

PEBB health benefit plan

Cost and utilization trends, demographics, and impacts of alternative consumer-directed health plans

Second Engrossed Senate Bill 5773; Section 1(6)(b); Chapter 8; Laws of 2011

RCW 41.05.065(6)

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Executive summary

The Health Care Authority (HCA) is required to submit a report to relevant legislative policy and fiscal committees by November 30, 2015, and each year thereafter as a result of Senate Bill 5773 (2011), and as directed by RCW 41.05.065(6)(b). This report evaluates the impact of offering a consumer-directed health plan (CDHP). The report includes information regarding:

- The health plan cost and service utilization;
- Enrollment and demographics; and
- The impacts of CDHP enrollment on costs of other plans.

For a more detailed analysis, please see the appendix, [which is available online](#). The actuarial firm, Milliman, Inc., prepared the appendix to supplement this report's findings.

Key findings:

- The composite CDHP health plan cost and service utilization was lower than the composite cost and utilization from the UMP Classic, KPWA Classic, KPWA Value, UMP Plus ACPs, and KPWA SoundChoice plans for calendar year (CY) 2018 through CY 2020.
- Based on the analysis Milliman, Inc. provided ([see online appendix](#)), the enrollment and demographic information is consistent with the findings of the CDHP legislative report submitted in 2020.
- The retrospective analysis of CY 2020 shows that while the composite CDHP and the composite Classic members are overpaying, members in all other plans are underpaying.

Analysis

Health plan cost and service utilization

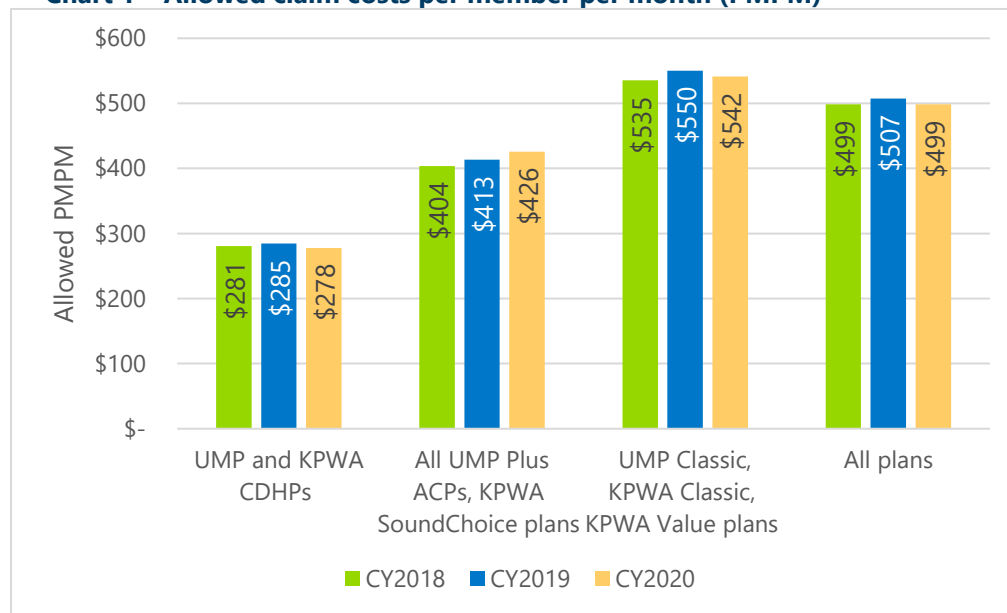
This report uses data from CY 2018 through CY 2020. During these years, the Public Employees Benefits Board (PEBB) Program offered three CDHPs. The CDHPs were offered by the self-insured Uniform Medical Plan (UMP), as well as Kaiser Foundation Health Plan of the Northwest (KPNW) and Kaiser Foundation Health Plan of Washington (KPWA). Results from the KPNW Classic plan and the KPNW CDHP are not included in this report due to low enrollment. For the purposes of this report, data for KPWA SoundChoice and UMP Plus Accountable Care Plans (ACP) (Puget Sound High Value Network and UW Medicine Accountable Care Network) are categorized together because of plan design similarities. UMP Classic, KPWA Classic, and KPWA Value are categorized together for the same reason.

The composite CDHP health plan cost and service utilization was lower than the composite cost and utilization from the UMP Classic, KPWA Classic, KPWA Value, UMP Plus ACPs, and KPWA SoundChoice plans for CY 2018 through CY 2020. For CY 2018 through CY 2020, allowed claims for the two CDHPs increased from \$281 per member per month (PMPM) in CY 2018 to \$285 PMPM in CY 2019, and then decreased to \$278 PMPM in CY 2020 (Chart 1).

The allowed claims for composite UMP Plus ACPs and KPWA SoundChoice increased from \$404 PMPM in CY 2018 to \$426 PMPM in CY 2020 (Chart 1). The allowed claims for composite KPWA Classic, UMP Classic, and KPWA Value increased from \$535 PMPM in CY 2018 to \$550 PMPM in CY 2019, and then decreased to \$542 PMPM in CY 2020 (Chart 1). Service utilization (per 1,000 members) shows a similar relationship.

Prior to the COVID-19 public health emergency (PHE), claim trends had been relatively stable, especially as members continued to migrate to lower-cost plans. For CY 2020, there was an impact on the claims volume because of the COVID-19 PHE. All PEBB plans experienced suppressed claims volume in 2020 because members were using less services than projected. [See Exhibit 1 in the online appendix](#) for details.

Chart 1 – Allowed claim costs per member per month (PMPM)



Enrollment and demographics

Based on the analysis Milliman, Inc. provided ([see online appendix](#)), the demographic information is consistent with the findings in the 2020 CDHP legislative report.

Enrollment in the UMP Plus ACPs, KPWA SoundChoice, and the CDHPs has increased slightly each year since 2018 (Chart 2). Additionally, enrollment in the UMP Classic, KPWA Classic, and KPWA Value plans has decreased since 2018. Members enrolled in the UMP Plus ACPs, KPWA SoundChoice, and the CDHPs are generally younger than members enrolled in the UMP Classic, KPWA Classic, and KPWA Value plans ([online appendix, Exhibit 2](#)). However, there are no significant differences in the gender makeup of the CDHP, UMP Plus ACP, and KPWA SoundChoice members compared to the UMP Classic, KPWA Classic, and KPWA Value plan members based on the average of calendar years 2018-2020 (Chart 3). Although demographic distribution varies between plans, it does not significantly vary year to year within each plan.

Chart 2 – Average member enrollment

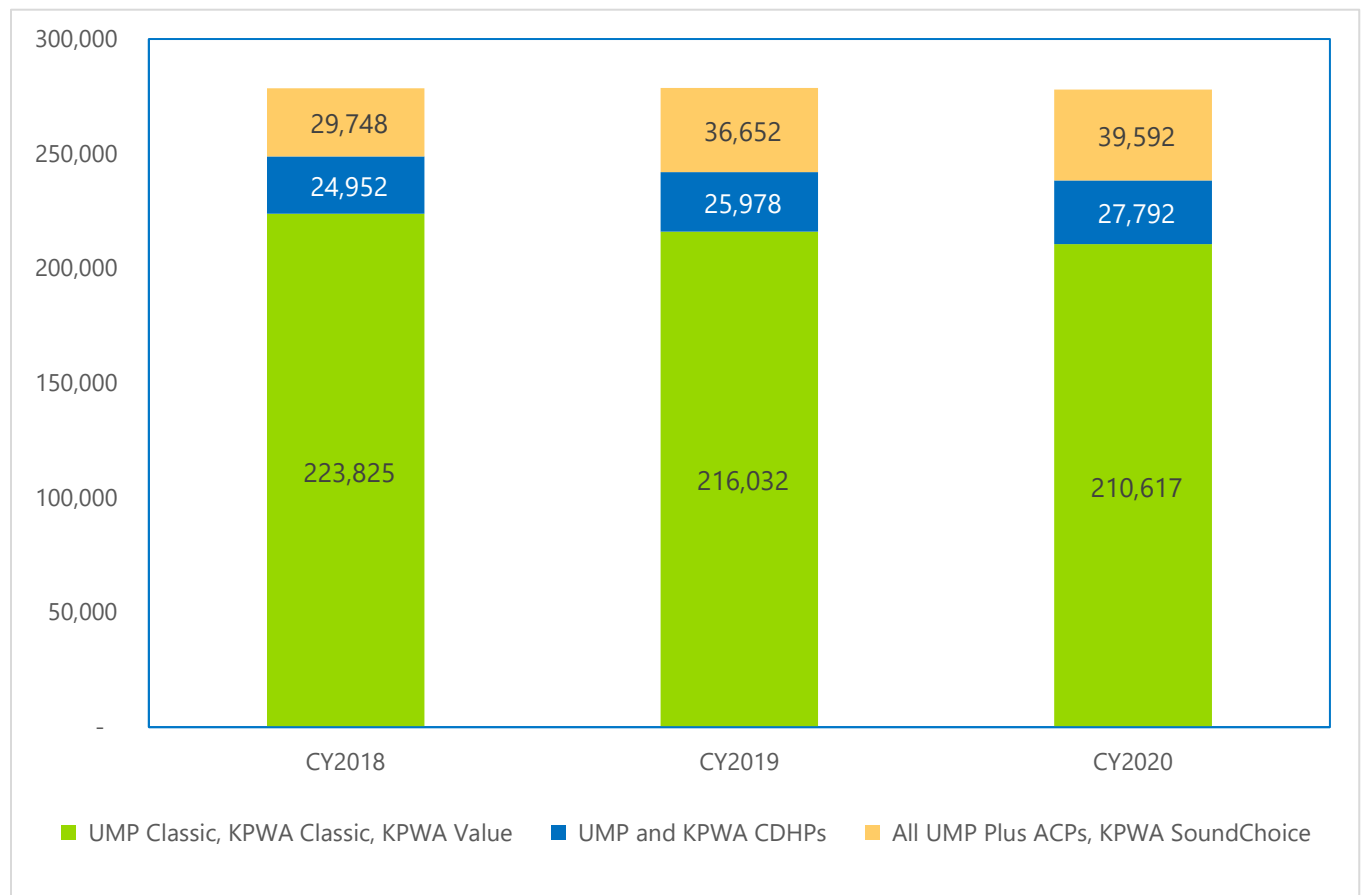
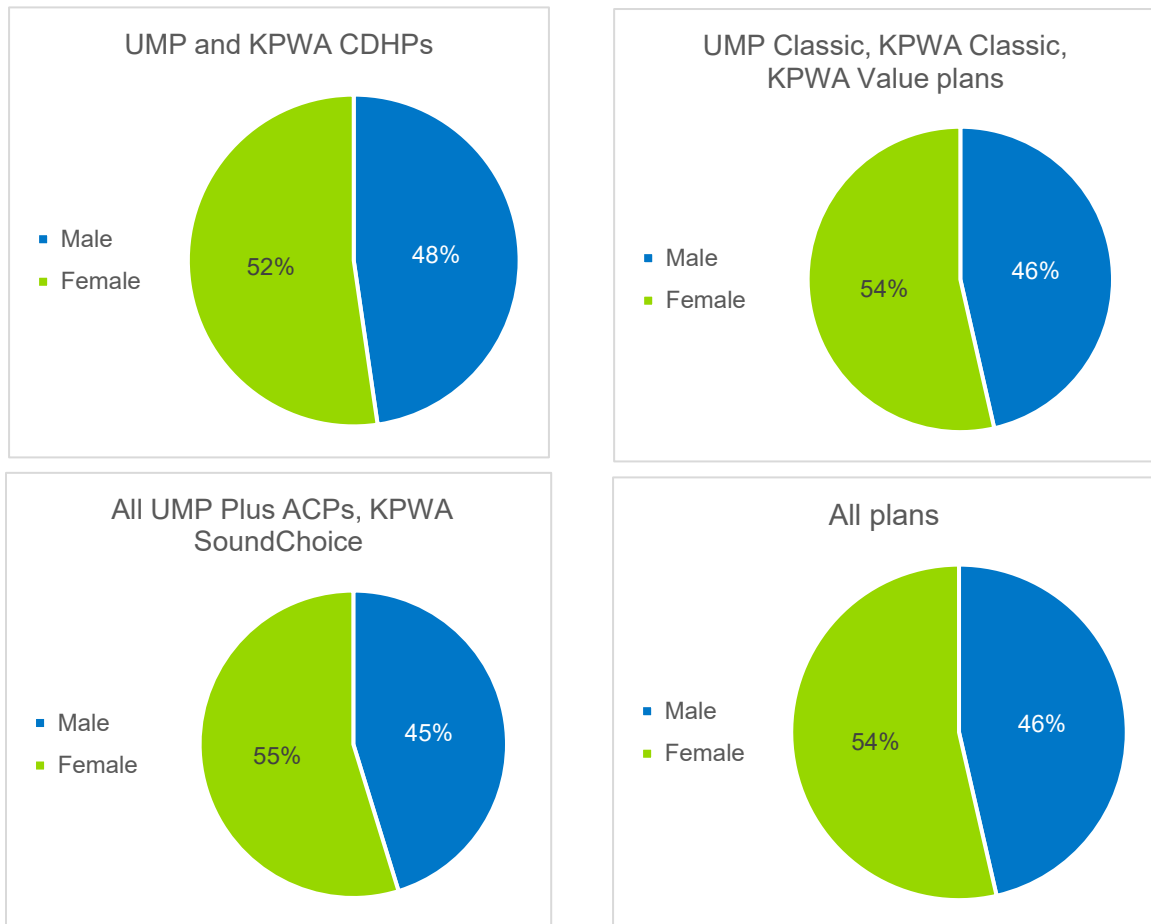


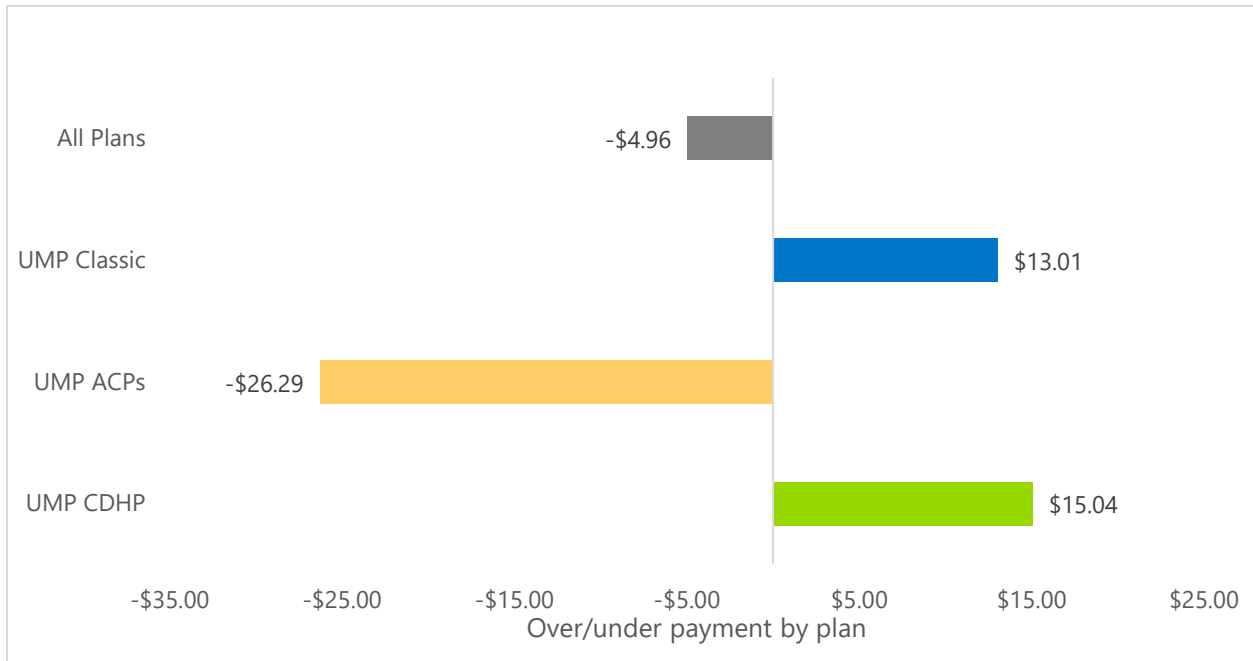
Chart 3 – Average gender distribution



Impact of CDHP enrollment on costs of other plans

Milliman, Inc. completed their analysis to determine the impact of CDHPs on bid rates and the cost of other plans (see [online appendix](#)). They did this analysis to determine the impact of bid rates in hindsight, whereas actual bid rates are set prospectively using experience projections. This method measures the difference between the actual costs and the costs modeled retrospectively. A negative number indicates that members in a plan are underpaying compared to the hindsight review; inversely, a positive number indicates that members are overpaying compared to the hindsight review ([online appendix, p. 3, Table 1](#)). To better understand how this works, see chart 4 and the below analysis of the UMP CDHP plan's impact on the UMP portfolio.

Chart 4 – Impact of UMP CDHP plan on UMP portfolio



In CY 2020, the impact to UMP Classic was an overpayment of \$13.01 per adult unit per month (PAUPM). This is \$17.97 PAUPM more than the impact calculated for all PEBB non-Medicare plans (-\$4.96 PAUPM). While a UMP Classic member and a UMP CDHP member are overpaying, these numbers show that the average member is underpaying by \$4.96. Similarly, in CY 2020, members enrolled in the UMP Plus plans (ACPs) were underpaying by \$26.29 PAUPM, which means they were paying \$21.33 less than the average PEBB non-Medicare member (see Chart 4 above and [online appendix, Exhibits 3a & 3b](#)). These impacts could be based on a variety of benefit design differences between plans, cost assumptions, and plan morbidity assumptions that are not accounted for during development of plan bid rates.

2020 data should give the most complete illustration of how CDHPs and ACPs are maturing within the PEBB portfolio. As all the PEBB health plans mature, it is expected that claims costs will vary. Data from 2020 best represents the outlook of the existing plans. However, the impacts of the plans will continue to change as they mature or as new plans are introduced.

Conclusion

The PEBB portfolio has changed over time with the introduction of new plans, as well as the creation of the School Employees Benefits Board (SEBB) Program, effective January 1, 2020. However, the results from this analysis are similar to previous reports.

- PEBB's CDHP plans had the lowest health plan cost and service utilization when compared to other PEBB plans.
- Enrollment and demographics are consistent with last year's report.
- Impacts of CDHP on other plans show that CDHP and Classic plan members are overpaying, while members in other types of PEBB plans are underpaying.

HCA will continue to produce this annual report and will further assess the impacts of the CDHP plans on the overall portfolio.