State of Delaware GHIP
FY12-FY17 Historical Lookback

June 26, 2017
State of Delaware GHIP FY12-FY17 Historical Lookback

Overview

- During Fiscal Years 2014 and 2015, the GHIP experienced significant budget shortfalls that eroded the minimum reserve, leading to the creation of the State Employees Health Plan Task Force
  - $142.3M fund equity balance for Fiscal Year 2013 was reduced to $27.7M for Fiscal Year 2015
  - Led to significant increase in premium contributions during FY16 to reestablish minimum reserve
- Willis Towers Watson (WTW) reviewed GHIP historical revenues, expenditures and trend drivers to further explore the causes of the budget shortfall
- Willis Towers Watson received the following historical data from OMB:
  - FY12-FY16 actual budgets and estimated FY17 budget as of July 2016
  - Truven Health Analytics trend driver reports presented during September 24, 2015 State Employees Health Plan Task Force meeting
  - Truven Analytics trend driver analyses
    - Active Employees & Early Retirees, Fiscal Years 2014 & 2015 and Fiscal Years 2015 & 2016
# State of Delaware GHIP FY12-FY17 Historical Lookback

## FY12-FY17 Gross Claims and Revenue per Member

<table>
<thead>
<tr>
<th>Plan Year</th>
<th>Gross Claims&lt;sup&gt;1&lt;/sup&gt;</th>
<th>National Average Trend&lt;sup&gt;2&lt;/sup&gt;</th>
<th>Premium Contributions&lt;sup&gt;3&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per Year</td>
<td>Annual Increase/(Decrease)</td>
<td>Per Member Per Year</td>
</tr>
<tr>
<td>FY12</td>
<td>$5,009</td>
<td>4%</td>
<td>$5,088</td>
</tr>
<tr>
<td>FY13</td>
<td>$5,056</td>
<td>1%</td>
<td>$4,979</td>
</tr>
<tr>
<td>FY14</td>
<td>$5,488</td>
<td>9%</td>
<td>$5,120</td>
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<tr>
<td>FY15</td>
<td>$5,980</td>
<td>9%</td>
<td>$5,148</td>
</tr>
<tr>
<td>FY16</td>
<td>$6,190</td>
<td>4%</td>
<td>$6,021</td>
</tr>
<tr>
<td>FY17</td>
<td>$6,305</td>
<td>2%</td>
<td>$6,457</td>
</tr>
</tbody>
</table>

- Detailed budget and expenditures by fiscal year shown in a separate attachment, based on GHIP Fund Equity reports

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<sup>1</sup>Includes total medical and prescription drug claims for actives, pre-65 retirees and Medicare retirees; excludes claim offsets (e.g., Rx rebates and EGWP revenues).

<sup>2</sup>National Benchmark Source: Willis Towers Watson Emerging Trends survey. Based on respondents with at least 1,000 employees and median trends for medical and drug claims for active employees including both employer and employee contributions but excludes employee OOP costs.

<sup>3</sup>Includes State and employee share of health fund premiums for actives and retirees. Excludes other revenue sources and employee out-of-pocket costs.
Trend Drivers – Active & Pre-65 Retirees
(Source: Truven Trend Driver Analysis Report for 9/24/2015 Health Plan Task Force Meeting)
ANALYTIC PARAMETERS

- Active Self-Insured population (unless otherwise specified)
  - Actives and Early Retirees identified as Employee Status Group = ‘Active & Early 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, paid through July 2014
  - Current Rolling Year (CRY): reflects claims incurred May 2014 through April 2015, paid through July 2014
  - 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, vision or dental claims
- High cost claimants defined as members who incurred $100K or more in medical and drug allowed amounts during the calendar year
- Normative comparisons were made to the MarketScan™ database (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)

Truven trend driver payments and trends do not align with those shown on slide 3 due to differences in reporting time periods and claim basis (e.g., incurred vs paid)
DRIVERS OF NET PAYMENT PEPY TREND

State of Delaware net payments increased $1,038 per employee

Net Payment PEPY in CRY = $13,234
PRY-to-CRY Trend = 8.5%

The factors driving this increase before breaking out the impact of high cost claimants:

- Inpatient Use: $162
- Inpatient Price: $138
- Outpatient Use: $205
- Outpatient Price: $148
- Prescription Drug Use: $24
- Prescription Drug Price: $271
- Cost Sharing and COB: $62
- Family Size: $27

The factors driving this increase after breaking out the impact of high cost claimants:

- High Cost Claimants: $585
- Inpatient Use: $12
- Inpatient Price: $78
- Outpatient Use: $128
- Outpatient Price: $44
- Prescription Drug Use: $17
- Prescription Drug Price: $126
- Cost Sharing and COB: $20
- Family Size: $27

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

Source: Truven Trend Driver Analysis, Active & Early Retirees – September 2015 - Slide 8
IMPACT OF HIGH COST CLAIMANTS

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

- HCC prevalence rose 21% (to 6.3 HCCs per 1,000 members)
- Net payments per HCC increased 4% (to $205,150)
- Chronic conditions accounted for 61% of HCC medical net payments in the CRY
- The top five medical conditions for HCCs were similar in both the years except for CAD and Cerebrovascular disease

High cost claimants (HCCs) were the mitigating driver of State of Delaware’s overall per member net payment trend—when HCC prevalence and cost per claimant are kept stable, the trend is 4% instead of 9%
What were the primary drivers of the 10% increase in prescription drug price?

- The prescription drug price trend was driven primarily by high cost claimants (HCCs)—if HCC experience had remained stable, the overall Rx price increase would have been 5% instead of 10%.

- Overall prescription drug price was favorably impacted by increased generic utilization in the CRY—generic fills accounted for 78% of days supply, up three percentage points from the PRY.

Rx experience excludes EGWP revenue and rebates

Source: Truven Trend Driver Analysis, Active & Early Retirees – September 2015 – Slide 19
Trend Drivers – Medicare Retirees

(Source: Truven Trend Driver Analysis Report for 9/24/2015 Health Plan Task Force Meeting)
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, vision or dental claims

- 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)

Source: Truven Trend Driver Analysis, Medicare Retirees – September 2015 - Slide 2
State of Delaware net payments increased $917 per Medicare Retiree

Net Payment PEPY in CY = $6,389
PRY-to-CRY Trend = 16.8%

The factors driving this increase before breaking out the impact of high cost claimants:

- IP Use = $120
- IP Price = $45
- OP Use = $46
- OP Price = ($4)
- Rx Use = $40
- Rx Price = $587
- OOP and COB = $83
- Family Size = $1

($100) $0 $100 $200 $300 $400 $500 $600 $700

The factors driving this increase after breaking out the impact of high cost claimants*:

- High Cost Claimants
  - IP Use = $104
  - IP Price = $158
  - OP Use = $45
  - OP Price = ($2)
  - Rx Use = $38
  - Rx Price = $467
  - OOP and COB = $90
  - Family Size = $1

($100) $0 $100 $200 $300 $400 $500 $600 $700

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

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

Rx experience excludes EGWP revenue and rebates.

Source: Truven Trend Driver Analysis, Medicare Retirees – September 2015 – Slide 18
Trend Drivers – FY14–FY16

(Source: Truven FY14-FY15 and FY15-FY16 Trend Driver Analysis Reports)
Drivers Of Net Payment PEPY Trend
Active & Pre-65 Retirees (FY14-FY15)

Delaware net payments increased $748 per employee in FY 2015

The factors driving this increase after breaking out the impact of high cost claimants:

- HCCs: $323
- IP Use: $68
- OP Use: $128
- OP Price: $57
- Rx Use: $12
- Rx Price: $104
- OOP and COB: ($7)
- Family Size: $37

The factors driving this increase before breaking out the impact of high cost claimants:

- IP Use: $142
- IP Price: ($27)
- OP Use: $186
- OP Price: $168
- Rx Use: $18
- Rx Price: $212
- OOP and COB: $12
- Family Size: $37

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

Source: Truven Trend Driver Analysis – FY14-FY15 – Slide 6
### Drivers Of Net Payment PEPY Trend
Active & Pre-65 Retirees (FY15-FY16)

**Delaware net payments increased $576 per employee in FY 2016**

#### Net Payment PEPY in FY 2016 = $13,746
FY 2015-to-FY 2016 Trend = 4%

The factors driving this increase **before** breaking out the impact of high cost claimants:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>IP Use</td>
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<td>Family Size</td>
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**Mitigates Trend**

**Drives Trend Up**

The factors driving this increase **after** breaking out the impact of high cost claimants:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
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<td>Rx Use</td>
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<td>Rx Price</td>
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<tr>
<td>OOP and COB</td>
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<tr>
<td>Family Size</td>
<td>$30</td>
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**Mitigates Trend**

**Drives Trend Up**

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*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.*

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Source: Truven Trend Driver Analysis – FY15-FY16 – Slide 6
Drivers Of Net Payment PEPY Trend
Medicare Retirees (FY14-FY15)

State of Delaware net payments increased $759 per employee in FY 2015

Net Payment PEPY in FY 2015 = $6,314
FY 2014-to-FY 2015 Trend = 13.7%

The factors driving this increase **before** breaking out the impact of high cost claimants:

- IP Use: $20
- IP Price: ($1)
- OP Use: $47
- OP Price: ($6)
- Rx Use: $43
- Rx Price: $583
- OOP and COB: $72
- Family Size: $1

The factors driving this increase **after** breaking out the impact of high cost claimants:

- HCCs: $146
- IP Use: $18
- IP Price: $11
- OP Use: $47
- OP Price: ($5)
- Rx Use: $39
- Rx Price: $427
- OOP and COB: $75
- Family Size: $1

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

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

Source: Truven Trend Driver Analysis – FY14-FY15 – Slide 6
Drivers Of Net Payment PEPY Trend Medicare Retirees (FY15-FY16)

State of Delaware net payments increased $26 per employee in FY 2016

<table>
<thead>
<tr>
<th>Components</th>
<th>Variation (FY15)</th>
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<td>OOP and COB</td>
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Mitigates Trend: $600
Drives Trend Up: $0

The factors driving this increase **before** breaking out the impact of high cost claimants:

<table>
<thead>
<tr>
<th>Components</th>
<th>Variation (FY15)</th>
<th>Variation (FY16)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>IP Use</td>
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<td>$(102)</td>
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<tr>
<td>IP Price</td>
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<td>OP Use</td>
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<tr>
<td>OP Price</td>
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</tr>
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<td>Rx Use</td>
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<tr>
<td>Rx Price</td>
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<tr>
<td>OOP and COB</td>
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<tr>
<td>Family Size</td>
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Mitigates Trend: $600
Drives Trend Up: $0

The factors driving this increase **after** breaking out the impact of high cost claimants:

<table>
<thead>
<tr>
<th>Components</th>
<th>Variation (FY15)</th>
<th>Variation (FY16)</th>
<th>Difference</th>
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<tbody>
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<td>HCCs</td>
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<td>IP Use</td>
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Mitigates Trend: $600
Drives Trend Up: $0

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