



PEBB Cost Management Strategies

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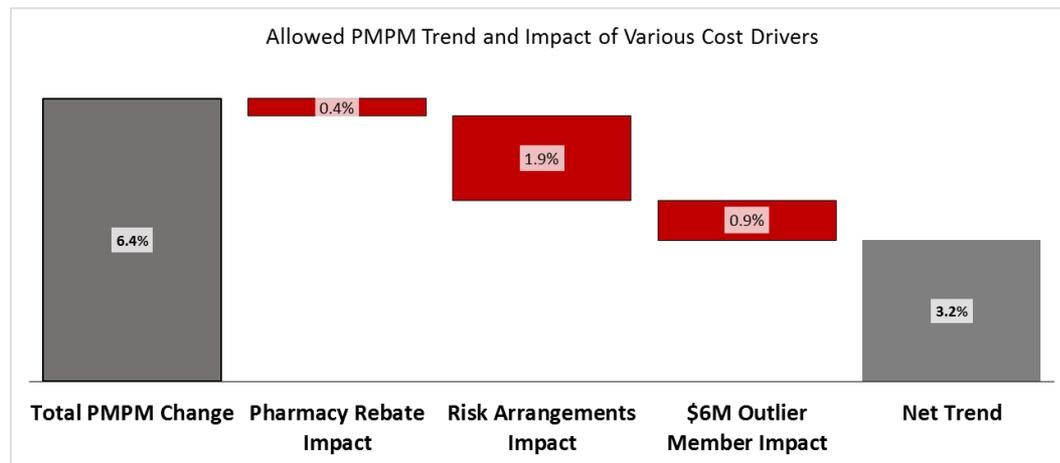


2018 Financial Performance Summary

	Allowed PMPM 2018	Change from 2017
IP/OP Surgery	\$153.01	\$2.29
Retail & Medical Pharmacy	\$129.22	\$14.10
PCP & Preventive	\$64.43	\$4.24
IP Medical & Observation	\$37.56	\$5.53
Other	\$32.48	\$2.21
ER	\$29.21	\$1.58
Specialty Care	\$28.75	\$1.15
IP/OP Maternity	\$25.90	\$3.58
PT/OT/ST	\$18.38	\$1.12
OP Lab	\$17.91	\$0.21
Psychiatric	\$15.36	(\$0.10)
OP Diagnostic Radiology	\$11.54	\$0.70
OP High Tech Radiology	\$10.78	\$0.56
Home Health	\$6.17	\$0.54
Cardiovascular	\$5.65	\$0.55
OP Therapeutic Radiology	\$4.81	(\$0.09)
Other IP	\$4.15	(\$0.39)
Substance Abuse	\$2.68	(\$1.58)
	\$36.21	

Incurred Jan-Dec, paid through Feb 2019, w IBNR

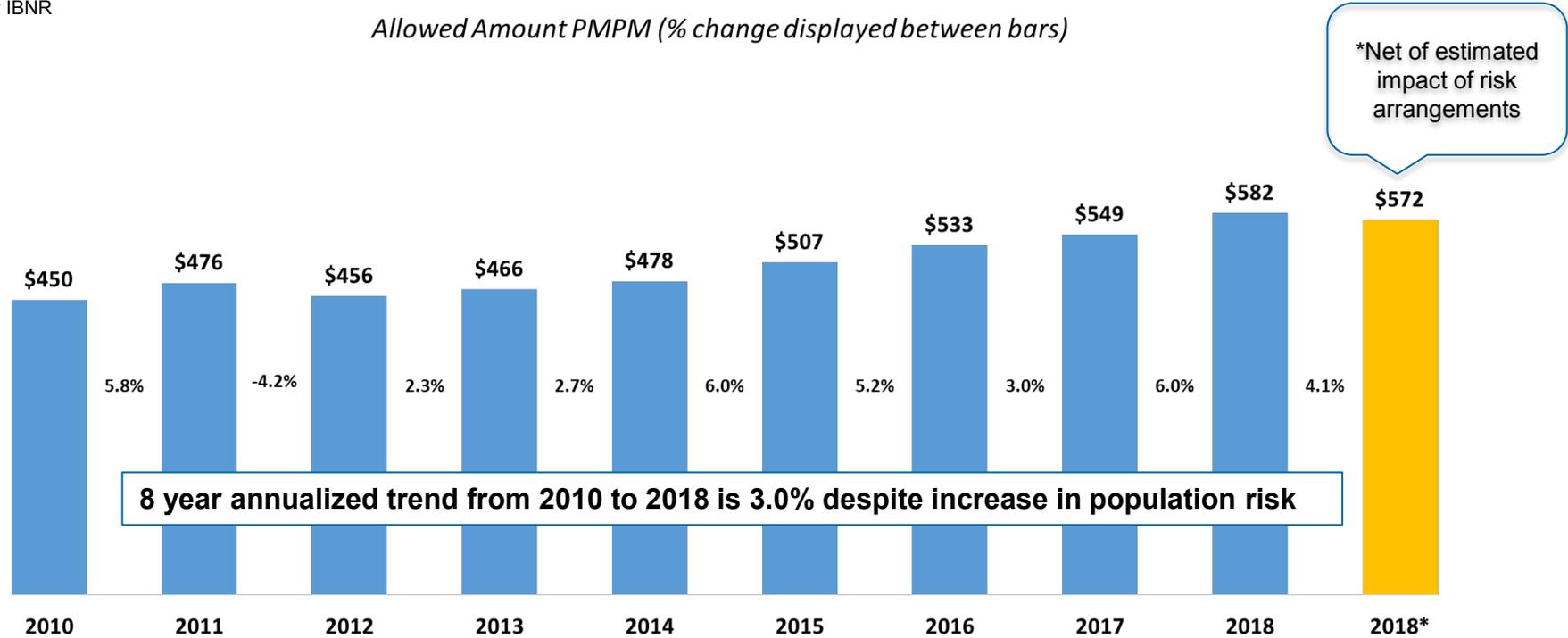
	Change from 2017	% Change
PMPM Change before Rebates	\$36.21	6.4%
Rebates Change (Pharmacy)	\$3.35	
Subtotal	\$32.86	6.0%
Estimated impact of Risk Arrangements	10.25	
Subtotal	\$22.61	4.1%
Impact of \$6M Outlier	\$ 5.19	
Subtotal	\$17.41	3.2%



Incurring Jan-Dec,
paid through Feb
2019, w IBNR

PEBB YOY Trend Net of Rx Rebates

Allowed Amount PMPM (% change displayed between bars)



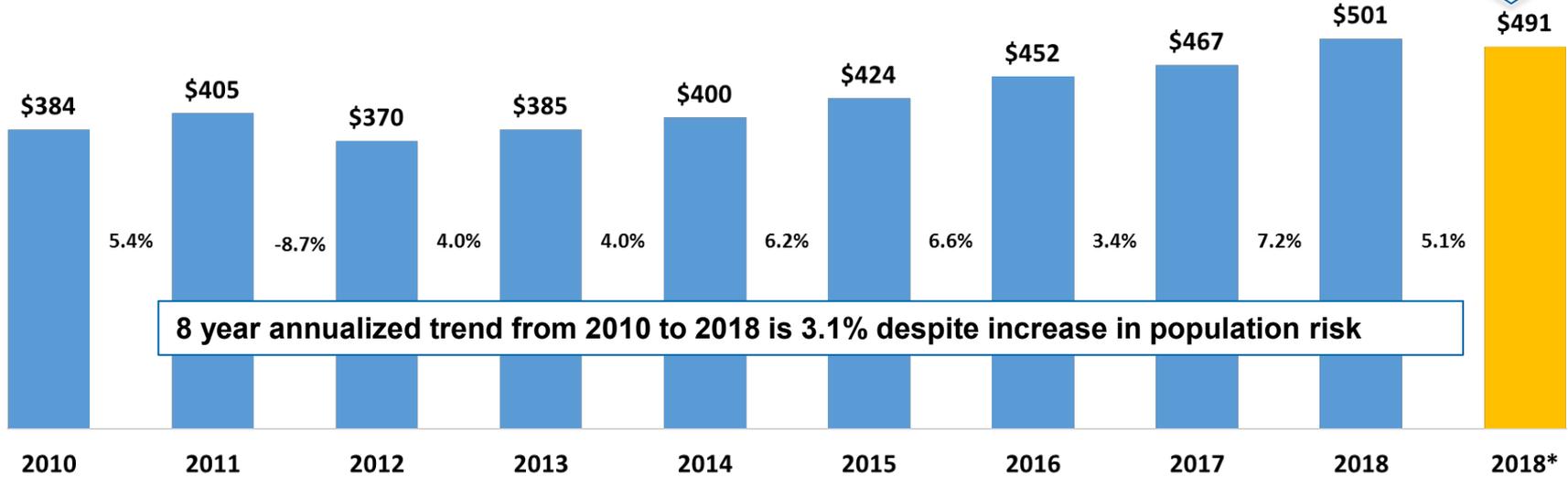
2012 Rx rebates were used as a conservative estimate of both 2010 and 2011 rebates.

Incurred Jan-Dec,
paid through Feb
2019, w IBNR

PEBB YOY Trend Net of Rx Rebates

Paid Amount PMPM (% change displayed between bars)

*Net of estimated impact of risk arrangements



8 year annualized trend from 2010 to 2018 is 3.1% despite increase in population risk

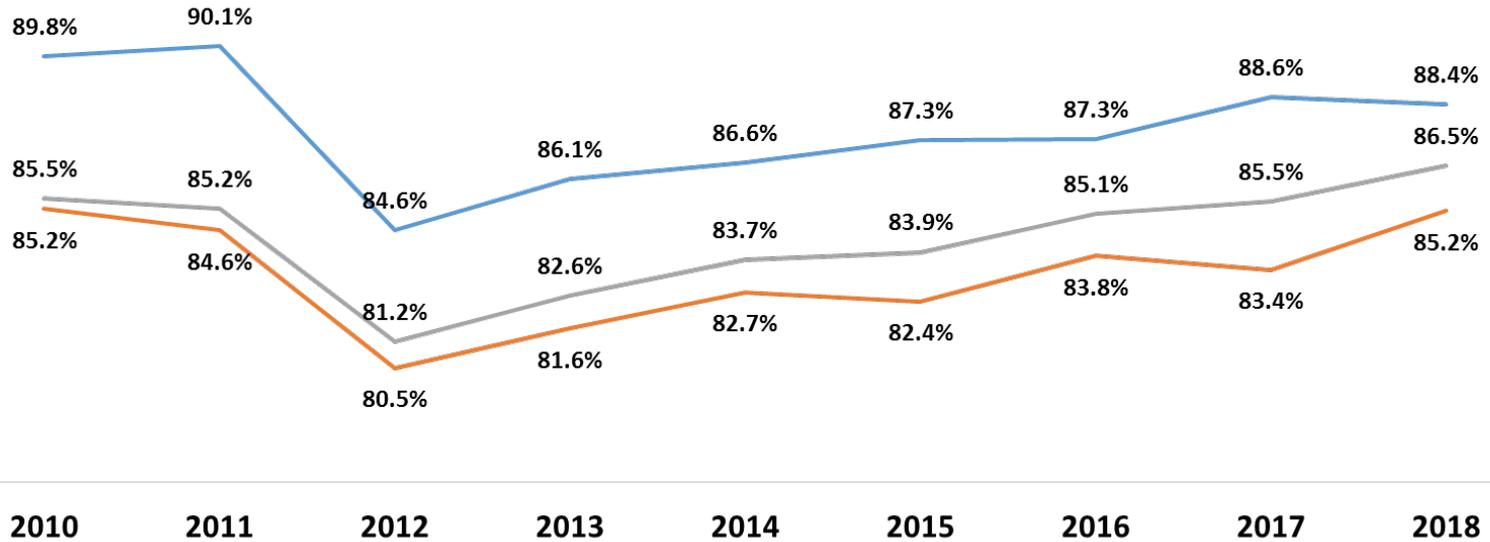
2012 Rx rebates were used as a conservative estimate of both 2010 and 2011 rebates.

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PEBB Total YOY Trend

Paid/Allowed Amount Ratio - Not Excluding Rx Rebates

— PEBB Choice — PEBB Statewide — PEBB Total



Risk Arrangements

Estimated impact of All Risk Arrangements between 2017 and 2018 – Allowed PMPM	Percent impact to trend
\$10.25	1.9%

Salem Collaborative	Actual PMPM	Budget PMPM	% Over (Under) Budget
	\$529.38	\$515.94	2.6%

	PMPM IBNR Amount Allowed		PMPM Difference	PMPM % Diff
	01/2017 to 10/2017	01/2018 to 10/2018	2017 to 2018	2017 to 2018
HCG Custom Group				
Retail & Medical Pharmacy	\$115.54	\$134.94	\$19.39	16.8%
IP/OP Maternity	\$19.49	\$25.23	\$5.75	29.5%

Largest areas of cost increase for Salem Collaborative are Pharmacy and IP/OP Maternity – specifically neonates

Pharmacy rebates, not netted out here, are accounted for in risk share calculation

Estimated incremental 2018 allowed dollar savings of PHP's internal Financial Improvement Initiatives

Area	PEBB Savings
Pharmacy	\$ 4,700,000
Payment Policy	\$ 1,200,000
HealthCare Services	\$ 200,000
Total	\$ 6,100,000

2019 contracting changes >\$1M savings due to changes in outlier terms

Sources of Primary Care

	Allowed PMPM	Utilization/ 1000	Ave Cost per Service
Low Acuity PCP Visits	\$3.50	245.5	\$171.04
Low Acuity Express Care Clinic Visits	\$0.07	5.8	\$138.64
Low Acuity Urgent Care Visits	\$0.56	32.5	\$205.60
Email Visits	\$0.00	0.3	\$22.77
Express Care Virtual	\$0.02	4.0	\$46.76
TeleHealth	\$0.01	1.3	\$117.83
Telephone	\$0.00	0.4	\$40.10

Promote Express Care Virtual® 2019 Nationwide Expansion

- Available members nationwide
- PEBB has 4 onsite locations
- Cost per visit is \$49
- Can treat most low acuity conditions

Jan-Oct 2018, paid through Feb 2019, no IBNR

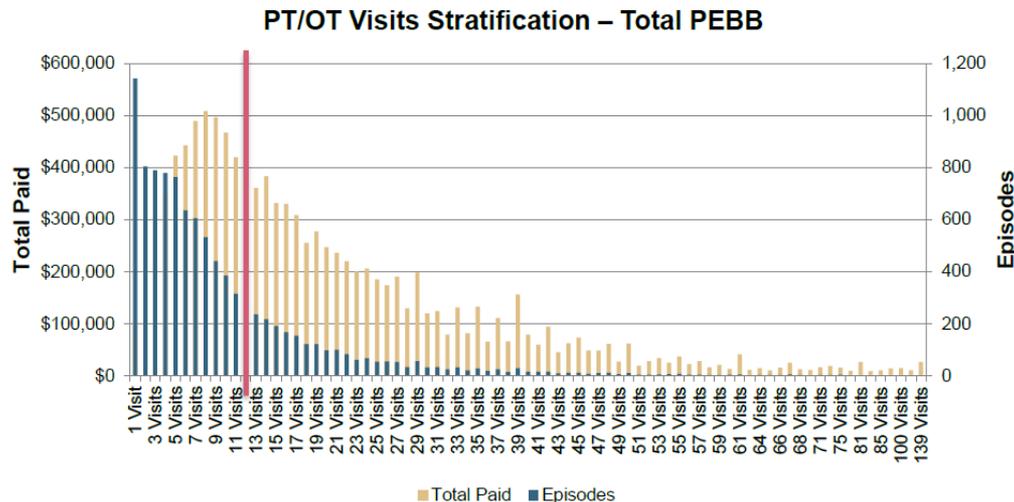
PT/OT and Chiropractic

PT/OT					
Episodes/1000	JUL15-JUN16	JUL16-JUN17	JUL17-JUN18	2 Year Growth	3 Year Growth
PEBB Total	87.7	77.5	95.4	23%	9%
Statewide	85.9	77.0	94.3	23%	10%
Choice	90.5	78.1	96.7	24%	7%

Chiropractic					
Episodes/1000	JUL15-JUN16	JUL16-JUN17	JUL17-JUN18	2 Year Growth	3 Year Growth
PEBB Total	116.8	103.8	121.2	17%	4%
Statewide	125.6	110.8	128.5	16%	2%
Choice	102.7	94.6	112.9	19%	10%

- Episodes / 1,000 showed strong two and three year utilization trends
- Visits per episode were at the upper range of our un-managed benchmark, driven by utilization within the Statewide plan
- 59% of the total paid amount on PT/OT services by PEBB members were for episodes with greater than 12 visits

Administrative fees will apply



*Example given for PT/OT, but chiropractic results are similar

**Date range: July 2017 – June 2018

Data prepared by eviCore

Site of Service: OP Hospital vs. ASC

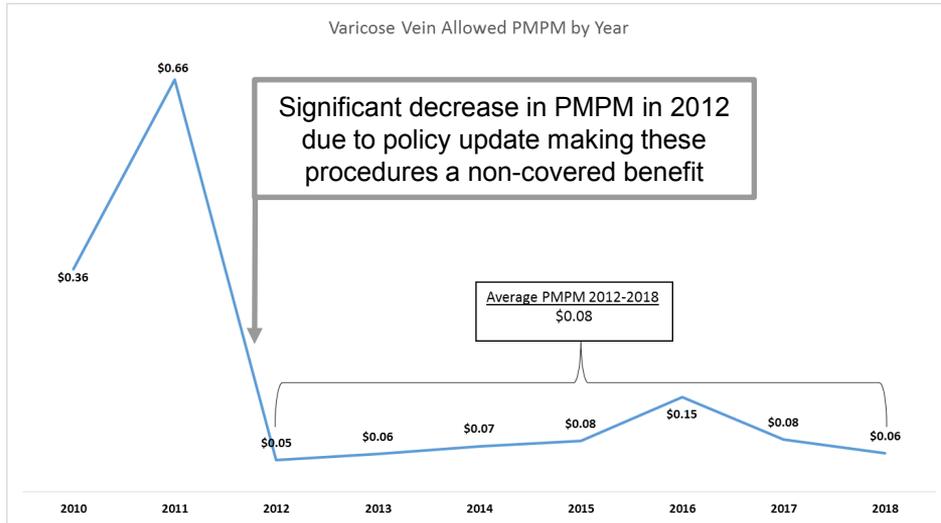
Top 5 Procedures by Savings



Top Procedures by Cost from 2018 Site of Service Analysis	Outpatient PMPM (Actual cost of services done at an outpatient hospital facility)	ASC PMPM (Cost of services if they had been done at an ambulatory surgery center)	Estimated Savings PMPM	
Colonoscopy & Biopsy	\$0.76	\$0.37	\$0.38	
Upper GI Endoscopy/Biopsy	\$0.50	\$0.25	\$0.25	
Knee Arthroscopy	\$0.42	\$0.18	\$0.24	
Lens & Cataract	\$0.31	\$0.17	\$0.14	
Hernia Repair – Inguinal, Femoral, Umbilical	\$0.09	\$0.06	\$0.03	
Grand Total	\$2.08	\$1.03	\$1.05	Trend Impact 0.2%

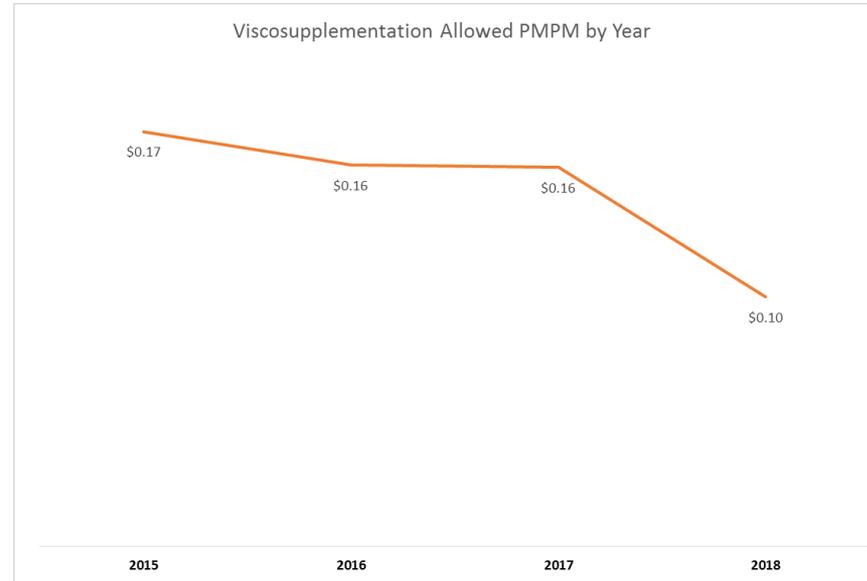
- PMPM if All Eligible Procedures are Moved from OP to ASC - \$2.01
- Maximum impact to trend – 0.3%
- Recommend benefit differential between OP facility & ASC

Varicose Veins



- Maximum impact to trend between 0.05% and 0.10%

Viscosupplementation



Average PMPM 2015-2018	Allowed \$ Impact if Denied	Trend Estimate
\$0.15	\$181,088	0.02%

Providence Initiatives in Service to 3.4% Limitation in Benefit Cost

- Expansion of community based risk arrangements to achieve sustainable growth targets
- Changes to contract provisions to limit outlier risk
- Identification and implementation of new cost containment initiatives
- Pharmacy contract changes and site of service policies
- Proactive formulary management
- Comprehensive approach to high cost emerging therapies

Recommendations for PEBB Consideration

- Consider stop loss insurance to provide smoothing of year to year trends
- Consider increasing out of pocket maximums at inflation rate
- Consider 6-tier formulary or cost share on value tier
- Create benefit incentive to move outpatient procedures to ASCs
- Implement medical necessity review for PT/OT/Chiropractic care
- Exclude viscosupplementation from benefit package
- Forego adding varicose vein treatment for uncomplicated cases

Questions?

