Approach to Cost Impact Analysis

California Health Benefits Review Program

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Conceptual Approach

- Develop a baseline population-based health insurance coverage and cost model.
- Estimate the *incremental* or *marginal* cost impact of new benefit(s).
- Estimate the *incremental* or *marginal* cost of repealing mandates.
Data

- California Employer Health Benefits Survey
- California Health Interview Survey
- Milliman Health Care Cost Guidelines
- Ad hoc surveys of health plans and insurers
- Administrative data from state agencies
Health Insurance by Funding Type

- **DMHC-regulated**
  - Publicly Funded: 5.5
  - Privately Funded: 13.5

- **CDI-regulated**
  - Publicly Funded: 3.7
  - Privately Funded: 2.9
  - Privately Funded: 3.1

- **Neither**
  - Publicly Funded: 3.1

- **None**
  - Uninsured: 5.1

Source: California Health Benefits Review Program, 2012
Core Elements of Cost Impact Analysis

- Determine the extent of existing coverage for the mandated benefit, and how many individuals would be newly covered.
- Estimate price and utilization, both before and after mandate, to determine the *incremental* or *marginal* impact of the mandate.
- Determine if there are significant offsets as a result of expanded coverage.
Current Coverage Estimate

- CHBRP surveys 7 largest insurers (95% of market) to determine extent of current coverage.
- Most insurers already cover benefits in a proposed mandate, subject to medical necessity.
- Query state regulators to assist in interpreting the bill language.
How Would the Proposed Mandate Change Coverage, Utilization, Cost?
Impact of the Mandate

- Benefit coverage
  - Increase? Decrease? Stay the same?

- Utilization
  - Increase? Decrease? Stay the same?

- Cost
  - Increase? Decrease? Stay the same? Shift to other payors?
Short Term vs. Long Term

- Primary results focus on a 12-month period.
- Certain mandates may have long-term impacts, for example, smoking cessation, vaccinations, diabetes management.
- In these cases, CHBRP presents long-term estimates from published sources.
- Summarize potential long-term impacts for every bill analysis.
# 2011 Benefit Mandate Bills: Summary of Premium and Expenditure Impacts

<table>
<thead>
<tr>
<th>BILL</th>
<th>Impacts on Total Premiums</th>
<th>Impacts on Total Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage of Total</td>
<td>PMPM</td>
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<tr>
<td></td>
<td>Premiums</td>
<td></td>
</tr>
<tr>
<td>AB 171 Autism (Beall)</td>
<td>0.3851%</td>
<td>$1.2864</td>
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<tr>
<td>AB 428 Fertility Preservation (Portantino)</td>
<td>0.0096%</td>
<td>$0.0322</td>
</tr>
<tr>
<td>SB 136 Tobacco Cessation (Yee)</td>
<td>0.0265%</td>
<td>$0.0884</td>
</tr>
<tr>
<td>SB 155 Maternity (Evans)</td>
<td>0.1270%</td>
<td>$0.4243</td>
</tr>
<tr>
<td>SB 166 Autism (Steinberg)</td>
<td>0.2534%</td>
<td>$0.8463</td>
</tr>
<tr>
<td>SB 255 Treatment of breast cancer: Lumpectomy (Pavley)</td>
<td>0.0000%</td>
<td>$0.0000</td>
</tr>
</tbody>
</table>
Principal Findings from Bills Analyzed in 2011

- Incremental or marginal impact of mandates ranged from $0 to $1.30 PMPM.
- Typically, a high proportion of individuals in the large-group market already have coverage for the mandated benefits, thus mitigating the total cost impact.
- Greatest impact tends to be concentrated in the small-group and individual (non-group) markets.
Challenges

- Understanding the bill’s intent and interpreting the bill language.
- Estimating the impact on covered populations in the absence of relevant data.
- Short term vs. long term cost impacts.
- Annual model updates.
- Upcoming changes due to the ACA and predicting a baseline for 2014.
Conclusions

- Actuarial models are useful for developing timely estimates of the effects of benefit mandates.
- Cost impacts vary among different market segments.
- Publicly funded programs could achieve greater understanding of a mandate’s marginal impact on costs using CHBRP’s methods.