



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.

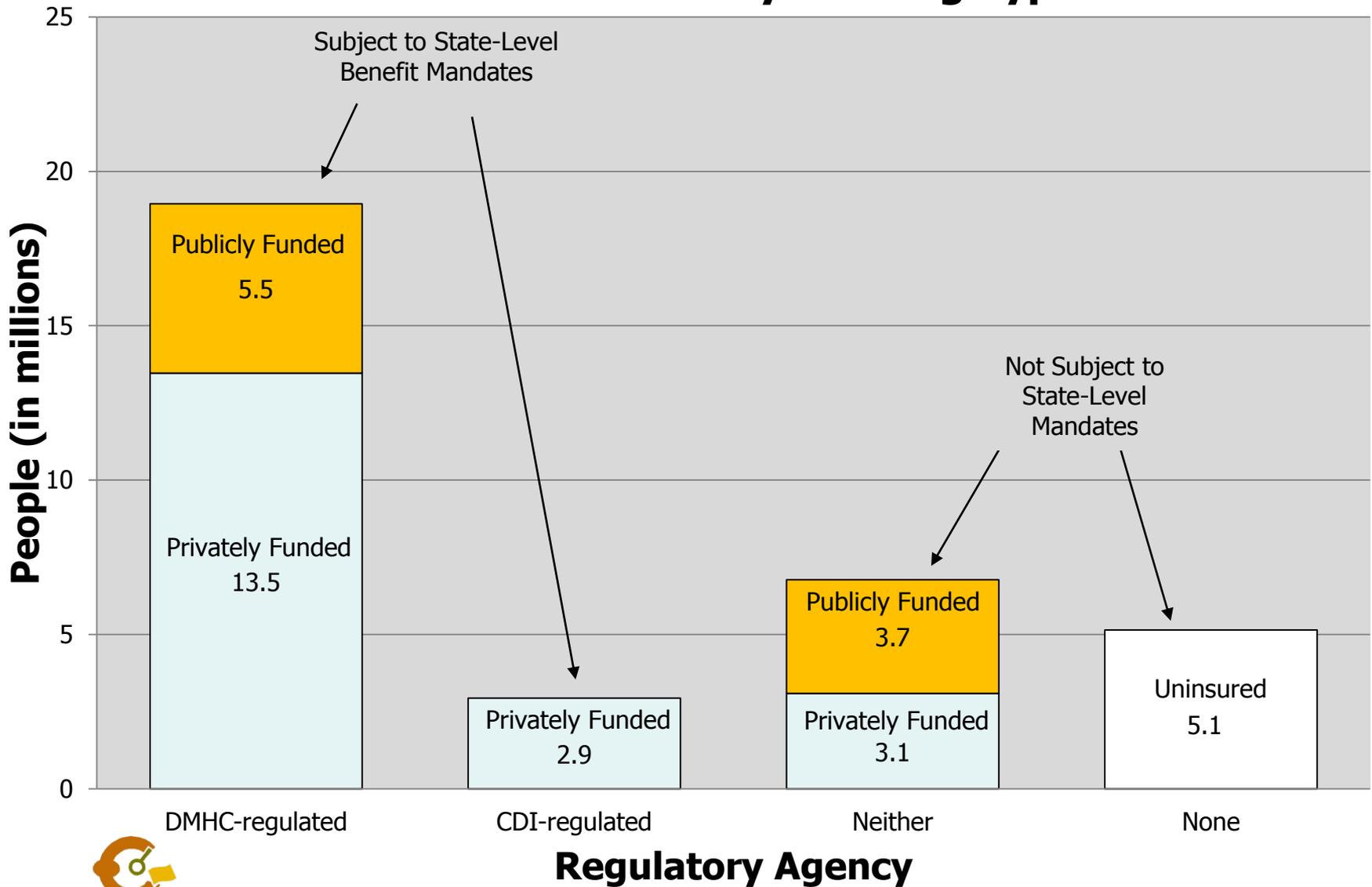


Data

- 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



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

| BILL | Impacts on Total Premiums | | Impacts on Total Expenditures | |
|---|------------------------------|----------|----------------------------------|----------|
| | Percentage of Total Premiums | PMPM | Percentage of Total Expenditures | PMPM |
| AB 171 Autism (Beall) | 0.3851% | \$1.2864 | 0.1439% | \$0.5246 |
| AB 428 Fertility Preservation (Portantino) | 0.0096% | \$0.0322 | 0.0068% | \$0.0247 |
| SB 136 Tobacco Cessation (Yee) | 0.0265% | \$0.0884 | 0.0172% | \$0.0624 |
| SB 155 Maternity (Evans) | 0.1270% | \$0.4243 | 0.0233% | \$0.0844 |
| SB 166 Autism (Steinberg) | 0.2534% | \$0.8463 | 0.0976% | \$0.3551 |
| SB 255 Treatment of breast cancer: Lumpectomy (Pavley) | 0.0000% | \$0.0000 | 0.0000% | \$0.0000 |



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.

