

Network Efficiency Analysis

Washington State Health Care Authority —
PEBB Program

October 3, 2019

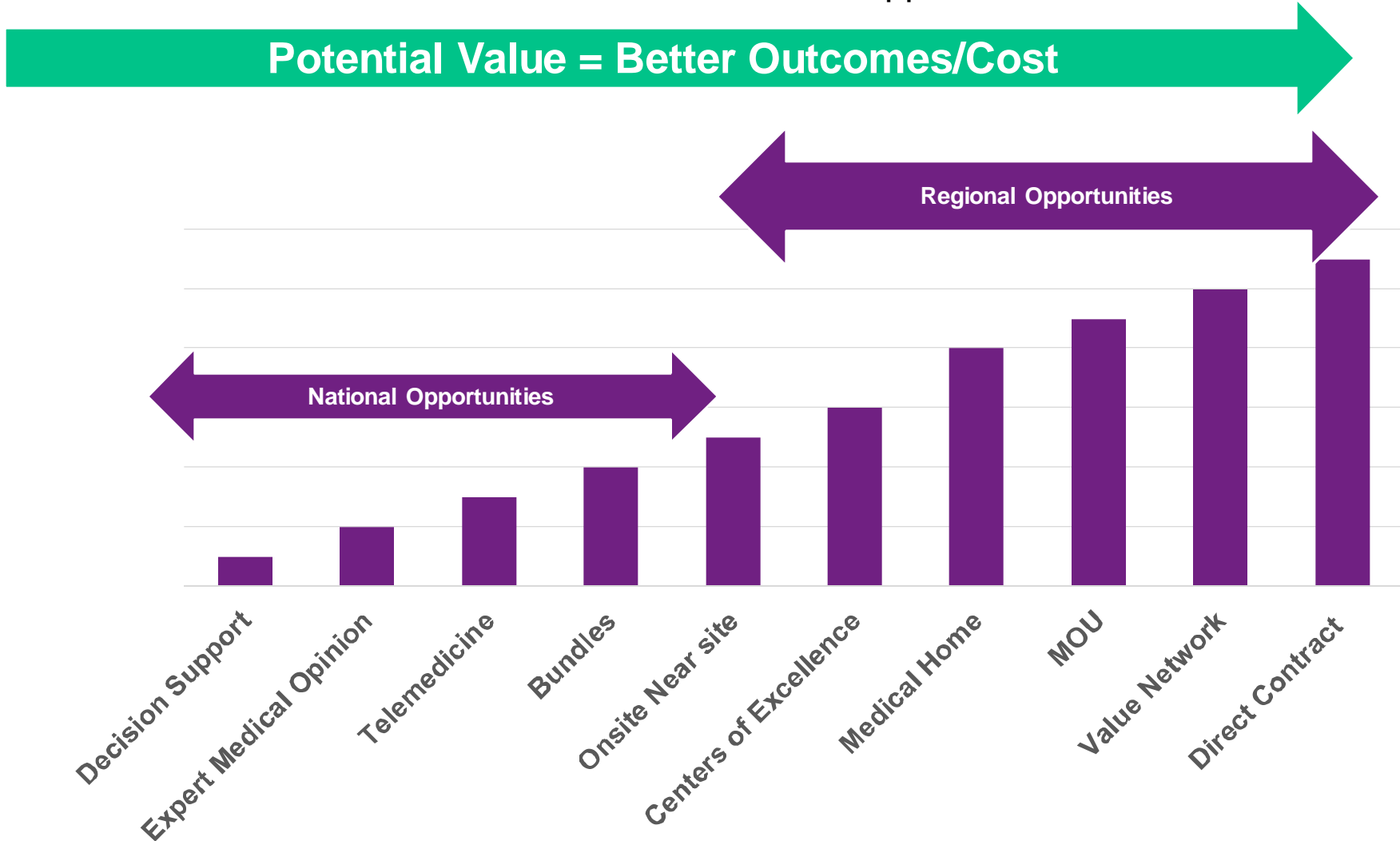
Key Questions

- What opportunities are there to optimize or manage plan costs, services and quality today?
 - FBS network efficiency benchmarks
 - 2017 to 2018 trends (PMPM opportunity savings) on cost, utilization and high-cost claims
- Are benefit programs and provider/supply side strategies in synch?
- What can be learned from best practices in plan and cost management?
- What are the biggest opportunities to improve efficiency?

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Strategic Value-Based Contracting

A Continuum of Potential Value Solutions to Maximize Opportunities and Tradeoffs



Findings

Best Practices for Medical and Pharmacy Network Management and Efficiencies



PEBB Program Network Efficiency

Benchmarking Efficiency on Key Utilization Metrics

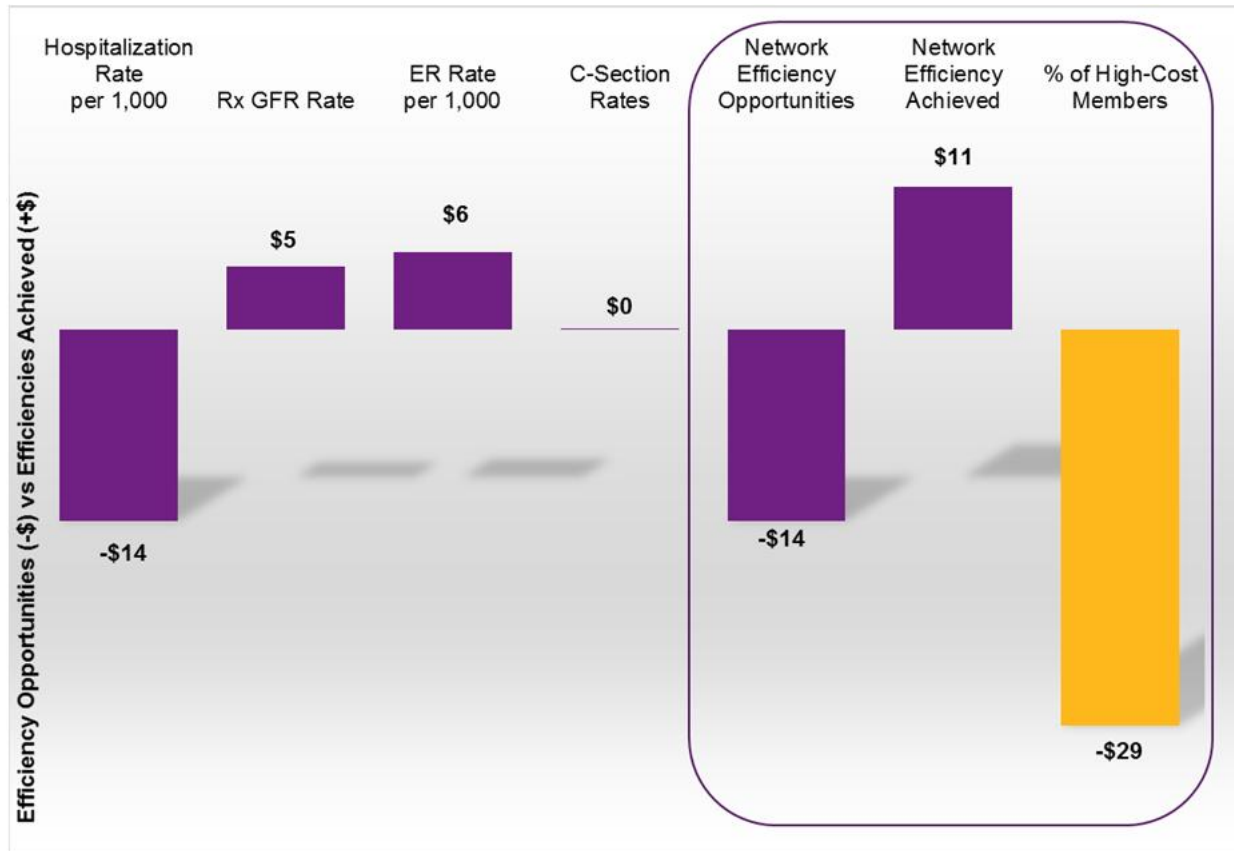
2018 Truven and Other National Benchmarks	Hospitalization rate per 1,000	GFR	ER Rate per 1,000*	C-Sections as % of Deliveries	Percentage HCC GE \$50K	30-day Readmission Rate per 1,000
Best in class (BIC)	40.0	92.0%	90.0	20.0%	1.0%	2.0
75% percentile	43.1	85.0%	183.8	27.3%	1.2%	7.6
50% percentile	51.4	83.9%	220.3	31.7%	1.6%	8.5
25% percentile	60.1	82.3%	266.9	36.4%	1.9%	9.0
HCA 2018	50.7	87.9%	150.2	26.8%	1.6%	4.1
HCA 2017	53.7	87.9%	153.2	28.9%	1.42%	3.8



*Based on IBM Watson MarketScan Benchmarks. When using Willis Towers Watson preferred methodology, ER/1,000 benchmark shows average rate of 187 per 1,000.

What are the Potential Cost Saving Opportunities of Improving PEBB Program Provider Network Efficiency?

Key Network PMPM Efficiency Compared to 75th Percentile*

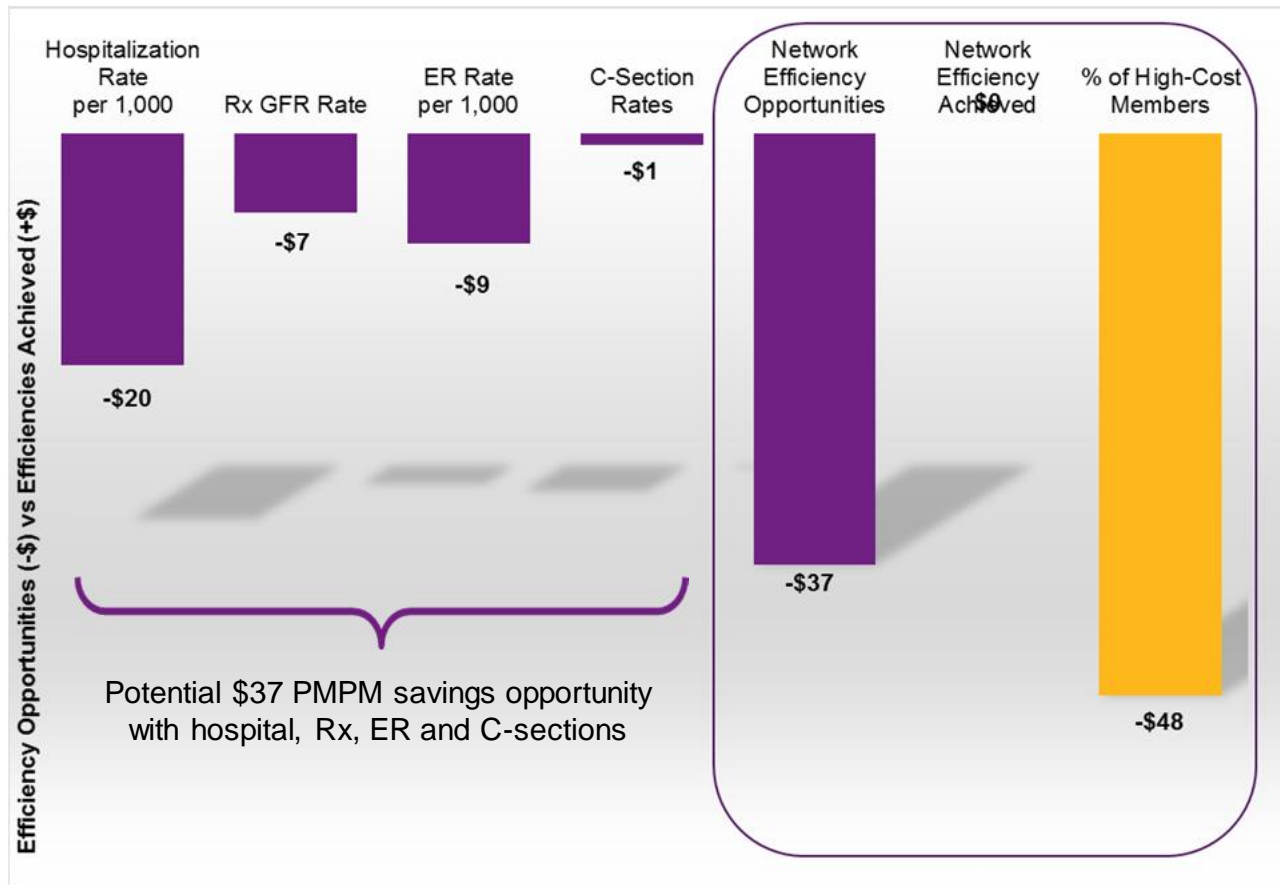


- PEBB program greatest opportunity at the 75th percentile is related to its hospitalization rate. This represents a 3% savings on total medical/Rx spend.
- Rx GFR are above the 75th percentile

*Assumes average national cost or fair market cost from Health Care Blue Book and IBM Watson Health

What are the Potential Cost Saving Opportunities of Improving PEBB Program Provider Network Efficiency?

Key Network PMPM Efficiency Compared to Best-in-Class*



- -\$37 PMPM in network efficiency compared to best-in-class (potential \$127M savings)
- HCC members represent 29% of medical costs and 1.6% of members
 - Ideally, HCCs should be 30% of total costs and 1.0% of members

*Assumes average national cost or fair market cost from Health Care Blue Book and IBM Watson Health

Recommendations and Next Steps



Potential Next Steps

Medical/Pharmacy Programs Scorecard by Provider

Variable	Health Systems		Next Steps
Key utilization metrics (#, \$ and diagnoses)	UMP	KP	
1. Admits/1,000	51.3	49.3	<ul style="list-style-type: none"> Evaluate risk profile of population for each carrier Comprehensive analysis of cost and utilization for key metrics and by service category Review and identify opportunities Assess key clinical processes for best practices and consistency between carriers Identify high performing, high value providers
3. Readmits and serial admissions	4.3	3.4	
4. Generic fill rates	87.4%	89.2%	
5. Specialty drug	N/A	N/A	
6. Radiology	N/A	N/A	
7. ER/1,000	162.7	119.4	
8. Urgent care/1,000	N/A	N/A	
9. C-section rates	28.1%	23.5%	
10. High-cost claimants	1.6%	1.5%	
11. Care management engagement	N/A	N/A	

 = Best Practice

 = Market Average

 = Opportunity

 = Future Data Request