



The State of Delaware

Quarterly Cost Tracking Update

August 22, 2016



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

Cost Tracking Item	
Premium reporting: currently split separately for medical and pharmacy	
Recommendation	Rationale
<ul style="list-style-type: none">Report premiums and loss ratio on a combined basis (no separate breakout for Medical and Rx)	<ul style="list-style-type: none">Medical and Rx claims are pooled for the purposes of setting premium equivalent ratesMedical/Rx split currently based on an approximate split of medical vs. prescription drug cost<ul style="list-style-type: none">Changes in the demographic mix and other factors could shift the medical/Rx % claims split over timeNot necessarily an indicator that one program is running more or less favorably vs. budgetRx 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

Cost Tracking Item	
Claims reporting basis: currently on incurred basis	
Recommendation	Rationale
<ul style="list-style-type: none">• Paid claim basis	<ul style="list-style-type: none">• 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

Cost Tracking Item	
High cost claimants: not currently captured in quarterly cost tracking	
Recommendation	Rationale
<ul style="list-style-type: none">• Add exhibit tracking high cost claimants with paid claims in excess of \$100,000	<ul style="list-style-type: none">• High cost claims experience is potentially a key driver of medical/Rx plan performance give volatile nature of these claims year over year• 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• Track claimants at \$100,000 threshold to focus on true catastrophic claims

Sample cost tracking report

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