CHBRP Approach to Cost Impact Analysis

California Health Benefits Review Program

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What Is Cost Impact Analysis?

➢ Cost Impact Analysis answers:

  1. Will more enrollees <u>have coverage</u> for benefit/treatment?

  2. How will <u>utilization change</u> now that the benefit/treatment is covered?

  3. What is the <u>marginal/incremental cost increase</u> as a result of increased coverage?

➢ First, CHBRP develops a baseline cost model.

Establishing a Baseline

➢ How many people in CA have state-regulated coverage

➢ What are total health expenditures?
  - Premiums
  - Cost-sharing (copayments, deductibles)

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Sources for CHBRP Baseline Estimates

Snapshot of State Population	• California Health Interview Survey
Health Coverage at CA Firms	• California Employer Health Benefits Survey
Cost of Treatments/ Services	• Milliman/actuarial claims data
What does Health Insurance provide?	• Ad hoc surveys of health insurers
What does Health Insurance cost?	• California Employer Health Benefits Survey
What do public programs do?	• Administrative data from state agencies

Elements of CHBRP's Bill-Specific Cost Impact Analysis

	Premandate (Baseline)	Postmandate (Marginal Change)
Benefit Coverage	How many currently have coverage for the relevant treatments/services?	How many individuals would be newly covered?
Utilization	Are enrollees using the treatment/service now?	Will demand increase/decrease/ stay the same with coverage?
Expenditures	What are current premiums, enrollees expenses associated with the treatments/services?	Marginal increase/decrease associated with the proposed mandate

Example: Mandate for Tobacco Cessation Coverage

➢ Mandated coverage for:
- Counseling
- Over-the-counter drugs
- Prescription drugs

➢ No cost-sharing

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Elements of CHBRP's Bill-Specific Cost Impact Analysis

	Premandate (Baseline)	Postmandate (Marginal Change)
Benefit Coverage	How many currently have coverage for the treatments/services?	How many individuals would be newly covered?

Tobacco Cessation: Benefit Coverage

	Pre-mandate	Post-mandate	Marginal Change
Counseling	79.4%	100%	Increase 20.6%
OTC Drugs	21.5%	100%	Increase 78.5%
Prescription Drugs	23.5%	100%	Increase 76.5%

Elements of CHBRP's Bill-Specific Cost Impact Analysis

	Premandate (Baseline)	**Postmandate** (Marginal Change)
Benefit Coverage	How many currently have coverage for the treatments/services?	How many individuals would be newly covered?
Utilization	Are enrollees using the treatment/service now?	Will demand increase/decrease/ stay the same with coverage?

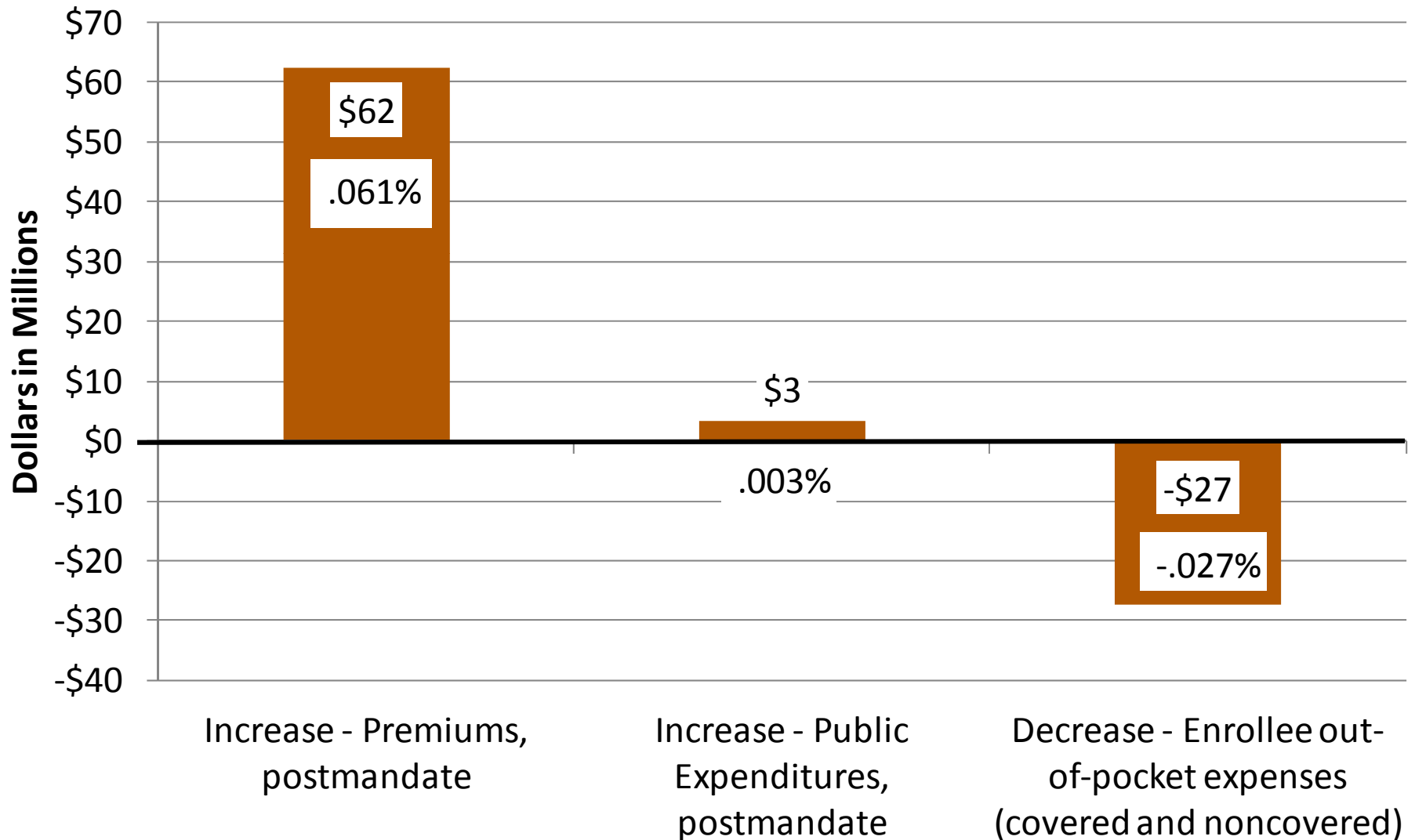# Marginal Change in Utilization of One or More Tobacco Cessation Treatments

Use premandate, 304,000 , 2%

Do not use, 21,494,000 , 98%

Additional users, postmandate, 83,000 , 0.4%
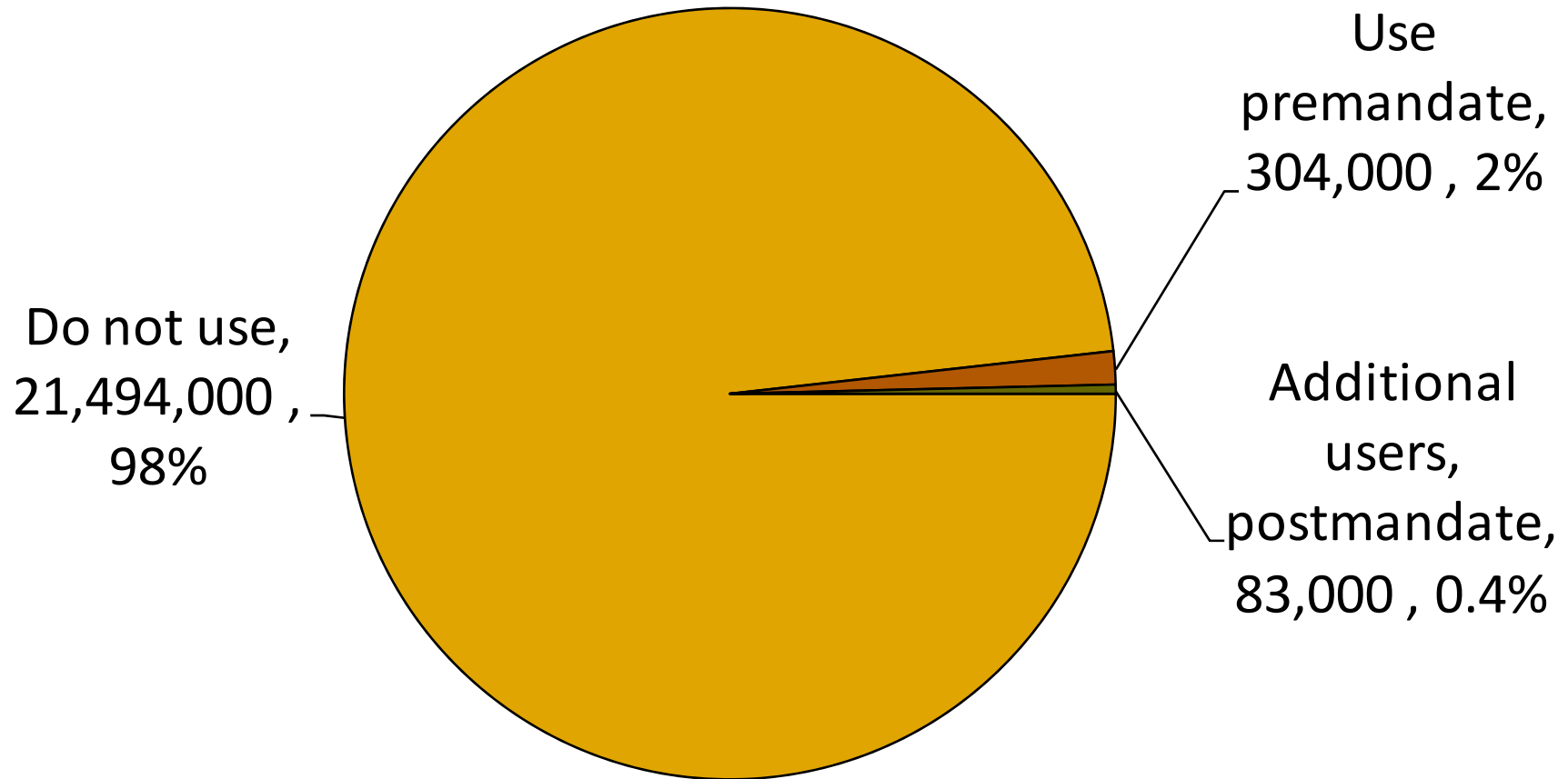
Total state-regulated enrollee population = 21.9 million

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Elements of CHBRP's Bill-Specific Cost Impact Analysis

	Premandate (Baseline)	**Postmandate** (Marginal Change)
Benefit Coverage	How many currently have coverage for the treatment/service?	How many individuals would be newly covered?
Utilization	Are enrollees using the treatment/service now?	Will demand increase/decrease/stay the same with coverage?
Expenditures	What are current premiums, enrollees expenses associated with the treatment/service?	Marginal increase/decrease associated with the proposed mandate

Change in Total Expenditures Resulting from Tobacco Cessation Mandate

Dollars in Millions

$70		
$60	**$62**	
$50	**.061%**	
$40		
$30		
$20		
$10		**$3**
$0		**.003%**
-$10		**-$27**
-$20		**-.027%**
-$30		
-$40		

Increase - Premiums, postmandate

Increase - Public Expenditures, postmandate

Decrease - Enrollee out-of-pocket expenses (covered and noncovered)

Change in All Health Insurance Expenditures, Postmandate

Total Expenditures, Premandate, $102.83 billion

Net Change, Total Expenditures, Postmandate, $0.038 billion
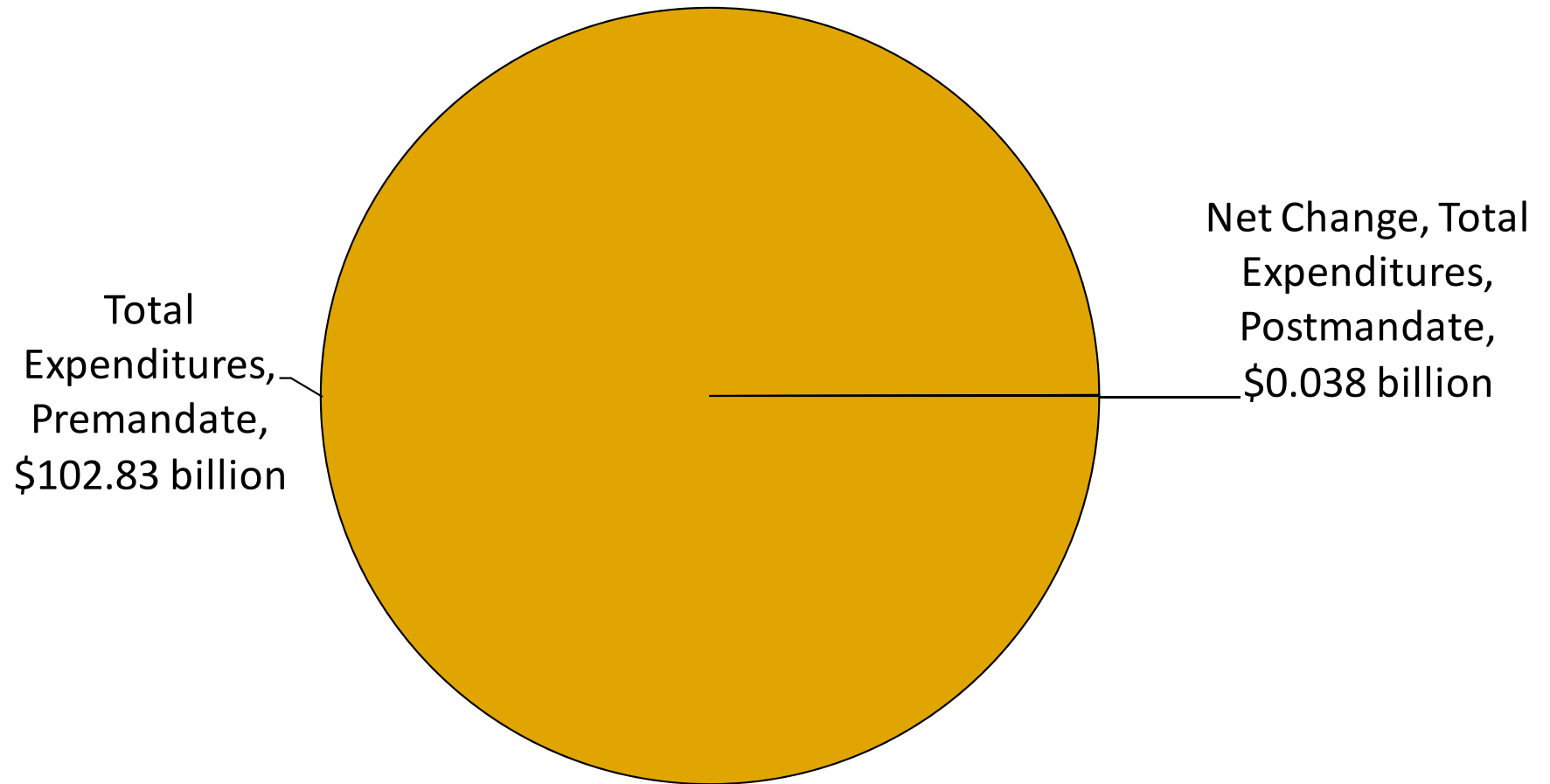
Total Premiums + Enrollee Expenses, Postmandate = $102.9 billion

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Conclusions

➤ Actuarial models are useful for teasing out marginal effects of benefit mandates on a tight timeline.

➤ Ad hoc carrier surveys can contribute critical data to help inform analyses.

  ▪ Cultivate/maintain relationships with stakeholders.

Outline

➢ Brief overview of private health insurance in US and CA

➢ What are benefit mandates?

➢ Overview of CHBRP

➢ Medical Effectiveness analysis approach

➢ Benefit Coverage, Cost, Utilization analytical approach

➢ **Public Health analysis approach**

➢ Takeaways

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