



STATE OF DELAWARE – MEDICARE RETIREES

Trend Driver Analysis

September 2015

ANALYTIC PARAMETERS

- Medicare Retiree population (unless otherwise specified)
 - Medicare Retiree identified as Employee Status Group = 'Medicare Eligible Retiree'
 - Self-Insured identified as Coverage Indicator Med = 'Y'
- Time Periods (unless otherwise specified)
 - Prior Year (PRY): reflects claims incurred May 2013 through April 2014
 - Current Rolling Year (CRY): reflects claims incurred May 2014 through April 2015
 - Data completed and annualized for claims incurred but not yet reported (IBNR)
- Self-insured group health medical, mental health and prescription drug claims data
 - Does not include admin fees, fully-insured HMO premiums, vision or dental claims; data not offset by employee paycheck contributions
- High cost claimants defined as members who incurred \$100K or more in medical and drug allowed amounts during the current rolling year
- Normative comparisons were made to the MarketScan™ database and Truven Semi-Annual Employer Norms (i.e., Truven Health's book of business), unless otherwise specified
- Health risk scores were calculated using DxCG's diagnostic cost groupings, which use demographics and diagnostic information to assess risk; risk score is the concurrent non-rescaled value (a value of 100 represents the average for the nationwide dataset on which the model was developed)

DEMOGRAPHICS

	PRY	CRY	% Change
Employees (Average)	20,193	21,157	5%
Average Family Size	1.00	1.00	0%
Average Age			
Employees	73.1	73.2	0%
Members	73.1	73.1	0%
Gender: % Male			
Employees	42%	42%	0% pt
Members	42%	42%	0% pt
Health Risk*			
Employees	451	569	26%
Members	450	569	26%

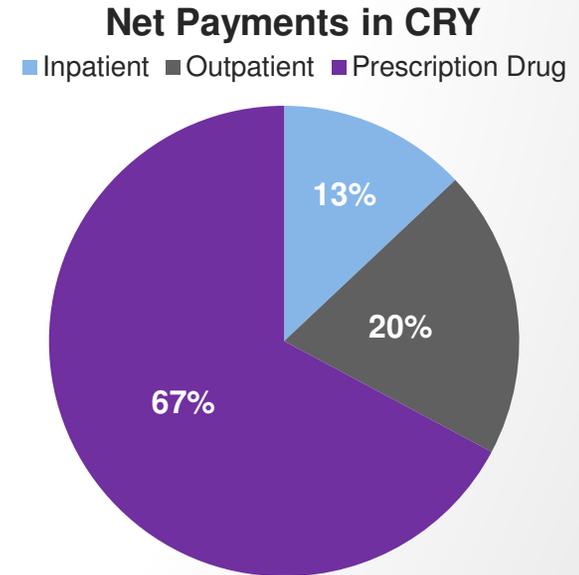
* Health Risk Scores based on calendar years 2013 and 2014

Were there changes to State of Delaware's Medicare Retiree demographic profile between the prior and current period?

- State of Delaware Medicare Retirees experienced a 5% increase in plan enrollment
- The demographic make-up of the Medicare Retiree population remained stable
- State of Delaware's health risk in 2013 was significantly higher than the DCG nationwide average of 100, indicating a higher than average illness burden in the State of Delaware population, and continued to increase in 2014.

MEDICAL AND PRESCRIPTION DRUG COSTS

Net Payments per Employee			
	PRY	CRY	% Change
Medical	\$1,863	\$2,095	12%
Inpatient	\$653	\$831	27%
Outpatient	\$1,210	\$1,264	5%
Prescription Drug	\$3,609	\$4,294	19%
Total	\$5,472	\$6,389	17%



How did State of Delaware’s plan costs trend year over year?

- On a per employee basis, State of Delaware net payments increased 17% in the current rolling year
- Prescription drugs, which accounted for 67% of CRY spend, increasing 19% from the PRY
- Inpatient care increased 27% in the CRY to \$831 per Employee.

COMPARISON TO STATE EMPLOYER NORMS

		Cost, Use, and Price Rates*			Trends**		
		State of DE	Norm	Comparison	State of DE	Norm	
		● Above Norm ◎ Below Norm ✦ Similar to Norm (within 2%)					
Medical	Inpatient: Admits per 1,000 Members	198	197	✦	3%	6%	
	Inpatient: Average Length of Stay	5.6	5.1	●	1%	3%	
	Outpatient: Services per Member	57.2	62.3	◎	4%	9%	
	Outpatient: Allowed Amounts per Service	\$100	\$127	◎	0%	18%	
Rx	Rx: Allowed Amount per Days Supply	\$3.09	\$2.32	●	16%	3%	
	Rx: Days Supply per Member	1,517	1,362	●	1%	14%	

How does State of Delaware Medicare Retirees compare to other State employers?

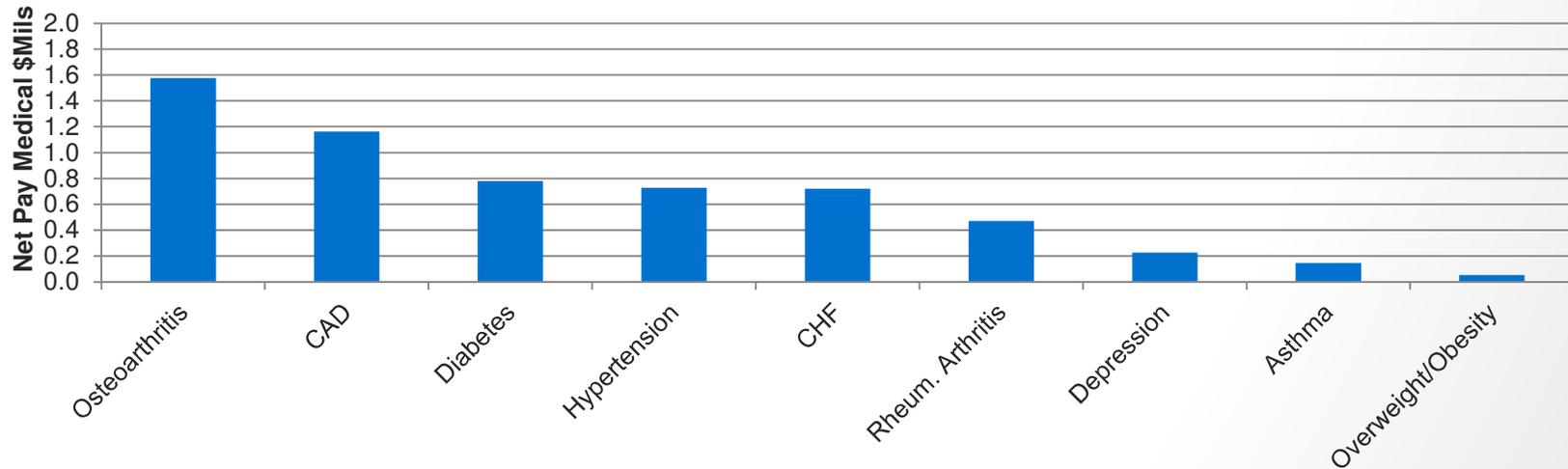
- While Delaware's Medicare population has comparable to norm admission rates, the average length of stay is higher
- Outpatient service utilization and cost per service are both better than norm and trending at a slower rate than the norm
- State of Delaware has **higher** use and price rates than the national norm for drug metrics

*Norms are from 2013 U.S. MarketScan Norms (MSN). MSNs were adjusted where appropriate (age/gender, geographic, severity) to the State of Delaware self-insured Medicare population

**Trends represent PRY to CRY for and Norm trends are based on 4Q14 Employer Semi-Annual Norms for Medicare Retirees of State Employers

CHRONIC CONDITION COST MEDICARE RETIREES

Chronic Condition Cost

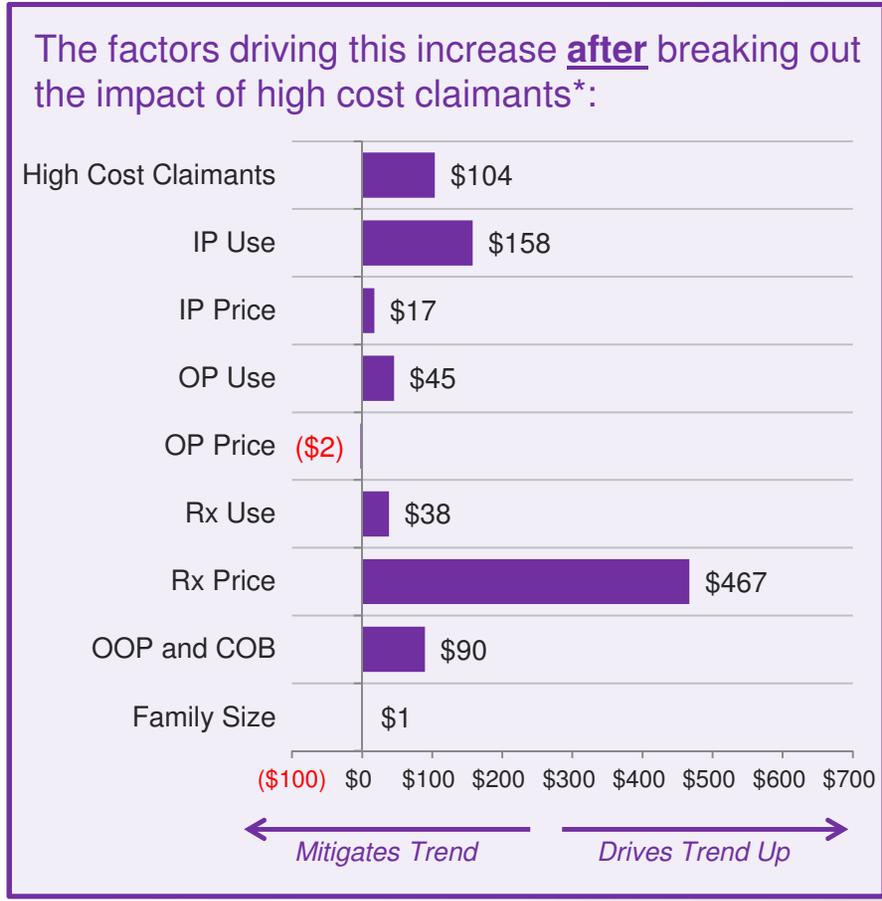
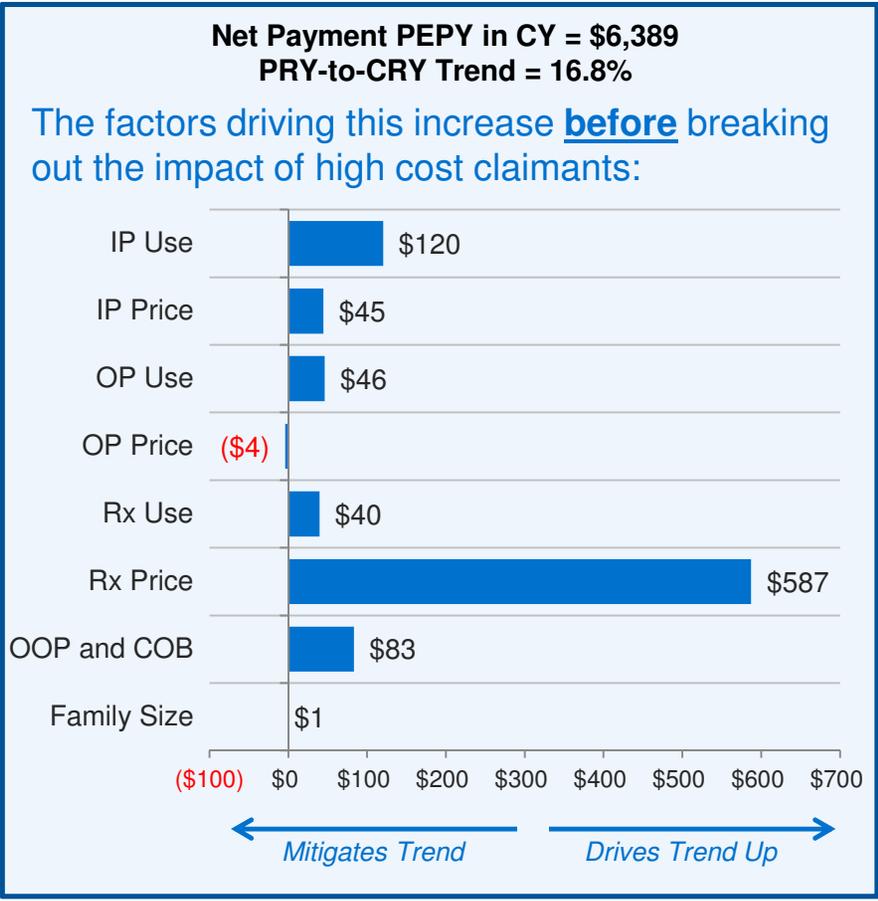


What chronic health conditions drive State of Delaware's comparative high cost?

- Spending on Osteoarthritis, Coronary Artery Disease, and Diabetes exceeds the next 6 conditions combined
- Nearly all of these conditions are related to overweight and inactivity

DRIVERS OF NET PAYMENT PEPY TREND

State of Delaware net payments **increased \$917** per Medicare Retiree in the CRY

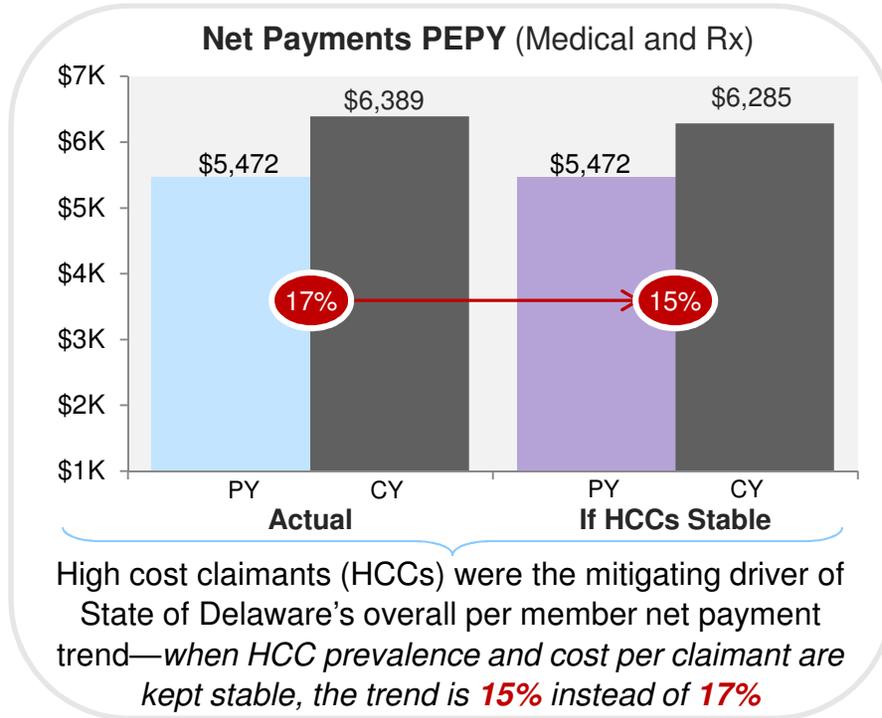


IP = Inpatient; OP = Outpatient; Rx = Prescription Drug; OOP = Employee Out of Pocket; COB = Coordination of Benefits (e.g., Medicare)

*High cost claimant (HCC) prevalence, cost, price and use rates kept stable to isolate HCC impact from other factors



IMPACT OF HIGH COST CLAIMANTS

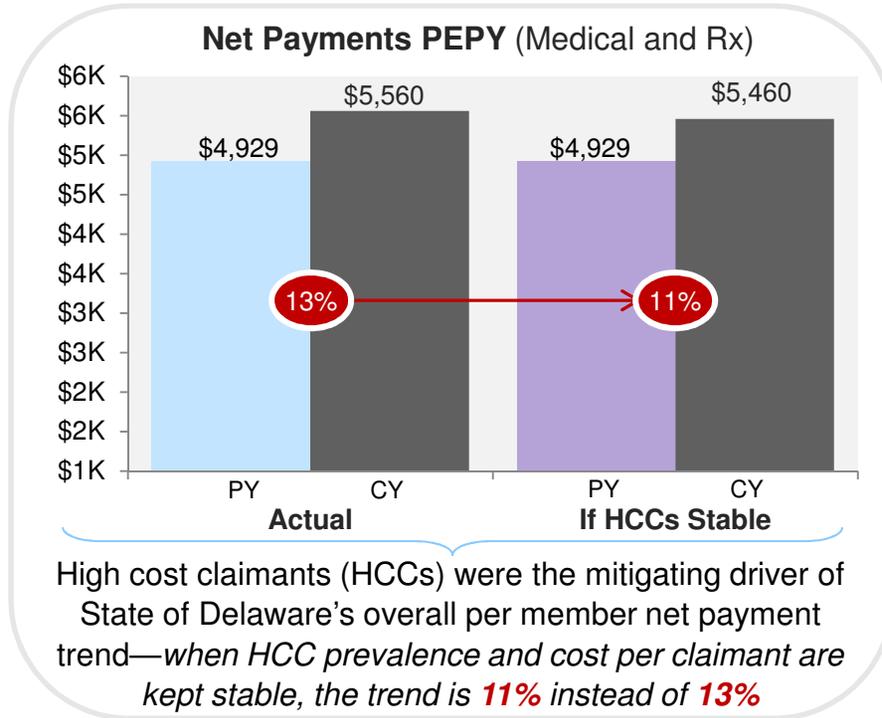


What were the high cost claimant (HCC) prevalence, cost and condition trends?

- HCC prevalence rose from 1.0 to 1.9 (per 1,000 members) in 2014
- Net payments per HCC declined 6% (to \$145,860)
- Chronic conditions accounted for 63% of HCC medical net payments in the CRY while acute conditions accounted for 86% of the HCC spend in PRY.

PRY Top Clinical Conditions		HCC Med \$		Top Medical Conditions for HCCs (based on medical net payments)	CRY Top Clinical Conditions		HCC Med \$	
HCCs in PRY	Infections, NEC	\$243K	29%		HCCs in CRY	Cardiovasc Disord, NEC	\$63K	24%
	Infections - Musculoskeletal	\$193K	23%			Infections, NEC	\$28K	11%
	Condition Rel to Tx - Med/Surg	\$161K	19%			Cancer - Endocrine, NEC	\$20K	7%
	Cardiovasc Disord, NEC	\$75K	9%			Cancer - Lymphoma	\$13K	5%
	Nutritional Disorders, NEC	\$39K	5%			Cancer - Breast	\$12K	4%
	All Other	\$128K	15%			All Other	\$127K	48%

IMPACT OF HIGH COST CLAIMANTS: FY `13 – FY `14



What were the high cost claimant (HCC) prevalence, cost and condition trends?

- HCC prevalence rose from 0.6 to 1.1 (per 1,000 members) in FY 2014
- Net payments per HCC increased 38% (to \$155,004)
- Chronic conditions accounted for 63% of HCC medical net payments in the CRY while acute conditions accounted for 86% of the HCC spend in PRY.

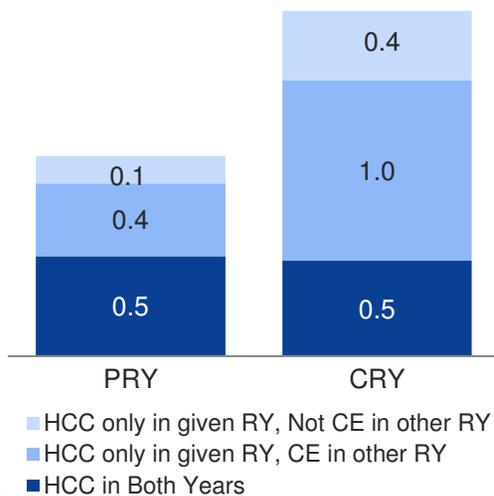
PRY Top Clinical Conditions			HCC Med \$		Top Medical Conditions for HCCs (based on medical net payments)	CRY Top Clinical Conditions			HCC Med \$	
HCCs in PRY	Neurological Disorders, NEC	\$100K	51%	HCCs in CRY		Infections, NEC	\$236K	29%		
	Cardiovasc Disord, NEC	\$47K	24%			Infections - Musculoskeletal	\$193K	24%		
	Cancer - Nonspecified	\$8K	4%			Condition Rel to Tx - Med/Surg	\$157K	19%		
	Radiation Therapy Encounters	\$6K	3%			Cardiovasc Disord, NEC	\$76K	9%		
	Cancer - Leukemia	\$6K	3%			Nutritional Disorders, NEC	\$33K	4%		
	All Other	\$28K	15%			All Other	\$116K	14%		

HIGH COST CLAIMANTS YEAR TO YEAR

What happened to HCCs and their HCC status between the PRY and the CRY?

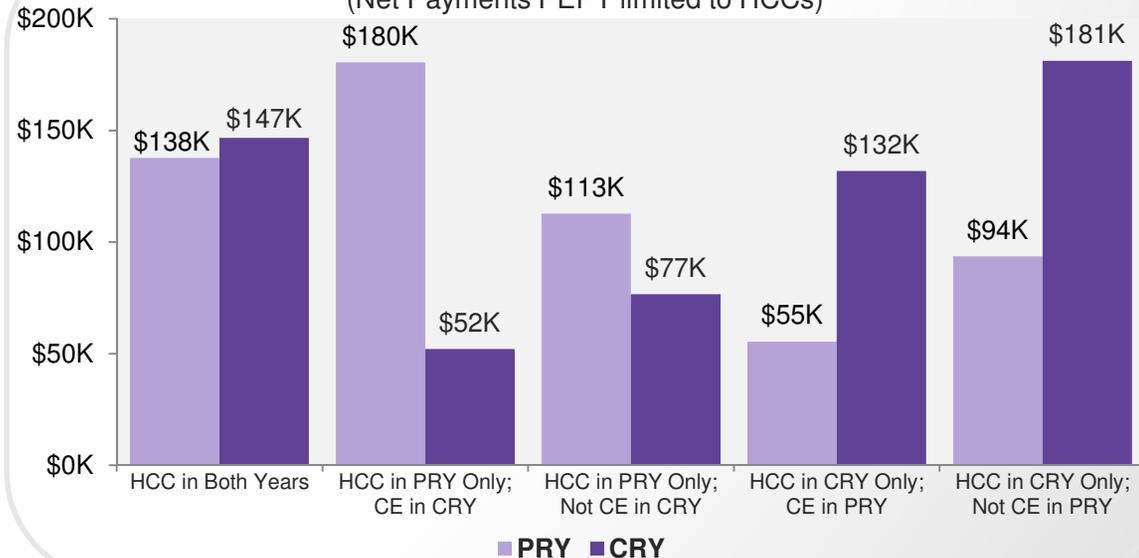
- Of the 22 HCCs in the PRY:
 - 50% remained high cost in the CRY
 - 36% were not high cost in the CRY despite maintaining self-insured coverage for the entire period
 - 14% were not high cost in the CRY and stopped being enrolled in a self-insured plan at some point in the CRY
- Of the 40 HCCs in the CRY
 - 28% were also high cost in the PRY
 - 52% were not high cost in the PRY despite maintaining self-insured coverage for the entire period
 - 20% were not high cost and were not enrolled in a self-insured plan for the entire PRY

HCC Prevalence
(HCCs per 1,000 members)



Cost per HCC

(Net Payments PEPY limited to HCCs)



HCC in Both Years: Members who were HCCs in both the PRY and the CRY

HCC only in given Yr, CE in other Yr: Members who were HCCs in one time period but not the other, despite being continuously enrolled in a self-insured medical plan with active status for the entire year that they were not high cost

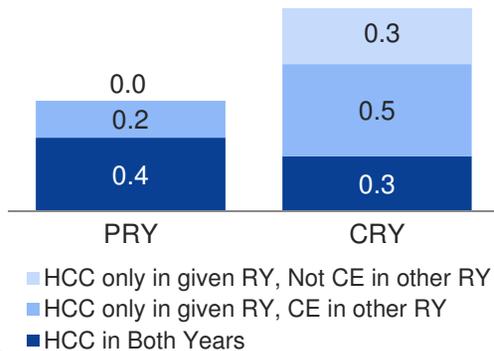
HCC only in given Yr, Not CE in other Yr: Members who were HCCs in one time period but not the other—these members were not continuously-enrolled in a self-insured medical plan with active status for the year that they were not high cost

HIGH COST CLAIMANTS YEAR TO YEAR: FY `13 – FY `14

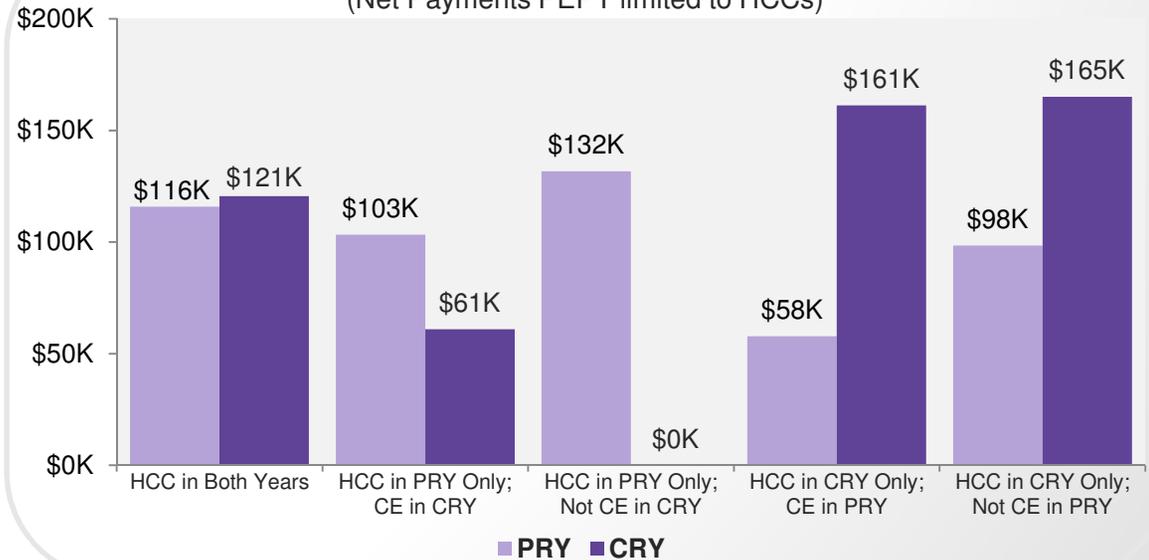
What happened to HCCs and their HCC status between the PRY and the CRY?

- Of the 12 HCCs in the PRY:
 - 59% remained high cost in the CRY
 - 34% were not high cost in the CRY despite maintaining self-insured coverage for the entire period
 - 7% were not high cost in the CRY and stopped being enrolled in a self-insured plan at some point in the CRY
- Of the 40 HCCs in the CRY
 - 31% were also high cost in the PRY
 - 44% were not high cost in the PRY despite maintaining self-insured coverage for the entire period
 - 26% were not high cost and were not enrolled in a self-insured plan for the entire PRY

HCC Prevalence
(HCCs per 1,000 members)



Cost per HCC
(Net Payments PEPY limited to HCCs)



HCC in Both Years: Members who were HCCs in both the PRY and the CRY

HCC only in given Yr, CE in other Yr: Members who were HCCs in one time period but not the other, despite being continuously enrolled in a self-insured medical plan with active status for the entire year that they were not high cost

HCC only in given Yr, Not CE in other Yr: Members who were HCCs in one time period but not the other—these members were not continuously-enrolled in a self-insured medical plan with active status for the year that they were not high cost

HIGH COST CLAIMANTS YEAR TO YEAR (cont'd)

Did the percent of medical spend related to chronic conditions differ between repeat and new HCCs?

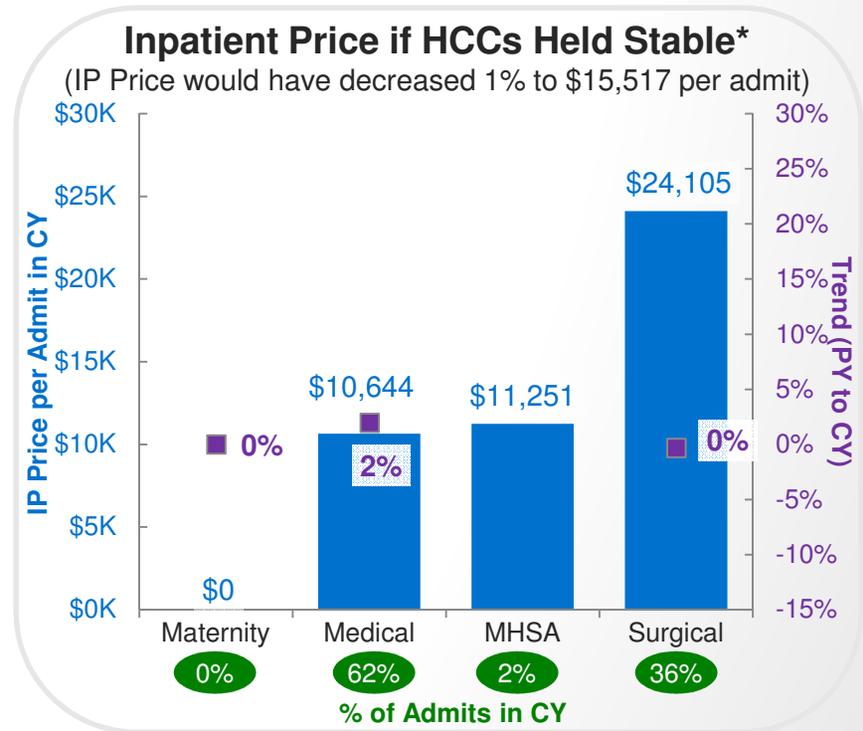
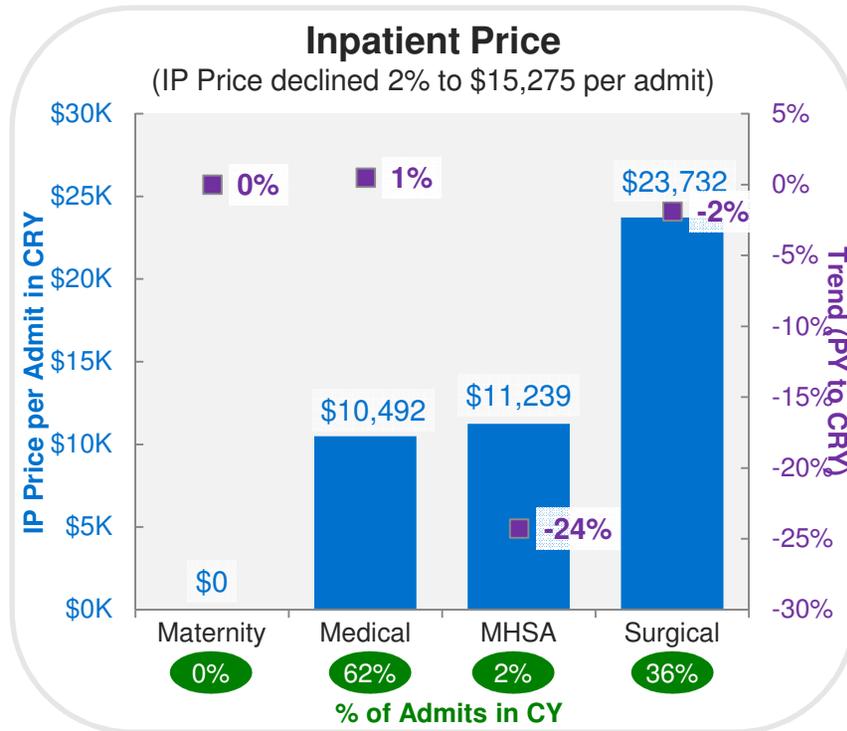
- Among HCCs in both the PRY and CRY, 80% of net payments in the PRY were towards chronic conditions while 87% of net payments in the CRY were towards chronic conditions
- For HCCs in the PRY only (with continuous enrollment in CRY), nearly all payments were towards acute conditions
- For HCCs in the CRY only (with continuous enrollment in PRY), 53% of payments were for chronic conditions

Top Medical Conditions for HCCs (based on medical net payments)

		Clinical Condition in PRY	Net Pay Med				Clinical Condition in CRY	Net Pay Med	
Top Medical Conditions for HCCs in PRY	HCC in CRY and in PRY	Cardiovasc Disord, NEC	\$72K	66%	HCC in CRY and in PRY	Cardiovasc Disord, NEC	\$62K	79%	
		Crohns Disease	\$6K	5%		Infections, NEC	\$3K	4%	
		Radiation Therapy Encounters	\$5K	4%		Cancer - Leukemia	\$1K	1%	
		Condition Rel to Tx - Med/Surg	\$4K	4%		Rheumatoid Arthritis	\$1K	1%	
		Condition Rel to Tx - GI	\$4K	3%		Arthropathies/Joint Disord NEC	\$1K	1%	
		All Other	\$19K	17%		All Other	\$11K	14%	
	HCC in PRY only; CE in CRY	Infections, NEC	\$233K	33%	HCC in CRY only; CE in PRY	Condition Rel to Tx - Med/Surg	\$6K	7%	
		Infections - Musculoskeletal	\$193K	27%		Signs/Symptoms/Oth Cond, NEC	\$6K	7%	
		Condition Rel to Tx - Med/Surg	\$157K	22%		Eye Disorders, Degenerative	\$5K	6%	
		Nutritional Disorders, NEC	\$39K	6%		Cancer - Lymphoma	\$4K	5%	
		Gastritis/Gastroenteritis	\$20K	3%		Cancer - Leukemia	\$4K	4%	
		All Other	\$67K	9%		All Other	\$61K	70%	
	CC in PRY only; Not CE in CRY	Infections, NEC	\$9K	41%	CC in CRY only; Not CE in PRY	Infections, NEC	\$25K	26%	
		Hepatobiliary Disord, NEC	\$3K	13%		Cancer - Endocrine, NEC	\$20K	20%	
		Cardiovasc Disord, NEC	\$3K	13%		Prevent/Admin Hlth Encounters	\$11K	11%	
		Thyroid Disorders	\$1K	7%		Cancer - Breast	\$9K	10%	
		Gastroint Disord, NEC	\$1K	6%		Cancer - Lymphoma	\$8K	9%	

CE = Continuously Enrolled in Self-Insured Medical Plan with Active status for 12 months

INPATIENT ACUTE CARE PRICE

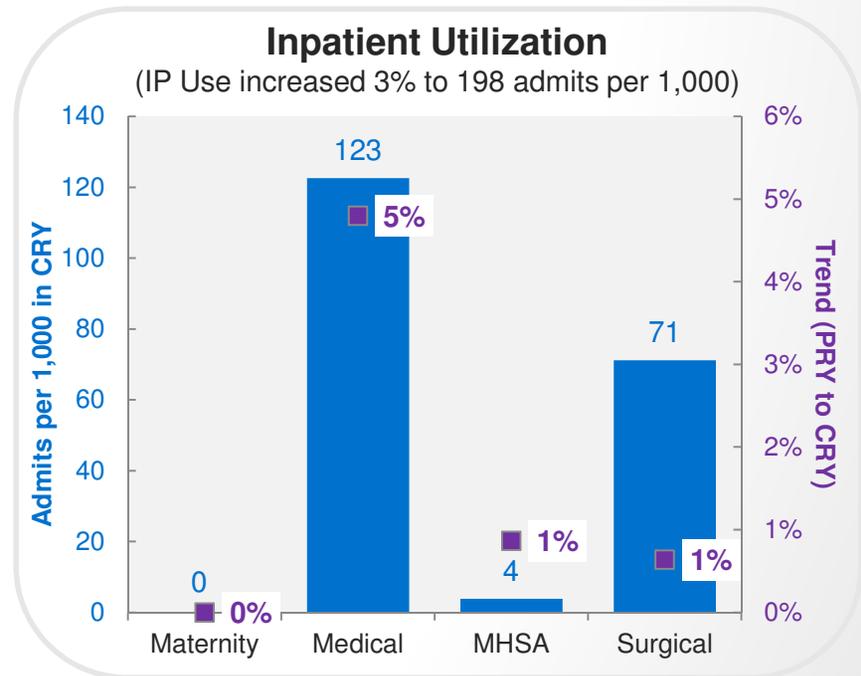
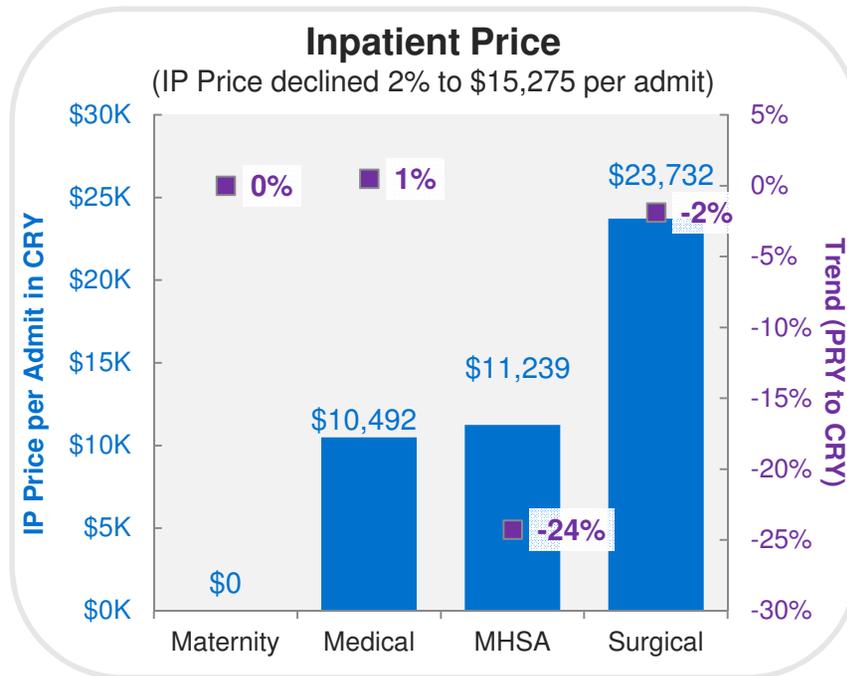


What were the primary drivers of the 2% decrease in inpatient (IP) price per admission?

- The decrease in acute care inpatient price was driven most by surgical services
- High cost claimants (HCCs) accounted for 1.9 percentage points of the IP price *decrease*
- After holding HCCs stable, MHSA becomes the primary driver of the IP price decrease, followed by surgical procedures

*If HCC prevalence had remained stable as well as IP price and use rates for the HCCs

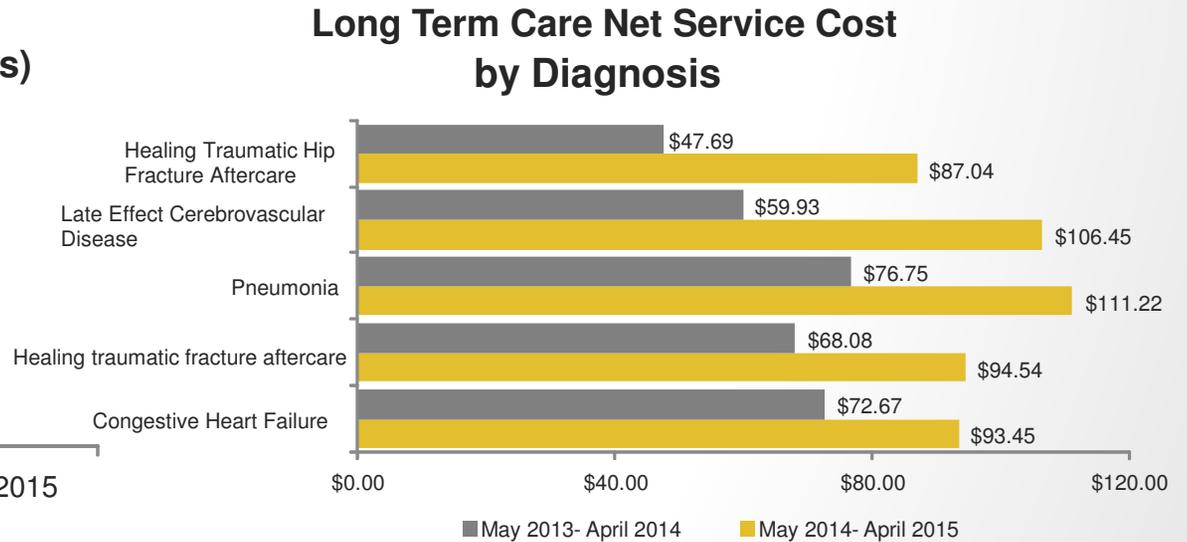
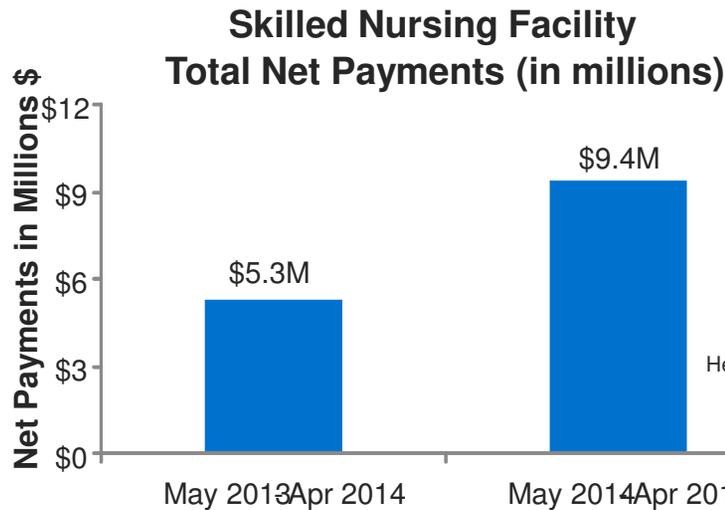
INPATIENT ACUTE CARE EXPERIENCE



What were the primary drivers of the 3% increase in admission rate?

- HCC did not significantly impact general admission rates in the CRY
- The increase in inpatient use was driven by medical services which also trended at 5% increase in the CRY
 - The Major Diagnostic Categories of medical inpatient services with the highest impact pertained to the Nervous System, Infections, and the Kidney

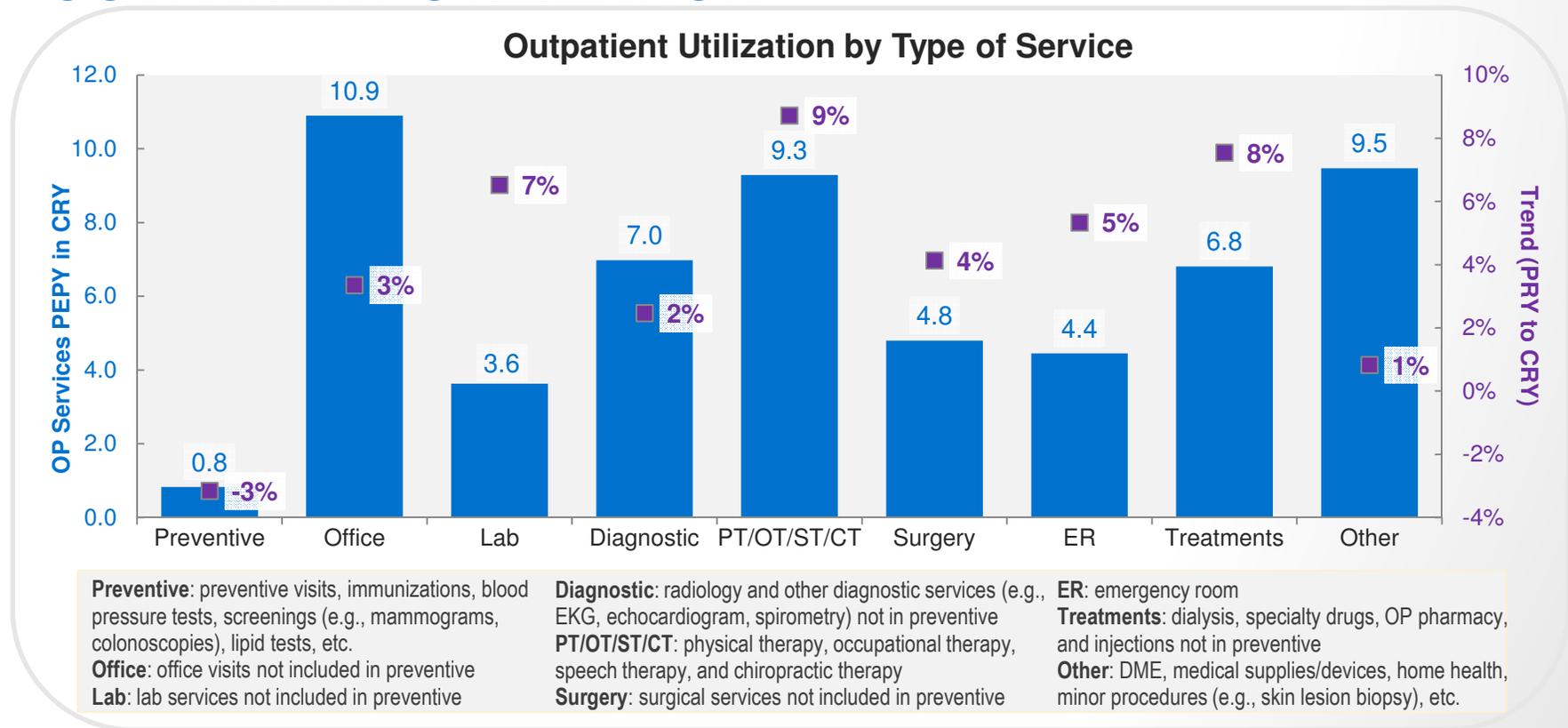
INPATIENT LONG TERM CARE EXPERIENCE



What was the primary driver of the increase in inpatient PEPY costs?

- While inpatient acute admission costs decreased, long term care costs increased substantially
- Overall net payments increased from \$5.3 to \$9.4 million
- The increase in inpatient costs was driven primarily by an increase in cost per service in skilled nursing facilities

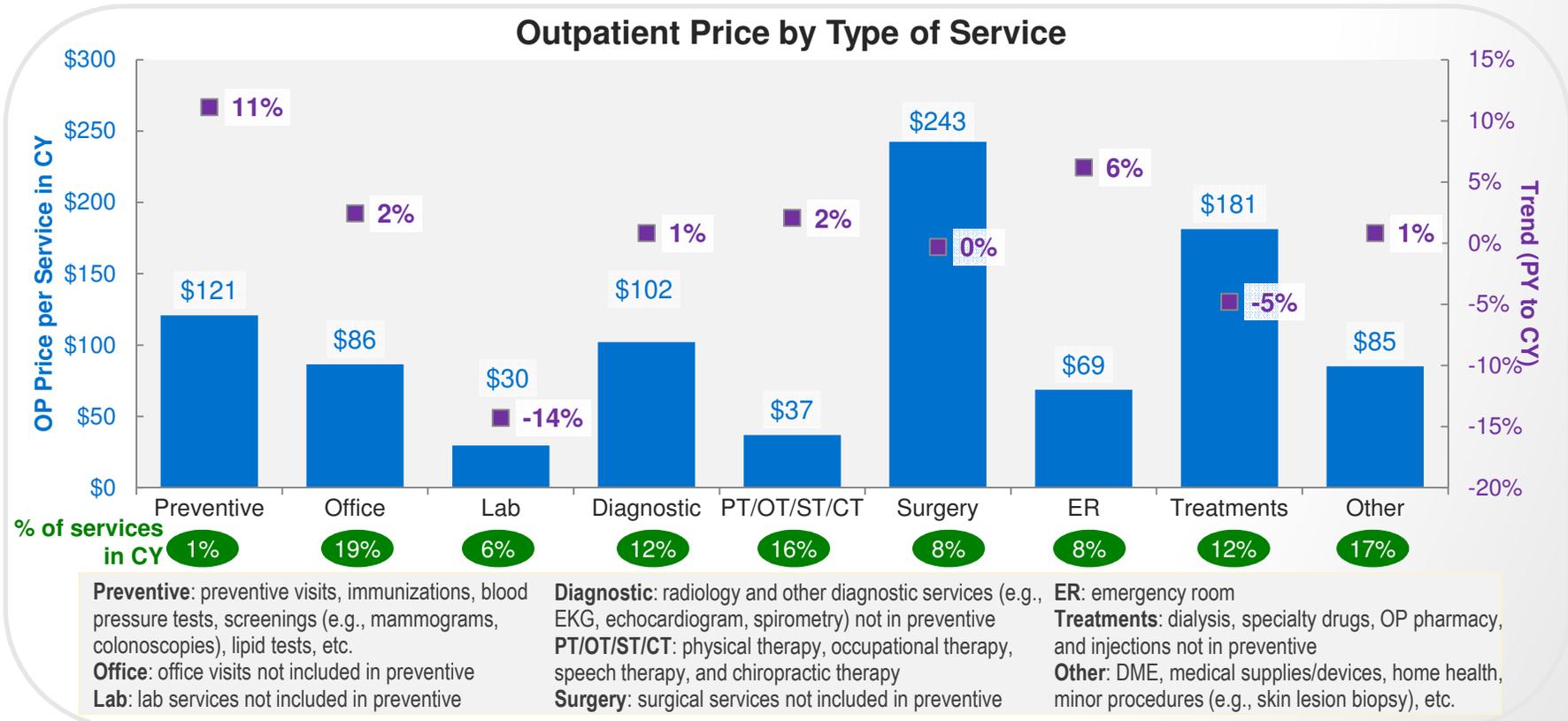
OUTPATIENT UTILIZATION



What were the primary drivers of the 4% increase in outpatient utilization (to 57.2 services PEPY)?

- HCC did not have a significant impact in the increase in outpatient utilization
- PT/OT/ST/CT and Treatment services accounted for an over two percentage point increase of the overall 4% increase in the outpatient utilization trend

OUTPATIENT PRICE



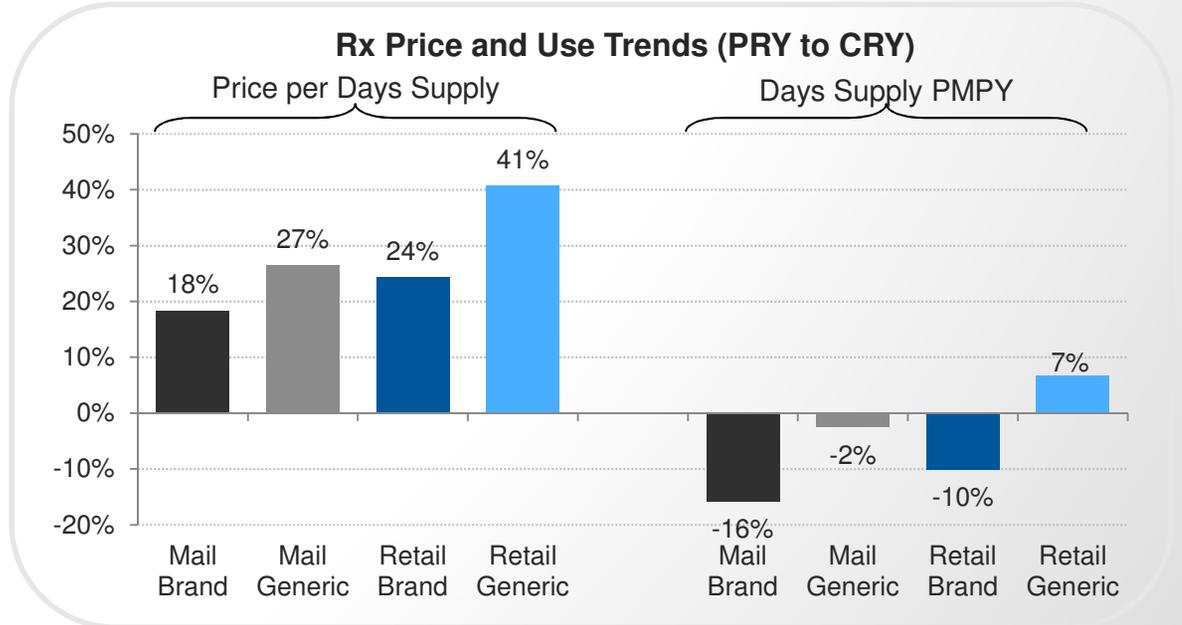
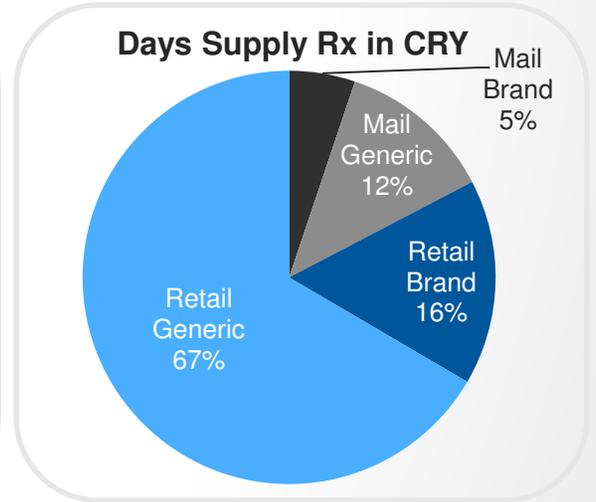
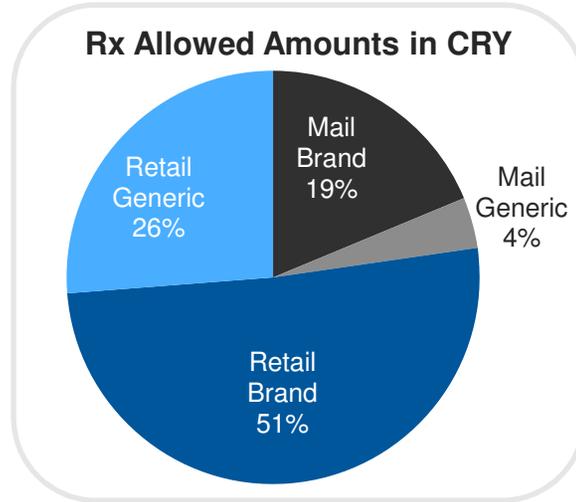
Overall outpatient price did not play a significant role in driving trends in the CRY with an estimated \$100 cost per service in both rolling years.

- Average price of Preventative services average \$121 in CRY, increasing by 11% from the PRY
- Average price of Treatment services average \$181 per service, decreasing 5% from the PRY

PRESCRIPTION DRUG EXPERIENCE

What were the primary drivers of the 16% increase in prescription drug price?

- Brand fills accounted for 70% of Rx allowed amount in the CRY, while only accounting for 21% of the days supply in the CRY
- The prescription drug price trend was driven partly by high cost claimants (HCCs)—if HCC experience had remained stable, the overall Rx price increase would have been 13% instead of 16%
- Mail Order accounted for 23% of Rx allowed amounts in the CRY, down 3 percentage points from the PRY



KEY FINDINGS AND OPPORTUNITIES

- Drug cost was the primary driver of trend for the State of Delaware Medicare Retiree. Rx claims accounted for 67% of CRY spend and increased over 17% from the PRY
 - Consider further analysis to determine which drugs are driving the increase in price the most.
 - Investigate opportunities to increase Generic and Mail Order use
 - A review of place of service for specialty drugs may show also opportunities for lower cost service locations.
 - Also consider if these Medicare Retirees are enrolled Medicare Part D for additional COB opportunities
 - While drug utilization is high for these Medicare Retirees, this may be considered a positive sign since it can indicate a better adherence to drug regimens.
- Inpatient Use and HCC claimants were secondary drivers of the trend for Medicare Retirees
- The increase in inpatient per-employee-per-year costs was driven primarily by an increase in cost per service in skilled nursing facilities
 - Consider further analysis by facility and service to determine the root cause of the increase