

Driving Value through a Deeper Understanding

Trend

April 28, 2022

Introductions

1







My clients are _____.



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My practice area is _____.



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I've been practicing for _____.

< 2 yrs

2-5 yrs

5-10 yrs

10-15 yrs

15+ yrs

Total Results: 0

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One word that best describes your life outside of work

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Trend

2



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Text **CHARLIEP566** to **22333** once to join, then **A, B, C, or D**

How would you respond if you were asked to list and define the major drivers of healthcare trend?

What's "trend"? **A**

Are there more than two? **B**

I could probably come up with something fairly close **C**

I'm basically a trend expert **D**

Total Results: 0

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When we talk about "trend" what kind of trend do we mean?

Allowed trend

Paid trend

Underwriting trend

It could mean any one of the three depending on the context and what it's being used for

Total Results: 0

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Which of these are trend drivers?

Unit cost
Utilization
Severity (morbidity and large claims)
Mix (services and providers)
Demographics (gender, age and family composition)
Enrollment
Plans and benefits
Risk Margin
All of the above

Total Results: 0

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Which driver primarily impacts paid trend?

Unit cost

Utilization

Severity (morbidity and large claims)

Mix (services and providers)

Demographics (gender, age and family composition)

Enrollment

Plans and benefits

Risk Margin

Total Results: 0

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Plans and benefits

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What driver is unique to underwriting trend?

Unit cost

Utilization

Severity (morbidity and large claims)

Mix (services and providers)

Demographics (gender, age and family composition)

Enrollment

Plans and benefits

Risk Margin

Total Results: 0

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Plans and benefits

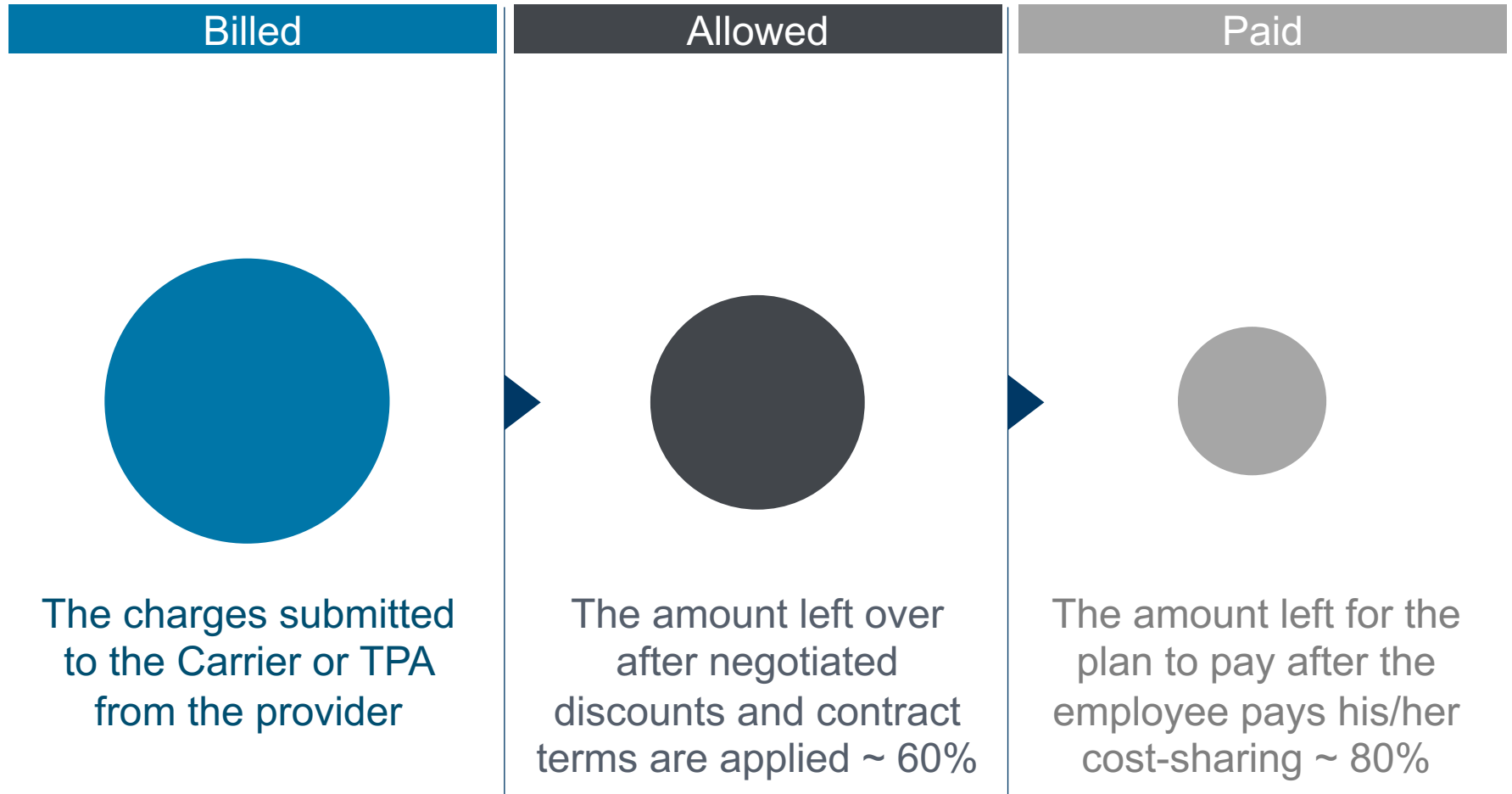
Risk Margin

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Billed vs. allowed vs. paid

What's the difference?



Allowed Trend

Unit cost trend

Utilization trend

Severity

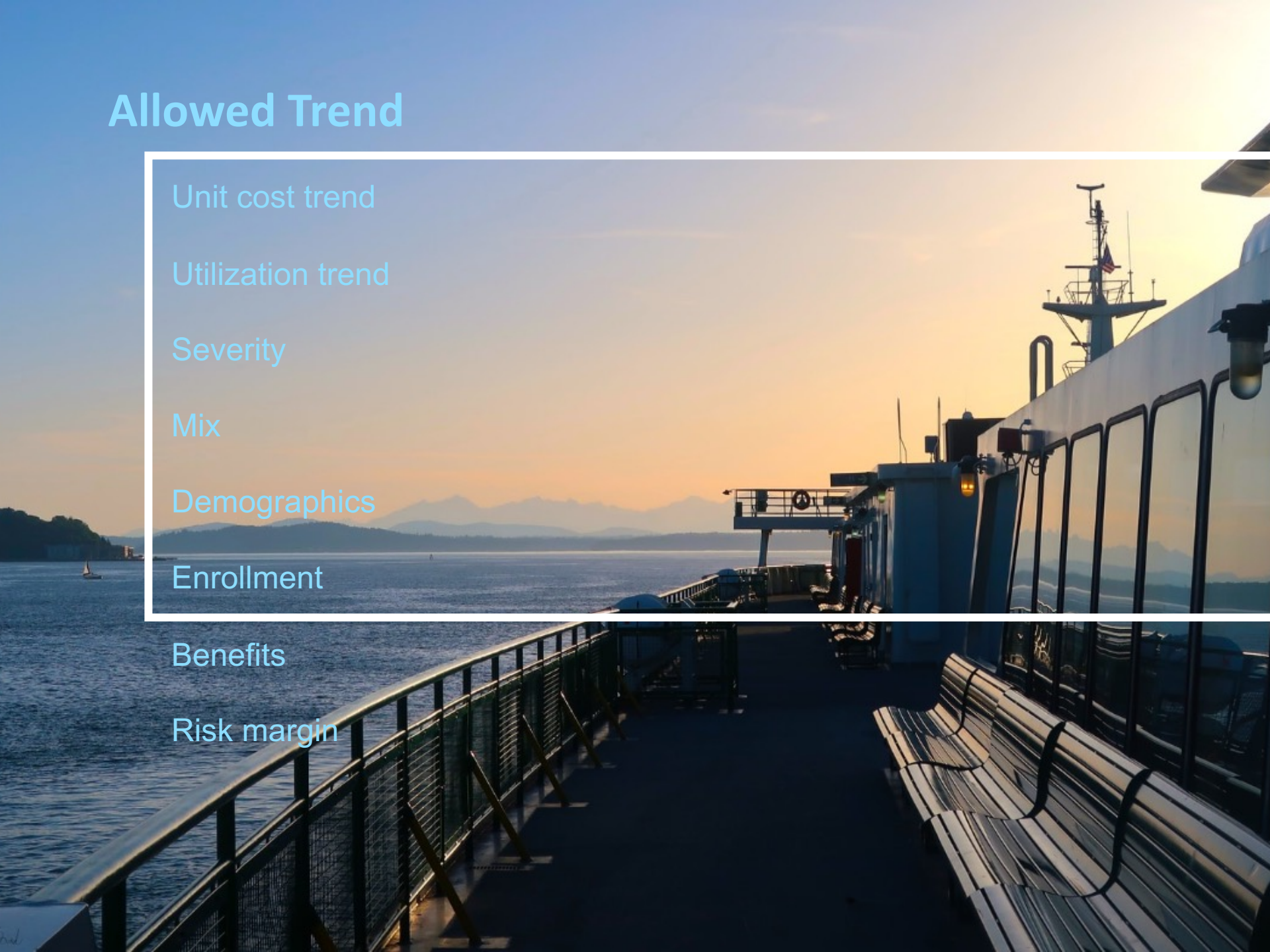
Mix

Demographics







Enrollment

Benefits

Risk margin



Unit cost

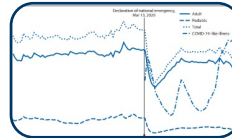
Concept	Examples	During COVID
<ul style="list-style-type: none">✓ Change in price✓ Completely identical✓ Measurement period✓ Contracts<ul style="list-style-type: none">• 1-3 yrs• “Regular inflation”• Hospital financials• Medicare• Mandates – surprise billing	     	<h3 data-bbox="1406 334 1721 382">During COVID</h3> <ul style="list-style-type: none">✓ To the provider, yes✓ Payment mandates✓ Contracts protect <h3 data-bbox="1425 715 1702 763">After COVID</h3> <ul style="list-style-type: none">✓ Upward pressure✓ Contracts protect in short-term✓ Carriers get creative✓ Efficiency gains?

Utilization

Concept

- ✓ Change in how many being used
- ✓ Per thousand
- ✓ Measurement period
- ✓ Constant basket
 - Individual item
 - Collection of same items

Examples



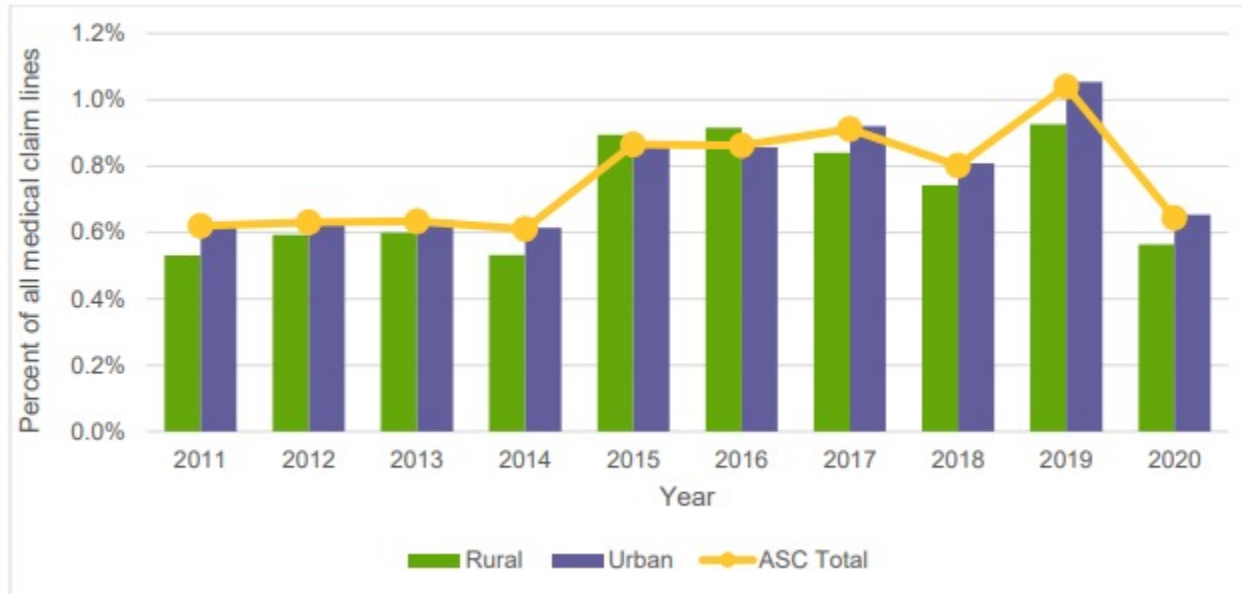
During COVID

- ✓ Varied by service
- ✓ Forgone vs. deferred care
- ✓ Rise of telehealth
- ✓ New COVID services

After COVID

- ✓ Temporary vs. permanent
- ✓ Pent-up demand
- ✓ COVID costs as cushion

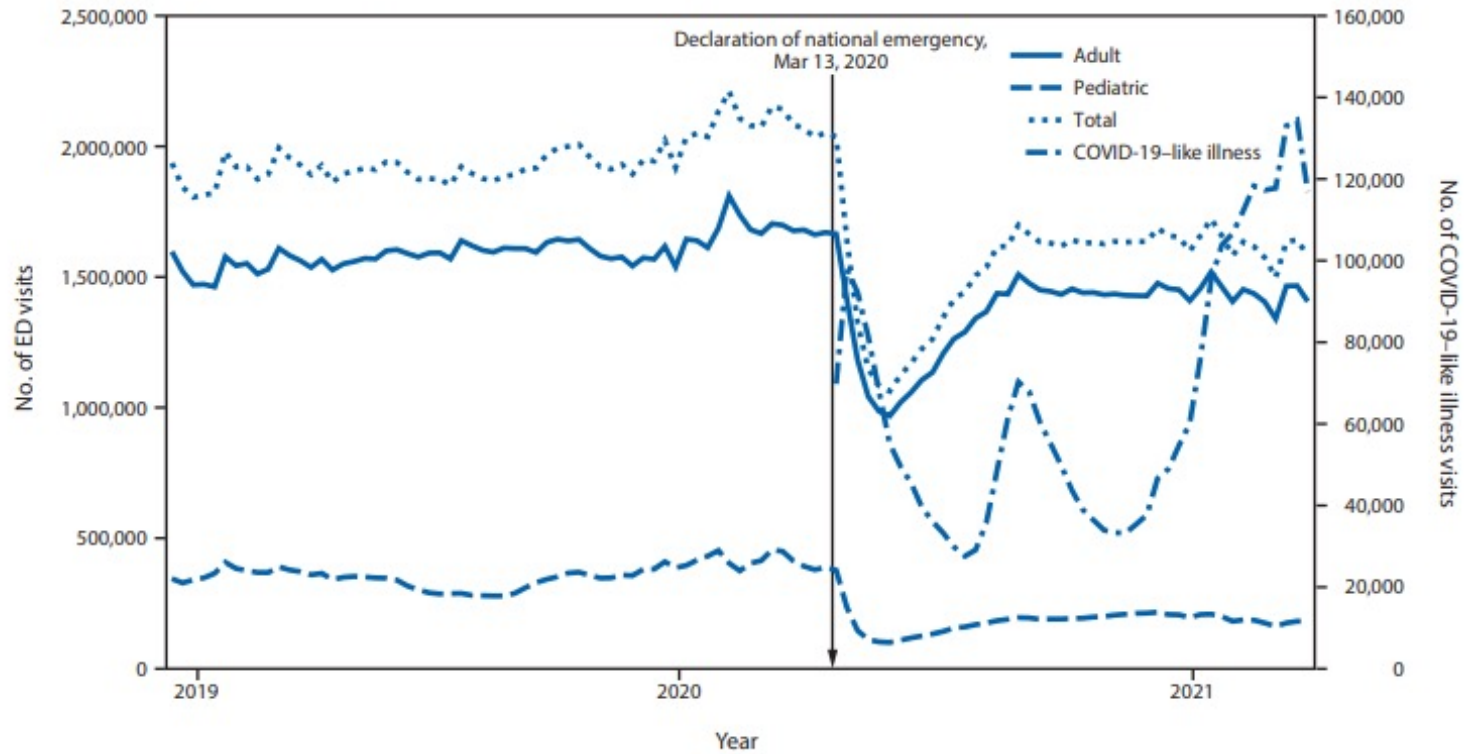
Ambulatory Surgery Center utilization – Decrease in 2020



[FH Healthcare Indicators and FH Medical Price Index 2022--A FAIR Health White Paper.pdf](#)

ED utilization decrease permanent?

FIGURE. Weekly number of total,^a adult,[†] and pediatric[§] emergency department (ED) visits and COVID-19-like illness visits — National Syndromic Surveillance Program, United States,[¶] December 30, 2018–January 16, 2021



[Update: COVID-19 Pandemic–Associated Changes in Emergency Department Visits — United States, December 2020–January 2021 \(cdc.gov\)](#)

Telehealth utilization – 2015 - 2020

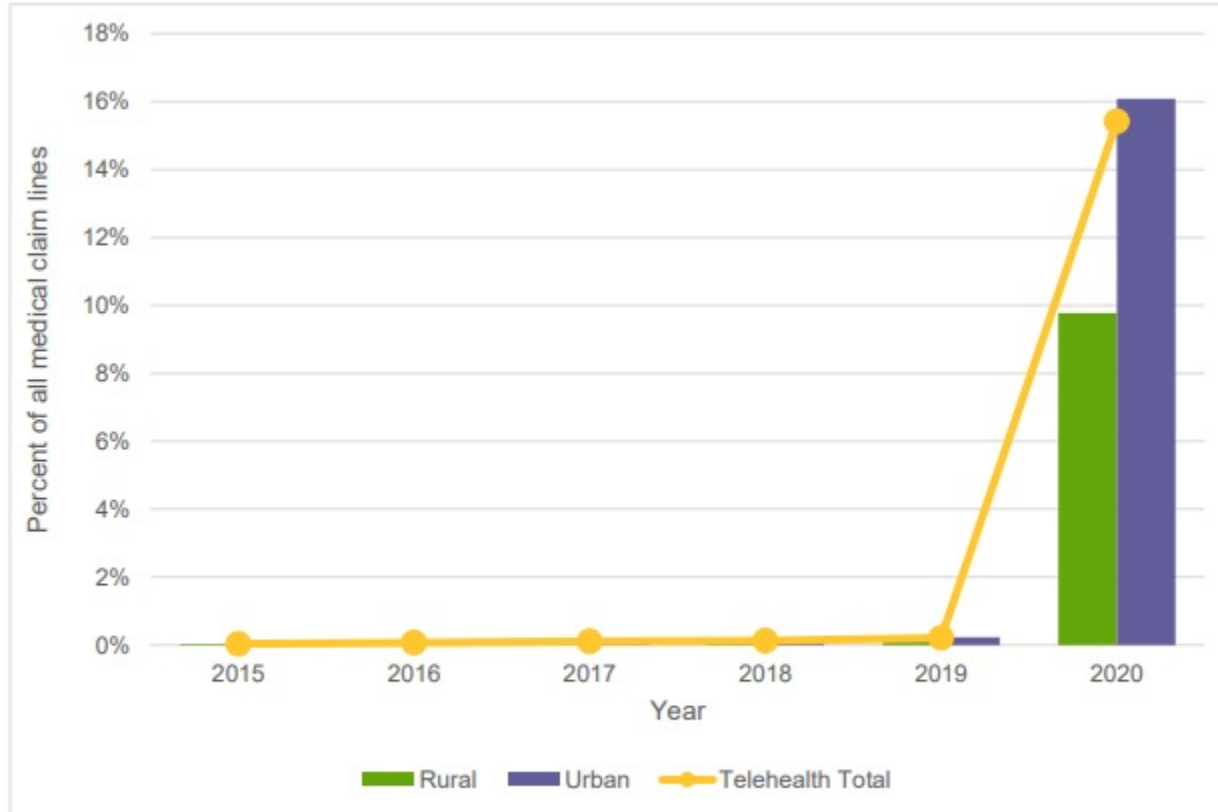


Figure 20. Claim lines with telehealth usage as a percentage of all medical claim lines by rural, urban and national settings, 2015-2020

Telehealth utilization – 2015 - 2020

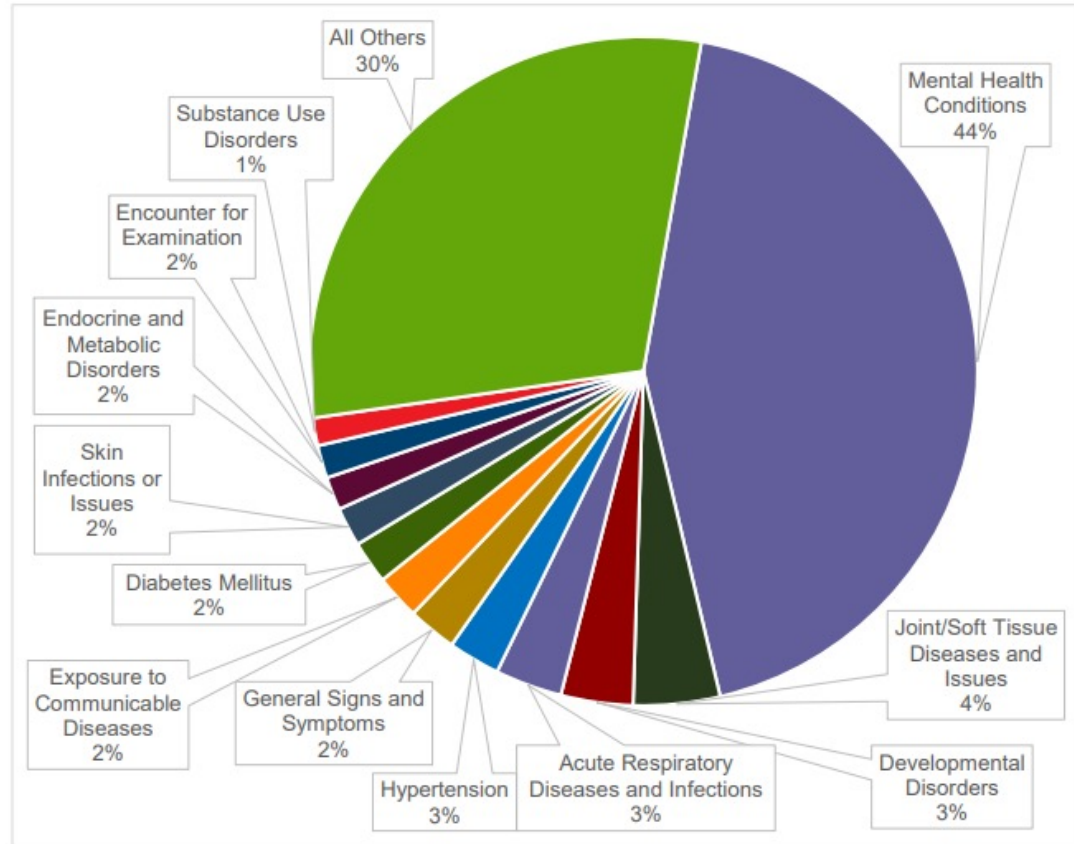


Figure 24. Distribution of claim lines with telehealth usage by diagnostic category, 2020

Severity

Concept

- ✓ Change in underlying morbidity (also billing)
- ✓ Diagnosis codes – frequency and complexity
- ✓ Procedure codes – frequency and complexity
- ✓ Chronic vs. acute
- ✓ Large claims

Examples



During COVID

- ✓ COVID
- ✓ Mental health concerns
- ✓ Unhealthy behaviors

After COVID

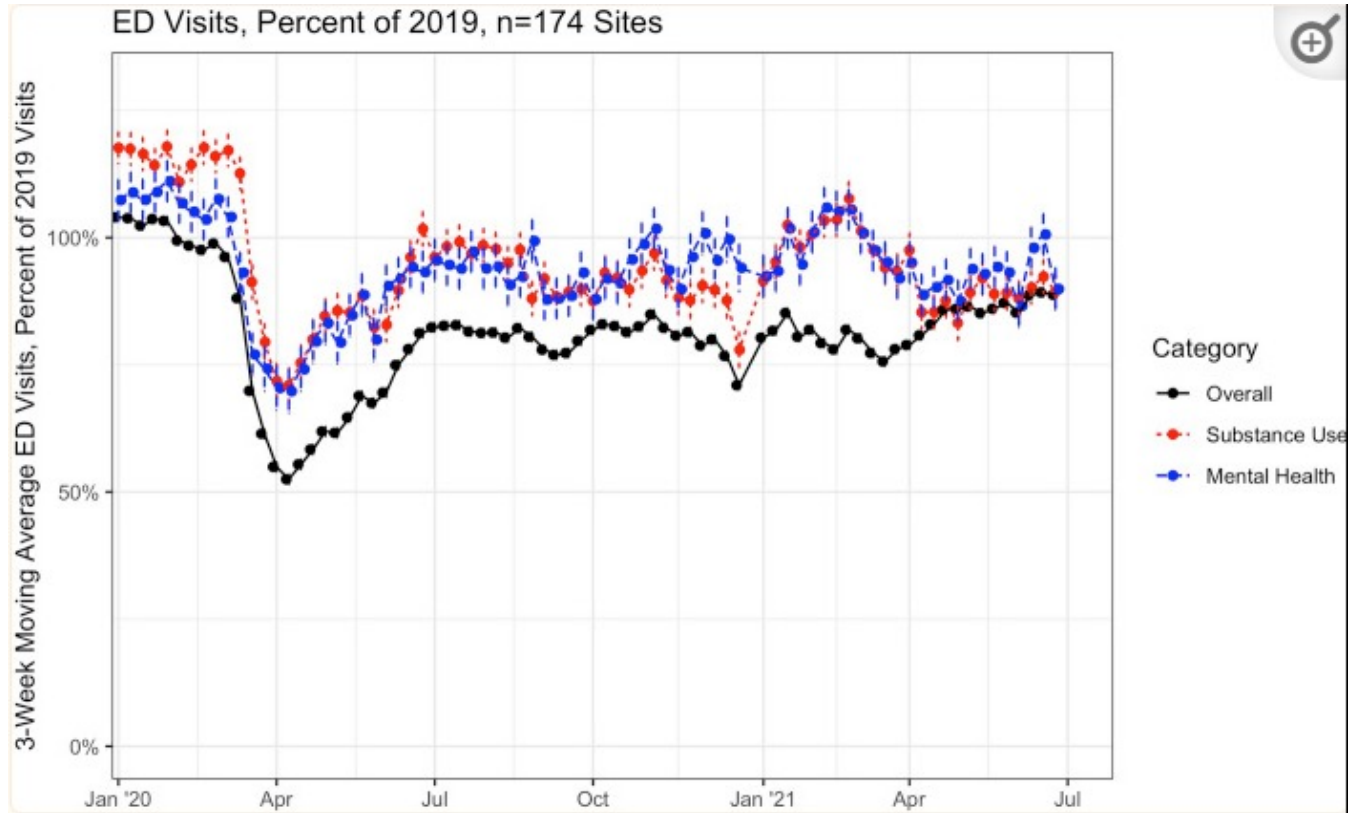
- ✓ Higher stage disease?
- ✓ Increased prevalence?
- ✓ Large claims
- ✓ Long COVID?

Mix

Concept	Examples	During COVID
<ul style="list-style-type: none">✓ Existing service gets replaced with a higher or lower cost service✓ New service gets introduced✓ Innovation and technology	     	<p data-bbox="1271 394 1850 725">During COVID</p> <ul style="list-style-type: none">✓ Huge swings✓ New tests, vaccines✓ New treatment costs✓ Telehealth <p data-bbox="1271 725 1850 796">After COVID</p> <ul style="list-style-type: none">✓ New normal – ED, BH, Telehealth✓ Return to normal – get through rocky patch on way

[FDA Approves Cyltezo, the First Interchangeable Biosimilar to Humira | FDA](#)

ED mix change



[Emergency department utilization for substance use disorders and mental health conditions during COVID-19 - PMC \(nih.gov\)](#)

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Pro Question: Which trend driver is the biggest target of value-based care?

Unit cost

Utilization

Severity

Mix

Total Results: 0

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Calculators out, team-up



Scenario 1: cost trend for Bachelor View Clinic

		2020			2021			2022		
		Quantity	Unit Price	Total cost	Quantity	Unit Price	Total cost	Quantity	Unit Price	Total cost
Volume	Unit									
	Patients seen	5,000			7,500			7,500		
Administrative	Unit									
Reception	FTE	4	\$55,000	\$220,000	2	\$55,000	\$110,000	2	\$66,000	\$132,000
Billing	FTE	1	\$65,000	\$65,000	0	\$65,000	\$0	1	\$78,000	\$78,000
Coding	FTE	1	\$75,000	\$75,000	1	\$75,000	\$75,000	1	\$90,000	\$90,000
Clinical	Unit									
Physician	FTE	4	\$300,000	\$1,200,000	2	\$300,000	\$600,000	4	\$360,000	\$1,440,000
Physician's Assistant	FTE	8	\$125,000	\$1,000,000	4	\$125,000	\$500,000	4	\$150,000	\$600,000
Phlebotomist		1	\$85,000	\$85,000	0	\$85,000	\$0	1	\$102,000	\$102,000
Physical therapist		1	\$135,000	\$135,000	2	\$135,000	\$270,000	3	\$162,000	\$486,000
Psychologist		1	\$150,000	\$150,000	4	\$150,000	\$600,000	2	\$180,000	\$360,000
Psychiatrist								4	\$250,000	\$1,000,000
Sub-total Staff		21	\$139,524	\$2,930,000	15	\$143,667	\$2,155,000	22	\$194,909	\$4,288,000
Supplies	Unit									
Nitrile Gloves	Pack of 2,000	1	\$234	\$234	4	\$549	\$2,197	6	\$714	\$4,284
Latex Gloves	Pack of 100	80	\$12	\$982	280	\$17	\$4,639	160	\$20	\$3,181
Procedural Mask	Pack of 500	9	\$65	\$582	10	\$139	\$1,391	11	\$193	\$2,127
KN95 Masks	Pack of 50	10	\$17	\$173	15	\$66	\$987	120	\$95	\$11,448
Face shields	Pack of 100	50	\$52	\$2,611	90	\$256	\$23,028	25	\$297	\$7,420
Disposable Syringes	Pack of 10	1,500	\$4	\$5,314	2,000	\$6	\$12,400	1,000	\$8	\$8,060
Disinfecting Wipes	Bag of 110	10	\$26	\$262	20	\$64	\$1,278	13	\$75	\$981
Hand Sanitizer	1,200 mL cartridge	12	\$67	\$805	12	\$78	\$934	12	\$107	\$1,289
Sub-total Supplies				\$10,963			\$46,854			\$38,789
Grand total				\$2,940,963			\$2,201,854			\$4,326,789

Which supply expense had the greatest *unit cost* increase from 2020 to 2021?

Disposable syringes

Nitrile gloves

Face shields

Total Results: 0

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What was the primary driver of the decrease in total expenses from 2020 to 2021?

Fewer patients

Decrease in unit cost

Fewer staff

Total Results: 0

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(In reference to previous question) This is an example of which trend driver?

Unit cost

Utilization

Severity

Mix

Total Results: 0

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In 2021, the clinic employed 4 psychologists. In 2022, they replaced 2 psychologists with 4 psychiatrists. This change illustrates what 3 trend drivers?

Unit cost, utilization, mix

Utilization, mix, severity

Unit cost, mix, severity

Total Results: 0

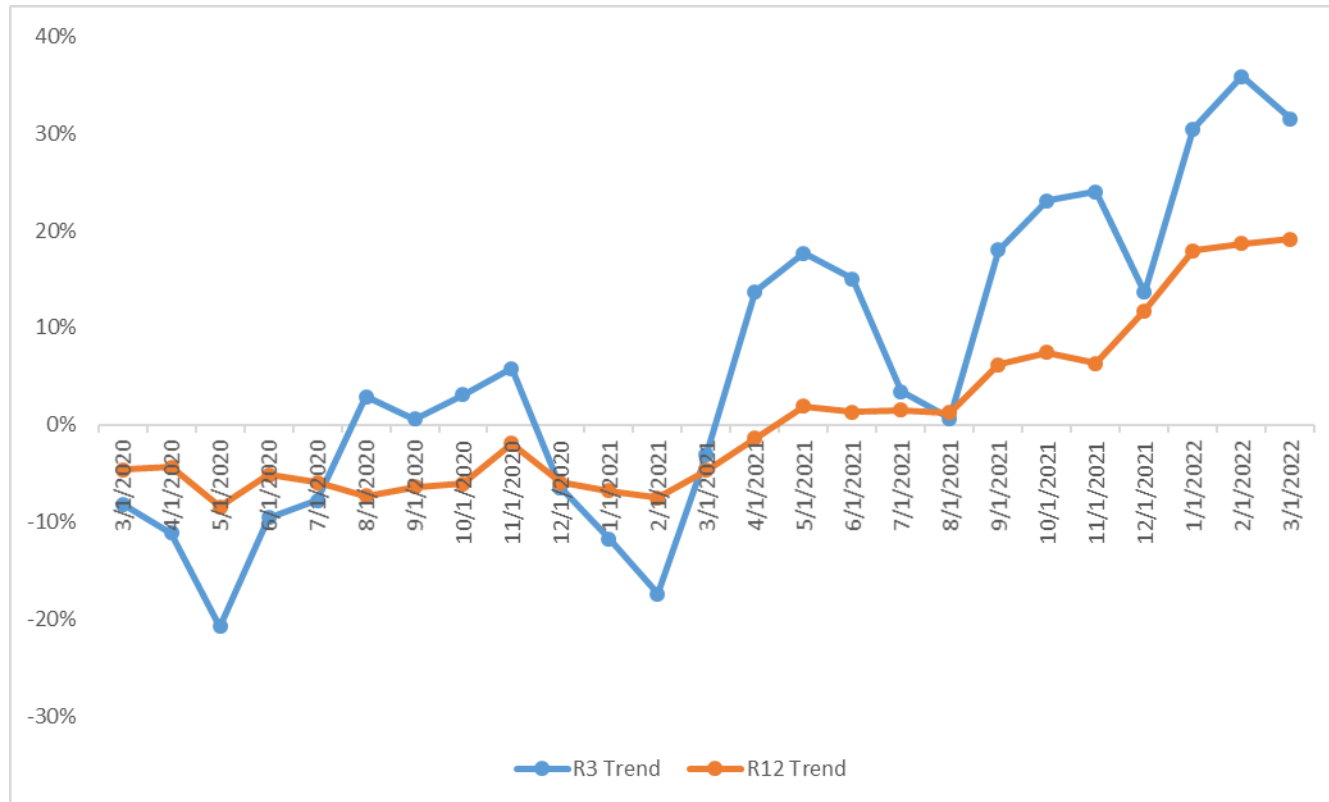
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Unit cost, utilization, mix

Utilization, mix, severity

Unit cost, mix, severity

Scenario 2: Bachelor View Clinic's runaway medical trend



Bachelor View Clinic Experience by month

Month	Paid		R3 Trend	R12	
	PEPM	R3		R12	Trend
3/1/2020	\$450	\$452	-8.2%	\$549	-4.6%
4/1/2020	\$434	\$443	-11.1%	\$543	-4.3%
5/1/2020	\$537	\$474	-20.8%	\$529	-8.4%
6/1/2020	\$537	\$503	-9.6%	\$536	-5.1%
7/1/2020	\$559	\$544	-7.8%	\$532	-5.9%
8/1/2020	\$689	\$594	2.9%	\$534	-7.3%
9/1/2020	\$540	\$596	0.6%	\$538	-6.4%
10/1/2020	\$614	\$614	3.1%	\$537	-6.0%
11/1/2020	\$570	\$575	5.8%	\$543	-1.9%
12/1/2020	\$507	\$563	-6.5%	\$529	-5.9%
1/1/2021	\$378	\$484	-11.7%	\$521	-6.8%
2/1/2021	\$420	\$435	-17.4%	\$518	-7.5%
3/1/2021	\$518	\$438	-3.0%	\$524	-4.7%
4/1/2021	\$573	\$504	13.7%	\$535	-1.4%
5/1/2021	\$582	\$558	17.6%	\$539	1.9%
6/1/2021	\$500	\$578	15.1%	\$543	1.3%
7/1/2021	\$526	\$563	3.4%	\$540	1.5%
8/1/2021	\$688	\$698	0.7%	\$541	1.2%
9/1/2021	\$893	\$713	18.0%	\$571	6.2%
10/1/2021	\$688	\$715	23.0%	\$578	7.5%
11/1/2021	\$562	\$713	24.0%	\$577	6.3%
12/1/2021	\$668	\$640	13.6%	\$591	11.7%
1/1/2022	\$662	\$632	30.5%	\$614	17.9%
2/1/2022	\$441	\$590	35.8%	\$615	18.7%
3/1/2022	\$626	\$576	31.5%	\$624	19.1%



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Guess what trend driver is wreaking havoc on this group's recent experience?

Unit cost

Utilization

Severity

Mix

Total Results: 0

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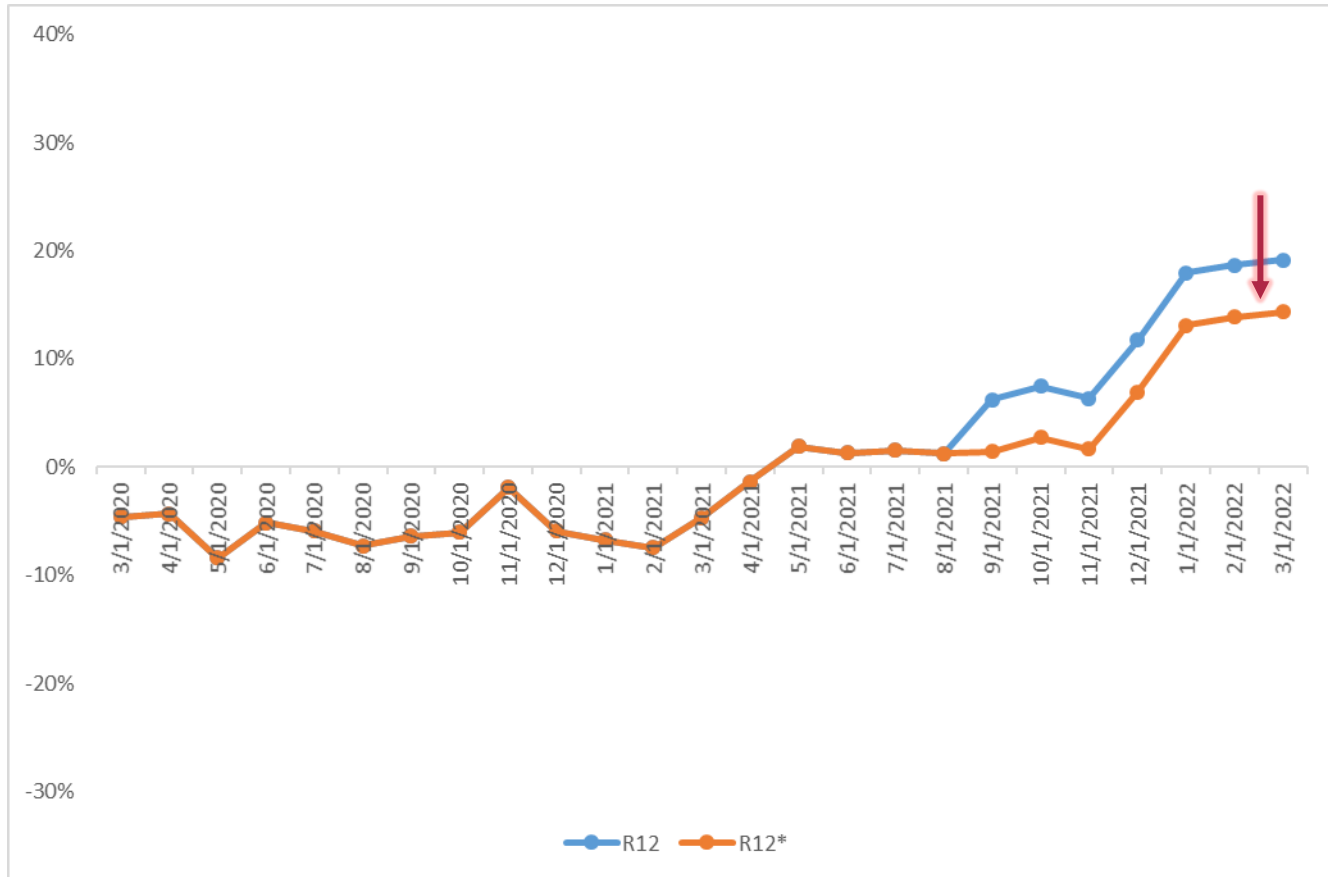
Severity

Mix







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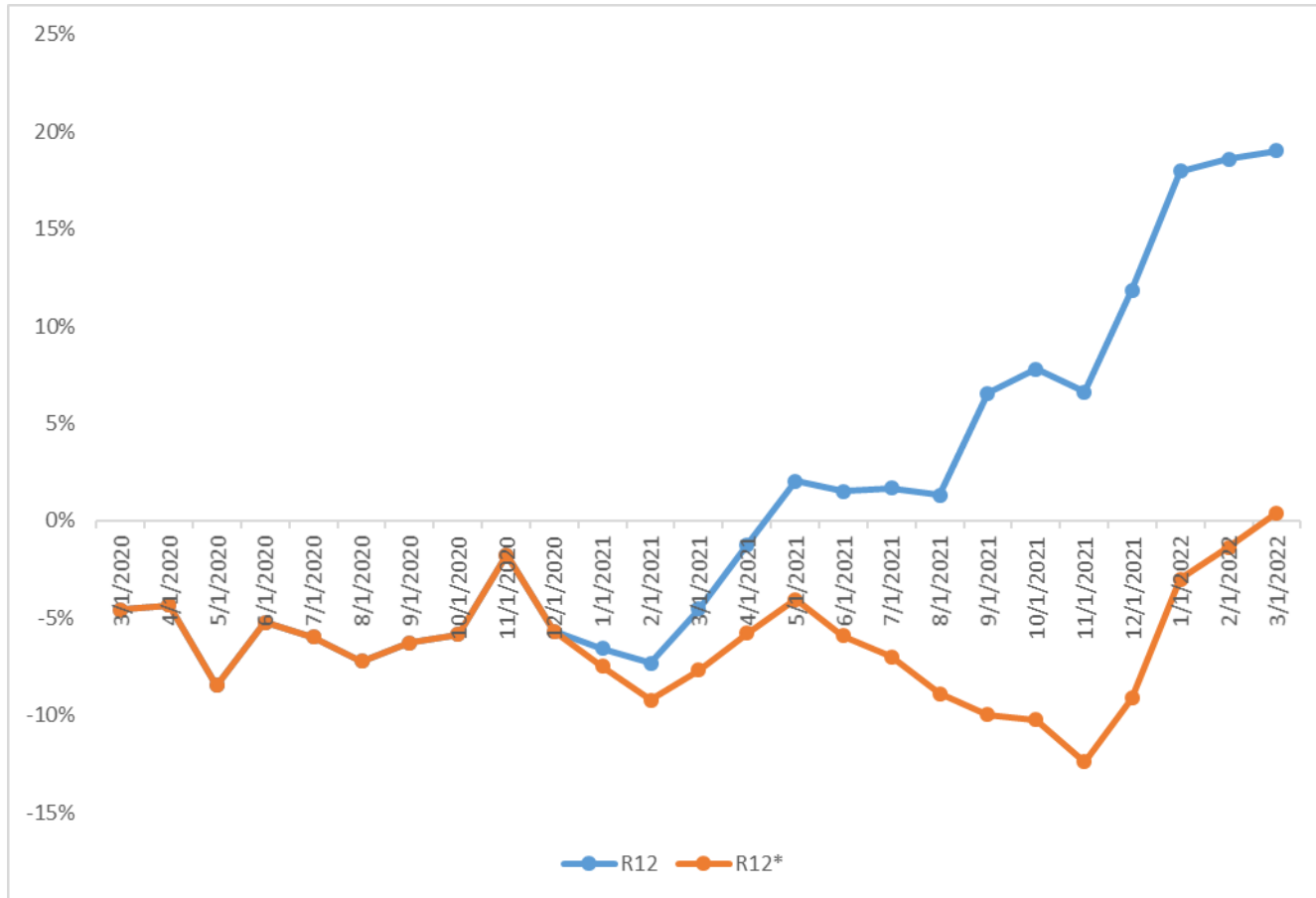
Scenario 2: R12 Trend w/ and w/out* Lg Claims



Demographics and enrollment

Concept	Examples	During COVID
<ul style="list-style-type: none">✓ Age, gender, family composition✓ Normal patterns, influenced by hiring / attrition✓ Dependents mitigate trend	     	<p data-bbox="1273 436 1852 472">During COVID</p> <ul style="list-style-type: none">✓ Industry / group-specific✓ Job loss✓ Family demands <p data-bbox="1273 743 1852 779">After COVID</p> <ul style="list-style-type: none">✓ Expansion of fertility / infertility benefits✓ Churn in workforce – replace losses w/ same demographic?

Scenario 3: 20% enrollment growth in 2021*



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How would an increasing member to subscriber ratio impact trend?

Increase trend

Suppress trend

No impact

Total Results: 0

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For a stable population without a lot of churn, what element of demographics would most impact trend?

Aging

Gender

Family composition

Total Results: 0

For a stable population without a lot of churn, what element of demographics would most impact trend?

Aging

Gender

Family composition

Paid Trend

Unit cost trend

Utilization trend

Severity

Mix

Demographics

Enrollment

Benefits

Risk margin



Benefits

Concept	Examples	During COVID													
<ul style="list-style-type: none">✓ Adding / removing plans✓ Increasing / decreasing deductibles✓ Adding / removing benefits✓ Normal patterns to maintain affordability to employer	<table border="1"><tbody><tr><td data-bbox="722 439 954 574"><i>Choice</i></td><td data-bbox="977 439 1209 574"><i>Contribution</i></td></tr><tr><td data-bbox="722 656 954 791"><i>Cost-sharing</i></td><td data-bbox="977 656 1209 791"><i>Point Solutions</i></td></tr><tr><td data-bbox="722 873 954 1008"><i>Mandates</i></td><td data-bbox="977 873 1209 1008"><i>Networks</i></td></tr></tbody></table>	<i>Choice</i>	<i>Contribution</i>	<i>Cost-sharing</i>	<i>Point Solutions</i>	<i>Mandates</i>	<i>Networks</i>	<table border="1"><thead><tr><th data-bbox="1273 394 1852 699">During COVID</th></tr></thead><tbody><tr><td data-bbox="1273 699 1852 773">✓ Waived cost-sharing</td></tr><tr><td data-bbox="1273 773 1852 848">✓ Minimal benefit changes</td></tr></tbody></table> <table border="1"><thead><tr><th data-bbox="1273 699 1852 773">After COVID</th></tr></thead><tbody><tr><td data-bbox="1273 773 1852 848">✓ Employee attraction / retention</td></tr><tr><td data-bbox="1273 848 1852 922">✓ Minimal benefit changes</td></tr><tr><td data-bbox="1273 922 1852 996">✓ If changes, richer</td></tr></tbody></table>	During COVID	✓ Waived cost-sharing	✓ Minimal benefit changes	After COVID	✓ Employee attraction / retention	✓ Minimal benefit changes	✓ If changes, richer
<i>Choice</i>	<i>Contribution</i>														
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Why HDHP trend 0.5% - 1.5% higher than LDHP

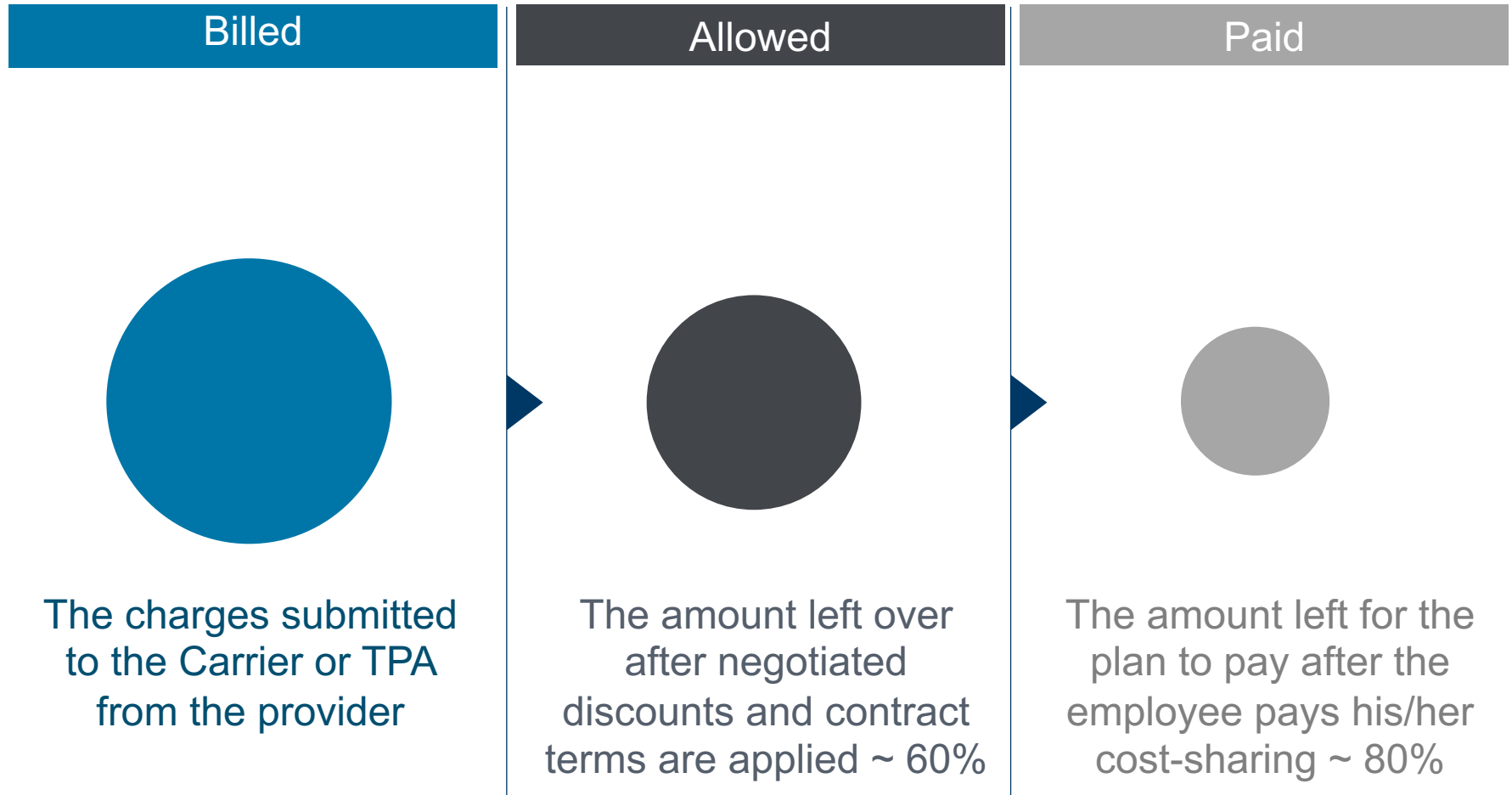
Claim	2021			2022			2022		
	Total Allowed	EE Paid	Plan Paid	Total Allowed	Employee	Employer	Total Allowed	Employee	Employer
1	\$17,209	\$3,500	\$13,709	\$18,242	\$3,500	\$14,742	\$18,242	\$3,650	\$14,592
2	\$6,541	\$2,108	\$4,433	\$6,933	\$2,187	\$4,747	\$6,933	\$2,275	\$4,659
3	\$11,694	\$3,139	\$8,555	\$12,396	\$3,279	\$9,117	\$12,396	\$3,367	\$9,029
4	\$3,583	\$1,517	\$2,066	\$3,798	\$1,560	\$2,238	\$3,798	\$1,648	\$2,150
5	\$12,754	\$3,351	\$9,403	\$13,519	\$3,500	\$10,019	\$13,519	\$3,592	\$9,927
6	\$23,747	\$3,500	\$20,247	\$25,172	\$3,500	\$21,672	\$25,172	\$3,650	\$21,522
7	\$15,926	\$3,500	\$12,426	\$16,882	\$3,500	\$13,382	\$16,882	\$3,650	\$13,232
8	\$1,551	\$1,110	\$441	\$1,644	\$1,129	\$515	\$1,644	\$1,217	\$427
9	\$16,822	\$3,500	\$13,322	\$17,831	\$3,500	\$14,331	\$17,831	\$3,650	\$14,181
10	\$961	\$961	\$0	\$1,019	\$1,004	\$15	\$1,019	\$1,019	\$0
11	\$5,748	\$1,950	\$3,798	\$6,093	\$2,019	\$4,074	\$6,093	\$2,107	\$3,986
12	\$15,625	\$3,500	\$12,125	\$16,563	\$3,500	\$13,063	\$16,563	\$3,650	\$12,913
13	\$18,424	\$3,500	\$14,924	\$19,529	\$3,500	\$16,029	\$19,529	\$3,650	\$15,879
14	\$16,370	\$3,500	\$12,870	\$17,352	\$3,500	\$13,852	\$17,352	\$3,650	\$13,702
15	\$8,259	\$2,452	\$5,807	\$8,755	\$2,551	\$6,204	\$8,755	\$2,639	\$6,116
16	\$11,216	\$3,043	\$8,173	\$11,889	\$3,178	\$8,711	\$11,889	\$3,266	\$8,623
17	\$14,658	\$3,500	\$11,158	\$15,537	\$3,500	\$12,037	\$15,537	\$3,650	\$11,887
18	\$2,633	\$1,327	\$1,306	\$2,791	\$1,358	\$1,433	\$2,791	\$1,446	\$1,345
19	\$5,310	\$1,862	\$3,448	\$5,629	\$1,926	\$3,703	\$5,629	\$2,014	\$3,615
20	\$5,344	\$1,869	\$3,475	\$5,665	\$1,933	\$3,732	\$5,665	\$2,021	\$3,644
21	\$10,862	\$2,972	\$7,890	\$11,514	\$3,103	\$8,411	\$11,514	\$3,191	\$8,323
Total	\$225,237	\$55,660	\$169,577	\$238,751	\$56,725	\$182,026	\$238,751	\$59,000	\$179,752

6.0% 1.9% 7.3% 6.0% 6.0% 6.0%

Benefit:	\$1,000	Deductible	\$1,000	Deductible	\$1,110	Deductible
	20%	Coinsurance	20%	Coinsurance	20%	Coinsurance
	\$3,500	OOPM	\$3,500	OOPM	\$3,650	OOPM

**Pro question: What principle explains why
the employer's share of costs increased
7.3% more than total costs?**

Do you remember this slide?



Pro question: Do you know what aspect of benefits is reflected in allowed costs? Hint: it's also reflected in billed trend

Underwriting Trend

Unit cost trend

Utilization trend

Severity

Mix

Demographics

Enrollment

Benefits

Risk margin

Underwriting trend (used for rates / budgets)

Concept	During COVID
<ul style="list-style-type: none">✓ Related to allowed trend✓ Not related to allowed trend✓ Not group-specific✓ Slow to react✓ Forward looking✓ Includes 2-3% margin	<ul style="list-style-type: none">✓ Didn't reduce trend for claims drop✓ May have <i>increased</i> trend for risk
	After COVID
	<ul style="list-style-type: none">✓ May add 0.5% - 1.5% additional margin for risk✓ So 6-8% depending✓ Macroeconomic factors

Strategies

2



Strategies



Plan Design

Coinsurance-focused plan designs pass trend increases on to employees vs. copay-style plans protect them

Benefits that have adapted to new ways of delivering care – coverage of telehealth, digital testing / diagnostics

At-home care?



Financials

Prepare clients for higher trends 2022 – 2025

Build in explicit additional margin into underwriting trends 0.5% - 1.5% maybe more depending on client's risk tolerance

Understand how your client's industry / geography was impacted by COVID – might be different than what you're reading

Understand that high trends in 2021 were largely a result of coming out of a low 2020



Services

Keep an eye on your employee's health when it comes to heart disease, diabetes, mental health and substance use disorders

Do your current treatment options provide adequate access? Do they reach all different populations?

Are you leveraging leading-edge diagnostics / therapeutics? At-home testing, at-home diagnostic tools, remote monitoring, biometrics, symptom reporting

Education, education, education – no point in having services your members don't know about or don't know how to access

Closing



When poll is active, respond at pollev.com/charliep566

Text **CHARLIEP566** to **22333** once to join

Did you learn at least 1 thing today?

Yes

No

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What was the most interesting thing you learned today (assuming "trend" is interesting)?

What will you take back to your clients?

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