for 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 health care providers for each claim rather than the “net” amounts paid by each plan. This allows for easier comparisons between HMO and Preferred Provider Organization health care costs, because the portion of the allowed amount paid by the health plan versus the member can vary significantly due to the difference 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 and has no bearing on the CalPERS budget.

Benefits and Risks

Producing the Health Care Cost Trends allows CalPERS to be aware of current health care cost and utilization trends. It also provides a performance management tool to ensure that plan performance is aligned with the CalPERS Health Belief “Health Program Sustainability”.

Attachments

Attachment 1 – Health Care Cost Trends CY 2018 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 – Glossary

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