Current Trends in HealthCare
Three Legs of Stable Stool
Cost + Quality + Health

J. Glynn & Company
Current Trends in Cost of HealthCare
Benefit Cost Trends for 2016

• An increase of 3.6% in 2013, the lowest growth rate in half a century, US spending on health care continued its slow growth, a trend that began in 2009.

• Households financed 28% of health spending through out-of-pocket costs, insurance premiums, and payroll taxes.

• Health spending is projected to increase at an average rate of 5.8% from 2014 to 2023, about two percentage points higher than recent growth rates.

Source: 2014 National Health Expenditure Data, CMS
Benefit Cost Trends for 2016

• Compared to public programs, employer-sponsored insurance spending is projected to experience larger growth in per enrollee spending between 2013 and 2015, largely due to anticipated increases in insurance premiums.

• Medicare spending per enrollee, however, is expected to remain two times higher than employer-sponsored per enrollee spending due to the greater care needs of the senior population.

Source: California Healthcare Foundation, Nov 2015
Benefit Cost Trends for 2016

- Medical trends are projected to range from a low of 6.8 percent for HMOs to a high of 9.9 percent for FFS plans.

- For the most common plan types offered — open-access PPO/POS plans and HMOs — trend rates are projected to vary by about 1 percentage point across product types.

Source: Segal Consulting
**Benefit Cost Trends for 2016**

- The trend for MA PPOs and MA HMOs is expected to decline.
- The trend for Medicare supplemental plans will remain the same.

**Projected Medical Trends for Retirees Age 65 and Older: 2015 and 2016**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare Advantage (MA) PPOs</td>
<td>3.6%</td>
<td>2.9%</td>
</tr>
<tr>
<td>MA HMOs</td>
<td>3.9%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Medicare Supplemental (Medigap)</td>
<td>3.2%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

*Source: Segal Consulting*
Benefit Cost Trends for 2016

Projected Prescription Drug Trends: 2015-2016

- The trend rate for prescription drug carve-out coverage for actives and retirees under age 65 is expected to increase significantly in 2016 to a rate of 11.3 percent.

- Prescription drug trend for retirees age 65 and older is expected to increase significantly from 7.5 percent for 2015 to 10.9 percent for 2016.

- The projected specialty drug/biotech trend rate for 2016 will decrease slightly from 2015 to 18.9 percent.

Source: Segal Consulting
Benefit Cost Trends for 2016

- The projected trend for hospital services is 8.2 percent for 2016
- The projected trend for physician services is 5.5 percent for 2016
- Prescription drug price inflation is approaching double digits, more than 10 times the rate of overall CPI for all goods and services.

Source: Segal Consulting
Benefit Cost Trends for 2016

• For many plan sponsors, the increase in medical plan cost trends can be more than three times the rate of increase in wages.

Source: Segal Consulting
## Benefit Cost Management Strategies/Fads

### Typical Medical Plan Strategies
- Adding narrow or restrictive provider networks
- Contracting with value-based providers
- Focusing on wellness design and incentives
- Expanding access to lower-cost treatment options (*e.g.*, clinics and telemedicine)
- Introducing reference-based pricing plan rules

### Typical Prescription Drug Plan Strategies
- Using specialty pharmacy management
- Expanding prior authorization
- Intensifying pharmacy management program
- Adding Part D Employer Group Waiver Plans (EGWPs) for Medicare-eligible retirees
- Expanding step therapy programs
Current Trends in Quality of Care
California hospitals showed improvement in the timely and effective delivery of care for heart attack and heart failure patients.

Preventable adverse events reported at California hospitals increased each year from 2009 to 2013.

The Quality of Care

- All-cause hospital readmission rates varied by payer.
- Some portion of hospital readmissions may be prevented by better discharge planning and coordination of care.
- Hospital readmission rates varied by the race/ethnicity from a high of nearly 18% for African Americans to a low of 13% for Whites.

The Quality of Care

• From 2008 to 2012, California experienced a dramatic decline in the maternal mortality rate through 42 days, which dropped to a 13-year low of 6.2 in 2012.

• However, this strong decline was not seen when monitoring maternal deaths that occurred within one year of childbirth.


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Most, healthcare consumers are not yet making research-based decisions.

Few consumers research costs or even the number of providers they can choose among.

Only 22% of the participants said that they ask about cost before going to a doctor or other healthcare provider.

Half still said that their doctor’s recommendation was the key factor that influenced their decision about where to seek care.

Current Trends in Health
Health & Health Promotion

Prevalence of Overweight or Obese Teens
by Income Level, California, 2003 and 2011/12

Source: California Healthcare Foundation, Nov 2015
• A smaller percentage of Californians were obese compared to the national average in 2013.

• California also had a lower prevalence of some chronic conditions such as arthritis, COPD, and coronary heart disease.

• However, California and the US had similar rates of adults with asthma or diabetes.

Source: California Healthcare Foundation, Nov 2015
Health & Health Promotion

Cancer Incidence and Mortality, by Race/Ethnicity, Gender
California, 2011

- Cancer incidence and mortality rates varied across racial and ethnic groups in California.
- While White women had the highest overall cancer incidence rate in 2011, African American women had the highest mortality rate.
- Among men, African Americans had the highest incidence and mortality rates.
- Asians/Pacific Islanders had the lowest incidence and mortality rates for both men and women.

Source: California Healthcare Foundation, Nov 2015
Acknowledgements

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  National Center for Health Statistics
- Centers for Medicare & Medicaid,
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Thank you, and take care
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