

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)

November 30, 2022

Financial Services Division
P.O. Box 45510
Olympia, WA 98504-5510
Phone: (360) 725-9817
Fax: (360) 753-9152
hca.wa.gov

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) 2019 through CY 2021.
- 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 2021.
- The retrospective analysis of CY 2021 shows that most members in the PEBB program underpaid.

Analysis

Health plan cost and service utilization

This report uses data from CY 2019 through CY 2021. 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.

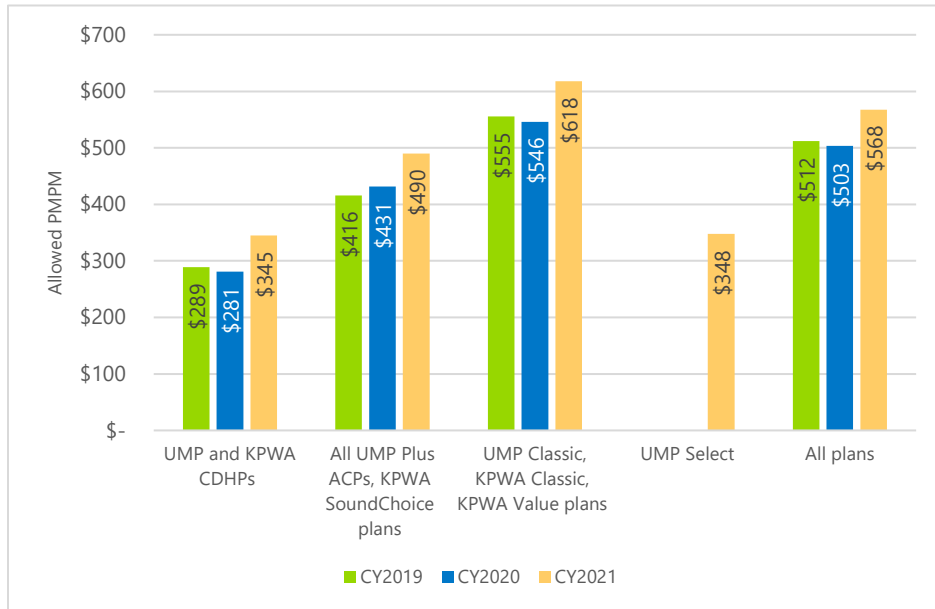
For the purposes of this report, data for KPWA SoundChoice and UMP Plus Accountable Care Plans (ACP) (Puget Sound High Value Network and UW Medicine Accountable Care Network) are categorized together because of plan design similarities. UMP Classic, KPWA Classic, and KPWA Value are categorized together for the same reason. UMP Select, a plan introduced in 2021, is included in this report. However, data associated with this plan is considered uncredible because of its recent introduction to the program.

The composite CDHP health plan cost and service utilization were lower than the composite cost and utilization from the UMP Classic, KPWA Classic, KPWA Value, UMP Plus ACPs, and KPWA SoundChoice plans for CY 2019 through CY 2021, and the UMP Select plan in 2021. For CY 2019 through CY 2021, allowed claims for the two CDHPs increased from \$289 per member per month (PMPM) in CY 2019 to \$345 PMPM in CY 2021 (Chart 1).

The allowed claims for composite UMP Plus ACPs and KPWA SoundChoice increased from \$416 PMPM in CY 2019 to \$490 PMPM in CY 2021 (Chart 1). The allowed claims for composite KPWA Classic, UMP Classic, and KPWA Value increased from \$555 PMPM in CY 2019 to \$618 PMPM in CY 2021 (Chart 1). UMP Select experienced allowed claims of \$348 PMPM in CY 2021 (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. All PEBB plans experienced suppressed claims volume in 2020, but member utilization in 2021 reflects an overall return to care. See Exhibit 1 in the [appendix](#) for more details.

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



Enrollment and demographics

Based on Milliman’s analysis (see [online appendix](#)), the demographic information is consistent with the findings in the 2021 CDHP legislative report.

Enrollment in the UMP Plus ACPs, KPWA SoundChoice, and the CDHPs has increased slightly each year since 2019 (Chart 2). Additionally, enrollment in the UMP Classic, KPWA Classic, and KPWA Value plans has decreased since 2019. The New UMP Select plan attracted minimal member enrollment in its first year (Chart 2).

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 ([Appendix, Exhibit 2](#)).

However, there are no significant differences in the gender makeup of the member enrollment based on the average of calendar years 2019–2021 ([Appendix, Exhibit 2](#)). Although demographic distribution varies between plans, it does not significantly vary year to year within each plan. Chart 3 shows the gender distribution of members enrolled in a CDHP compared to the gender distribution of all plans.

Chart 2 – Average member enrollment

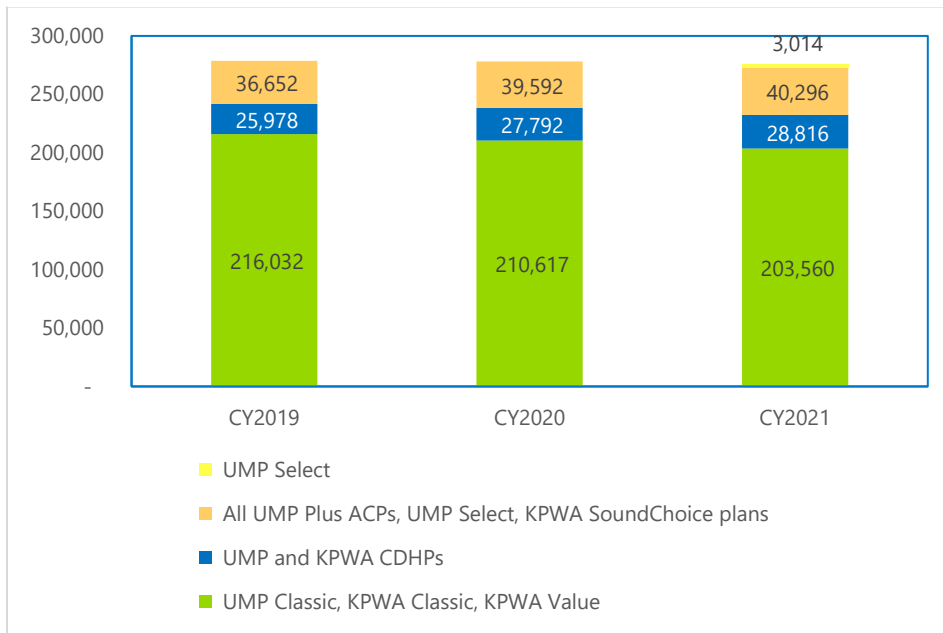
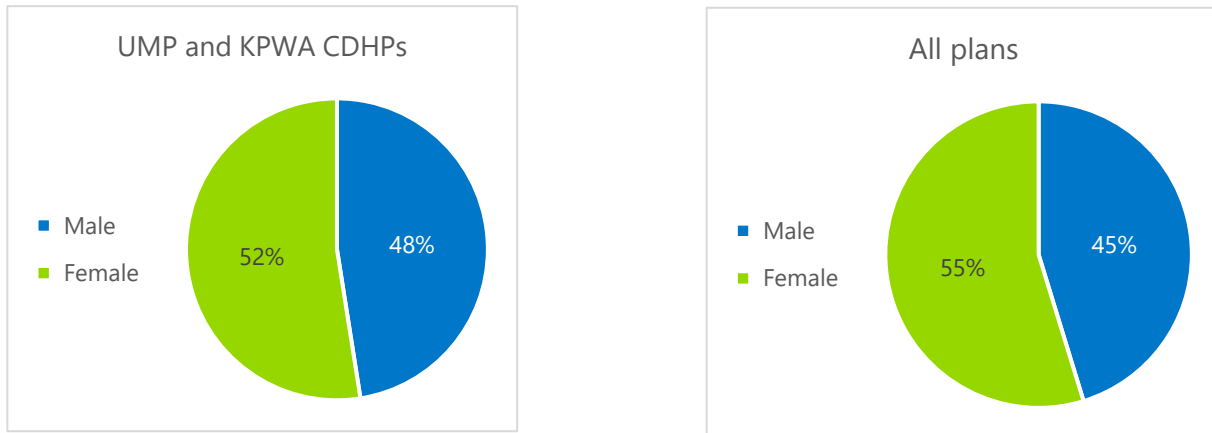


Chart 3 – Average gender distribution

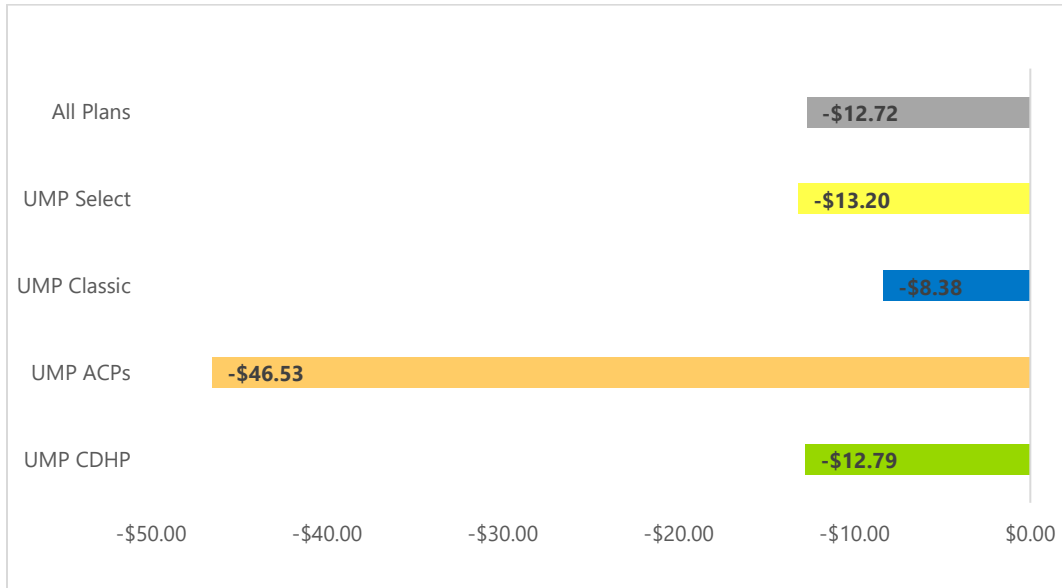


Impact of CDHP enrollment on costs of other plans

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 ([Appendix, p. 3, Table 1](#)). To

better understand how this works, see chart 4 and the following analysis of the UMP CDHP plan's impact on the UMP portfolio.

Chart 4 – Impact of UMP CDHP plan on UMP portfolio in CY 2021



In CY 2021, the impact to UMP Classic was an underpayment of \$8.38 per adult unit per month (PAUPM). Similarly, in CY 2021, members enrolled in the UMP Plus plans (ACPs) were underpaying by \$46.53 PAUPM, and members enrolled in the UMP Select plan were underpaying by \$13.20 PAUPM. Because UMP maintains a large percentage of the PEBB enrollment, UMP members underpaying in aggregate caused a total program underpayment of \$12.72 PAUPM (see Chart 4 above and [Appendix, Exhibits 3a and 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, as well as the unknown impacts of COVID-19 or the return to care after suppressed utilization during 2020.

Data from 2021 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 2021 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 the aggregate population enrolled in PEBB plans were underpaying, while some members did overpay.

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

Appendix A – Milliman legislative report regarding implementation of CDHPs and other alternative plans

Please [view the full report online](#) via HCA’s website. If you need an electronic copy, please contact HCA and one will be provided.