Washington State Health Care Authority

Report to the Legislature

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)(b)

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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 for all plans;
- Enrollment and demographics for all plans; and
- The impacts of CDHP enrollment on costs of the most comprehensive plan.

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 most comprehensive plan, UMP Classic for calendar year (CY) 2020 through CY 2022.
- 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 2022.
- The retrospective analysis of the most comprehensive plan, UMP Classic, shows that members both under- and overpaid for the period assessed in this report, but it doesn't appear that is a result of the CDHP being offered to members.
- As a program, PEBB members have underpaid in all years included in this report.

Analysis

Health plan cost and service utilization

This report uses data from CY 2020 through CY 2022. 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.

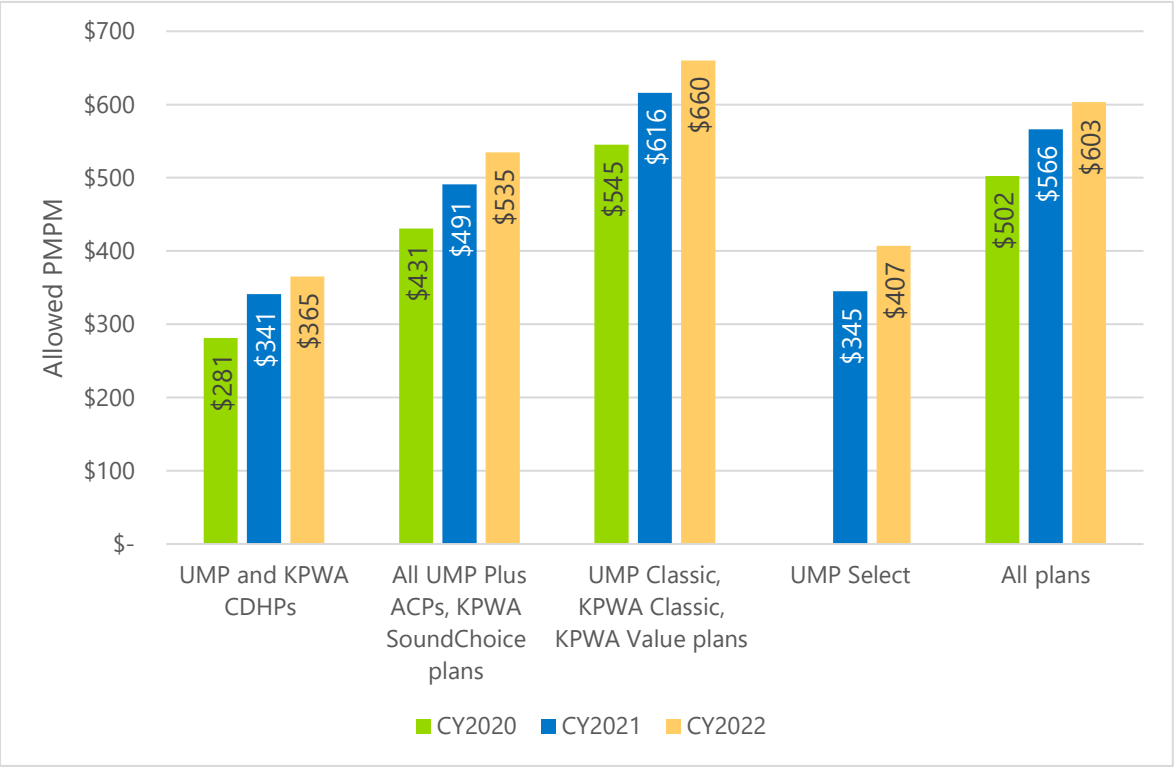
For the purposes of this report, data for KPWA SoundChoice and UMP Plus Accountable Care Plans (ACP) (Puget Sound High Value Network and UW Medicine Accountable Care Network) are categorized together because of plan design similarities. UMP Classic, KPWA Classic, and KPWA Value are categorized together 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 all plans in this report. Allowed claims for the two CDHPs increased from $281 per member per month (PMPM) in CY 2020 to $365 PMPM in CY 2022 (Chart 1).

The allowed claims for composite UMP Plus ACPs and KPWA SoundChoice increased from $431 PMPM in CY 2020 to $535 PMPM in CY 2022 (Chart 1). The allowed claims for composite KPWA Classic, UMP Classic, and KPWA Value increased from $545 PMPM in CY 2020 to $660 PMPM in CY 2022 (Chart 1). UMP Select experienced allowed claims of $345 PMPM in CY 2021 and $407 PMPM in CY 2022 (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 and 2022 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 2022 CDHP legislative report.

Enrollment in the UMP Plus ACPs, KPWA SoundChoice, and the CDHPs increased between 2020 and 2021, and remained relatively stable in 2022 (Chart 2). Additionally, enrollment in the UMP Classic, KPWA Classic, and KPWA Value plans has decreased since 2020. The new UMP Select plan attracted minimal member enrollment in its first year but increased in CY 2022 (Chart 2).

Members enrolled in the UMP Plus ACPs, KPWA SoundChoice, UMP Select 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 2020-2022 (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

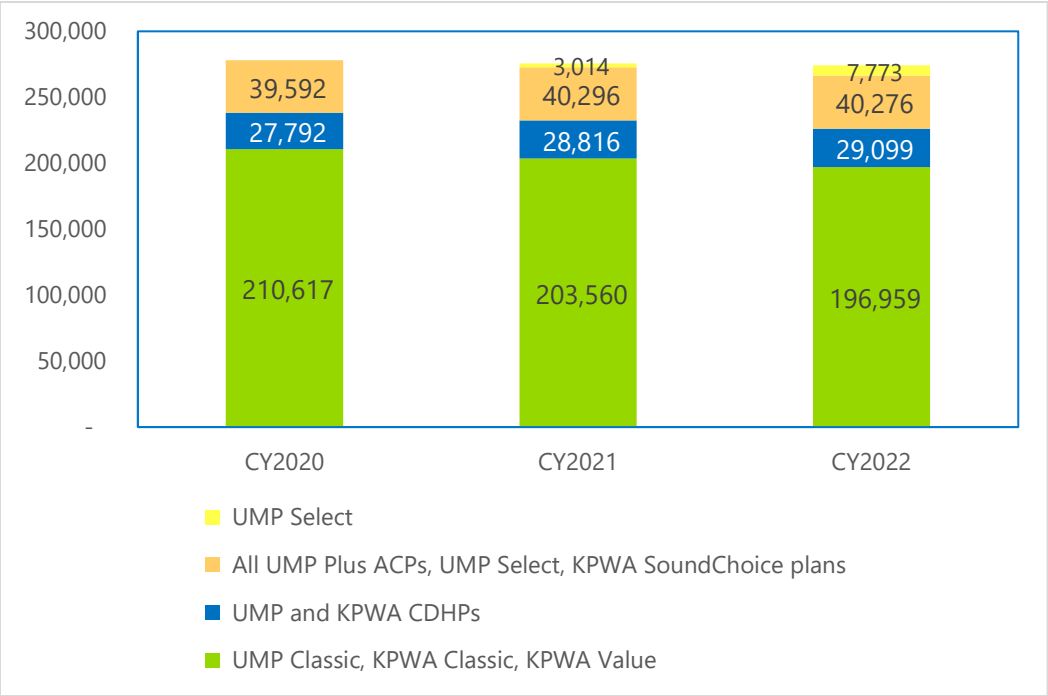
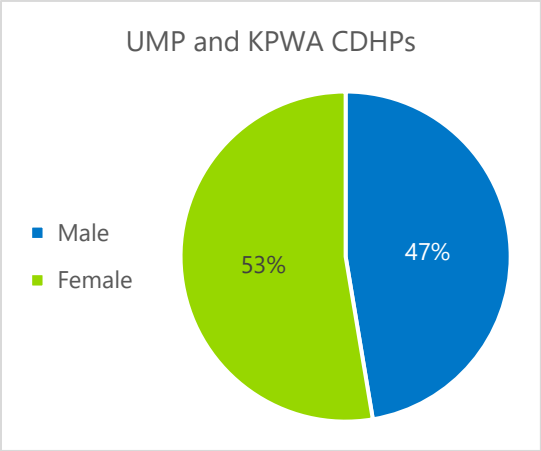
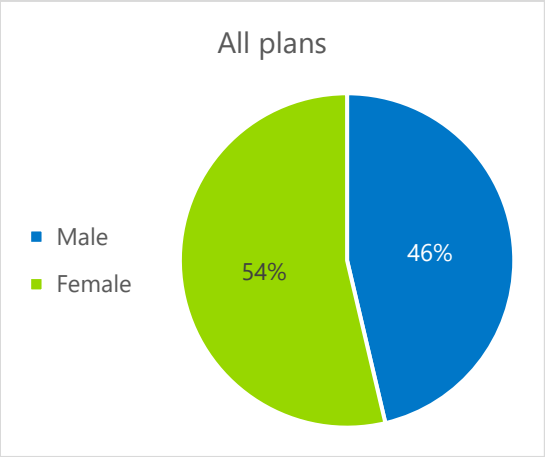


Chart 3 – Average gender distribution





Impact of CDHP enrollment on costs of the most comprehensive plan

In this report, HCA concludes there is no direct cost impact from enrollment in the CDHPs on the UMP Classic, which is considered the most comprehensive plan offered by the PEBB program.

A member's enrollment into a plan impacts overall cost and a plan's rates. It is common that healthier and less costly members enroll in the higher deductible plans, leaving the more expensive and less healthy

members in the lower deductible plans, such as UMP Classic. This can have a direct impact on claims costs, which directly impact on a plan's rates. The impact that members in one plan have on claims cost, risk scores, bid rates and employee contributions of members in another plan is based on a set of complex interactions within the PEBB program, but there are no direct influences between plans in the rate setting process.

The collectively bargained state index rate methodology for the period in review used a weighted average of all plans' bid rate to determine the employer's contribution regardless of plan selection, resulting in the employee contribution being the difference between the plan's bid rate and the state index rate. Because of this fixed contribution, there are instances when a member receives an employer contribution that is more or less than 15 percent of the total bid rate. This methodology means that all plans can influence the state index rate and employee contributions, but not the costs attributed to the plans themselves.

Milliman, Inc., completed their analysis to determine the impact of bid rates in hindsight, whereas actual bid rates are set prospectively using experience projections (see online appendix). This portion of the report measures the difference between the actual costs and the costs modeled retrospectively, but does not illustrate the influence of the UMP CDHP on UMP Classic bid rates.

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.
- A retrospective review of actual experience in the PEBB plans between plan years 2020 and 2022 revealed that some bid rates were set too low, whereas others were set too high. On average across all plans, bid rates for each year were slightly too low relative to actual costs. However, this doesn't seem to be caused by the inclusion of high deductible plans in the PEBB portfolio.
- Additionally, there is no identifiable trend in over- or underpricing of the CDHPs relative to other plans.

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.