

# TRENDS AND PERFORMANCE

GENERAL BOARD OF PENSION AND HEALTH  
BENEFITS OF THE UNITED METHODIST CHURCH

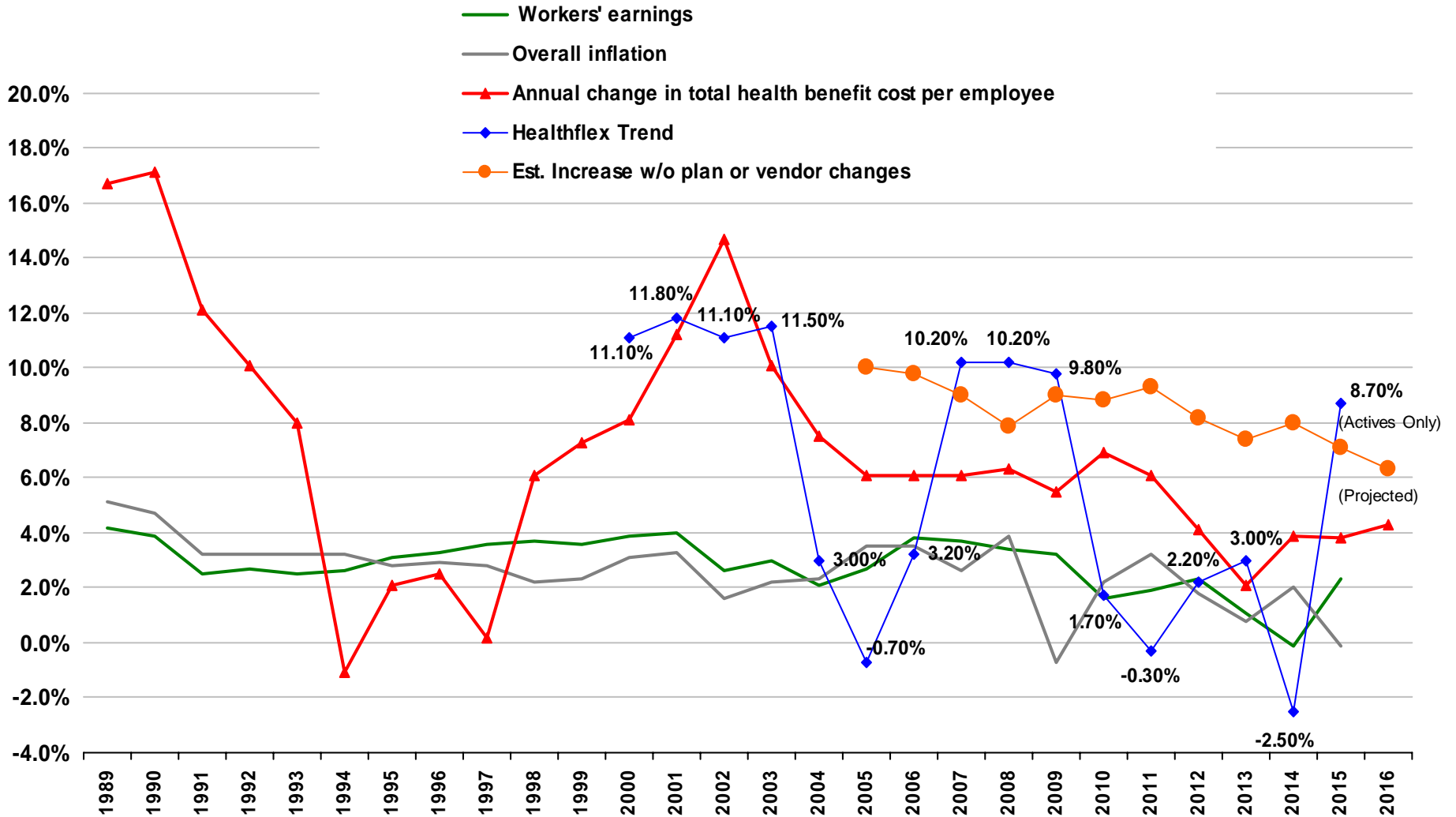
March 2016



# MARKET TRENDS



# ANNUAL HEALTH COST TRENDS VS. EARNINGS AND CPI (1989-2015)



Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April); Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April).

# HEALTHFLEX COST DRIVERS



# HEALTHFLEX COST DRIVER SUMMARY

## MEDICAL

- After seeing a decrease in utilization between 2013 and 2014, utilization across most categories increased
  - Inpatient hospital was the largest driver, with a 25% increase in number of bed days, after a 26% decrease in 2014
  - The inpatient admissions per 1,000 increased 14.8% and the cost per admission increased 12.8%
  - The only two categories to experience a decrease in utilization between 2014 and 2015 were physician office visits and ER
  - Other outpatient services (surgeries, x-rays, and labs) saw modest increases in utilization, after decreases during 2013 and 2014
  - Excluding Medicare, overall net medical/Rx PEPM costs increased 8.7% in 2015 versus 2014
- CDHP experience continues to trend at levels better than projected, with lower utilization for overused services like ER

# HEALTHFLEX COST DRIVER SUMMARY

## RX

- While Rx utilization increased only 1.8% in total, retail costs per script jumped 40.8% from 2014
  - A part of this increase is due to a change in the data, which in 2014 some specialty drugs were classified as mail order vs. retail
- Although the increase in generic usage and availability help to decrease costs, specialty drugs continue to be a cost driver
- A couple of new specialty drugs hit the top drug lists; one was for a new breast cancer treatment and the other was for Hepatitis C, one of the costliest classes of drugs that plan sponsors expected to see hit beginning in 2014:
  - In 2014, Sovaldi was #11 on the top drug list where five claimants had over \$370,000 in claims
  - In 2015, #3 on the list was another drug, Harvoni; this drug, combined with Sovaldi at #6, represented almost 5% of total drug costs at close to \$1.2M for ten claimants
- The number of Rx scripts increased slightly overall, with retail utilization increasing and mail order remaining flat

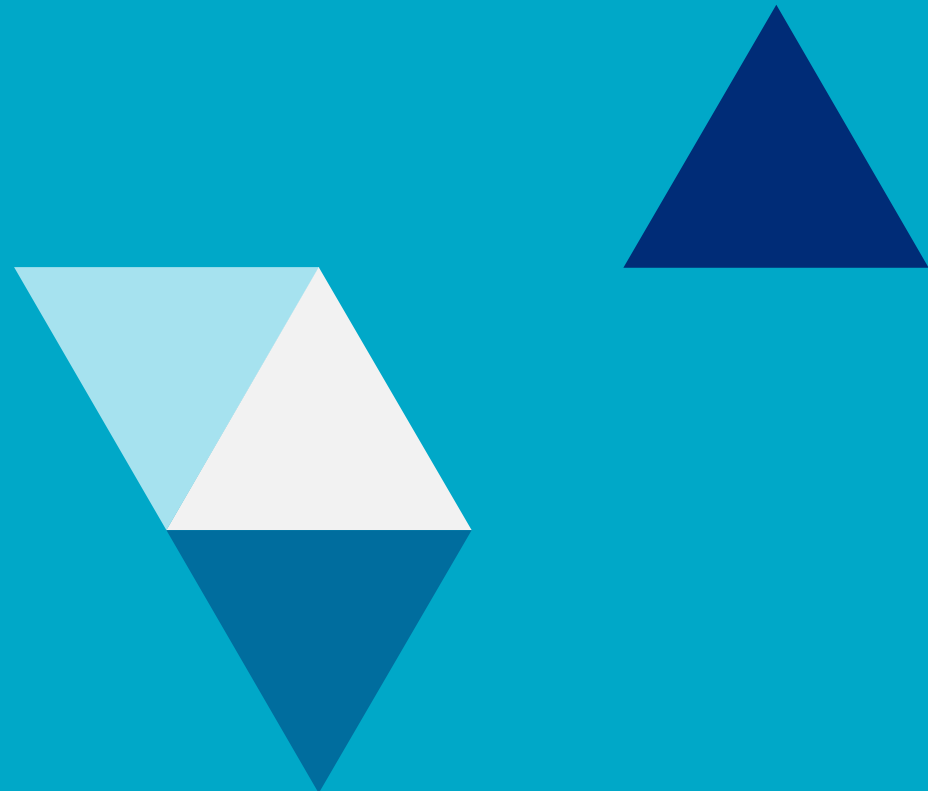
# CDHP RESULTS

- CDHP participants, while demographically similar to PPO participants, continue to have significantly lower use rates in key service categories, but higher use of preventive care and generic drugs
- This is due to selection (healthier lives) and consumerism (having direct interest in the cost of care). The differences in use rates (PPO vs. CDHP) continue to be markedly different despite growing enrollment. This is evidence of the strong impact of consumerism.
- These results are consistent with what we have seen in other CDHPs and have continued to see year-over-year under the HealthFlex CDHP experience

	PPO	CDHP	Variance
Average age	52.3	51.4	-1.72%
Average household size	2.10	1.82	-13.38%
Admits/1000	61.30	35.10	-42.74%
Days/1000	294.24	193.05	-34.39%
MD visits/1000	4,873	4,218	-13.44%
OP Surgery/1000	186	176	-5.38%
X-rays/1000	2,216	2,108	-4.87%
Labs/1000	9,048	7,832	-13.44%
ER/1000	170	139	-18.24%
Rx allowed \$/member	\$1,631	\$1,285	-21.23%
Rx-Generic %	78.90%	80.30%	+1.4 pp
% Medical Claims In-Network	93.32%	95.23%	+1.9 pp
Preventive care (% members using)	44.32%	45.04%	+0.7 pp
Emergency Room (% members using)	13.47%	11.09%	-2.4 pp

**Note: Incurred October 2014 – September 2015 and paid through December 2015.**

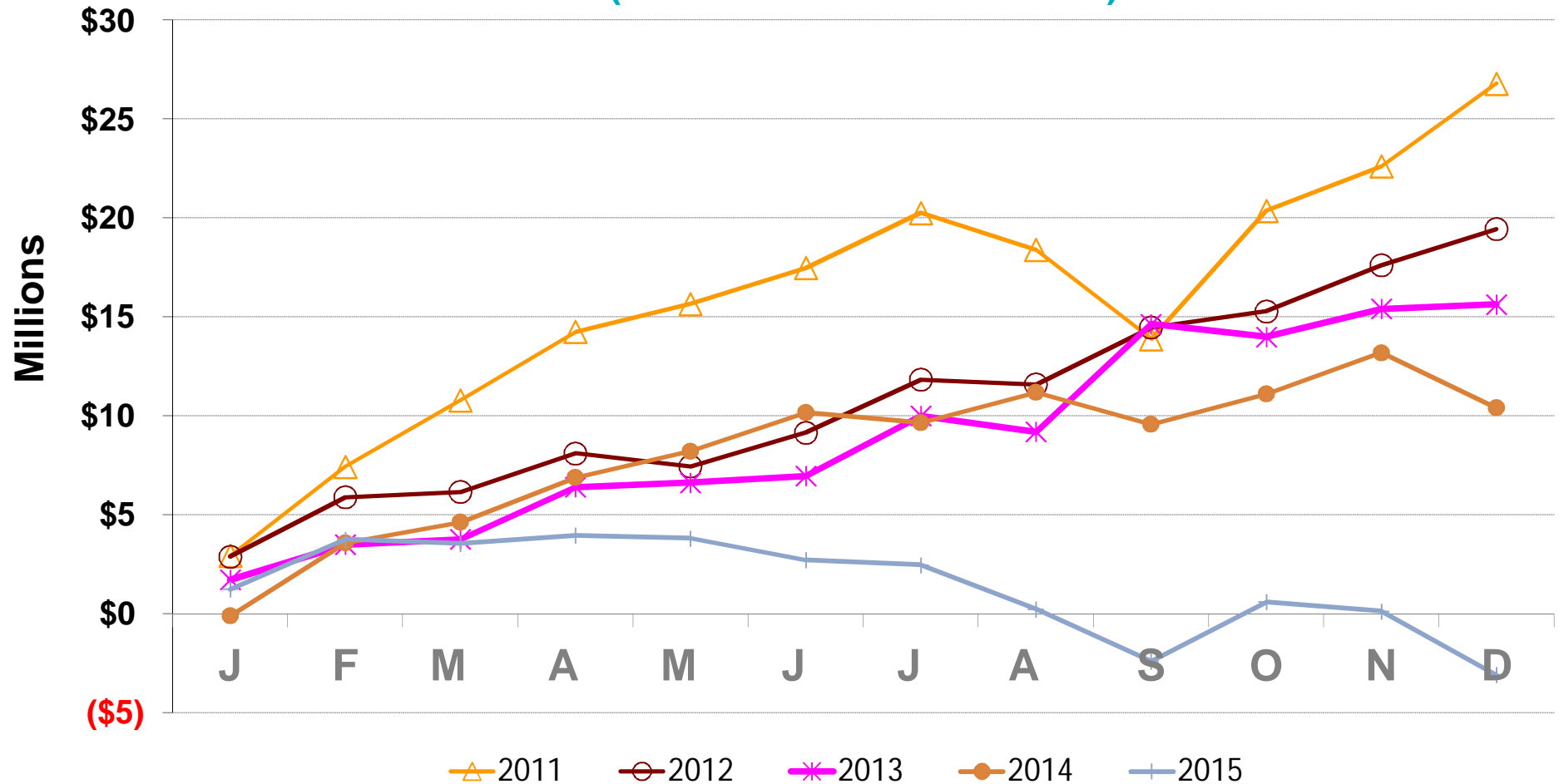
# HEALTHFLEX EXPERIENCE





# HEALTHFLEX EXPERIENCE CUMULATIVE

Five-Year (2011 – 2015)  
Total (U/W + Investment Income)



# HEALTHFLEX FINANCIAL HISTORY

## (\$000)

Year	Underwriting Gain/(Loss)	Investment & Other Income	Surplus Gain/(Loss)	% of Premium
2002	\$(10,577)	\$709	\$(9,868)	(10.3%)
2003	\$1,005	\$74	\$1,079	1.0%
2004	\$12,511	\$1,802	\$14,313	12.0%
2005	\$19,832	\$916	\$20,748	16.2%
2006	\$19,926	\$11,602	\$31,528	23.9%
2007	\$10,896	\$6,531	\$17,426	13.4%
2008	\$(2,845)	\$(17,580)	\$(20,425)	(14.6%)
2009	\$(8,397)	\$7,502	\$(895)	(0.6%)
2010	\$10,593	\$6,901	\$17,494	10.7%
2011	\$26,798	\$(709)	\$26,090	14.6%
2012	\$14,308	\$5,132	\$19,440	12.1%
2013	\$7,809	\$7,835	\$15,644	10.9%
2014	\$8,187	\$2,218	\$10,405	8.2%
2015	\$(1,281)	\$(1,803)	\$(3,084)	-2.7%

2005 - 2006 performance Dividend (\$000 omitted; paid in 2007): \$9,873

2010 - 2011 performance Dividend (\$000 omitted; paid in 2012): \$15,000

2012 - 2013 performance Dividend (\$000 omitted; paid in 2014): \$20,000

# HEALTHFLEX

## HISTORICAL ANNUAL TREND IN CLAIMS (PEPM)

Year	PPO	EPO	CDHP	Medicare	Total Claims
2002	10.6%	13.5%		15.3%	11.1%
2003	12.1%	19.8%		6.9%	11.5%
2004	7.9%	-13.9%		6.4%	3.0%
2005	-3.0%	15.1%		9.0%	-0.7%
2006	-3.2%	7.6%		9.0%	3.2%
2007	11.3%	6.4%		7.7%	10.2%
2008	12.0%	9.2%		8.3%	10.2%
2009	8.9%	16.8%		6.5%	9.8%
2010	1.2%	5.9%		-2.6%	1.7%
2011	0.8%	1.7%		-2.1%	-0.3%
2012	2.8%	0.9%	11.3%	-1.3%	2.2%
2013 <sup>1</sup>	4.3%	-1.8%	-6.2%	N/A	3.0% <sup>2</sup>
2014 <sup>1</sup>	-5.0%	N/A	-3.9%	N/A	-2.5% <sup>2</sup>
2015	8.9%	N/A	23.7%	N/A	8.7% <sup>2</sup>

<sup>1</sup> Adjusted from prior versions to reflect retroactive revisions to claims.

<sup>2</sup> 2013 and beyond PEPM increases for Total Claims excludes Medicare as to the significant drop in covered members in Medicare plans as of 2013 and beyond skews the total PEPM figures

# HISTORICAL CLAIMS FUNDING RATIOS

Year	PPO	EPO	CDHP	Medicare	Total
2002	117.5	124.7		100.8	115.2
2003	106.7	100.0		87.9	101.2
2004	94.0	75.6		77.7	87.2
2005	82.9	86.8		87.7	84.6
2006	80.8	92.1		93.7	85.7
2007	91.3	96.8		99.9	94.2
2008	101.8	103.3		101.9	102.1
2009	109.3	110.0		103.5	108.1
2010	97.1	98.8		94.7	97.0
2011	93.4	89.8	71.0	85.7	89.5
2012	94.0	99.3	76.1	89.0	92.5
2013 <sup>1</sup>	100.2	102.6	73.7	N/A	98.1 <sup>2</sup>
2014 <sup>1</sup>	96.9	N/A	71.8	N/A	95.7 <sup>2</sup>
2015	106.1	N/A	88.3	N/A	104.5 <sup>2</sup>

<sup>1</sup> Adjusted from prior versions to reflect retroactive revisions to claims.

<sup>2</sup> 2013 and beyond PEPM increases for Total Claims excludes Medicare as to the significant drop in covered members in Medicare plans as of 2013 and beyond skews the total PEPM figures

# APPENDIX



# HEALTHFLEX COST DRIVERS (PPO, EPO & CDHP) UTILIZATION

	CY 2013	CY 2014	% Change	CY 2015	% Change
<b>Inpatient</b>					
• Admits/1,000	69.0	55.3	-19.9%	63.5	14.8%
• ALOS	4.9	4.5	-8.2%	4.9	8.9%
• Days/1,000	338.1	248.9	-26.4%	311.2	25.0%
<b>Outpatient</b>					
• MD visits/1,000	5,227	5,182	-0.9%	4,861	-6.2%
• OP surgeries/1,000	211	197	-6.6%	198	0.5%
• X-Rays/1,000	2,312	2,177	-5.8%	2,200	1.1%
• Labs/1,000	8,853	8,748	-1.2%	8,878	1.5%
• ER visits/1,000	191	182	-4.7%	168	-7.7%
<b>Pharmacy</b>					
• Retail scripts/member	6.0	6.8	13.3%	6.9	1.5%
• Mail order scripts/member	5.0	4.6	-8.0%	4.6	0.0%
• Total scripts/member	11.1	11.3	1.8%	11.5	1.8%

# HEALTHFLEX COST DRIVERS (PPO, EPO & CDHP)

## COST PER SERVICE

	CY 2013	CY 2014	% Change	CY 2015	% Change
<b>Inpatient</b>					
• Cost per day	\$4,317	\$4,820	11.7%	\$4,991	3.5%
• Cost per admit	\$21,151	\$21,690	2.5%	\$24,456	12.8%
<b>Outpatient</b>					
• Cost per MD visit	\$73	\$79	8.2%	\$88	11.4%
• Cost per OP surgery	\$624	\$611	-2.1%	\$616	0.8%
• Cost per X-Ray	\$158	\$165	4.4%	\$159	-3.6%
• Cost per Lab	\$26	\$27	3.8%	\$26	-3.7%
• Cost per ER visit	\$642	\$951	48.1%	\$1,107	16.4%
<b>Pharmacy</b>					
• Retail cost/script	\$52	\$76	46.2%	\$107	40.8%
• Mail order cost/script	\$199	\$185	-7.0%	\$146	-21.1%
• Total cost/script	\$119	\$120	0.8%	\$123	2.5%

# HEALTHFLEX COST DRIVERS

## CDHP REVIEW

Incurring Oct 2014 – Sept 2015 (Paid Through Dec 2015)	PPO	CDHP
<b>Inpatient</b>		
• Admits/1,000	61.3	35.1
• ALOS	4.8	5.5
• Days/1,000	294.2	193.1
<b>Outpatient</b>		
• MD visits/1,000	4,873	4,218
• OP surgeries/1,000	186	176
• X-Rays/1,000	2,216	2,108
• Labs/1,000	9,048	7,832
• ER visits/1,000	170	139

- Inpatient admissions are less controllable through short-term consumerism behaviors and as current and historical data indicate, those in the CDHP are healthier
- However outpatient visits and procedures are more controllable, and show that the CDHP generally has the lowest usage of these services, with office visits and emergency room usage continuing to be significantly lower for the CDHP



# HEALTHFLEX COST DRIVERS

## CDHP REVIEW

Incurring Oct 2014 – Sept 2015 (Paid Through Dec 2015)	PPO	CDHP
In-network discount	51.1%	46.6%
% dollars in-network	93.3%	95.2%
Net effective discount	47.7%	44.4%

- Discounts are not on a comparable basis between plans as discounts differ based on negotiated contracts in a particular geography, and CDHP represents discounts received in those locations for the plan sponsors who currently offer the CDHP
- However, % dollars in-network is comparable as access to the network is generally similar for most plan sponsors
  - CDHP % dollars in-network shows that CDHP members are using more in-network services than PPO members
  - This pattern of higher in-network usage has been consistent year-over-year under the CDHP

# HEALTHFLEX COST DRIVERS

## CDHP REVIEW

Incurring Oct 2014 – Sept 2015 (Paid Through Dec 2015)	PPO	CDHP
Generic Use %	78.9%	80.3%
# Claims/Member	11.47	10.96
Paid/Member	\$1,418	\$1,073
Allowed/Member	\$1,631	\$1,285
Allowed Cost/Generic Script	\$34	\$36
Allowed Cost/Brand Script	\$591	\$484
Mail % of Total Scripts	40%	43%

- Generic use continues to increase from prior years (~77% last year) with the CDHP continuing to have slightly higher usage
- The number of claims per member is not significantly different between the plans, suggesting that risks are not very different, with the PPO use being slightly higher
- Plan paid per member is expected to be lower for CDHP due to the P 2 design versus a mix of P1 and P2 for the PPO, but allowed charges (prior to member cost sharing) shows CDHP is still lower than the PPO, driven by lower average cost of brand-name prescriptions
- Mail order usage continues to be higher under the CDHP

**MAKE**



**TOMORROW,  
TODAY**