



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



State Health Plan Trends

Board of Trustees Meeting

November 20, 2015

A Division of the Department of State Treasurer

Presentation Outline

- Trends for Non-Medicare Members (active employees and non-Medicare retirees)
- Components of Trend: FY 2012-13 to CY 2014
- Impact of Utilization v. Price Changes
- Trends in Paid Claims
- Comparison to Other BCBSNC Clients
- Trends in Member Health Status

Strategic Planning: Why Examine Trends?

- **Strategic Goal: Ensure Financial Stability**

- Monitor and understand what's happening with spending
- Analysis by Segal showed that a 1% reduction in annual medical trend (excluding pharmacy) would:
 - Reduce Plan costs over the next four fiscal years by a total of \$221.7 million
 - Reduce the required premium increase for 2018 and 2019 by nearly 3 percentage points (based on Certified Budget forecast)

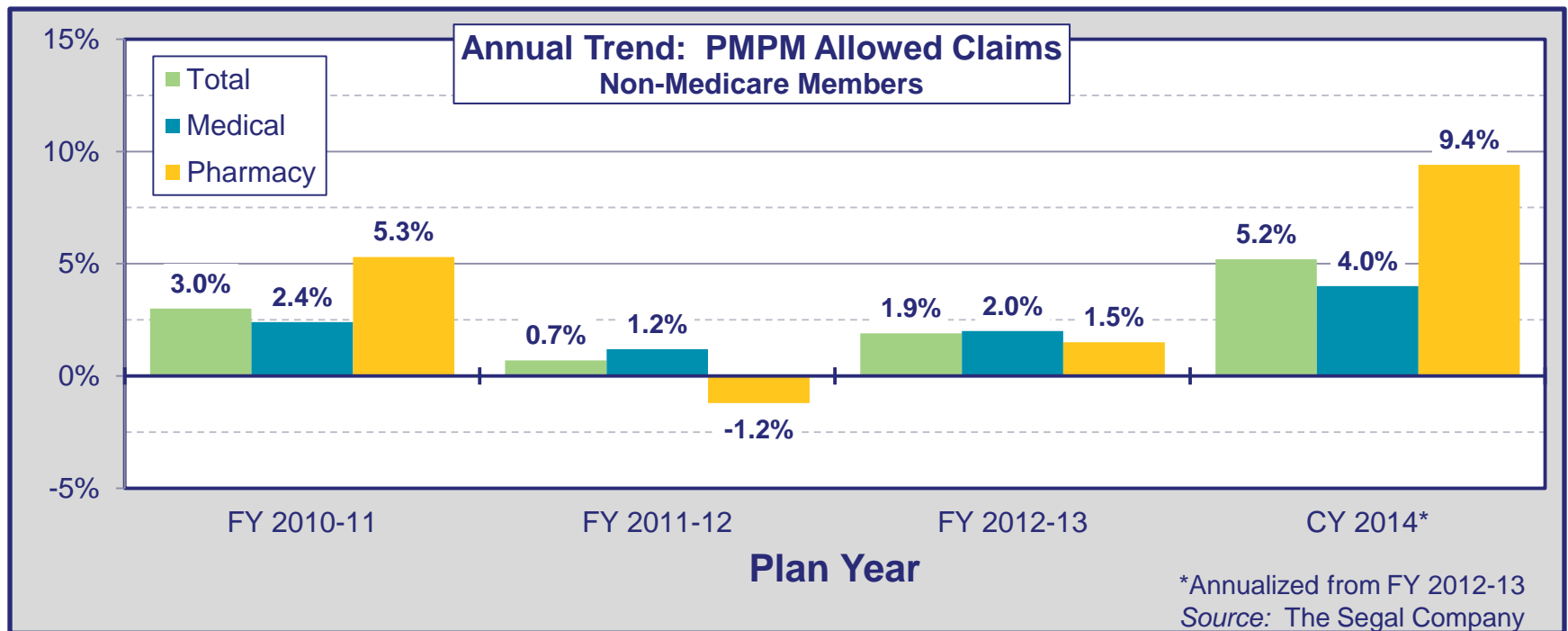
- **Strategic Goal: Improve Members' Health**

- Trends in member health status can also be tracked and monitored with risk grouping software
- In addition to the obvious quality of life improvements for members, improving or maintaining member health – rather than accepting the natural progression towards declining health – has an impact on expense trends and financial sustainability
 - For example, progression from a single minor chronic condition to a dominant or moderate chronic condition increases medical costs by an average of 63%
(Source: Segal Clinical Risk Grouper report)

PMPM Annual Trends in Allowed Amounts

Excluding Medicare Primary Members

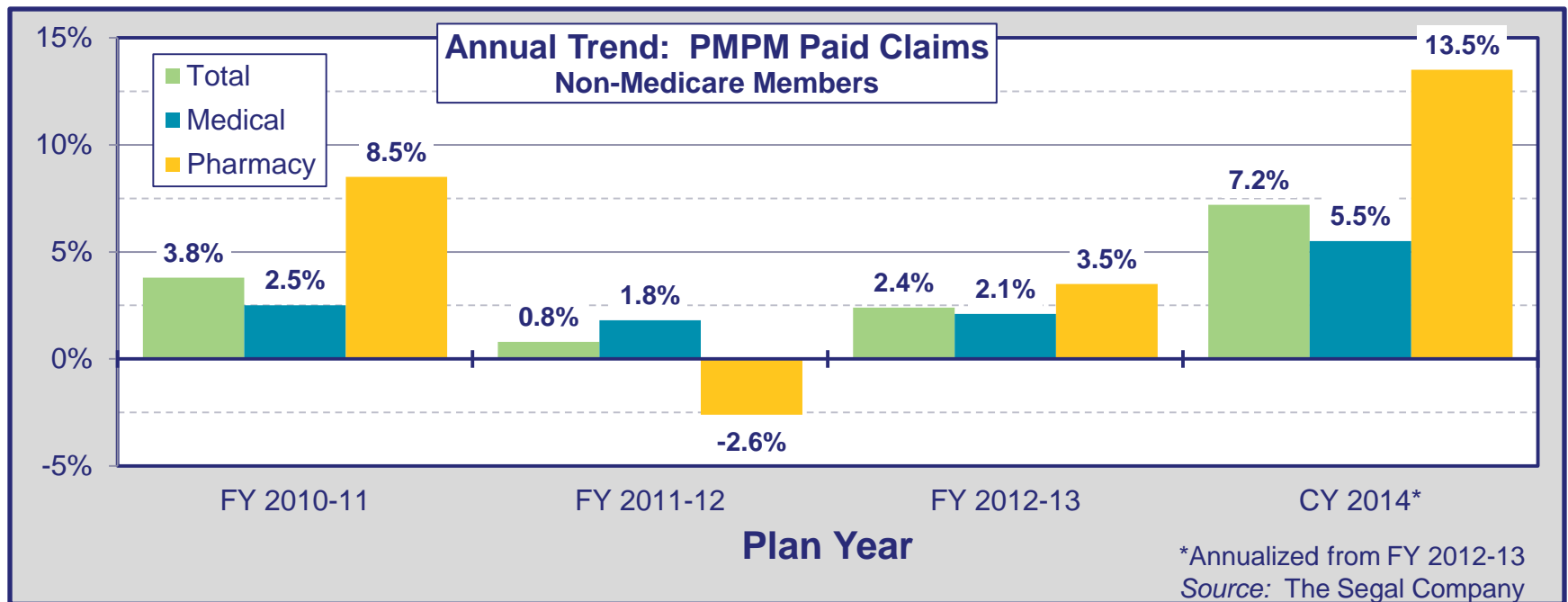
- Using incurred claims data for claims paid by March 31, 2015, Segal analyzed trends in the Per Member Per Month (PMPM) claims for non-Medicare members
- Allowed amounts reflect the total authorized payment amounts for claims, including the Plan's share and member shares; examining PMPM trends in allowed amounts controls for cost-shifting
- Trends in total PMPM claims (green bars) have been relatively low, although both medical (blue) and pharmacy (yellow) trends ticked up in CY 2014



PMPM Annual Trends in Paid Claims

Excluding Medicare Primary Members

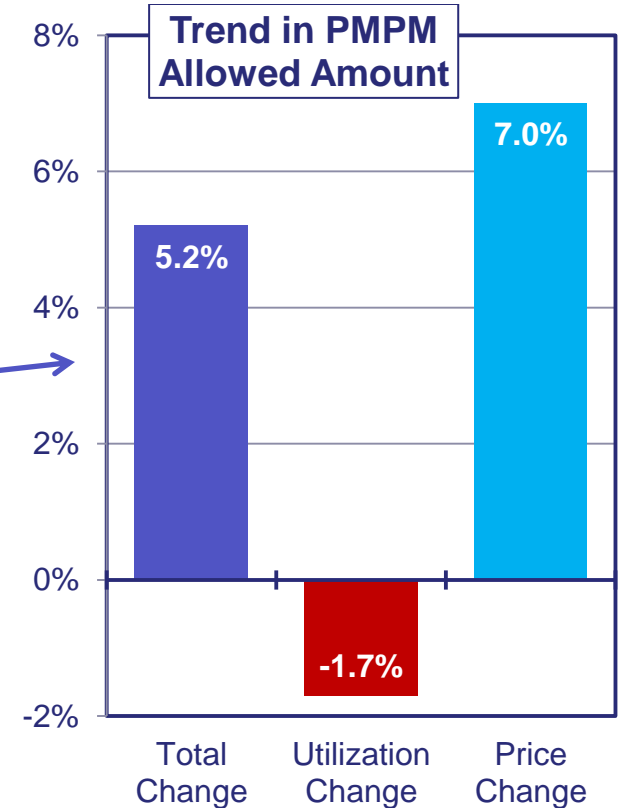
- Paid Claims trends include only the share of claims costs paid by the Plan
- Trends in total paid PMPM claims (green bars) had been relatively low until 2014, when costs increased 7.2% -- 5.5% for medical costs (blue) and 13.5% for pharmacy costs (yellow)
- The Plan currently uses a trend assumption of 7% for medical costs and 8.5% for pharmacy costs in its forecasts. This translates to an overall trend in paid claims of approximately 7.4%
- In general, trends in paid amounts are slightly higher than trends in allowed amounts due to the increasing share of allowed costs being paid by the Plan



Components of PMPM Trend

Excluding Medicare Primary Members

	FY12-13	CY 2014	Average Annual % Change
Billed Charges	\$834.44	\$905.94	5.6%
Allowed Amount	\$435.08	\$469.32	5.2%
Plan Paid	\$342.99	\$380.72	7.2%
Member Share	\$92.09	\$88.58	-2.6%
Member % Share	21.2%	18.9%	



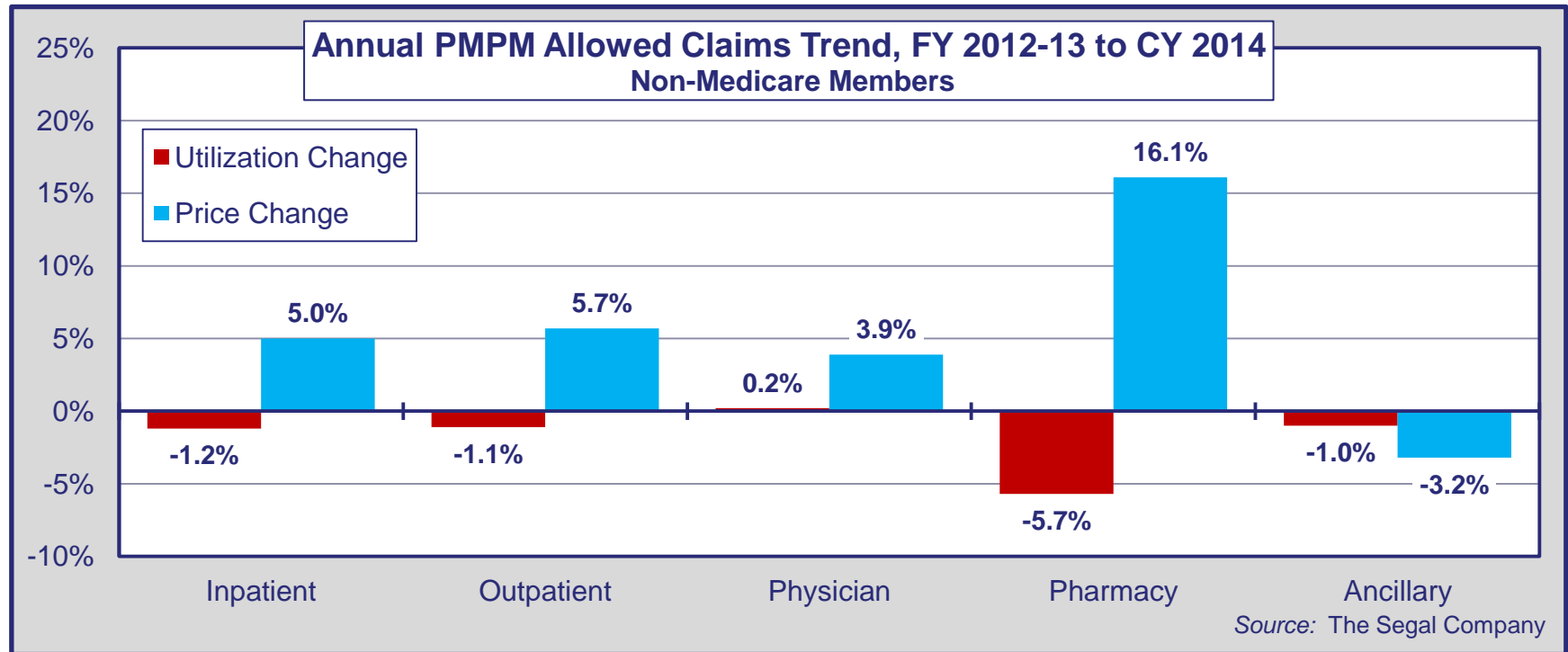
Source: The Segal Company

- Changes in utilization – including the frequency of use and the mix of services and drugs used – decreased PMPM costs by 1.7% annually from FY 2012-13 to CY 2014, but the decrease was offset by a 7.0% annual price increase

Annual Trends in PMPM Allowed Claims

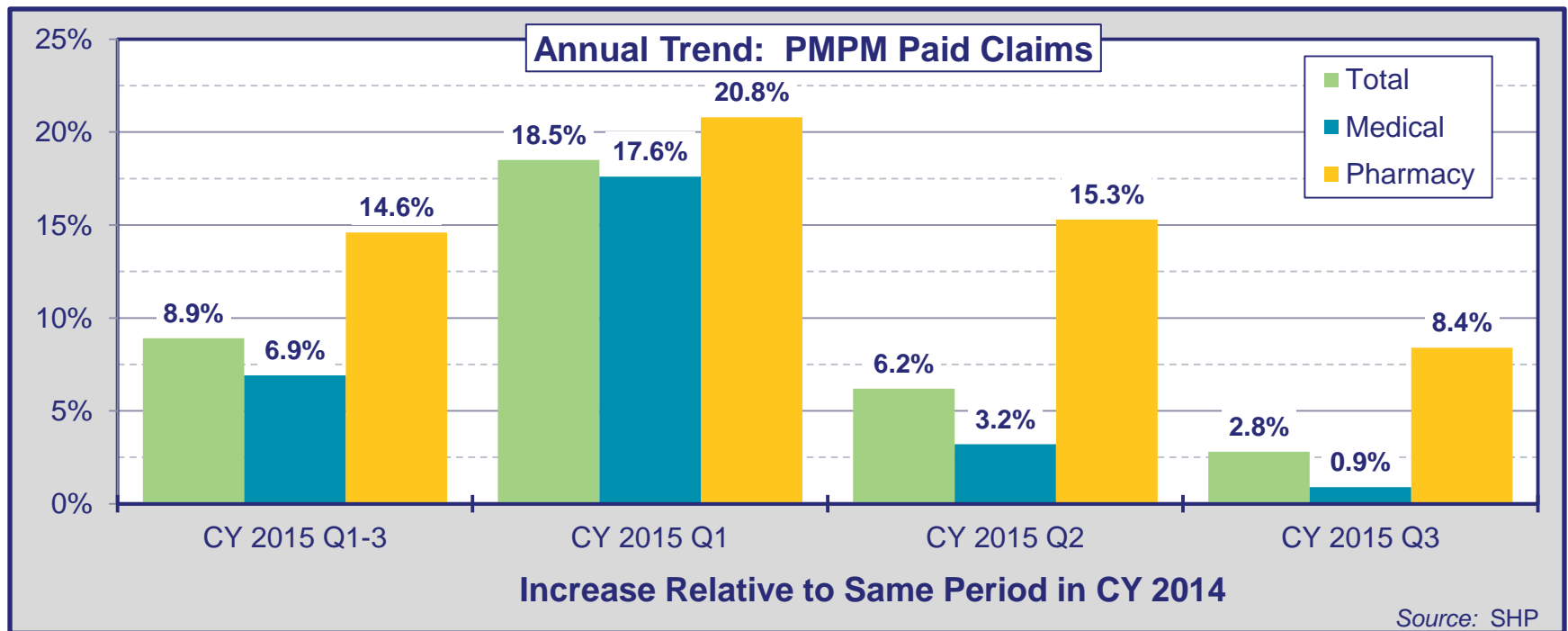
By Service Type (excluding Medicare primary members)

- Trends in allowed amounts are impacted by changes in utilization and price
- As demonstrated in the chart below, Plan trends have been impacted primarily by changes in price
- The utilization reductions in most service types help to mitigate growth in prices; the utilization decrease for pharmacy includes a transition from brand drugs to generic drugs and greater use of 90-day retail prescriptions



Calendar Year 2015 PMPM Trends Through September 2015

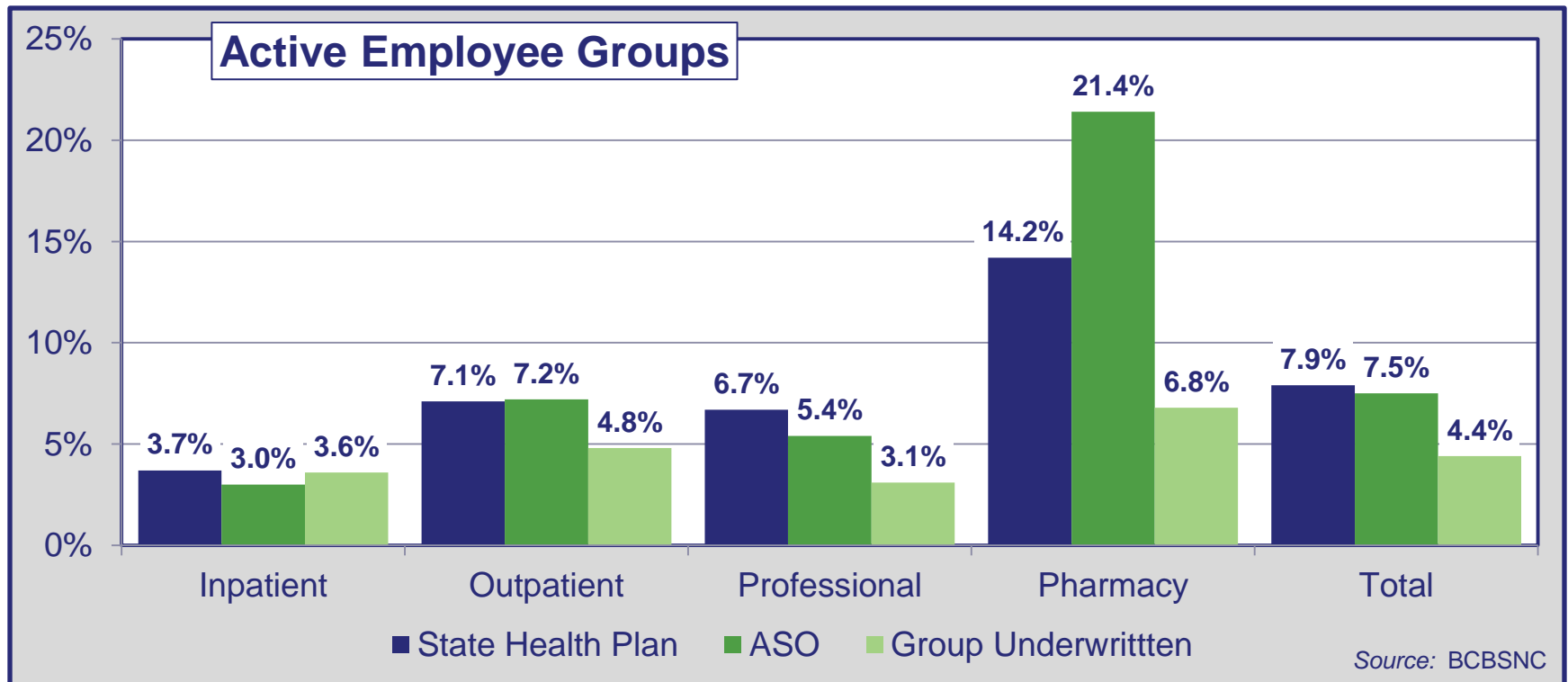
- These trends reflect claims paid (rather than incurred) by quarter, as reported in the monthly Financial Status Reports
 - All BCBSNC membership (including Medicare members) is used to develop PMPM figures
- The PMPM trends are adjusted to control for the impact of monthly claims and invoicing cycles
- Trend for CY 2015 through three quarters is relatively high, driven by very high trend in the first quarter of the year. Since Q1, overall trends have been below projections
- The high first quarter trends are due mostly to unusually low spending in Q1 of CY 2014



BCBSNC Trend Report

Allowed PMPM Claims Trends

- The trends are estimated incurred PMPM claims for the 12 months ending July 2015, paid through September 2015 with completion factors, and are compared to the 12 months ending July 2014
- In general, the Plan is performing about as well as BCBSNC's other administrative services only (ASO) contracts but not as well as its group underwritten clients
 - However, Plan trends for professional services are higher than other BCBSNC clients
- All BCBSNC clients are experiencing higher pharmacy trends than medical trends

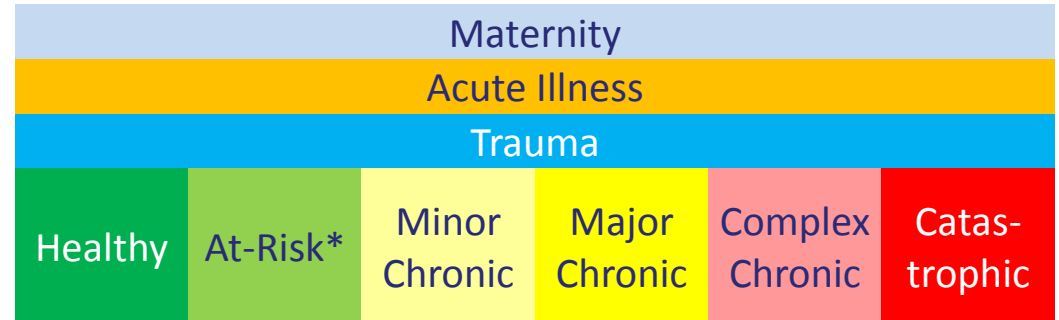


Member Health Trends

- One of the three priorities of the Strategic Plan is to improve members' health
- In addition to price and utilization trends, it is important to monitor the trends in health status of State Health Plan members
- Typically, members with fewer chronic conditions and/or better managed chronic conditions utilize less costly services
 - In particular, fewer hospital and ER admissions
- Plan design and member engagement can be key factors in helping to manage member health and slow declining health trends

Spectrum of Health

- The classification scheme involves assignment of each member to one of (five or) six health categories:
 - Healthy
 - Healthy At-Risk*
 - Minor Chronic Illness
 - Major Chronic Illness
 - Complex Chronic Illness
 - Catastrophic Illness



*The Healthy-at-Risk category is used when health assessment and biometric data are available.

Source: ActiveHealth Management

- In addition to the classification scheme above, there are three additional health conditions that can combine with these as concomitant episodes:
 - Maternity
 - Acute Illness
 - Trauma

The Chronic Episode Treatment Groups (ETGs)

The ETG classification system designates each ETG as representing a chronic or acute condition. The ETGs that are not designated as chronic conditions are mapped to either maternity, acute illness, trauma or other.

- **Minor Chronic Conditions** are those considered to have a **small or intermittent** impact on the health and well-being of the member and require simple and/or sporadic management. Examples of minor chronic illnesses include: cataracts, simple hypertension, and hyperlipidemia.
- **Major Chronic Conditions** are those considered to have **significant impact** on the member's health and well-being and require more regular and more intensive, active management. Examples of major chronic illnesses include: congestive heart failure, COPD, and uncomplicated diabetes.
- **Complex Chronic Conditions** are those where there are **multiple chronic illnesses being co-managed or where a single illness is associated with substantial co-morbidity and complication**. They require constant and intense management. Examples of complex chronic illnesses include: malignant neoplasm with active treatment, AIDS with complications, and organ transplants

Source: ActiveHealth Management

Spectrum of Health: Cohort Migration

		CY 2014				
		Healthy	Minor Chronic	Major Chronic	Complex Chronic	Catastrophic
FY 2013	Healthy	76%	19%	5%	0.3%	0.1%
	Minor Chronic	12%	74%	14%	0.5%	0.2%
	Major Chronic	4%	13%	79%	3.8%	0.7%
	Complex Chronic	1%	2%	30%	63%	5%
	Catastrophic	0.4%	3%	27%	35%	35%



= stayed the same



= became healthier

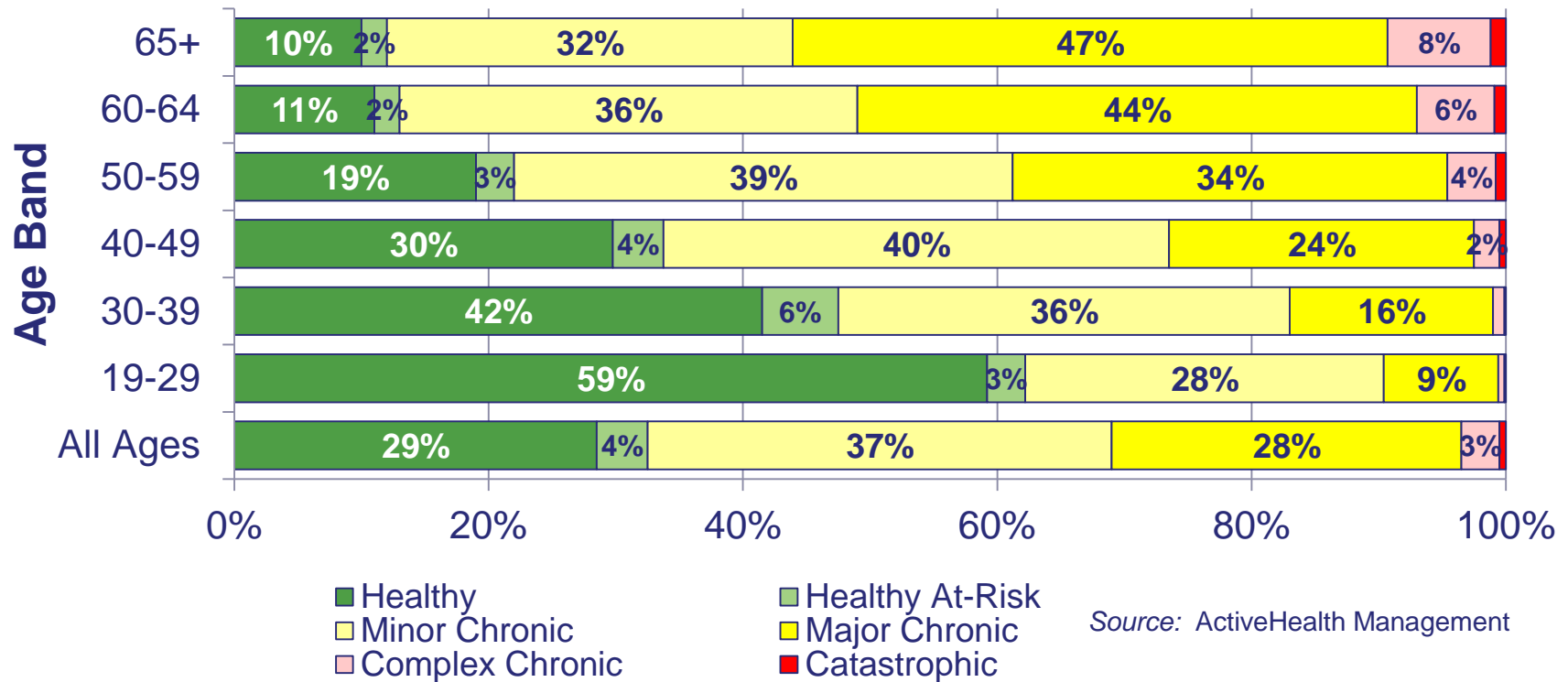


= became less healthy

Source: ActiveHealth Management

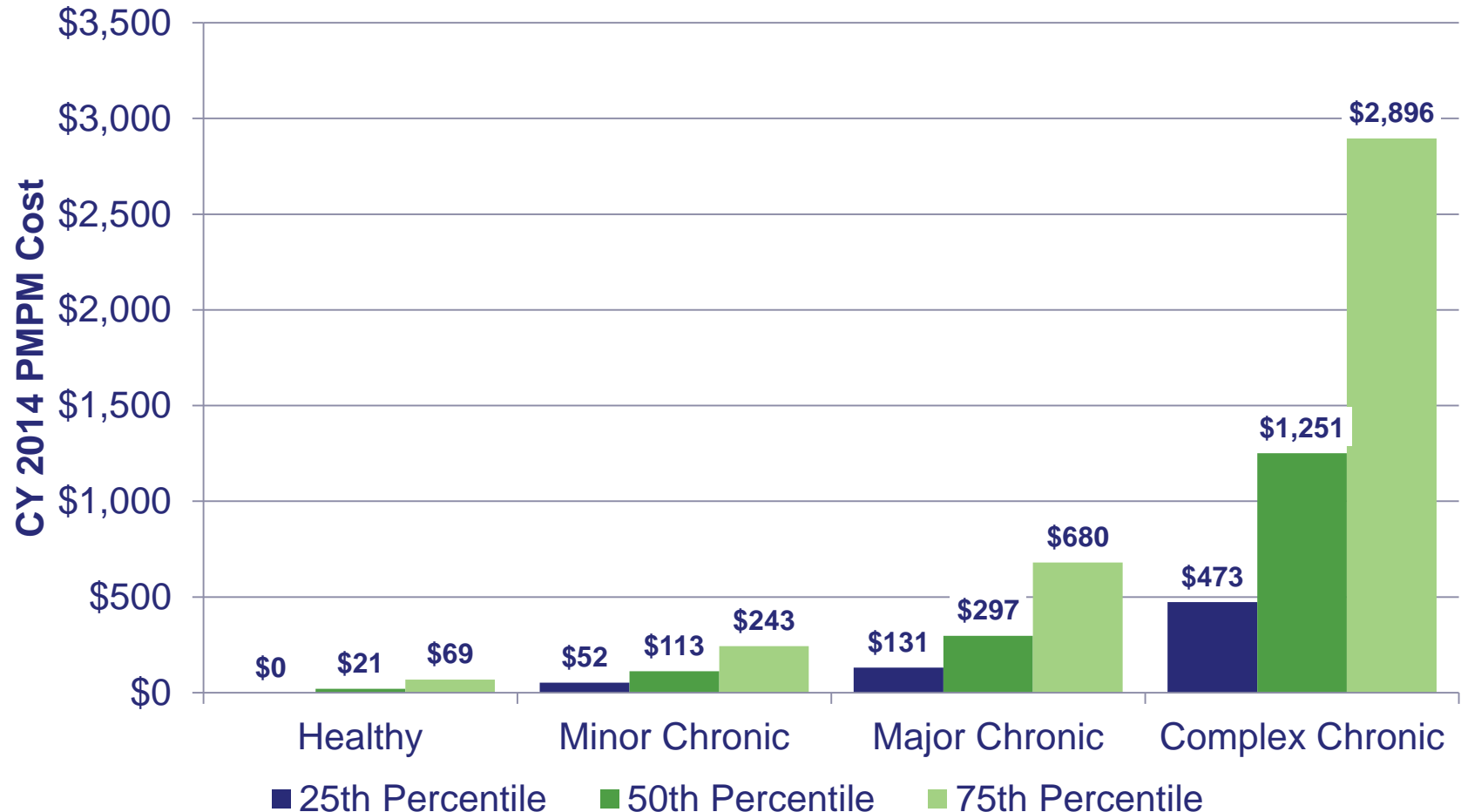
- The table above shows 76% of the members classified as healthy in FY 2013 were also healthy in CY 2014. But 19% of the members who were healthy in FY 2013 became minor chronic in the CY 2014. Each row sums to 100%.
- Note the high rate of turnover in the Catastrophic group from year to year. ActiveHealth reports that 25% - 35% of Catastrophics persist from year to year.

Spectrum of Health by Age Band



- As would be expected, chronic disease prevalence and severity increases with age and this is reflected in the Spectrum of Health distributions by age band. Healthy prevalence declines from 62% to 12%, and Major Chronic prevalence increases from 9% in the youngest to nearly 47% in the oldest age band.

Paid PMPM Spending by Spectrum of Health Category



Source: ActiveHealth Management

Key Takeaways

Financial Trends

- Following several years of lower trends, claims spending accelerated in CY 2014 and so far in CY 2015
 - In particular, pharmacy trends have been high in recent years
- Changes in utilization among Plan members have helped to mitigate price inflation
 - However, reductions in member cost share have increased Plan costs
- Annual trends in claim payments for CY 2015 were very high in the first quarter of the year (January through March), but slowed in the next two quarters
- Plan trends are similar to other BCBSNC ASO clients

Health Trends

- As members age they are more likely to have chronic conditions and increased costs
- Management of chronic conditions can help control costs