The State of Delaware
Quarterly Cost Tracking Update
Today’s discussion

- Review quarterly cost tracking process and objectives
- Confirm key cost metrics
- Discuss proposed changes and rationale
- Review cost tracking sample
  - Financial cost tracking report
  - Supplemental utilization summary

Note: for the purposes of today’s discussion, all cost and utilization data is shown for illustrative purposes and does not reflect State of Delaware’s actual performance
Overview

- Cost information for the State of Delaware’s medical and pharmacy programs is presented to the SEBC on a quarterly basis
- Willis Towers Watson will assume responsibility for medical/pharmacy cost tracking starting with Q4 FY2016 (to be presented in September 2016)
- Key objectives for health care quarterly cost tracking
  - Monitor how medical/Rx program is running compared to budget
  - Track year-over-year cost increases in aggregate and per employee/member
  - Identify key cost drivers to inform future strategic direction
- Data sources
  - Vendor reporting (Aetna, Highmark, ESI) for paid claims and enrollment data
  - ESI for EGWP and Rx rebate payments
  - State of Delaware vendor contracts for administrative fees
  - Final Fiscal Year 2016 budget rates and contributions as developed by Segal Consulting
  - Truven for utilization and plan performance metrics
    - Allows reporting of data on a combined basis across all plans/vendors
    - Willis Towers Watson to compare Truven reports and vendor reports on a periodic basis to ensure consistency in metrics
Reporting metrics

- Proposed financial metrics
  - Budget vs. Actual
    - Loss ratio (actual cost as a % of budget)
    - Dollar surplus/(deficit)
  - Cost per employee per year (PEPY) and per member per year (PMPY)
  - Dollar and percentage change between current year and prior year
  - Employee cost sharing: employee/retiree contributions as a percentage of total program cost
  - Member/Employee ratio

- Financial metrics to be provided in aggregate across all GHIP plans/groups, and available broken out as follows:
  - By status (Active, non-Medicare retirees, and Medicare retirees)
  - By vendor
  - By plan

- To supplement the financial cost tracking report, plan performance dashboard to be provided with key utilization metrics including:
  - Medical: hospital utilization, ER utilization, top medical conditions, cancer screening rates
  - Pharmacy: generic dispensing rate, specialty drug spend
## Quarterly reporting proposed revisions and rationale

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<thead>
<tr>
<th>Cost Tracking Item</th>
<th>Recommendation</th>
<th>Rationale</th>
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| Premium reporting: currently split separately for medical and pharmacy | • Report premiums and loss ratio on a combined basis (no separate breakout for Medical and Rx) | • Medical and Rx claims are pooled for the purposes of setting premium equivalent rates  
• Medical/Rx split currently based on an approximate split of medical vs. prescription drug cost  
  • Changes in the demographic mix and other factors could shift the medical/Rx % claims split over time  
  • Not necessarily an indicator that one program is running more or less favorably vs. budget  
• Rx rebates and EGWP funding represent a significant offset to prescription drug spend – the timing for these payments may skew the pharmacy results for a particular month/quarter |
# Quarterly reporting proposed revisions and rationale

<table>
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<tr>
<th>Cost Tracking Item</th>
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<tbody>
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<td>Claims reporting basis: currently on incurred basis</td>
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| • Paid claim basis | • Paid basis captures the State’s current health care program expenditures and allows a more accurate comparison to the Fund Equity Report  
• More timely reporting  
• Consistency in reporting from the State’s health care vendors and Truven |
## Quarterly reporting proposed revisions and rationale

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<td>High cost claimants: not currently captured in quarterly cost tracking</td>
<td>• Add exhibit tracking high cost claimants with paid claims in excess of $100,000</td>
<td>• High cost claims experience is potentially a key driver of medical/Rx plan performance given volatile nature of these claims year over year</td>
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<td>• The State’s vendors (Aetna, Highmark) currently track high cost claimants at the $50,000 level – many employers have moved to a $100,000 threshold since many routine hospitalizations are hitting above the $50,000 level</td>
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<td>• Track claimants at $100,000 threshold to focus on true catastrophic claims</td>
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Sample cost tracking report

- See separate attachments
  - Willis Towers Watson quarterly financial cost tracking report
  - Supplemental Truven utilization report with key plan performance metrics