CHBRP Benefit Coverage, Cost, and Utilization (Cost)

California Health Benefits Review Program

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Cost Impact Analysis

Per our authorizing statute, CHBRP addresses the following for each proposed mandate:

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

2. How will utilization change if the benefit/treatment is covered?

3. What is the marginal/incremental change in cost as a result of the change in coverage and change in utilization of the benefit/treatment?
Step 1: Establishing a Baseline Population and Premium Model

Before estimating the marginal impacts, CHBRP develops a baseline.

CHBRP’s Baseline Model estimates:

- **Enrollees**: How many people in CA have state-regulated health insurance
- **Expenditures**: What are total health expenditures?
  - Premiums
  - Cost-sharing (copayments, deductibles)
  - Non-covered expenses
Sources for CHBRP 2014 Baseline Estimates

**Snapshot of state population**
- California Health Interview Survey

**Health insurance at CA firms**
- California Employer Health Benefits Survey

**What does health insurance cost?**
- California Employer Health Benefits Survey
- Survey of 7 largest carriers (97% of market)

**Enrollment in public programs**
- Administrative information from state agencies
## Bill-Specific Adjustments to Model Cost Impact

<table>
<thead>
<tr>
<th></th>
<th>Step 2: Premandate (Baseline)</th>
<th>Step 3: Postmandate (Marginal Change)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Benefit Coverage</strong></td>
<td>How many are <em>currently covered</em> for the relevant treatments/services?</td>
<td>How many would be <em>newly covered</em>?</td>
</tr>
<tr>
<td><strong>B. Utilization</strong></td>
<td>Are enrollees <em>using</em> the treatment/service <em>now</em>?*</td>
<td>Will demand/utilization <em>change</em> if enrollees have coverage?</td>
</tr>
<tr>
<td></td>
<td><em>Regardless of whether they have coverage</em></td>
<td></td>
</tr>
<tr>
<td><strong>C. Expenditures</strong></td>
<td>What are <em>current total costs</em> associated with the treatments/services?</td>
<td>What is the <em>marginal change</em> in costs resulting from change in coverage and utilization?</td>
</tr>
</tbody>
</table>
Table 1 Summarizes CHBRP Model Findings

Table 1. AB 1738 Impacts on Benefit Coverage, Utilization, and Cost, 2012

<table>
<thead>
<tr>
<th>Benefit Coverage</th>
<th>Before Mandate</th>
<th>After Mandate</th>
<th>Increase/Decrease</th>
<th>Change After Mandate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total enrollees with health insurance subject to state-level benefit mandates(a)</td>
<td>21,882,000</td>
<td>21,882,000</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total enrollees with health insurance subject to AB 1738</td>
<td>21,882,000</td>
<td>21,882,000</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Number of Enrollees with Counseling Coverage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No coverage</td>
<td>3,765,607</td>
<td>0</td>
<td>-3,765,607</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Coverage, with cost sharing</td>
<td>735,467</td>
<td>0</td>
<td>-735,467</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Full coverage, no cost sharing</td>
<td>17,380,926</td>
<td>21,882,000</td>
<td>4,501,074</td>
<td>25.9%</td>
</tr>
<tr>
<td>Number of Enrollees with OTC Drug Coverage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No coverage</td>
<td>8,417,064</td>
<td>0</td>
<td>-8,417,064</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Coverage, with cost sharing</td>
<td>8,757,726</td>
<td>0</td>
<td>-8,757,726</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Full coverage, no cost sharing</td>
<td>4,707,211</td>
<td>21,882,000</td>
<td>17,174,789</td>
<td>364.9%</td>
</tr>
</tbody>
</table>

Number of Enrollees with Prescription
Example: Tobacco Cessation

A. Benefit Coverage

<table>
<thead>
<tr>
<th></th>
<th>Pre-mandate</th>
<th>Post-mandate</th>
<th>Marginal Change in Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over-the-counter Drugs</td>
<td>21.5%</td>
<td>100%</td>
<td>+ 78.5%</td>
</tr>
</tbody>
</table>
B. Marginal Change in Utilization of One or More Tobacco Cessation Treatments (TCTs)

Total enrollees in state-regulated health insurance = 21.9 million

- Use of TCTs premandate: 304,000 (2%)
- Additional TCT users, postmandate: +83,000 (+0.4%)
- Do not use TCTs: 21,494,000 (98%)
C. Change in Total Expenditures from Tobacco Cessation Mandate

- Increase - Premiums, postmandate
  - Increase: +$62M, +.061%
- Increase - Public Expenditures, postmandate
  - Increase: + $3M, + .003%
- Decrease - Enrollee out-of-pocket expenses (covered and noncovered)
  - Decrease: -$27M, -.027%
C. Change in All Health Insurance Expenditures, Post Tobacco Cessation Treatment Mandate

Total Expenditures, Premandate, $102.83 billion

Net Change, Total Expenditures, Postmandate, $0.038 billion

Total Premiums + Enrollee Expenses, Postmandate = $102.9 billion
Conclusions

- The Affordable Care Act (ACA) changes the baseline estimates.

- CHBRP estimates the **marginal change** in utilization or total expenditures.

- Estimates reflect costs one year post enactment.