

# OUT OF POCKET EXPENSES

Pool I

FY2010

Group Insurance Commission  
Commission Meeting

June 16, 2011



# OUT OF POCKET EXPENSES SUMMARY

- Out-of-Pocket Expenses have increased over the past five years. The biggest culprit – the rising cost of health care
- Cost Drivers:
  - Very sick patients (particularly SNF users)
  - Out-of-Network MH/SA services
  - Uncovered a systems issue relating to inpatient copayments which, when addressed, will reduce members' OOPEs
  - Staff working with health plans to address the latter two items
- Given PPACA and the findings of this report, members' out-of-pocket costs should be reduced significantly

# DEFINITIONS

- **OUT-OF-POCKET COST/EXPENSE:** The sum of a member's coinsurance, copayment, and deductible charges. Balance bills and the costs of services that are not covered are not included in out-of-pocket expenses.

The GIC's out-of-pocket expense data does not include the costs of members enrolled in fully-insured Medicare plans, because their data is not included in our claims database at this time

- **TOTAL COST OF HEALTH INSURANCE:** Premium cost for HMO plans, and actual expenditures (claims and administrative costs) for the self-insured plans (the Indemnity, PPO, and POS plans). It includes both appropriated funds and employees' and retirees' premium contributions

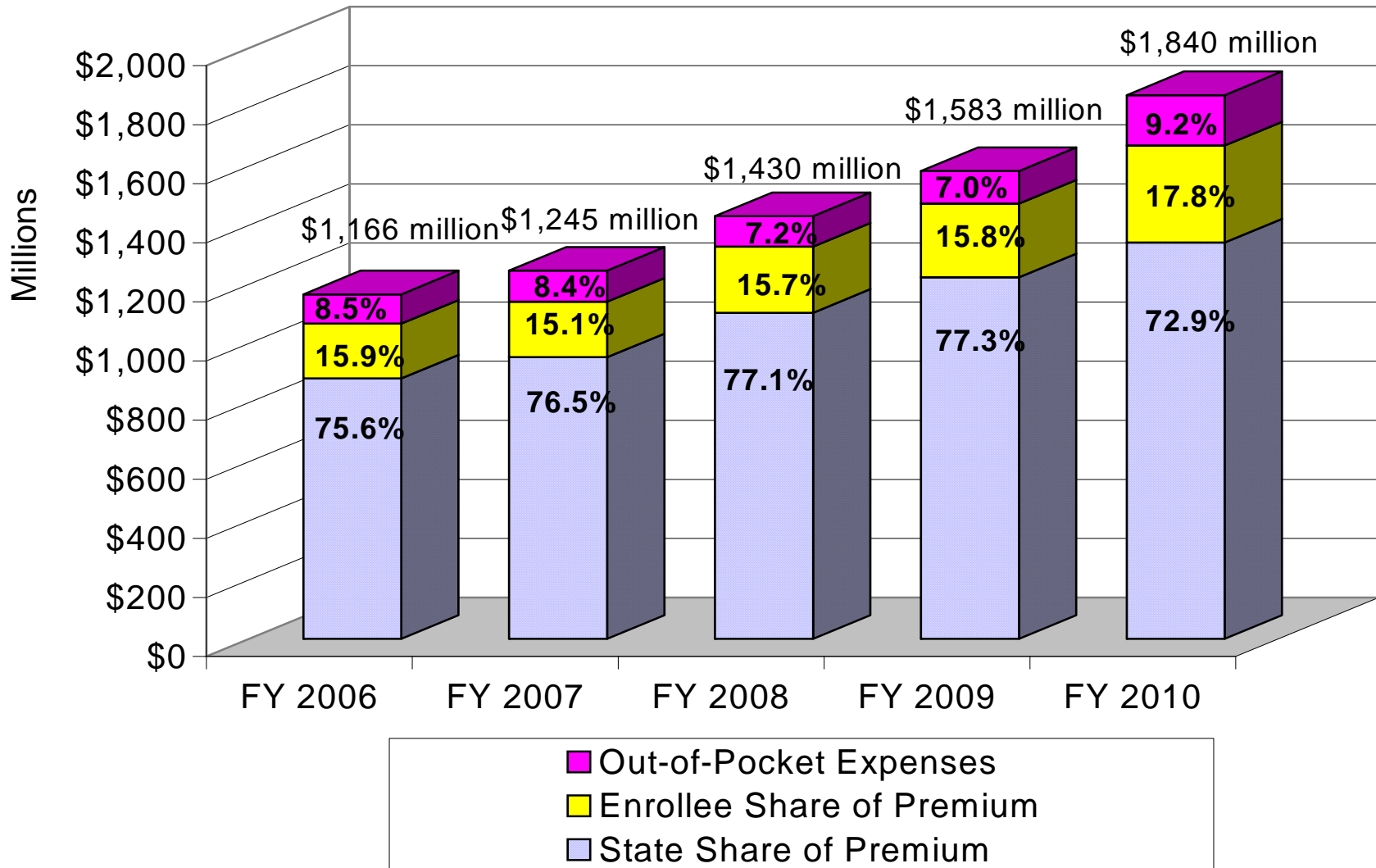
# DEFINITIONS (continued)

- TOTAL HEALTH EXPENDITURES =  
Total Cost of Health Insurance + Out-of-Pocket Costs
- FAMILIES: In this report, an employee or retiree and all of his or her covered dependents.
- ENROLLEES: Health insurance contract holders with the GIC. In most cases, enrollees are either employees, retirees, or survivors. However, people covered by a Medicare plan are counted as enrollees, even if they never worked for the Commonwealth, a municipality, or another entity (e.g. the Medicare-enrolled spouse of a retiree is considered an “enrollee”)
- LIVES/MEMBERS: Each person whose health insurance is provided by the GIC

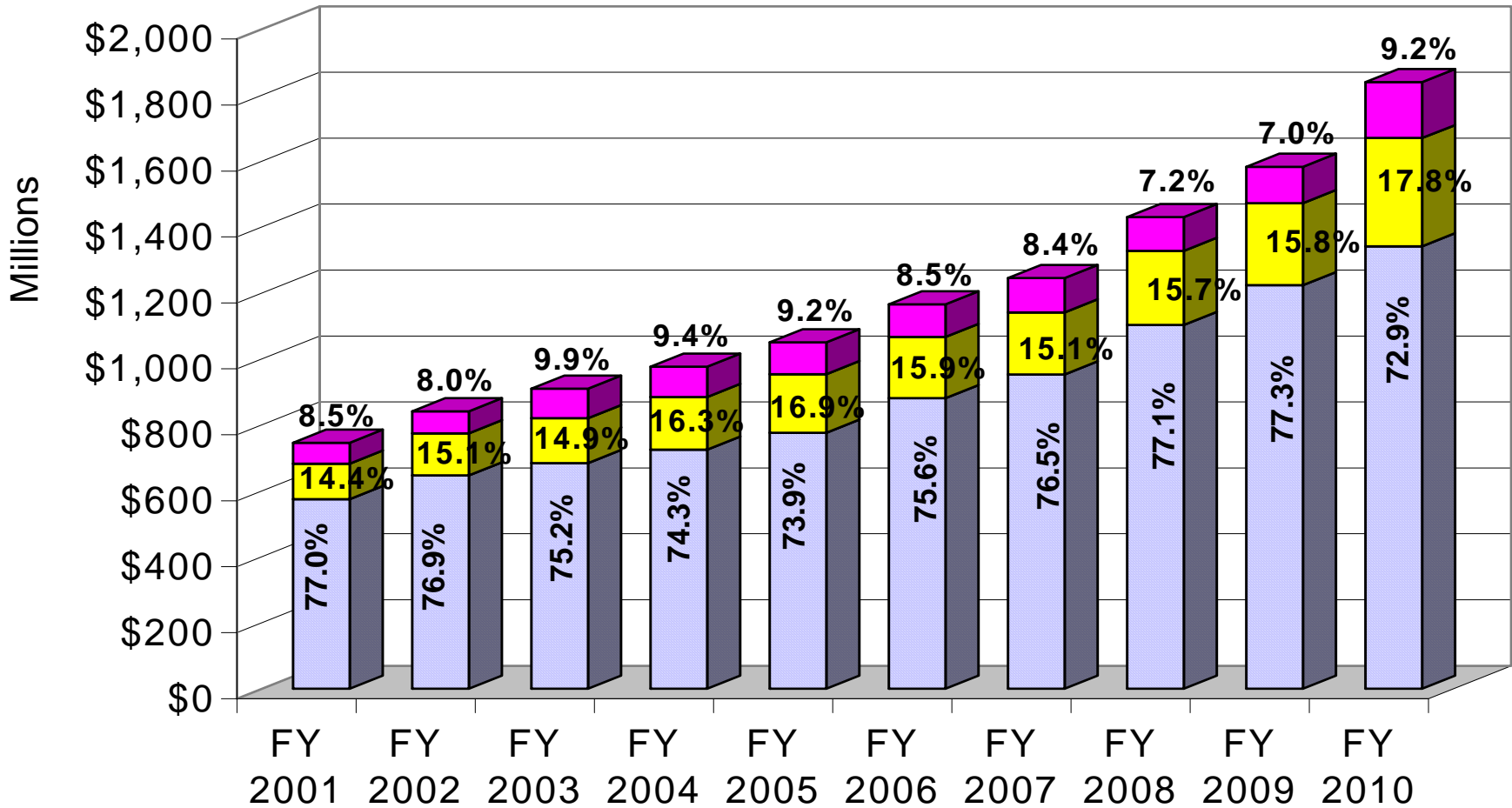
# TOTAL HEALTH EXPENDITURES

- GIC enrollees' *total health expenditures* (the state's and the enrollees' insurance costs and enrollees' out-of-pocket expenses), rose \$674 million, from \$1,166 million in FY2006 to \$1,840 million in FY2010 – an increase of 57.8 percent
- In FY2010, out-of-pocket expenses remain less than 10 percent of total health expenditures
- All types of GIC cost growth were partially driven by GIC enrollment increases from FY2007 - on (municipalities and other entities)
  - 11 additional municipalities joined in FY2010, resulting in a FY2010 municipal enrollment of 29,300
  - 4,100 sheriff and MassDOT enrollees joined mid-2010

# MEDICAL EXPENDITURES BY THE GIC AND ENROLLEES FY2006 – FY2010



# SHARE OF COSTS: GIC AND ENROLLEES FY2001 – FY2010



■ State Share of Premium    
 ■ Enrollee Share of Premium    
 ■ Out-of-Pocket Expenses

# SOURCES OF RECENT CHANGE IN OUT-OF-POCKET EXPENSES

INCREASES: February 2010 benefit changes

- Calendar year deductible implemented
- Modest copay changes

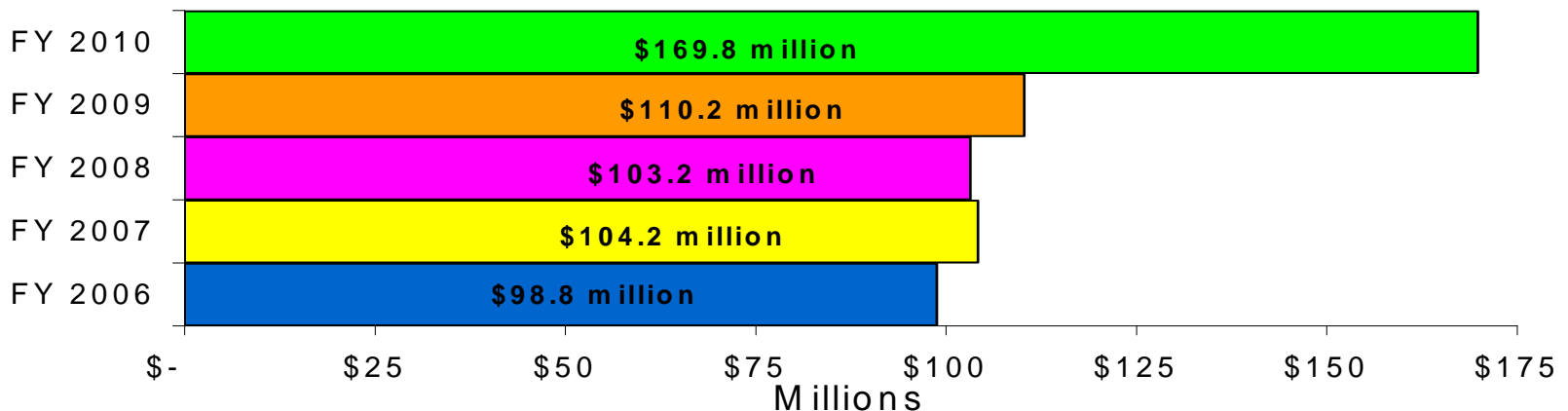
DECREASES: July 2011 PPACA implementation

- Member cost-sharing prohibited on preventive services (copays and deductibles)

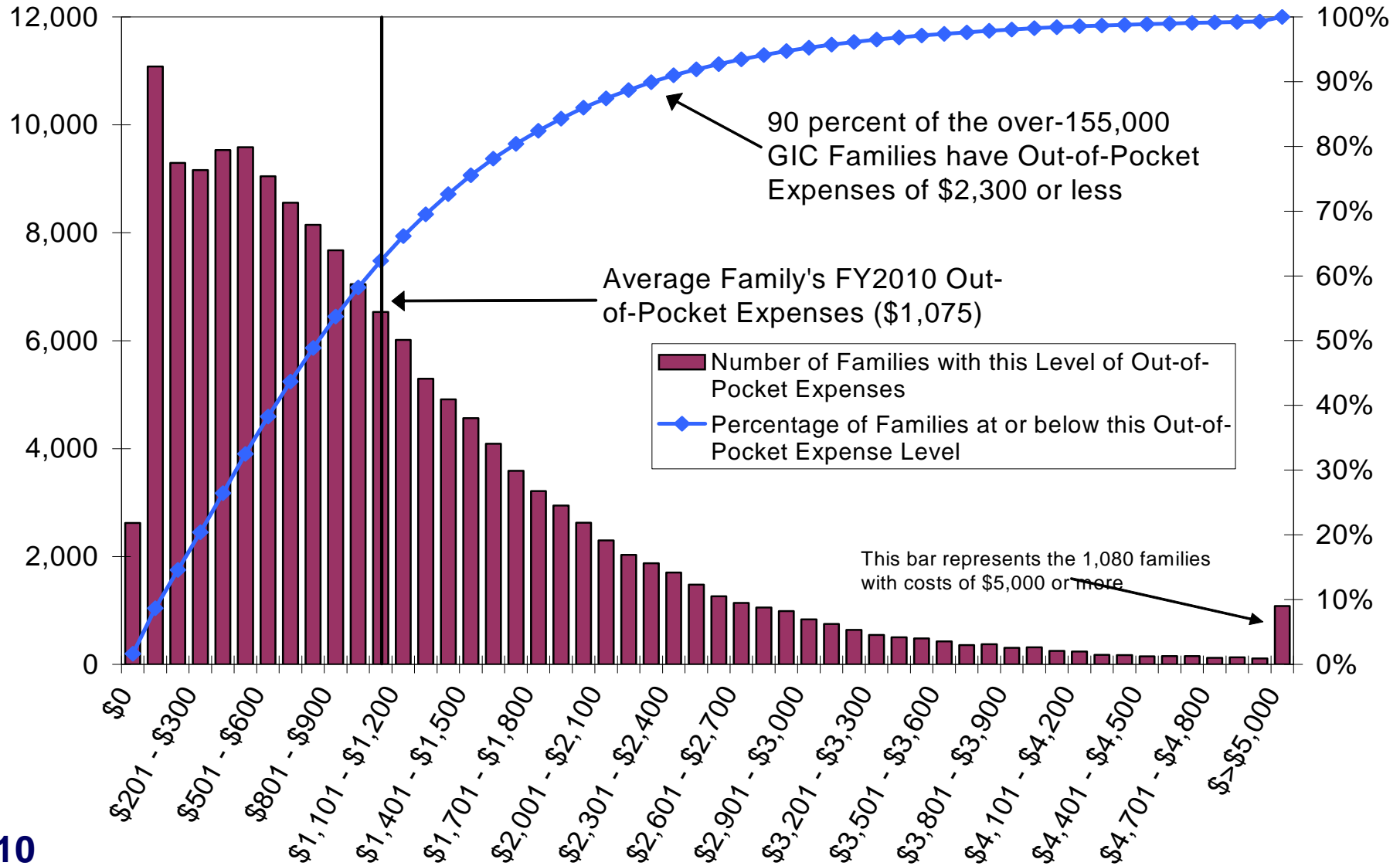


# OUT-OF-POCKET EXPENSES FY2006 – FY2010

- The average out-of-pocket expense per enrollee increased \$300 (42.6 percent), to \$1,020, in FY2010
- The overall FY2006 – FY2010 increase in out-of-pocket expenses was 71.9 percent (\$71.0 million), however, the GIC's 24.6 percent enrollment increase accounts for roughly a third of the increased out-of-pocket costs

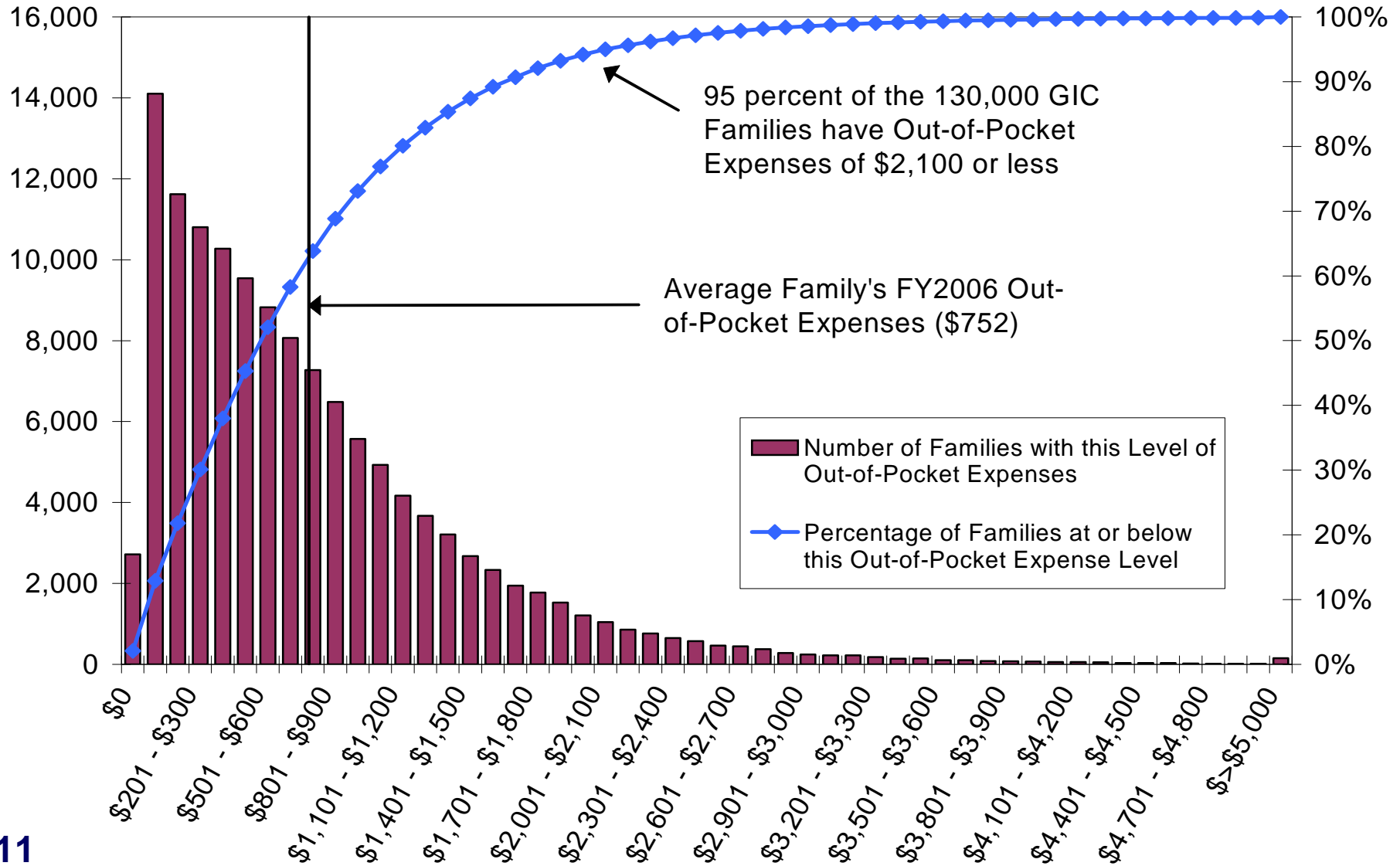


# FAMILIES' OUT-OF-POCKET EXPENSES FY2010



# FAMILIES' OUT-OF-POCKET EXPENSES

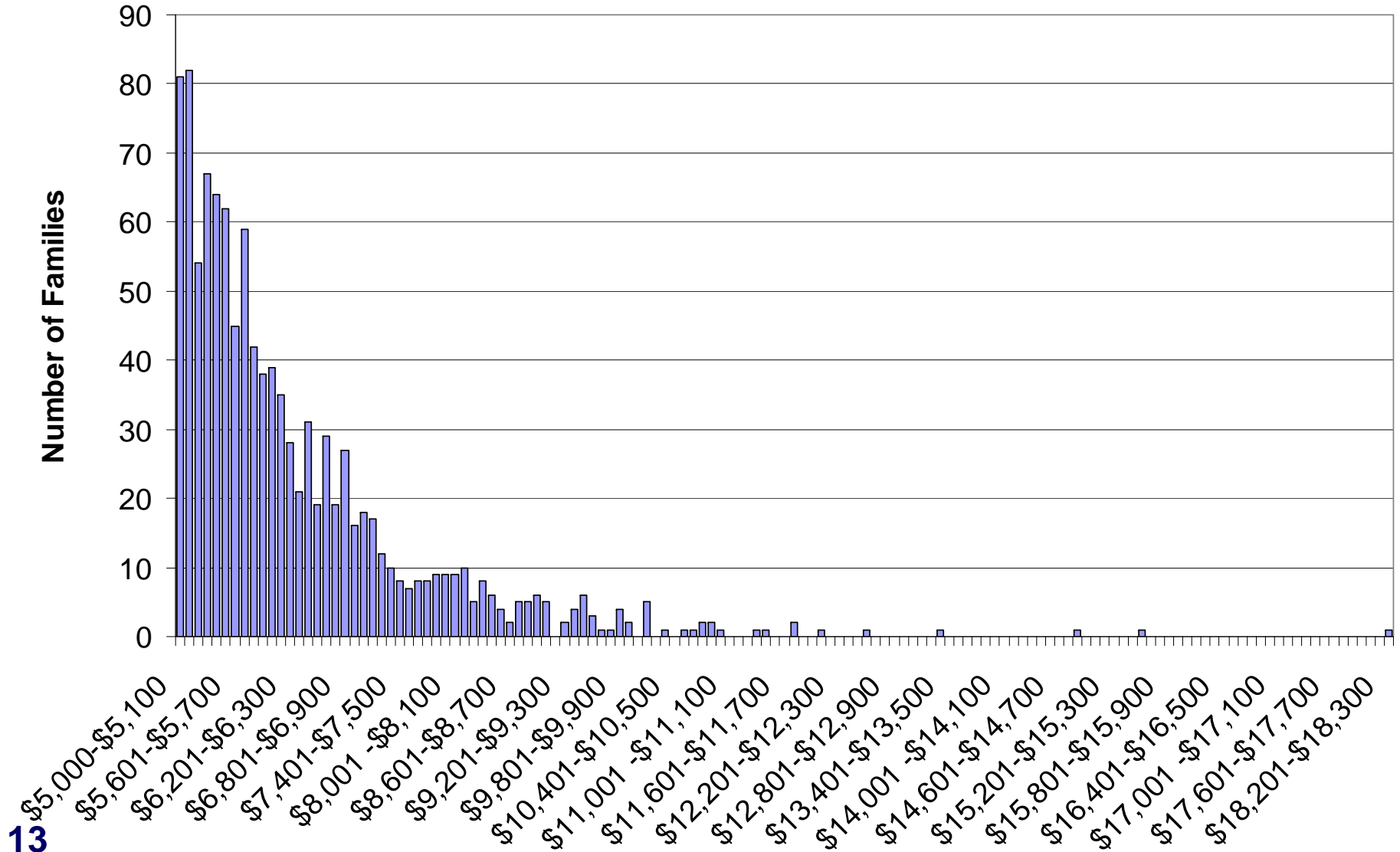
## FY2006



# HIGHEST OUT-OF-POCKET FAMILIES

- The FY2010 out-of-pocket distribution showed 1,075 families whose out of pocket expenses exceeded \$5,000
- The GIC and its health plans have looked into members' costs for some of these families to determine the source of their high out-of-pocket expenses
- This analysis will continue into the summer, as each round of inquiry is contributing to our understanding of this group of enrollees

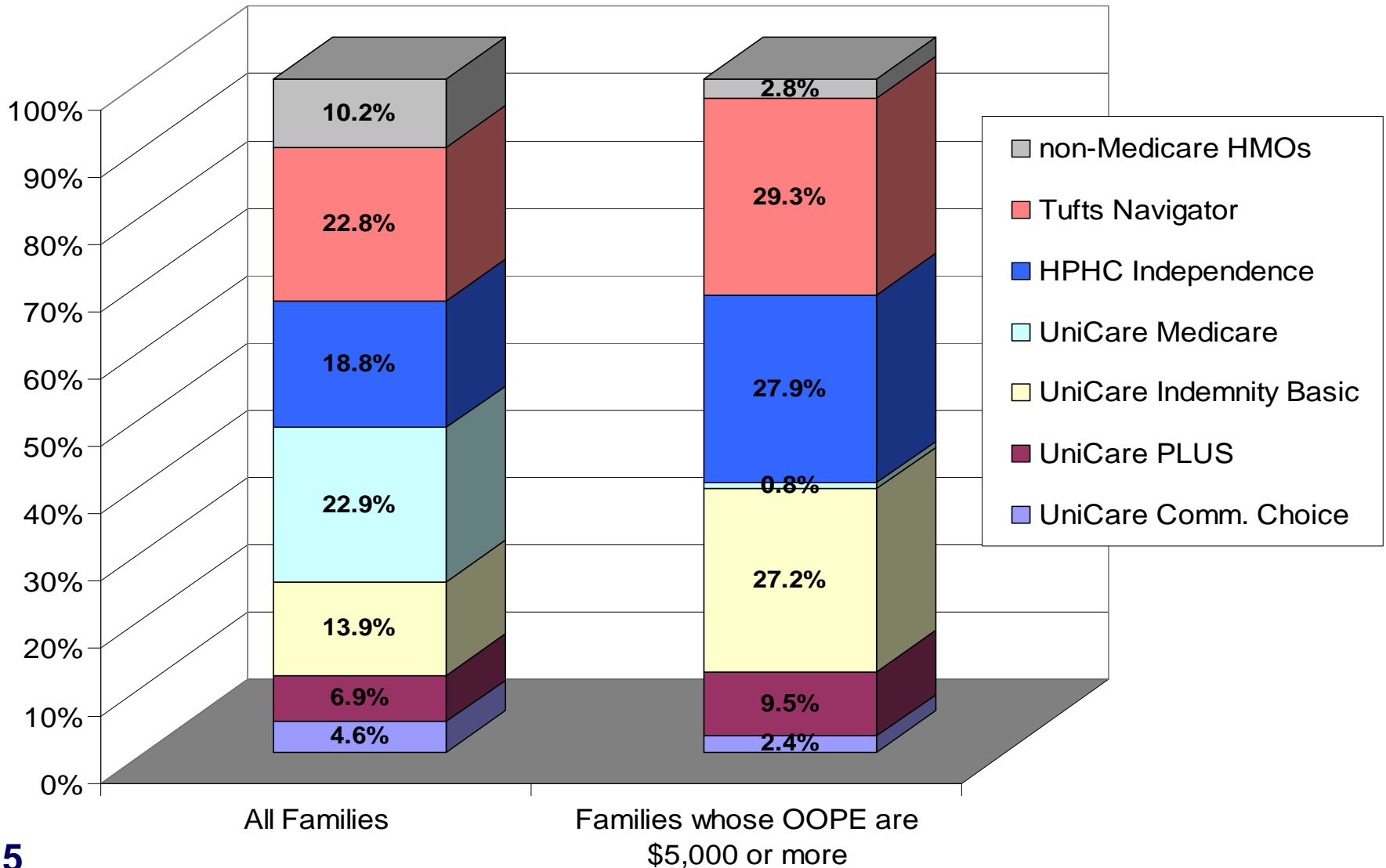
# DISTRIBUTION OF FAMILIES \$5,000 AND ABOVE -- FY2010



# HIGHEST OUT-OF-POCKET FAMILIES – CHARACTERISTICS

- Many families had at least one member who was seriously ill during the year
  - 23.8 percent of families included a member whose claims costs exceeded \$100,000 in FY2010
  - 7.2 percent of families had a member whose claims costs exceeded \$250,000 in FY2010
- Most high-cost members within the families that the Plans have reviewed to date had been offered (many decline, either up front or after participating for some length of time) case management by their health plan at some point
- Large family size was a driver – 12.4 percent of families had five or more members.
- Some of the 1,075 families may not have paid out-of-pocket expenses in excess of \$5,000 due to: reprocessed claims (5 confirmed to date), having other health insurance (2 confirmed to date), and not being billed for the stated out-of-pocket amounts by the health care providers (“scholarshipping”)

# FAMILIES BY PLAN TYPE FY2010



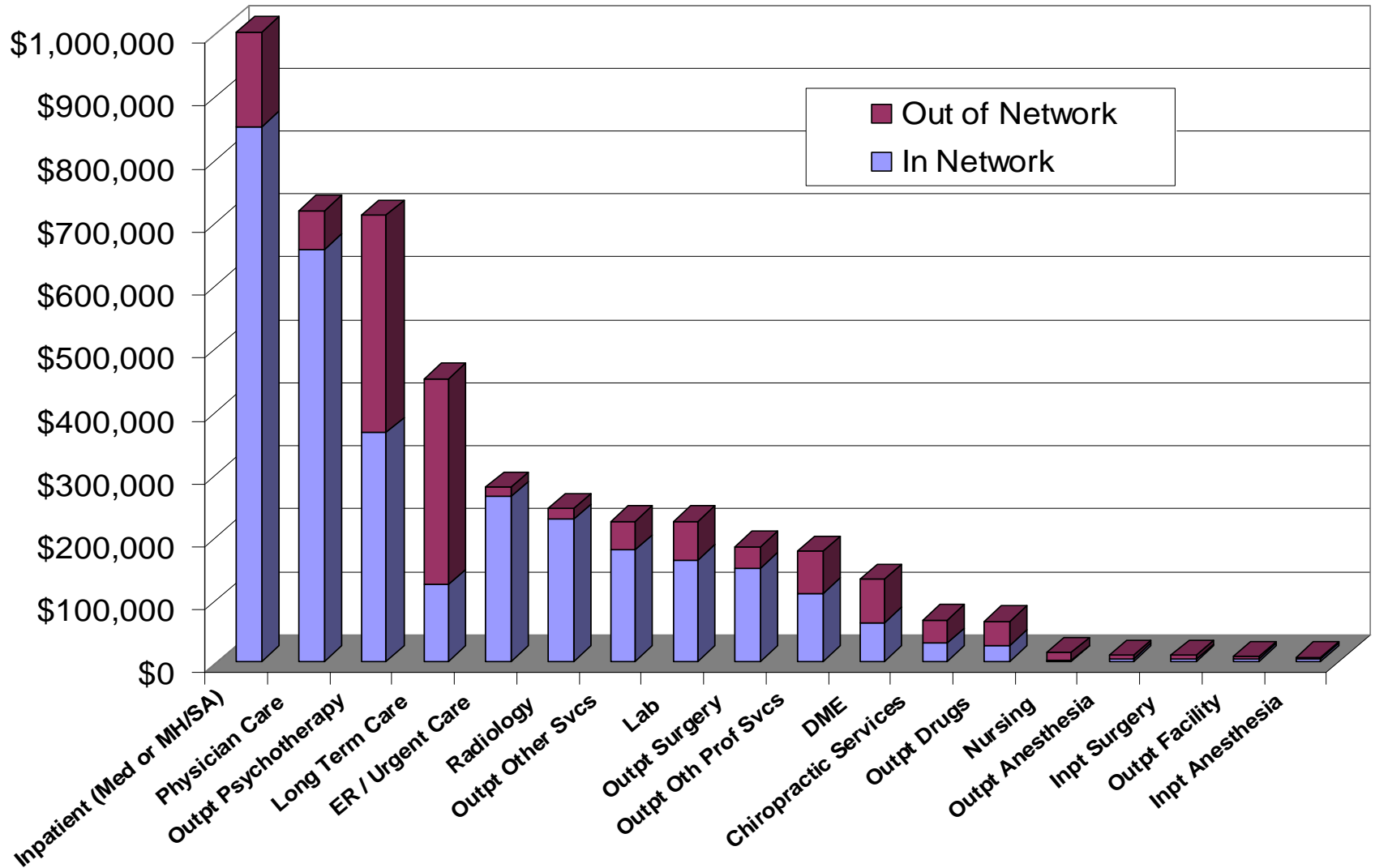
# HIGHEST OUT-OF-POCKET FAMILIES – DRIVERS

Expected costs due to the GIC's benefit design:

- Benefits that are limited and/or have co-insurance (e.g. skilled nursing facilities, durable medical equipment)
  - In some cases costs could have been avoided if members used preferred vendors
- Indemnity Plan members who did not select CIC (comprehensive) coverage
- Non-preferred brand drugs



# OUT-OF-NETWORK SERVICES HIGH OUT-OF-POCKET FAMILIES -- FY2010

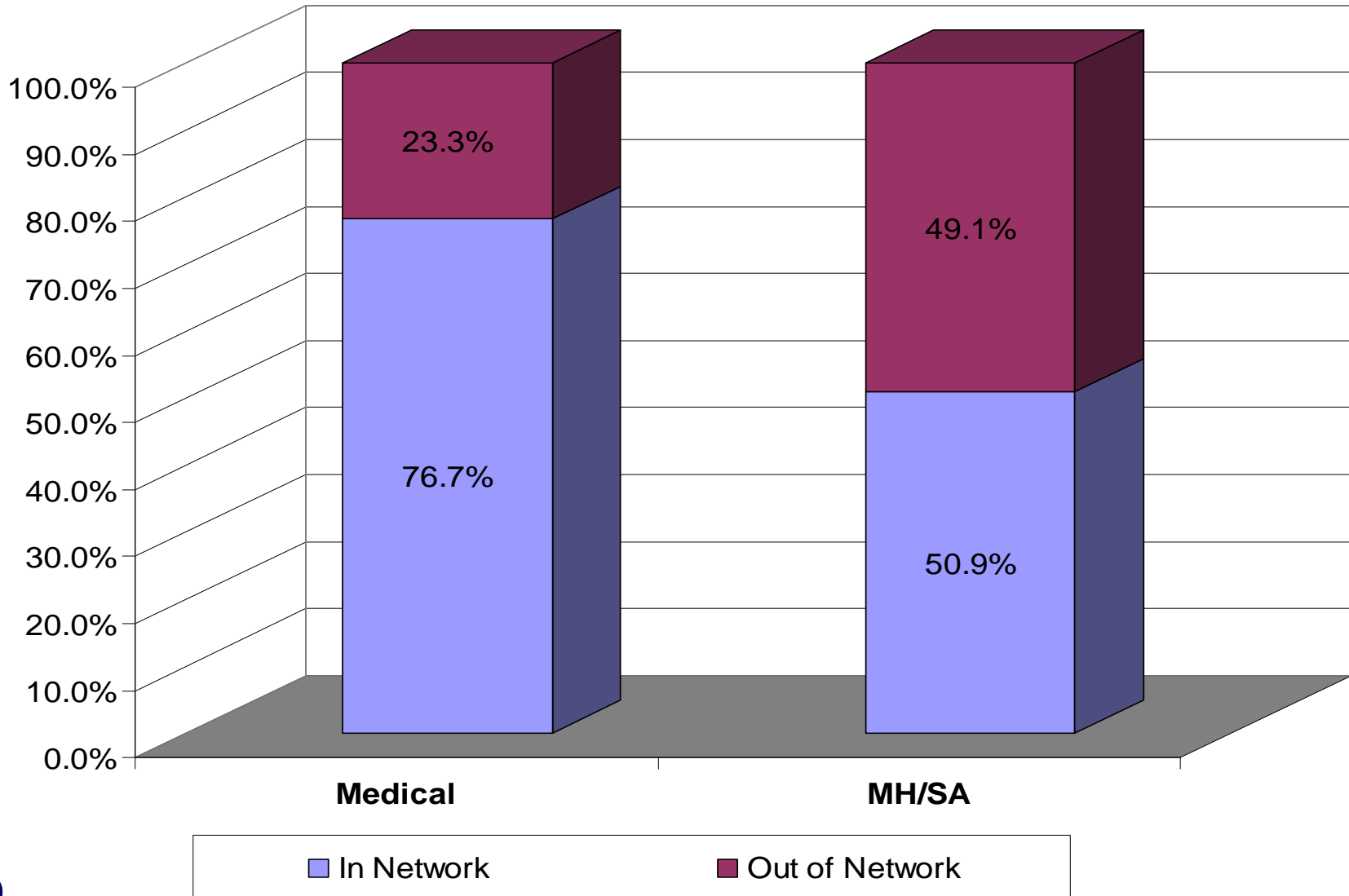


# HIGHEST OUT-OF-POCKET FAMILIES – DRIVERS (continued)

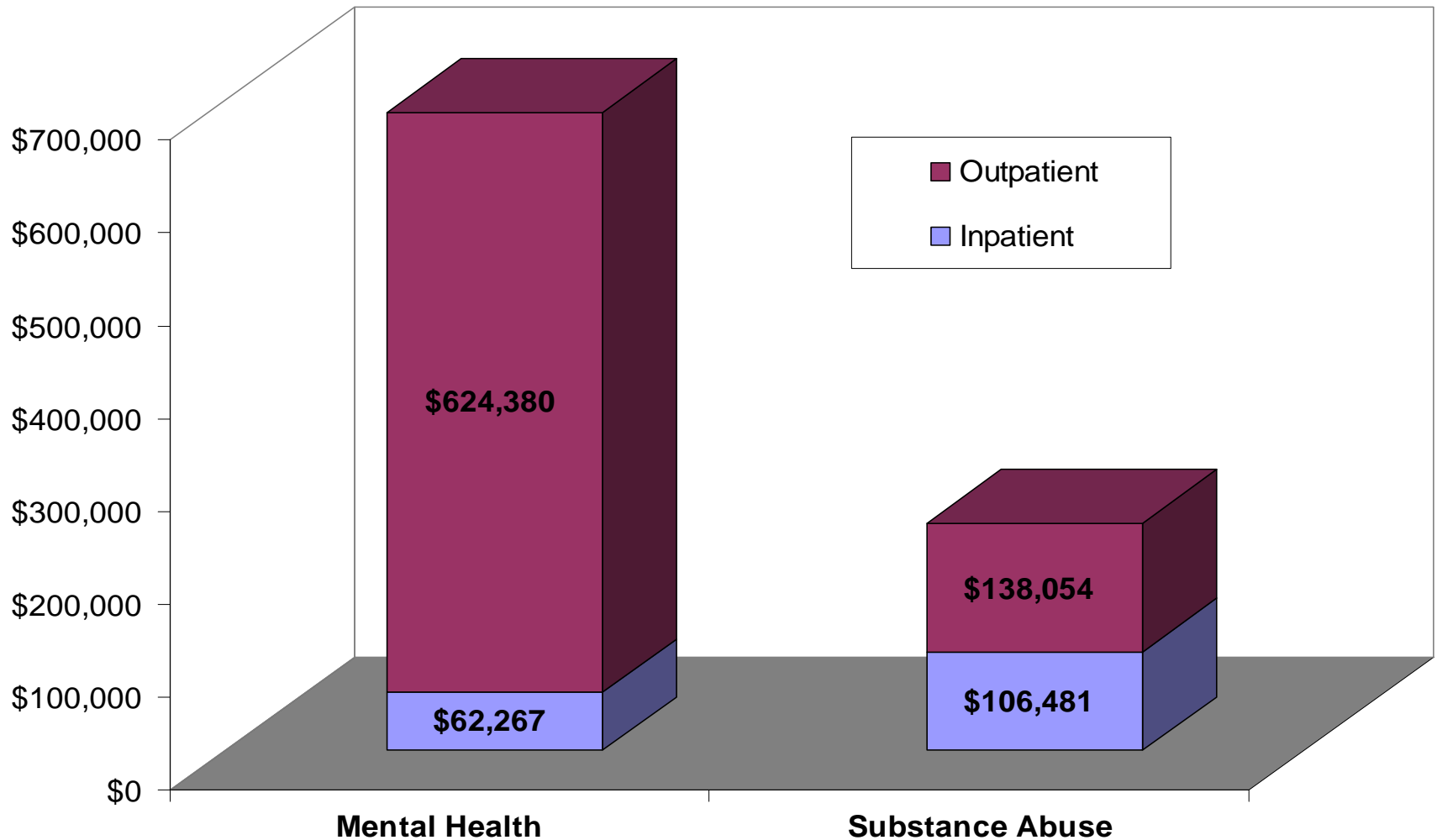
## Unanticipated costs:

- Inpatient hospital copayments in our PPO and HMO plans
  - Members have been identified with as many as eight inpatient copays in the fiscal year
  - Benefit change possible for FY2013
- Out-of-network benefits
  - mental health and substance abuse more prominent than expected; GIC to meet with its MH/SA vendor to discuss provider network and efforts to assist members in accessing network providers

# OUT-OF-NETWORK MH/SA HIGH OUT-OF-POCKET FAMILIES -- FY2010

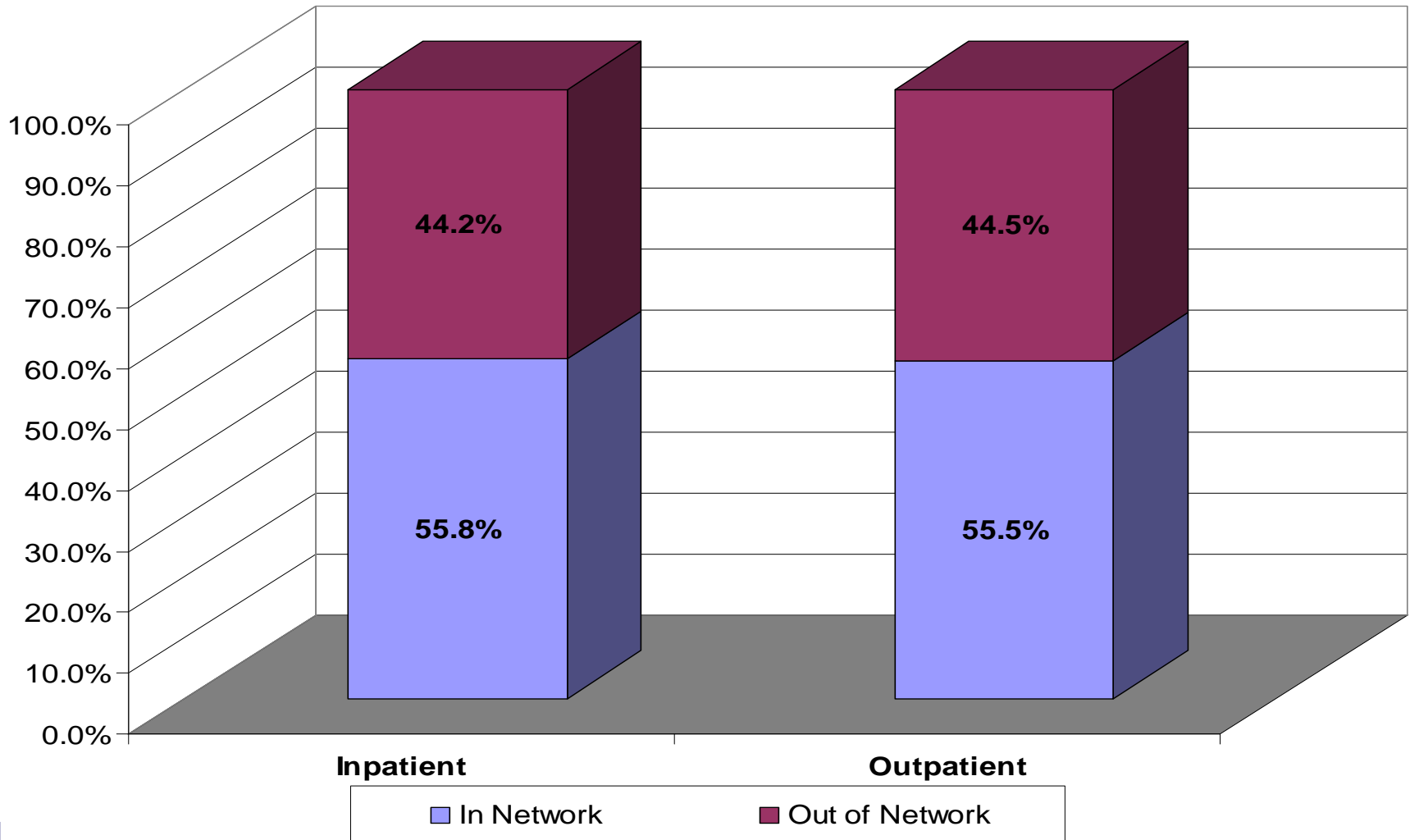


# MENTAL HEALTH/SUBSTANCE ABUSE EXPENSES HIGH OUT-OF-POCKET FAMILIES -- FY2010



# OUT-OF-NETWORK MENTAL HEALTH SERVICES

## HIGH OUT-OF-POCKET FAMILIES -- FY2010



# OUT-OF-NETWORK SUBSTANCE ABUSE SERVICES HIGH OUT-OF-POCKET FAMILIES -- FY2010

