Washington State Health Care Authority

REPORT TO THE LEGISLATURE

# PEBB Health Benefit Plan

## Cost and Utilization Trends, Demographics, and Impacts of Alternative Consumer-Directed Health Plan

Second Engrossed Senate Bill 5773, Chapter 8
Laws of 2011, RCW 41.05.065 (6)

November 30, 2017

# PEBB Health Benefit Plan

## Cost and Utilization Trends, Demographics, and Impacts of Alternative Consumer-Directed Health Plan

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# Table of Contents





# Executive Summary

HCA is required to submit a report to relevant legislative policy and fiscal committees by November 30, 2015, and each year thereafter as directed by RCW 41.05.065(6)(b). This report evaluates the impact of offering a consumer-directed health plan (CDHP) and per RCW will include:

1. Public Employees Benefits Board (PEBB) health plan cost and service utilization trends for the previous three years, in total and for each health plan offered to employees.
2. For each health plan offered to employees, the number and percentage of employees and dependents enrolled in the plan, and the age and gender demographics of enrollees in each plan.
3. Any impact of enrollment in alternatives to the most comprehensive plan, including the high deductible health plan with a health savings account, on the cost of health benefits for those employees who have chosen to remain enrolled in the most comprehensive plan.

Please note this report lists plans as being offered by Kaiser Permanente of WA (KPWA). These are the PEBB plans offered by Group Health prior to Kaiser Permanente's acquisition of Group Health in plan year 2017.

In this report, for the first time, the results include the new accountable care program (ACP) plans, UMP Plus and KPWA Sound Choice. These plans began in 2016. With only a single year of data, it is difficult to draw general conclusions about the impact of the ACP plans on the other plans.

Key findings for CY2013–CY2016 include the following:

- CDHP and ACP plans are driving a lower claims trend; per member per month (PMPM) allowed claims[1] costs and services utilization are lower for CDHPs and ACPs than Classic and Value plans.
- Membership in CDHPs continued to grow through 2016 while the total Classic, Value, and ACP enrollment remained relatively constant.
- CDHP and ACP members are generally younger than Classic and Value members.
- There do not appear to be significant differences in the gender or member type of the CDHP or ACP members compared to Classic and Value members.
- The demographic profiles of CDHP, Classic, and Value members are relatively stable.
- For the total PEBB portfolio of medical benefits, the ratio of paid to allowed claims has increased over the three years of study, indicating that the impact of introducing a leaner

[1] Allowed claims equals the amount that was allowed by the health plan.



benefit CDHP was not enough to offset the increasing value of the benefits in the rest of the PEBB portfolio.

- The general trend continues to show that CDHP members pay a higher monthly premium than what is actuarially supported by a hindsight review of their claims and risk profile. This impact has lowered the employee contribution for Classic and Value plan members. The analysis shows the impact is stabilizing as claims and membership mature for the CDHPs.

This report focuses on measuring the impact on employee premiums that CDHP enrollment has had on the employee premiums for subscribers in every non-CDHP plan, rather than the impact on just the most comprehensive plan.

Due to the very low enrollment in the Kaiser Permanente of the Northwest (KPNW) CDHP, the results for the plan were not credible, and we excluded all KPNW plans from this analysis. Also, in keeping with statutory language, this report does not speculate on or address additional possible impacts, such as differences in plan richness, administrative costs, or provider unit costs.



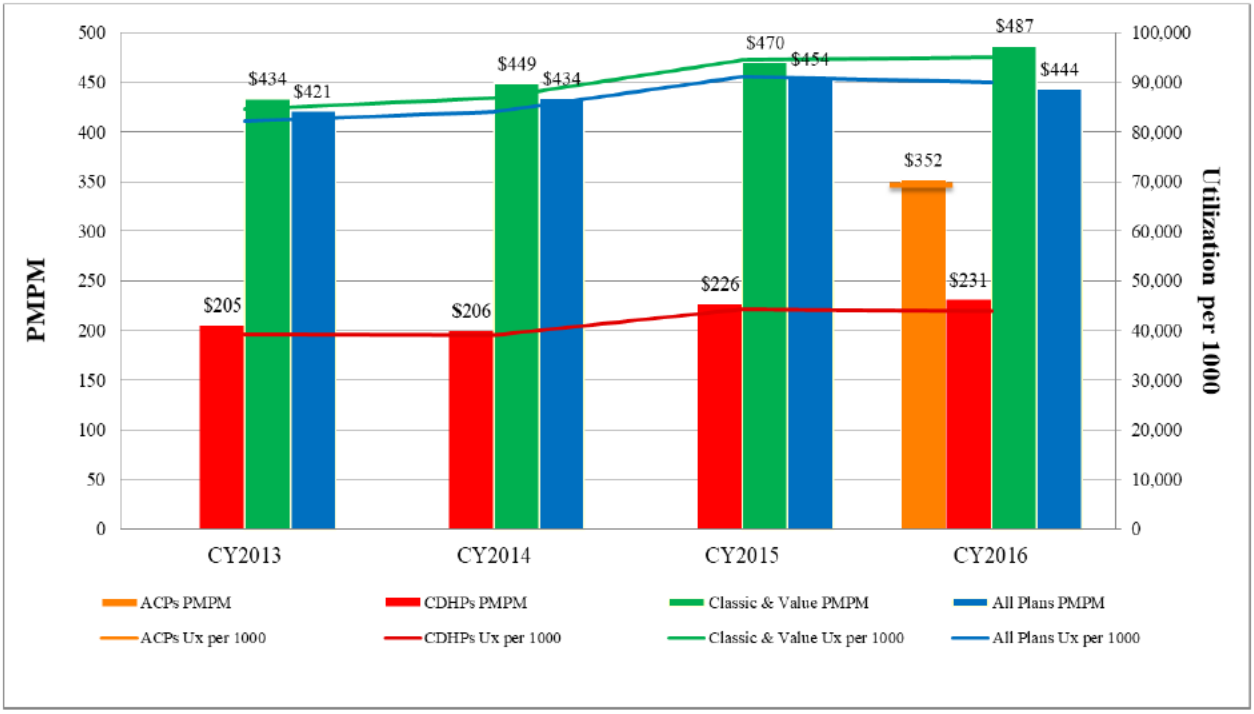
# PEBB Health Benefit Plan Analysis

## Health Plan Cost and Service Utilization

The appendix is a report by the actuarial firm, Milliman, Inc., detailing health plan cost and service utilization. Milliman calculated cost trends based on allowed and paid claims[2] PMPM (per member per month) for non-Medicare PEBB enrollees.

For CY2013 through CY2016, the allowed claims PMPM for composite CDHPs ranged from $205 in CY2013 to $231 in CY2016, which was 52 to 56 percent lower than the Classic and Value plan average. The allowed claims PMPM for composite Classic and Value plans ranged from $434 in CY2013 to $487 in CY2016 (see Chart 1). Service utilization (per 1,000 members[3]) shows a similar relationship. Service utilization in CDHPs for CY2013 to CY2016 was about 53 to 55 percent lower than Classic and Value plans.

**Chart 1: Allowed Per Member Per Month Cost and Service Utilization**




[2] Paid claims equals the amount paid by the health plan after adjusting the allowed amount for coordination of benefits, copayments, deductibles, and other patient payment amounts.

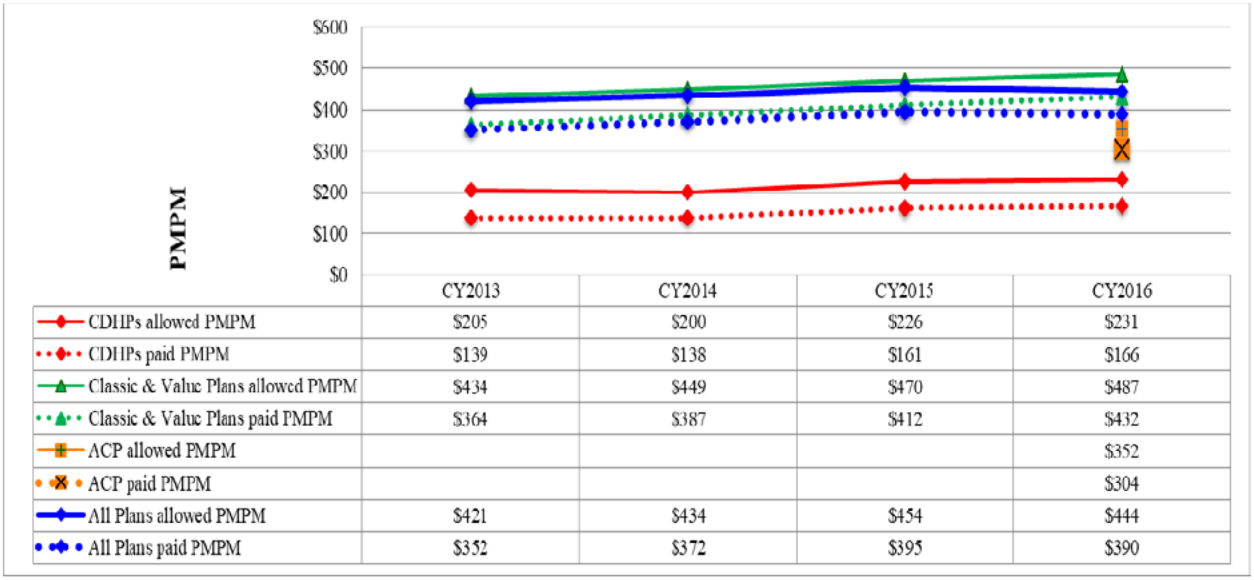
[3] Utilization per 1,000 members = total number of units within a service category (hospital days, encounters, prescriptions, etc.) / average member for a year (member months/12) X 1,000.

## Health Plan Cost Trends

Charts 2, 3, and 4 show cost trends for CDHPs, Classic and Value plans, and the ACP plans. These trends are calculated as allowed and paid claims PMPM for CY2013 through CY2016, which are based on the entire PEBB non-Medicare risk pool enrollment. The allowed claims are the benefit costs allowed by the health plans. The paid claims are the amounts paid by the plans after adjusting for member copayments, deductibles, and payments by other plans or responsible third parties.

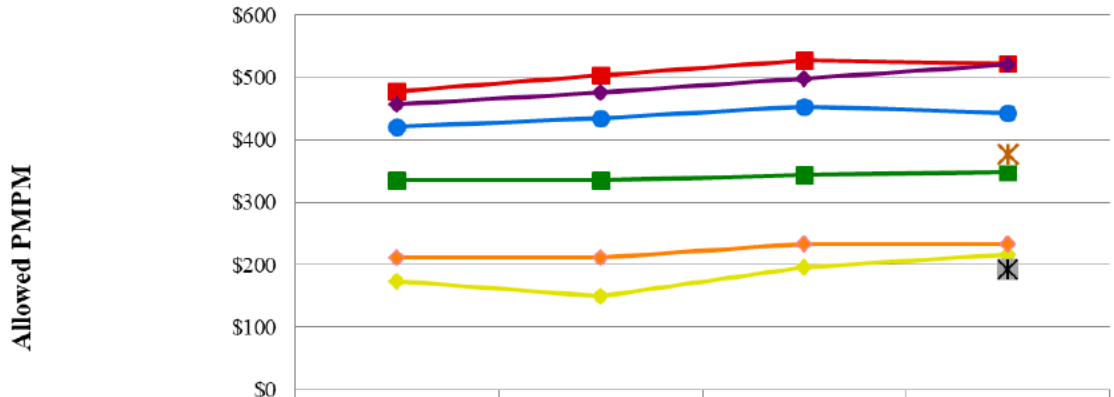
CDHP allowed claims PMPM were 52 to 56 percent lower than Classic and Value plans, and paid claims PMPM were 61 to 64 percent lower than Classic and Value plans.

**Chart 2: Allowed Claims vs. Paid Claims Per Member Per Month**



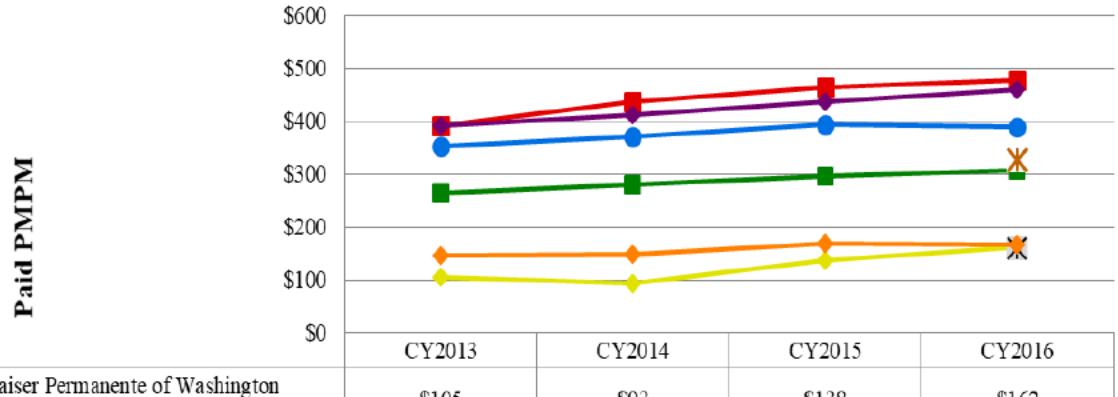

| | CY2013 | CY2014 | CY2015 | CY2016 |
|---|---|---|---|---|
| CDHPs allowed PMPM | $205 | $200 | $226 | $231 |
| CDHPs paid PMPM | $139 | $138 | $161 | $166 |
| Classic & Value Plans allowed PMPM | $434 | $449 | $470 | $487 |
| Classic & Value Plans paid PMPM | $364 | $387 | $412 | $432 |
| ACP allowed PMPM | | | | $352 |
| ACP paid PMPM | | | | $304 |
| All Plans allowed PMPM | $421 | $434 | $454 | $444 |
| All Plans paid PMPM | $352 | $372 | $395 | $390 |

**Chart 3: Allowed Claims Per Member Per Month by Plan**




| | CY2013 | CY2014 | CY2015 | CY2016 |
|---|---|---|---|---|
| Kaiser Permanente of Washington CDHP | $174 | $150 | $196 | $217 |
| Kaiser Permanente of Washington Classic | $478 | $503 | $527 | $523 |
| Kaiser Permanente of Washington Value | $335 | $335 | $344 | $349 |
| Kaiser Permanente of Washington Sound Choice | | | | $192 |
| Uniform Medical Plan CDHP | $212 | $212 | $235 | $235 |
| Uniform Medical Plan Classic | $458 | $477 | $499 | $520 |
| Uniform Medical Plan Plus | | | | $377 |
| All Plans | $421 | $434 | $454 | $444 |

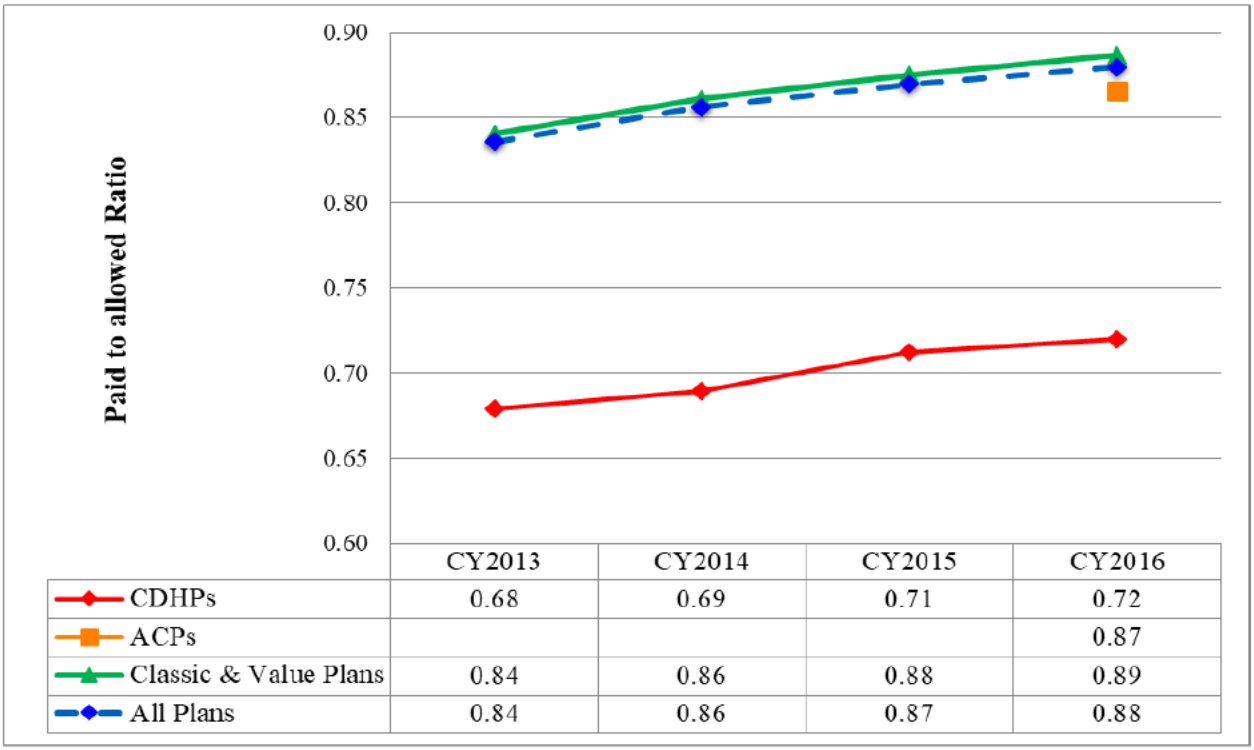
**Chart 4: Paid Claims Per Member Per Month by Plan**




| | CY2013 | CY2014 | CY2015 | CY2016 |
|---|---|---|---|---|
| Kaiser Permanente of Washington CDHP | $105 | $93 | $138 | $162 |
| Kaiser Permanente of Washington Classic | $392 | $436 | $464 | $479 |
| Kaiser Permanente of Washington Value | $264 | $279 | $295 | $307 |
| Kaiser Permanente of Washington Sound Choice | | | | $159 |
| Uniform Medical Plan CDHP | $146 | $149 | $168 | $167 |
| Uniform Medical Plan Classic | $392 | $413 | $438 | $459 |
| Uniform Medical Plan Plus | | | | $328 |
| All Plans | $352 | $372 | $395 | $390 |

The paid-to-allowed ratio reflects the level of benefit richness (i.e., how much of an employee's total medical cost is paid for by the benefit plan) to the PEBB portfolio, without consideration of the health savings account (HSA) contribution. The paid-to-allowed ratio has increased over the last three years due to an increase in the allowed costs over time without a corresponding increase in the cost sharing structure, which is relatively fixed. As deductibles, copayments, and maximum out-of-pocket amounts hold relatively stable over time, they result in decreased cost sharing as a percentage of the total allowed spend. For example, a $500 deductible becomes a smaller and smaller percentage of the total health care cost as these costs grow year after year. To maintain a flat paid-to-allowed ratio over time, the cost sharing structure would need to increase relative to the increase in allowed costs. The CDHP introduction alleviated some of the benefit richness upward pressure, but the CDHP enrollment has not been enough to reduce the overall average level of benefit richness of the PEBB portfolio. (See Chart 5, below, and Exhibit 3a in the Appendix.)

**Chart 5: Paid-to-Allowed Claims Ratio**




| | CY2013 | CY2014 | CY2015 | CY2016 |
|---|---|---|---|---|
| CDHPs | 0.68 | 0.69 | 0.71 | 0.72 |
| ACPs | | | | 0.87 |
| Classic & Value Plans | 0.84 | 0.86 | 0.88 | 0.89 |
| All Plans | 0.84 | 0.86 | 0.87 | 0.88 |

## Service Utilization Trends

Utilization per 1,000 members for CDHPs from CY2013 through CY2016 was approximately 53 to 55 percent lower than for Classic and Value plans (See Exhibit 1 in the Appendix). The utilization, however, is not adjusted for the different service categories and, therefore, does not measure the intensity of high- and low-cost services provided across the various categories of services.

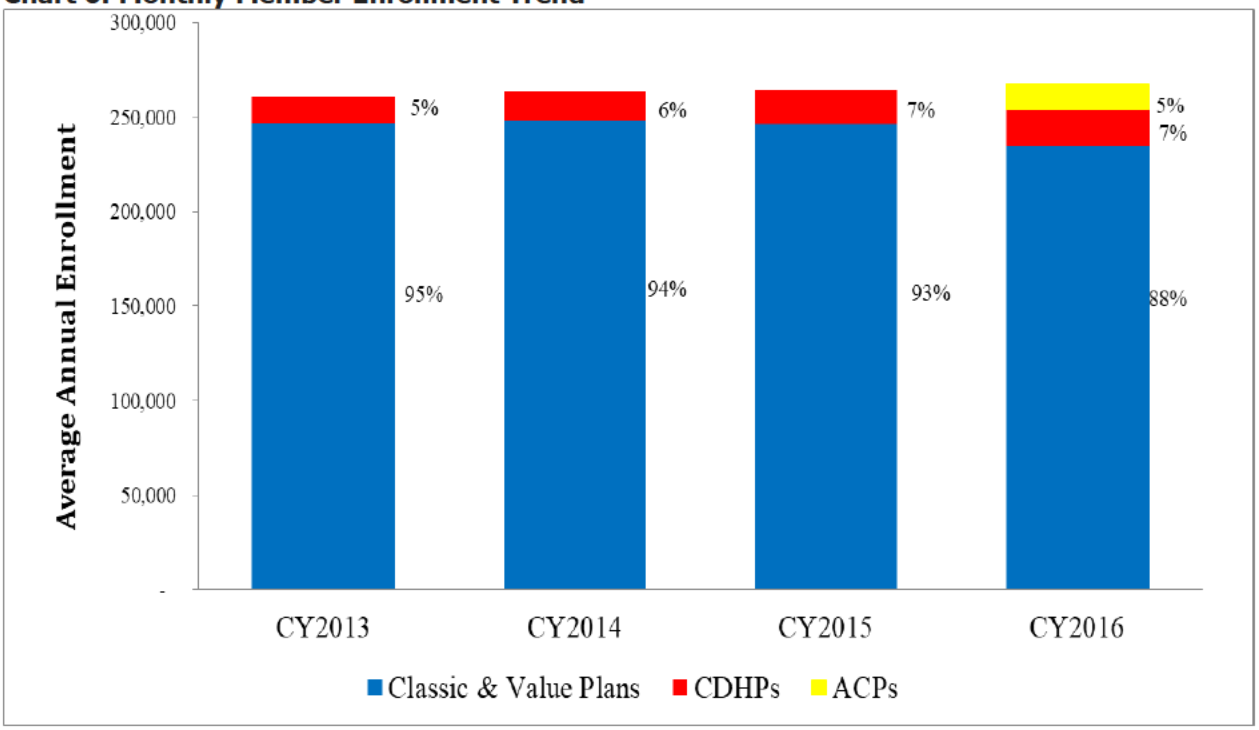
Two major factors driving lower utilization in the CDHPs are the lower risk scores (indicating a healthier population) for younger members and the impact of a higher deductible on member

utilization of services. Classic and Value plans experienced moderate increases in utilization year over year at a rate slightly higher than the average for all plans.

# Enrollment and Demographics

As shown in Chart 6, CDHP average annual enrollment has grown slightly each year, from 14,113 (5 percent of total enrollment) in 2013 to 19,713 (7 percent of total enrollment) in 2016.

**Chart 6: Monthly Member Enrollment Trend**




On average, CDHP and ACP members are younger than Classic and Value members. In CDHPs and ACPs, 77 to 79 percent of members were under age 50 compared to 65 to 66 percent of members in Classic and Value plans (see Chart 7). Table 1 shows a detailed breakdown of enrollment by plan and age group for 2013 through 2016.

**Chart 7: Member Distribution by Age (Under 50 and Over 50)**

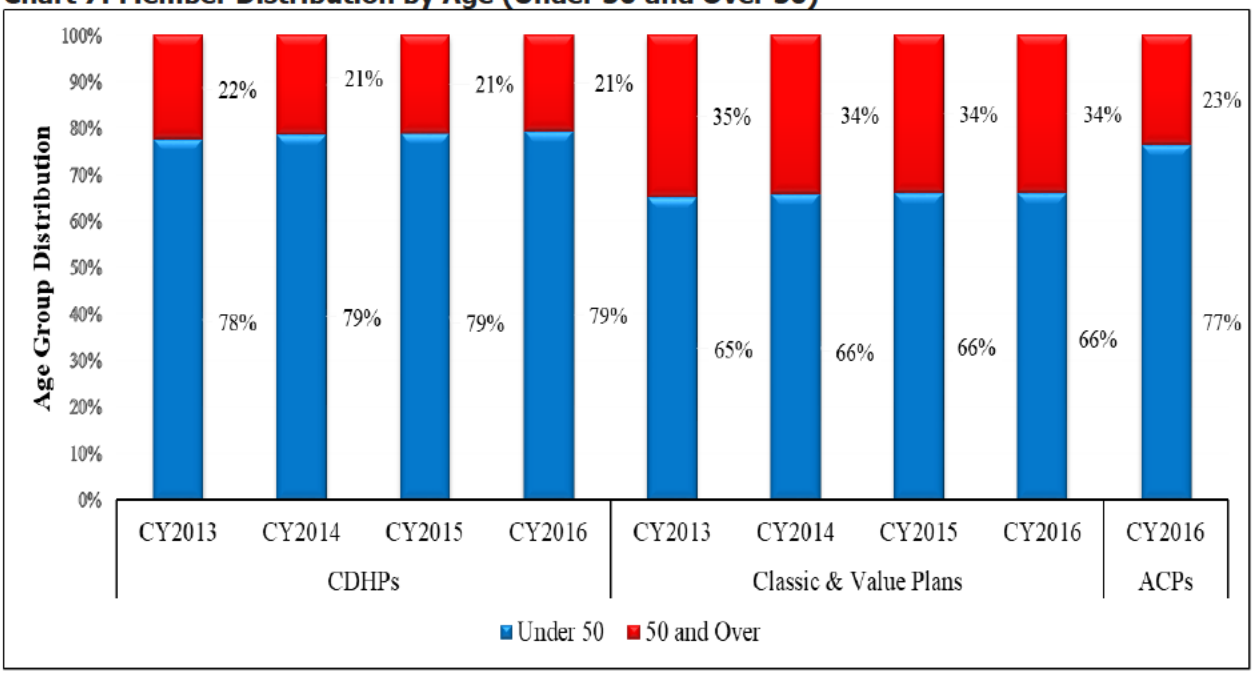



**Table 1: Member Distribution by Age Band**

| | CDHPs | | | | All Classic & Value Plans | | | | ACP |
|---|---|---|---|---|---|---|---|---|---|
| | CY2013 | CY2014 | CY2015 | CY2016 | CY2013 | CY2014 | CY2015 | CY2016 | CY2016 |
| Under 25 | 5,216 | 5,843 | 6,452 | 6,963 | 78,604 | 79,479 | 79,072 | 74,984 | 4,381 |
| 25 to 34 | 2,101 | 2,716 | 3,259 | 3,649 | 27,456 | 28,290 | 28,524 | 27,174 | 2,369 |
| 35 to 44 | 2,493 | 2,778 | 3,119 | 3,427 | 35,409 | 35,535 | 35,566 | 33,719 | 2,406 |
| 45 to 54 | 2,331 | 2,559 | 2,851 | 3,095 | 42,738 | 42,297 | 41,805 | 39,707 | 2,053 |
| 55 to 64 | 1,878 | 2,055 | 2,256 | 2,399 | 53,016 | 51,797 | 50,748 | 48,365 | 1,859 |
| Over 65 | 94 | 112 | 141 | 180 | 9,870 | 10,422 | 10,770 | 10,782 | 377 |
| Total | 14,113 | 16,062 | 18,077 | 19,713 | 247,094 | 247,820 | 246,485 | 234,730 | 13,445 |
| Under 50 | 10,979 | 12,630 | 14,286 | 15,662 | 161,138 | 163,039 | 163,064 | 155,216 | 10,293 |
| 50 and over | 3,134 | 3,431 | 3,792 | 4,051 | 85,955 | 84,782 | 83,420 | 79,514 | 3,153 |
| Total | 14,113 | 16,062 | 18,077 | 19,713 | 247,094 | 247,820 | 246,485 | 234,730 | 13,445 |
| Under 50 (%) | 78% | 79% | 79% | 79% | 65% | 66% | 66% | 66% | 77% |
| 50 and over (%) | 22% | 21% | 21% | 21% | 35% | 34% | 34% | 34% | 23% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Chart 8 and Table 2 show the distribution of members by gender for each year from 2013 through 2016. Classic and Value plans and CDHPs show approximately the same distribution ratio over the last three year period. They are all similar to each other and to the PEBB population in general.

**Chart 8: Member Distribution by Gender**

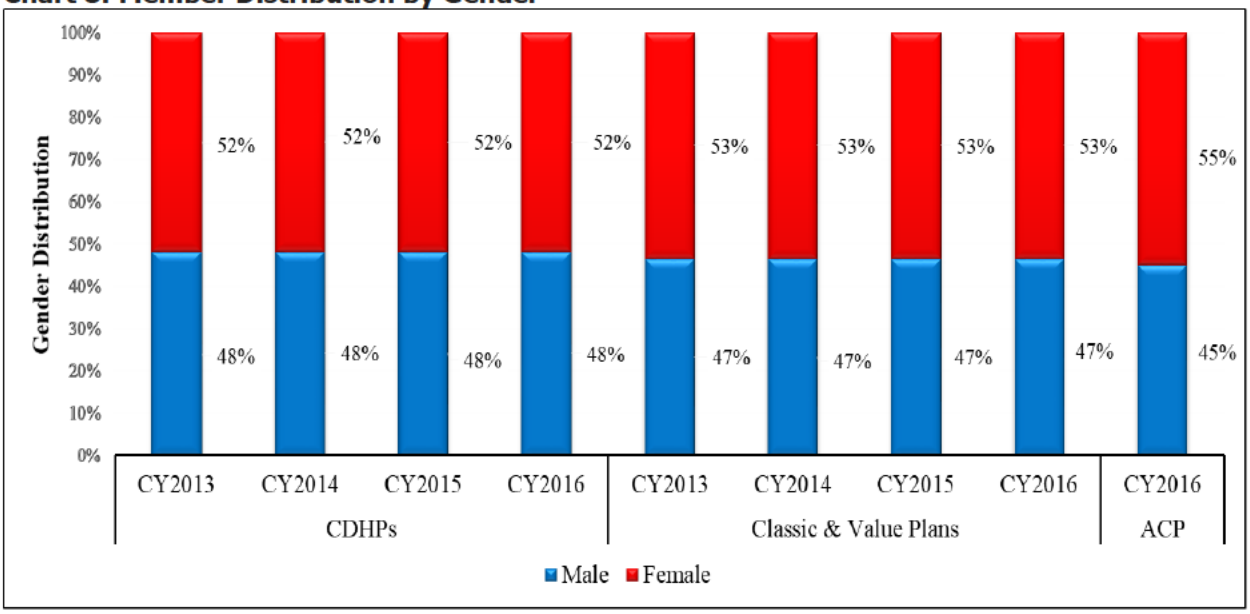



**Table 2: Member Enrollment and Distribution by Gender**

| | CDHPs | | | | All Classic & Value Plans | | | | ACP |
|---|---|---|---|---|---|---|---|---|---|
| | CY2013 | CY2014 | CY2015 | CY2016 | CY2013 | CY2014 | CY2015 | CY2016 | CY2016 |
| Male | 6,779 | 7,750 | 8,714 | 9,493 | 115,093 | 115,356 | 114,776 | 109,284 | 6,058 |
| Female | 7,333 | 8,311 | 9,364 | 10,220 | 132,000 | 132,465 | 131,708 | 125,447 | 7,387 |
| Total | 14,113 | 16,062 | 18,077 | 19,713 | 247,094 | 247,820 | 246,485 | 234,730 | 13,445 |
| Male (%) | 48% | 48% | 48% | 48% | 47% | 47% | 47% | 47% | 45% |
| Female (%) | 52% | 52% | 52% | 52% | 53% | 53% | 53% | 53% | 55% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Chart 9 and Table 3 display enrollment and distribution by member type (employees vs. dependents). The CDHPs show slightly higher dependent enrollment than Classic and Value plans. Overall, the demographic profiles of both CDHPs and Classic and Value plans have been relatively stable from year to year.

**Chart 9: Distribution by Member Type**

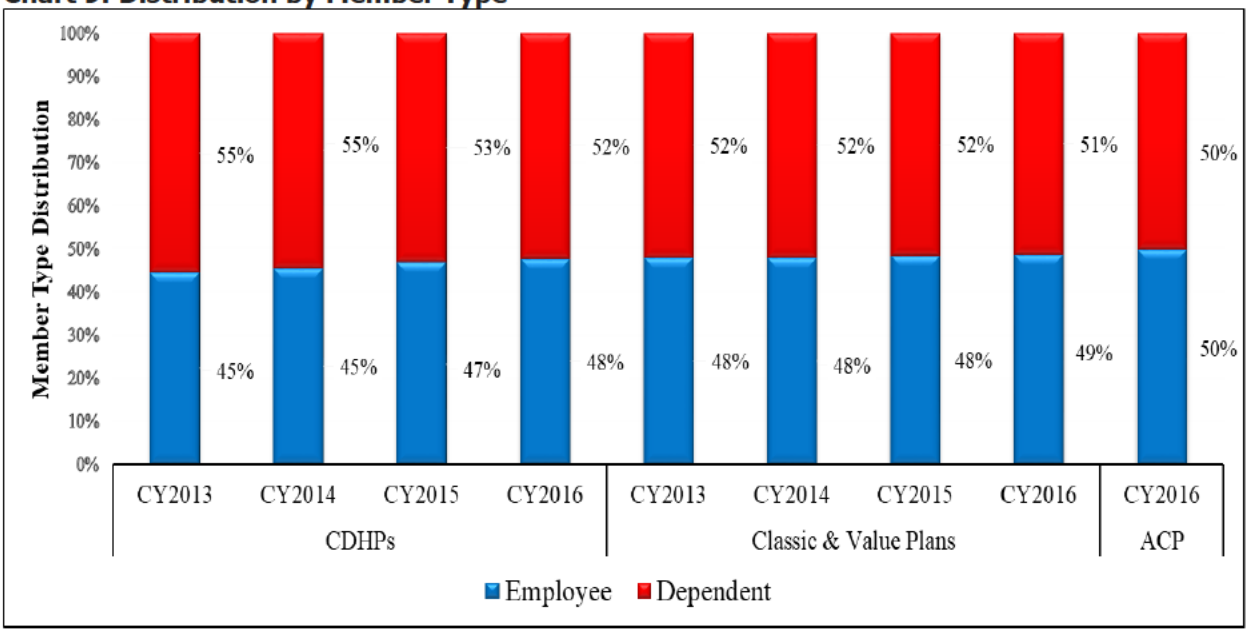
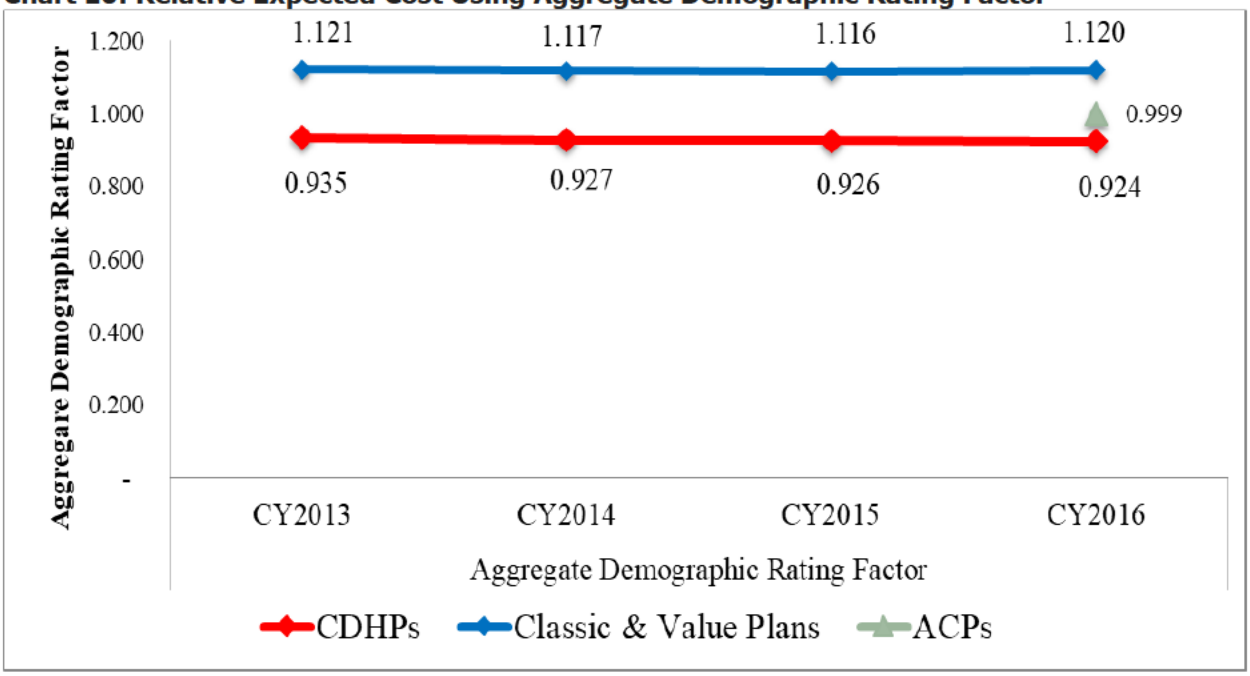



**Table 3: Enrollment and Distribution by Member Type**

| | CDHPs | | | | All Classic & Value Plans | | | | ACP |
|---|---|---|---|---|---|---|---|---|---|
| | CY2013 | CY2014 | CY2015 | CY2016 | CY2013 | CY2014 | CY2015 | CY2016 | CY2016 |
| Employee | 6,290 | 7,303 | 8,478 | 9,386 | 118,409 | 118,933 | 119,256 | 114,279 | 6,694 |
| Dependent | 7,822 | 8,759 | 9,599 | 10,327 | 128,685 | 128,887 | 127,229 | 120,451 | 6,751 |
| Total | 14,113 | 16,062 | 18,077 | 19,713 | 247,094 | 247,820 | 246,485 | 234,730 | 13,445 |
| Employee (%) | 45% | 45% | 47% | 48% | 48% | 48% | 48% | 49% | 50% |
| Dependent(%) | 55% | 55% | 53% | 52% | 52% | 52% | 52% | 51% | 50% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

As shown in Chart 10, the aggregate demographic rating factor[4] for CDHPs is lower than Classic and Value plans and the ACPs. This means that the CDHPs would be expected to have relatively lower costs. The rating factors for both CDHPs and Classic and Value plans show a stable trend during the last three years.

**Chart 10: Relative Expected Cost Using Aggregate Demographic Rating Factor**




# Impact of CDHP Enrollment on Cost of Other Plans

## Background

The impact of CDHP enrollment on the cost of other plans within the portfolio moves the claims cost, risk scores, and premium rates for each plan. The monthly employee premium contributions are the net effect of a complex set of process interactions within the PEBB program. Where some of the plans are self-insured, the claims costs are paid by the state and the premium rates are only used for setting the monthly employee premium contributions. The analysis for this report aims to model the impact on monthly employee premium contributions under a scenario where the premium rate relativities are based upon a hindsight review of actual historical experience for the carrier. A comparison of the modeled employee premium contributions to the actual premium

[4] The aggregate demographic rating factor is based on Milliman Health Cost Guidelines and represents the relative claims cost expected from a large employer group based on their age and gender distribution, all other factors being equal.

contributions for each calendar year quantifies how the pricing decisions made in setting the premium contributions compares to the actual experience for the carriers.

## Methodology

Milliman measured the impact of the CDHP and ACP alternatives on all existing Classic and Value plans by creating a *modeled premium* and comparing it to the actual premiums from the procurement process. The analysis model simulates a scenario in which members in existing plans would not be impacted by the introduction of CDHPs or ACPs. It models the bid rate based on perfect knowledge of the actual claims and risk profile of the rate period, and not based on a projection of the historical experience that was available at the time the actual bid was developed.

The overall impact for all plans illustrates the impact of the bid projection compared to the actual experience that developed during the bid period, and can be thought of as an actual-to-expected comparison. The variation of the impact by plan illustrates the impact that enrollment in one plan had on the employee contribution of the other plans.

The modeled premium measures the impact enrollment in CDHPs and ACPs has had on every plan in the PEBB portfolio—rather than just the impact on the most comprehensive plan. Experience shows that PEBB members are much more likely to switch from one plan to another within a carrier family than they are to switch between carriers. Since there is little movement between carriers, comparing the impact of movement from one carrier to the most comprehensive plan in another carrier may be misleading, and may not reflect the reality of how the new CDHPs have impacted all PEBB plans.

## Cost Impact on Other Plans

The difference between the actual and modeled bid rates displayed in Table 4 represents the impact that CDHP enrollment has had on members who remained within Classic and Value plans. This impact could also stem from differences in plan richness, administrative costs, unit costs, differences in morbidity not accounted for in the procurement risk score model, or other factors such as actual-to-expected pricing variation. Note that in keeping with statutory language, we do not speculate on or address these possible additional impacts.



**Table 4: CDHP Impact Based on Modeled/Actual Bid Rate**

| | | CY2014 | | | | | |
|---|---|---|---|---|---|---|---|
| Carrier | Plan | Modeled Bid Rate (With HSA**) | Actual Bid Rate (With HSA**) | Modeled Employee Contribution* | Actual Employee Contribution* | Impact ($)* | % of Impact on Actual Bid Rate |
| UMP | Uniform Medical Plan CDHP | $460 60 | $490 78 | -$5 40 | $25 00 | $30 40 | 6 2% |
| UMP | Uniform Medical Plan Classic | $545 93 | $544 81 | $79 93 | $79 00 | -$0 93 | -0 2% |
| KPWA | Kaiser Permanente of Washington CDHP | $406 71 | $486 17 | -$59 29 | $20 00 | $79 29 | 16 3% |
| KPWA | Kaiser Permanente of Washington Value | $533 63 | $530 82 | $67 63 | $65 00 | -$2 63 | -0 5% |
| KPWA | Kaiser Permanente of Washington Classic | $580 90 | $582 97 | $114 90 | $117 00 | $2 10 | 0 4% |
| All | All CDHP | $449 79 | $489 85 | -$16 21 | $24 00 | $40 21 | 8 2% |
| All | Classic and Value Totals | $547 77 | $546 69 | $81 77 | $81 00 | -$0 77 | -0 1% |
| All | All Plans | $541 98 | $543 34 | $75 98 | $77 00 | $1 02 | 0 2% |

* Per Adult Unit Per Month (PAUPM), ** Monthly Health Savings Account (HSA) Employer Contributions

| | | CY2015 | | | | | |
|---|---|---|---|---|---|---|---|
| Carrier | Plan | Modeled Bid Rate (With HSA**) | Actual Bid Rate (With HSA**) | Modeled Employee Contribution* | Actual Employee Contribution* | Impact ($)* | % of Impact on Actual Bid Rate |
| UMP | Uniform Medical Plan CDHP | $501 25 | $519 33 | $13 25 | $31 00 | $17 75 | 3 4% |
| UMP | Uniform Medical Plan Classic | $571 22 | $572 26 | $83 22 | $84 00 | $0 78 | 0 1% |
| KPWA | Kaiser Permanente of Washington CDHP | $478 49 | $513 00 | -$9 51 | $25 00 | $34 51 | 6 7% |
| KPWA | Kaiser Permanente of Washington Value | $557 57 | $563 13 | $69 57 | $75 00 | $5 43 | 1 0% |
| KPWA | Kaiser Permanente of Washington Classic | $591 67 | $594 55 | $103 67 | $107 00 | $3 33 | 0 6% |
| All | All CDHP | $496 29 | $517 95 | $8 29 | $30 00 | $21 71 | 4 2% |
| All | Classic and Value Totals | $571 09 | $573 29 | $83 09 | $85 00 | $1 91 | 0 3% |
| All | All Plans | $566 14 | $569 60 | $78 14 | $82 00 | $3 86 | 0 7% |

* Per Adult Unit Per Month (PAUPM), ** Monthly Health Savings Account (HSA) Employer Contributions

| | | CY2016 | | | | | |
|---|---|---|---|---|---|---|---|
| Carrier | Plan | Modeled Bid Rate (With HSA**) | Actual Bid Rate (With HSA**) | Modeled Employee Contribution* | Actual Employee Contribution* | Impact ($)* | % of Impact on Actual Bid Rate |
| UMP | Uniform Medical Plan CDHP | $476 61 | $508 47 | -$10 39 | $21 00 | $31 39 | 6 2% |
| UMP | Uniform Medical Plan Plus | $546 33 | $546 37 | $59 33 | $59 00 | -$0 33 | -0 1% |
| UMP | Uniform Medical Plan Classic | $568 12 | $570 75 | $81 12 | $84 00 | $2 88 | 0 5% |
| KPWA | Kaiser Permanente of Washington CDHP | $510 83 | $508 80 | $23 83 | $22 00 | -$1 83 | -0 4% |
| KPWA | Kaiser Permanente of Washington Sound Choice | $439 25 | $532 06 | -$47 75 | $45 00 | $92 75 | 17 4% |
| KPWA | Kaiser Permanente of Washington Value | $572 07 | $567 96 | $85 07 | $81 00 | -$4 07 | -0 7% |
| KPWA | Kaiser Permanente of Washington Classic | $610 24 | $604 75 | $123 24 | $118 00 | -$5 24 | -0 9% |
| All | All CDHP | $484 07 | $508 54 | -$2 93 | $22 00 | $24 93 | 4 9% |
| All | All Accountable Care | $531 55 | $544 39 | $44 55 | $57 00 | $12 45 | 2 3% |
| All | Classic and Value Totals | $574 43 | $574 69 | $87 43 | $88 00 | $0 57 | 0 1% |
| All | All Plans | $565 77 | $568 39 | $78 77 | $81 00 | $2 23 | 0 4% |

* Per Adult Unit Per Month (PAUPM), ** Monthly Health Savings Account (HSA) Employer Contributions



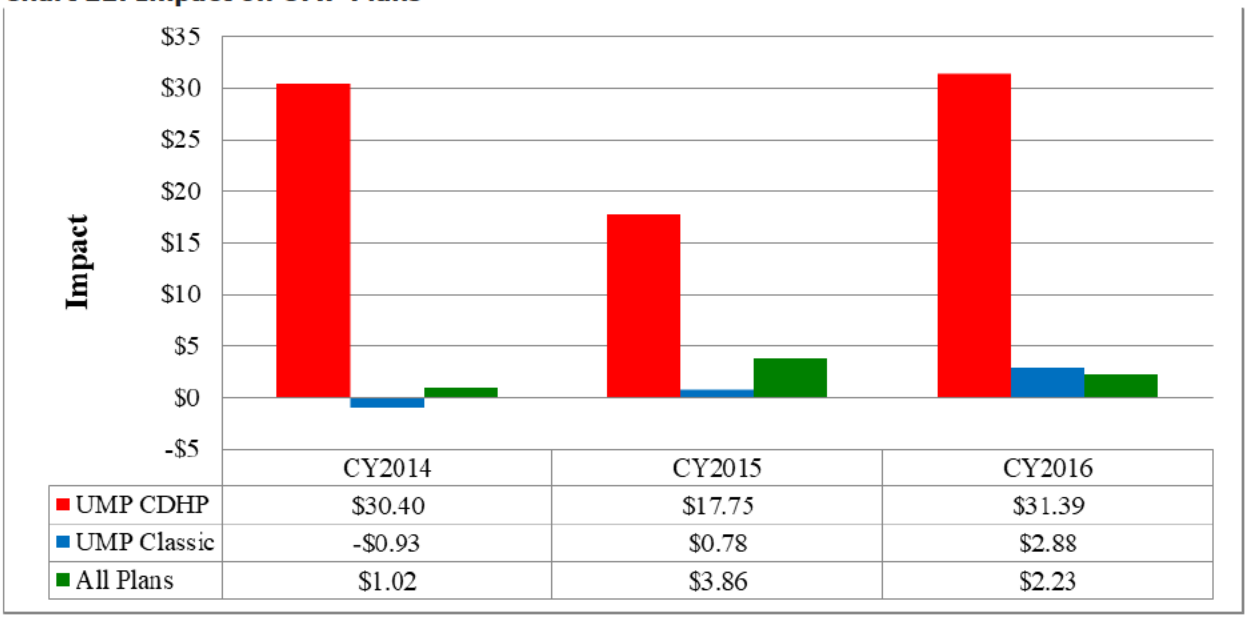
A negative impact implies that members in the plan are underpaying compared to what would be expected in the modeled scenario. A positive impact implies that members are paying more compared to what would be expected in the modeled scenario. Since the overall impact of all plans in each year is not $0, a plan-specific impact should be compared to the all-plans impact for each year to determine whether a plan under- or over-paid relative to all of the other plans.

CY 2014 and CY 2015 results changed slightly from last year due to a Milliman risk model update and more updated claims and eligibility information.

Specifically, the UMP Classic modeled impact was favorable in CY 2014 and CY 2015. In CY 2014 members paid lower contributions (a $0.93 per adult unit per month [PAUPM][5] underpayment compared to the $1.02 PAUPM overpayment for All Plans, a difference of $1.95 PAUPM) than they would have if the CDHPs had not been introduced using the modeled premium analysis. In CY 2015 the impact was positive ($0.78 PAUPM), meaning members were paying a higher contribution, but it was still lower than the All Plans impact of $3.86 PAUPM (meaning that the introduction of the CDHPs lowered the Classic contribution by $3.08 based on the modeled premium analysis).

The CY2016 UMP Classic impact of $2.88 PAUPM is positive and slightly larger than the impact calculated for all non-Medicare plans (positive $2.23 PAUPM), indicating that the employees in this plan are paying more due to enrollment in alternative plans. Since the ACP plan was introduced in 2016, under this analysis it is not possible to determine if this slight overpayment in the Classic plan was due to the CDHP or ACP plan.

**Chart 11: Impact on UMP Plans***




| | CY2014 | CY2015 | CY2016 |
|---|---|---|---|
| UMP CDHP | $30.40 | $17.75 | $31.39 |
| UMP Classic | -$0.93 | $0.78 | $2.88 |
| All Plans | $1.02 | $3.86 | $2.23 |

*Per Adult Unit Per Month (PAUPM)

[5] Per adult per month (PAUPM) is the monthly cost for an adult unit, i.e., unit for a single subscriber, which is applied to different family tiers based on the pre-defined ratio.

The impact of the KPWA CDHP and KPWA Sound Choice plans on KPWA Classic and Value plans is complicated and difficult to isolate because KPWA is allowed to manage its margin within the bid rates between the Classic and Value plans in the procurement process. The KPWA CDHP had an impact in CY 2014 and CY 2015 that was much larger than the All Plans impact, which means KPWA Value and Classic plan members overall paid lower monthly contributions due to the KPWA CDHP. For 2016, the slight negative impact for the CDHP is offset by the very high Sound Choice impact. Value and Classic plan members paid lower contributions in 2016 because of the high impact from the Sound Choice plan.

The cost and utilization analysis shows that the presence of the CDHPs contributes to a lower claims trend. The migration of members into the low-cost CDHP plan option has driven lower trends across the non-Medicare pool. The all-plan allowed PMPM trend was lower than the non-CDHP trends over the last three years and also lower than the CDHP trends in CY 2014-15 and CY 2015-16. (See Exhibit 1, Total Allowed PMPM Trend, in the Appendix.)

The report shows that the impact to all non-Medicare plans is a positive $1.02 PAUPM in CY 2014, $3.86 PAUPM in CY 2015, and $2.23 PAUPM in CY 2016. This general overpayment impact, not a net zero impact, results from the complex rate setting process in procurement, and the differences between the procurement projection and modeled estimates. The analysis model does not target a net zero impact, but instead shows the difference between the historical actuals and theoretical bid rate with the benefit of available historical actual claims and risk scores.

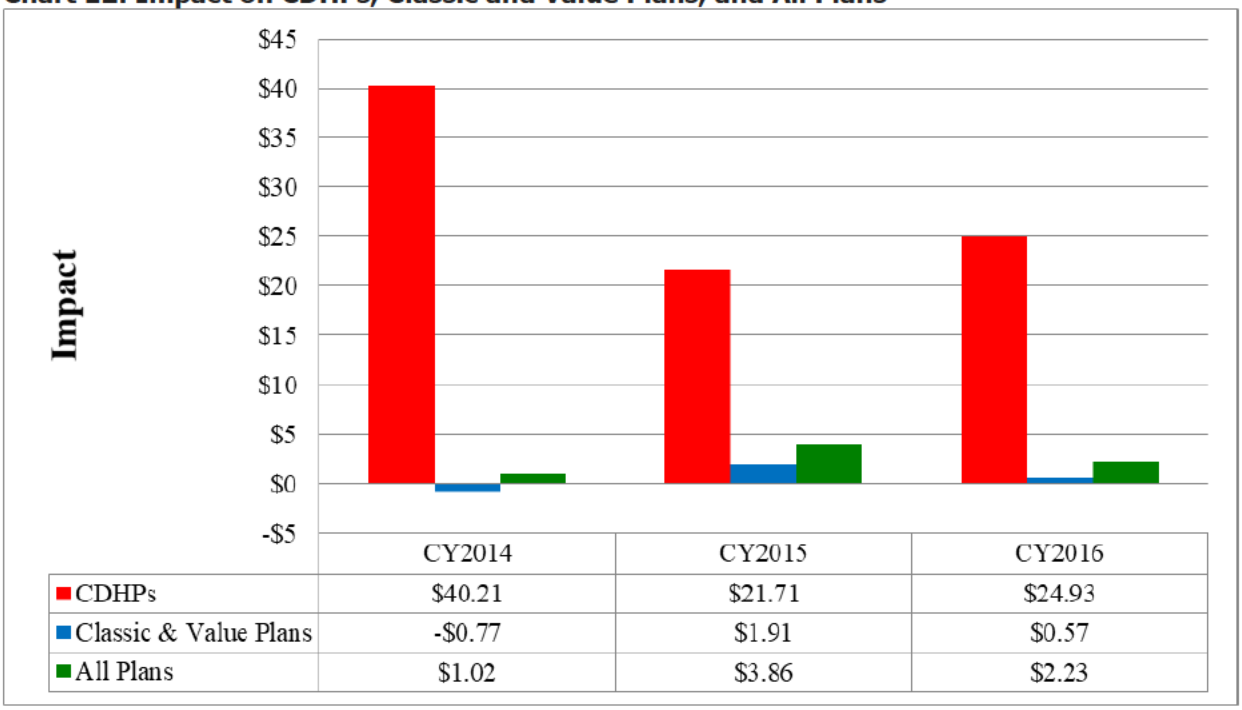
The difference between the actual and modeled bid rates displayed in Table 4 represents what member cost would have been if those members contributed toward bid rates which did not reflect the plan specific selection. The members who stayed in other plans were modeled to have bid rates generally higher than what they were actually charged, while the members who selected the CDHP were modeled to have bid rates generally much lower than what they were actually charged. These differences could be attributed to differences in plan richness, administrative costs, unit costs, differences in morbidity not accounted for in the procurement risk score model, or other factors such as actual to expected pricing variation (which are not included in the bid rate modeling).

Over the last three years, the general trend is that CDHP members pay a higher monthly premium than what is actuarially supported by a hindsight review of their claims and risk profile according to the Milliman modeled premium analysis.



In summary, our analysis shows that the CDHP impact is stabilizing as claims and membership better reflect the underlying influences of this plan design structure (See Chart 12). We expect future employee premium contribution projections will be more accurate and that under- and over-payment should further decrease.

**Chart 12: Impact on CDHPs, Classic and Value Plans, and All Plans***




| | CY2014 | CY2015 | CY2016 |
|---|---|---|---|
| CDHPs | $40.21 | $21.71 | $24.93 |
| Classic & Value Plans | -$0.77 | $1.91 | $0.57 |
| All Plans | $1.02 | $3.86 | $2.23 |

*Per Adult Unit Per Month (PAUPM)

# Appendix

Milliman

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October 13, 2017

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*Delivered via email*

**Re: Legislative Report Regarding Implementation of CDHPs and other alternative plans**

Thuy, Kim, and Karin,

As requested in work order #PEBB-0372, we have prepared this report to comply with the three legislative requirements set forth in RCW 41.05.065(6) relating to the establishment of the consumer driven health plan (CDHP) option for employees covered by the Public Employee Benefits Board (PEBB) program. We understand that you may use this information as a supplemental appendix to a formal report submitted by the Washington State Health Care Authority (HCA) to the Washington State Legislature. It is not appropriate for any other purpose and should be referenced in its entirety as supplementary material. The plans formerly reported as Group Health have changed names to the new carrier Kaiser Permanente of Washington (KPWA) to crosswalk the previously reported results.

**Executive Summary**

Overall our analysis continues to demonstrate the general pattern that subscribers in the Uniform Medical Plan (UMP) CDHP and KPWA CDHP plans pay a higher monthly premium contribution than what is actuarially supported by a hindsight review of their claims and risk profile. This in turn lowers the employee contribution for subscribers in the UMP Classic, KPWA Classic, and KPWA Value plans, which is lower than what is actuarially supported by the subscriber's claims and risk profile. This impact is due to the complex mechanics of the bid rate development and employee contribution methodology utilized by PEBB. These items are discussed in more detail later in this report.

In this report, for the first time, we are including the results from the new accountable care program (ACP) and related plans. These plans began in 2016. With only a single year of data it is difficult to draw general conclusions at this time for these plans. In 2016 the UMP Plus members payed slightly less than they would have under a hindsight review. This analysis does not consider the accountable care network (ACN) penalties that ultimately lower the premium contributions. The KPWA Sound Choice members paid significantly more than they would have under this hindsight review.

The under- and over-payments in the CDHP and non-CDHP plans had generally been stabilizing and decreasing as the claims and membership mature for the CDHPs, but the introduction of the ACP plans has brought back variation for the results in 2016. As the CDHPs and ACP plans continue to mature and grow, we expect the projections underlying the employee contributions will continue to increase in accuracy and stability, and thus the under- and over-payment caused by the introduction of the CDHPs and the ACP plans should further decrease.

**Scope of Analysis**

This analysis aims to address the data summaries and analysis specifically requested by the relevant RCW, and to analyze the impact of introducing the KPWA and UMP CDHP and ACP benefit plans into the PEBB portfolio starting in 2012 for CDHP and 2016 for ACP. In areas where the RCW was not sufficiently clear to prescribe a certain approach or data summary, care has been taken to develop a methodology and provide results that are actuarially sound and consistent with our understanding of the RCW. Although there are other policy implications associated with these summaries, discussion of these implications is outside of the scope of this report.

**Analysis**

We have organized the following sections of our analysis to correspond with the three RCW requirements: Utilization and Cost Trends, Demographics, and Impact of CDHP on Other Plans.

Utilization and Cost Trends:

The analysis of utilization and cost trends is found in Exhibit 1. Allowed and paid claims per member per month (PMPM), member months, and utilization per 1,000 are displayed for each year, and are based on the entirety of the PEBB, non-Medicare risk pool enrollment. The utilization trends are calculated directly from the utilization data and unadjusted for any changes in the population from year to year. From this data, allowed PMPM trends are calculated. The portion of the overall allowed PMPM trend not explained by the utilization trend is presented in the unit cost and mix trend. This includes the impact of changes in unit cost due to contract negotiation with providers as well as trend due to changes in the underlying mix of high and low cost services provided from year to year across the various categories of service in the analysis.

Demographics:

Exhibit 2 includes the demographic summaries in total and by demographic groups. These groups include gender, age band, and member type (employee vs dependent). All counts are displayed as average members, which is total member months divided by 12.

Additionally, we have included an aggregate demographic rating factor for each plan and year based on the Milliman *Health Cost Guidelines*. This factor represents the relative claims cost expected from a large employer group based on their age and gender distribution, all other factors being equal. We provided this factor to allow for a quick comparison between plans and years of the age and gender demographics. This factor has not been normalized to a 1.0 for the PEBB population, so factors should not be compared to a 1.0 demographic factor, but rather to the factor of other plans or subtotals.

*Synthesis of Results for Utilization and Cost Trends and Demographics:*

Several important conclusions can be drawn from the data presented in Exhibits 1 and 2, and are listed below for your consideration.

- The presence of the CDHPs and ACP plans is driving a lower claims trend – Although the trend for the CDHPs has been relatively volatile over the past several years and there is currently not enough data to calculate a trend for the ACP plans, the migration of members into these low-cost plan options has driven lower trends across the entire PEBB non-Medicare pool. This is seen on Exhibit 1, where the trend shown for all plans is low. In fact, in 2014 to 2015 and again in 2015 to 2016, the all plans calculated average trend is lower than either the total average CDHP trend or the total average Classic and Value trend. This is likely due to program savings as members move into these lower average cost plan alternatives.

- Pharmacy claims have experienced volatile trends recently – Nearly all plans had a double digit pharmacy claim trend from 2014 to 2015, which is much higher than the average medical claim trend from the same time period. Pharmacy trends were lower from 2015 to 2016, and more in line with long term average trend rates.

- The CDHP and ACP members are generally younger than Classic and Value members – The demographic summaries by age band in Exhibit 2 show that CDHP and ACP members are significantly younger on average than Classic and Value members. There do not appear to be significant differences in the gender or member type makeup of the CDHP or ACP members compared to the Classic and Value members.

- Membership in CDHPs continues to grow – The member month totals by plan in Exhibit 1 show that the CDHP membership continues to grow through 2016, while the Classic and Value enrollment remains relatively constant, even with the addition of the ACP plans.

- The demographic profile of the CDHP, ACP, and Classic and Value members is relatively stable – The demographic distributions in Exhibit 2 vary significantly from plan to plan, but they do not vary significantly from year to year within each plan.

Impact of CDHP and ACP on Other Plans:

The impact that enrollment on the CDHPs and ACP plans has had for those members that have elected to remain enrolled within the other plan options, as measured by the differences between the actual and modeled bid rates, is displayed in Table 1 below as well as in column (L) of the attached Exhibit 3b. A negative impact implies that members in the plan are underpaying compared to what we have modeled within the analysis for this report. A positive impact implies that members are overpaying compared to what we have modeled in the analysis for this report. This impact could be based on material differences in plan richness, administrative costs, unit costs, or morbidity of the plan specific populations that are not accounted for within the procurement risk score model, or the other factors (such as actual to expected pricing variation) used in the calculation of modeled bid rates with the hindsight of plan experience.

**Table 1**
**Impact of CDHP on Other Plans**

| Plan | 2014 | 2015 | 2016 |
|---|---|---|---|
| UMP CDHP | $30.40 | $17.75 | $31.39 |
| UMP Plus | | | (0.33) |
| UMP Classic | (0.93) | 0.78 | 2.88 |
| KPWA CDHP | 79.29 | 34.51 | (1.83) |
| KPWA Sound Choice | | | 92.75 |
| KPWA Value | (2.63) | 5.43 | (4.07) |
| KPWA Classic | 2.10 | 3.33 | (5.24) |
| CDHP Totals | 40.21 | 21.71 | 24.93 |
| Accountable Care Totals | | | 12.45 |
| Classic and Value Totals | (0.77) | 1.91 | 0.57 |
| **All Plans** | **$1.02** | **$3.86** | **$2.23** |

The way we model impacts to the bid rates for this analysis does not target a net zero impact, where each dollar of overpayment in one plan corresponds to a dollar of underpayment in another plan. This can be seen in the non-zero total in the All Plans row of Table 1. Instead, we are measuring how the actual

payments determined in the historical process of procurement compare to a theoretical bid rate each plan would require under the benefit of hindsight though using the claims and risk score information available to us now.

In comparing the impact of each plan, it can be instructive to compare the plan specific impact to the All Plan impact for each year to assess whether a plan over- or under-paid compared to the average over- or under-payment of the entire program. For example, although the 2015 UMP Classic impact is positive, it is smaller than the impact calculated for all plans, indicating that employees in this plan are overpaying less than the average PEBB non-Medicare employee. The difference between the modeled and actual employee contribution for UMP Classic can most likely be attributed to differences between actual and projected experience as well as the morbidity factors that are not captured by the risk score models used in this analysis. The 2016 UMP Classic impact is larger than the impact for all plans, but this is likely due to the introduction of the ACP plan, UMP Plus, and will likely be reduced as the plan matures.

The impact of the KPWA CDHP and KPWA Sound Choice plans on the KPWA Classic and Value plans is complicated by the fact that there is significant selection bias between the Classic and Value plans and that during procurement KPWA is allowed to actively manage the relative margin within the bid rates of each plan in order to target certain contribution levels while maintaining budget neutrality for the risk adjustment process. The selection bias between these two plans makes it difficult to isolate the impact that any one plan has on any of the other plans. We would recommend focusing on the UMP results, which give a clearer picture of the CDHP, ACP, and Classic program impacts.

One interpretation of the KPWA process is to focus only on the KPWA CDHP and ACP related plan, KPWA Sound Choice, impacts. As with other plan specific impacts, a positive CDHP or Sound Choice impact, means the employees are paying a higher contribution than what was actually needed. The KPWA CDHP had a positive impact in 2014 and 2015 and a slight negative impact in 2016, which means that the Value and Classic plan members were paying lower contributions in 2014 and 2015 due to the KPWA CDHP. For 2016, the slight negative impact for the CDHP is offset by the very high SoundChoice impact and the Value and Classic plan members pay a lower contribution in 2016 because of this. It is the relative spread of the impacts across all four plans which creates complexity in interpretation of the results.

The results reported in this analysis for 2014 and 2015 have changed slightly from the report released in 2016 due to three reasons.

1) The underlying experience data is slightly different as we have continued to receive claims paid in recent months but incurred in 2014 and 2015. Additionally, some retroactive changes have been made to the claims and eligibility information.

2) The concurrent risk score model relied upon for this analysis is again the most recent version of the Verisk DxCG risk score model. This concurrent model is the same model used for the prospective risk scores in the bid rate development.

3) An updated medical loss ratio (MLR) was used to convert modeled allowed dollars to modeled paid dollars. The MLR is the projected MLR from the 2017 bids and varies by plan. The same MLR is used for all historical years, in order to not introduce additional variation in the measured impacts due to real or expected changes in the MLR over time.

*Background on Bid Rate and Employee Contribution Development Process*

The impact that employees or members in one plan have on the claims cost, risk scores, bid rates and employee contributions of members in another plan is based on a set of complex interactions within the PEBB program. Payment rates for the non-Medicare risk pool are based on the projected costs of each

benefit plan. Bid rates are the payment rates standardized for the risk score in each plan; these bid rates are used to establish the monthly employee premium contribution for state active employees.

The interaction between the employee contribution rates of different plans is driven by the collective bargaining agreement for state employees and the "index rate" methodology. The current collective bargaining agreement for state active employees dictates that employees will contribute no more than 15% of the aggregate bid rate volume across all plans. The current methodology for employee premium contributions establishes the state index rate as the fixed contribution per adult unit per month that the state provides across all plans; state active employees pay the difference between the index rate and the bid rate. This methodology causes some plans to have an effective contribution rate above 15% of the bid rate and other plans to have a contribution rate below 15% of the bid rate.

When the CDHPs were introduced to the PEBB program, the HCA adopted greater flexibility within the procurement process in terms of allowing the employee contribution rates to vary across plans. Prior to the introduction of CDHPs, the bid rates between the plan options were within a more narrow range of values. The CDHPs have been offered with rates that are significantly lower than the Classic and Value plans, which caused aggregate bid rate volume to decrease. A lower bid rate volume lowers the index rate and raises the employee contribution on the existing plan. Although a bid rate represents a standardized population, there are many reasons why a lower bid rate is appropriate for plans like CDHPs. The most common reasons are:

- Leaner plan design,
- Lower unit cost due to different networks,
- Lower administrative costs,
- Deviation of actual claims costs from expected results in pricing, and
- Imperfections of the risk model for a lower morbidity population.

These factors, among others, were considered as part of the process of establishing the CDHP bid rates in 2012.

Because the CDHPs were new in 2012, there was an element of pricing uncertainty between the claims costs that were assumed in development of premiums and the costs that actually occurred. Each year, new information was introduced to the pricing process that allowed pricing to be more accurate. In 2012, plan-specific information was not available for claims costs or risk scores. In 2013, plan specific risk scores became available. In 2014, the CDHPs were able to be priced using plan specific risk scores and experience, however, that experience reflected an immature plan population. The timeline for the ACP plans is identical. In 2016, plan specific information was not available for claims costs or risk scores. As we move to future years of this report, for 2017 the ACP plans were able to be priced using plan specific risk scores and finally in 2018 the ACP plans will have been priced using plan specific risk scores and experience.

We expect claims costs to change as any health plan matures. In 2015 and 2016, the CDHPs were again able to be priced using plan specific risk scores and experience. Of all of the years included in this analysis, 2016 should give the best picture of what the impact on the existing plans will look like going forward; however, the magnitude or direction of the impact may change as the plans continue to mature and as the plan offerings change like they did in 2016 with the new ACP plans.

The procurement process has long used prospective risk scores to standardize the morbidity differences between plans in the calculation of employee contributions. Any morbidity based variation that is not captured in the risk scores would impact the bid rate pricing for each of the plans.

*Methodology for Determining Impact of CDHPs and ACPs on Members in Other Plans*

We have measured the impact of the CDHP and ACP alternatives on all existing plans by creating a "modeled employee contribution" and comparing it to the actual employee contribution from the procurement process. The modeled employee contribution concept simulates a scenario in which members in existing plans would not be impacted by the introduction of CDHPs or ACs.

Exhibits 3a and 3b show the development of the modeled employee contribution. In Exhibit 3a a composite carrier-wide allowed cost amount in column (A) is developed from all members covered by the carrier, regardless of their plan selection. This allowed amount represents a baseline amount of claims cost for the carrier's population. Modeled allowed amounts for each plan are calculated by adjusting the carrier-wide allowed amounts in (A) by the plan specific concurrent risk score in (B). The concurrent risk score is independent of the process used in the development of the bid rates and represents our current expectation of claims distribution between the plans. In this instance the risk score is used to apportion the relative morbidity of the carrier wide experience to each plan. A modeled paid amount is then calculated in (D) by applying the historical paid to allowed factor in (C) to the modeled allowed amount.

The next step is to convert the modeled paid amounts in (D) to the required revenue for comparison to the payment rates developed during procurement. To accomplish this, modeled paid claim amounts are loaded with non-benefit expenses using the target medical loss ratio (MLR) per plan in (E) from the 2017 procurement to produce our modeled payment rate in column (F). In order for our modeled payment rate to be comparable with the original index rate the modeled payment rates are converted to an adult unit basis from a member basis, and scaled to the original payment rate at the carrier level. The resulting scaled modeled payment rate per adult unit per month (PAUPM) is shown in (G), and is comparable to the actual payment rate in (H). Payment rates shown in Exhibit 3a do not include payments for HSA contributions. As the HSA contribution is not risk adjusted, it is only included in the bid rate development within Exhibit 3b for the final impact on employee contributions.

Exhibit 3b builds on the Exhibit 3a payment rate by standardizing the required revenue into a bid rate and computing the modeled employee contributions for each plan. The modeled bid rate in (C) is developed by standardizing the modeled payment rate from Exhibit 3a, displayed again in column (A) of Exhibit 3b, using the prospective risk score in (B) from the procurement process. Employer HSA contributions (including the additional contribution for Wellness members in 2015 and on) in (D) are added to the CDHPs to develop the modeled bid rate for all plans in (E). This modeled bid rate is comparable to the actual bid rate from procurement displayed in (F). Modeled and actual employee contributions in (H) and (I) are then calculated from the modeled and actual bid rate using the actual index rate in (G) from each procurement cycle.

As we noted previously, the concurrent risk scores used to create the modeled amounts for this report are completely independent from the prospective risk scores used in the bid development process. The concurrent risk score for a given year predicts claim cost for that year using diagnosis data from that year. The prospective risk score used in the bid development process predicts claim costs for the bid year using 12 months of diagnosis data from 15 months prior to the bid year. For example, the 2016 bid year prospective risk score is based on diagnosis information from October 2014 through September 2015, while the 2016 concurrent risk score is based on diagnosis information from CY2016. Further complicating the discussion is that the prospective risk score model is calibrated to estimate the cost for the 12 months immediately following the diagnosis information. The way they are currently being used in the bid development process introduces a fifteen month gap between the diagnosis period and the projected period. Because there can be meaningful differences between the prospective risk scores used during development of the actual bid rate and the concurrent risk scores used to create the modeled bid rate for this report, we attempted to separately quantify the difference between the actual and modeled amounts due solely to this risk score change. This impact is shown in column (J). The remaining impact from all other sources is found in column (K). The total impact is the sum of these two items, shown in column (L).

This methodology does not replicate every detail of the procurement process. Instead it represents an approximation of the procurement process.

**Data and Assumptions**

In the course of this analysis, we relied upon data from several sources. We reviewed this data for reasonableness, but did not conduct a full audit of this data. We found no significant issues in the data. A full description of the data sources and assumptions is provided below.

Exclusions of Kaiser Permanente of the Northwest:
Due to the low enrollment in the Kaiser Permanente of the Northwest (KPNW) CDHP, the results for this plan were not deemed credible and are not displayed in this report.

Enrollment and Demographic Information:
Monthly enrollment and demographic information was obtained from the PEBB Master Enrollment Database (PMED). This data is provided by HCA to Milliman through monthly enrollment snapshots. Milliman compiles this information into a single database.

Claims Information:
Quarterly medical claim information is provided to Milliman by each of the major carriers (KPWA, KPNW, and Regence for UMP plans). MODA provides monthly pharmacy files. This data is compiled, grouped, and summarized by Milliman. We rely upon this information without audit and review only for reasonableness relative to other experience reports. The claims data used for this analysis include claims paid through March 2017, with an adjustment for IBNP made to account for runout.

Concurrent Risk Scores:
The risk relativities are based on the enrollment provided by HCA and diagnoses from paid claim data for each calendar year. This data is processed through the Verisk DxCG risk adjustment model to produce the concurrent age/gender and diagnosis based risk scores. The raw risk scores are scaled such that the aggregate modeled payment rate dollars by carrier are equal to the original aggregate payment rate dollars.

Bid Rates and Prospective Risk Scores:
The risk relativities are based on the enrollment provided by HCA and diagnoses from paid claim data. This data is processed through the Verisk DxCG Risk Adjustment Model to produce prospective age/gender and diagnosis-based risk scores. Members with eligibility in the diagnosis period were assigned diagnosis-based risk scores while members without eligibility in the diagnosis period received an age/gender score. The health-status based risk relativities are weighted by member months with the age/gender risk relativities to complete the DxCG model output and capture the total risk by plan or carrier for the calculation of risk adjustment relativity factors. The bid rates are used for the expense index in order to ensure that the factors are revenue neutral across all of the plans in the portfolio.

**Caveats and Limitations**

The information contained in this letter has been prepared for the Washington State Health Care Authority and its consultants and advisors. It is our understanding that the information contained in this report may be utilized in a public document and may be provided to legislative policy and fiscal committees. To the extent that the information contained in this report is provided to third parties, it should be distributed in its entirety. Any user of this information should possess a certain level of expertise in health care modeling and projections so as not to misinterpret the data presented.

Milliman makes no representations or warranties regarding the contents of this report to third parties. Likewise, third parties are instructed that they are to place no reliance upon this report prepared for the Washington State Health Care Authority by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties. Other parties receiving this report must rely upon their own experts in drawing conclusions about the Washington State Health Care Authority's management of the PEBB program.

In performing this analysis, Milliman has relied upon data ultimately provided by the Health Care Authority, as well as HCA's third party administrators. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment. To the extent that there are errors contained within this data, the results of our analysis could produce erroneous results.

The analysis provided with this report represents the most current information available, and is based on the specific methodology we describe herein. Future analyses may vary from these results for many reasons, including but not limited to enrollment shifts, random claims fluctuations, and alternate methodologies. It is important to monitor enrollment and claims and make revisions to the assumptions as needed.

This analysis is subject to the terms and conditions of the Contract between Milliman and Washington State Health Care Authority.

I am a member of the American Academy of Actuaries and meet the qualification standards to perform financial projections of this type.

**Closing**

We recognize that this report deals with highly technical material. Please feel free to give us a call if you have any questions regarding the material presented in this report.

Sincerely,

Ben Diederich, FSA, MAAA
Consulting Actuary

David Koenig, FSA, MAAA
Actuary

**PEBB - Exhibit 1**
**CDHP LEG Report**
**PEBB Health Plan Cost and Service Utilization Trends for 2013 Through 2016**
**Non-Medicare Risk Pool**

**Allowed Claims PMPM**

| | 2013 | | | 2014 | | | 2015 | | | 2016 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Plan | Medical | Pharmacy | Total | Medical | Pharmacy | Total | Medical | Pharmacy | Total | Medical | Pharmacy | Total |
| Uniform Medical Plan CDHP | $189.71 | $22.04 | $211.75 | $188.65 | $23.36 | $212.02 | $207.13 | $27.62 | $234.75 | $204.70 | $29.81 | $234.51 |
| Uniform Medical Plan Classic | $382.07 | $75.96 | $458.03 | $397.03 | $79.76 | $476.79 | $408.90 | $90.11 | $499.00 | $421.54 | $98.91 | $520.46 |
| Uniform Medical Plan Plus | | | | | | | | | | $319.40 | $57.72 | $377.12 |
| Kaiser Permanente of Washington CDHP | $156.66 | $17.18 | $173.83 | $136.64 | $13.02 | $149.66 | $181.84 | $14.26 | $196.10 | $202.81 | $13.96 | $216.77 |
| Kaiser Permanente of Washington Sound Choice | | | | | | | | | | $169.08 | $23.05 | $192.13 |
| Kaiser Permanente of Washington Value | $298.12 | $36.50 | $334.62 | $294.31 | $41.17 | $335.49 | $296.45 | $47.29 | $343.74 | $297.43 | $51.58 | $349.01 |
| Kaiser Permanente of Washington Classic | $414.03 | $63.61 | $477.64 | $430.08 | $73.14 | $503.23 | $447.00 | $80.46 | $527.46 | $438.18 | $85.07 | $523.25 |
| All CDHP | $184.02 | $21.21 | $205.23 | $178.29 | $21.30 | $199.59 | $201.70 | $24.75 | $226.45 | $204.29 | $26.39 | $230.69 |
| All Accountable Care | | | | | | | | | | $298.61 | $52.92 | $351.53 |
| All Classic and Value | $367.99 | $65.68 | $433.67 | $378.77 | $70.50 | $449.26 | $390.48 | $80.00 | $470.48 | $399.16 | $87.76 | $486.92 |
| All Plans | $358.05 | $63.27 | $421.33 | $366.56 | $67.50 | $434.07 | $377.58 | $76.23 | $453.80 | $364.79 | $78.84 | $443.63 |

**Paid Claims PMPM**

| | 2013 | | | 2014 | | | 2015 | | | 2016 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Plan | Medical | Pharmacy | Total | Medical | Pharmacy | Total | Medical | Pharmacy | Total | Medical | Pharmacy | Total |
| Uniform Medical Plan CDHP | $133.04 | $13.33 | $146.37 | $133.87 | $14.72 | $148.58 | $149.37 | $18.48 | $167.85 | $146.42 | $20.72 | $167.14 |
| Uniform Medical Plan Classic | $327.92 | $64.55 | $392.46 | $344.12 | $68.94 | $413.06 | $358.17 | $79.79 | $437.96 | $370.46 | $88.57 | $459.03 |
| Uniform Medical Plan Plus | | | | | | | | | | $275.21 | $52.42 | $327.62 |
| Kaiser Permanente of Washington CDHP | $93.81 | $10.88 | $104.69 | $86.14 | $7.15 | $93.29 | $129.11 | $8.47 | $137.57 | $153.58 | $8.54 | $162.12 |
| Kaiser Permanente of Washington Sound Choice | | | | $141.06 | $18.33 | $159.40 | | | | | | |
| Kaiser Permanente of Washington Value | $236.49 | $27.44 | $263.92 | $246.32 | $32.92 | $279.23 | $256.04 | $39.19 | $295.23 | $263.05 | $44.00 | $307.04 |
| Kaiser Permanente of Washington Classic | $343.75 | $48.41 | $392.16 | $376.98 | $59.44 | $436.42 | $396.33 | $67.35 | $463.69 | $406.20 | $73.10 | $479.31 |
| All CDHP | $126.29 | $12.91 | $139.20 | $124.35 | $13.21 | $137.56 | $145.02 | $16.33 | $161.35 | $147.96 | $18.09 | $166.06 |
| All Accountable Care | | | $256.65 | $47.70 | $304.36 | | | | | | | |
| All Classic and Value | $310.04 | $54.27 | $364.31 | $326.90 | $59.87 | $386.78 | $341.89 | $69.79 | $411.68 | $353.86 | $77.75 | $431.61 |
| All Plans | $300.11 | $52.04 | $352.15 | $314.57 | $57.03 | $371.61 | $328.44 | $66.14 | $394.58 | $320.95 | $69.46 | $390.41 |

**Member Months**

| Plan | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Uniform Medical Plan CDHP | 140,226 | 154,330 | 170,358 | 185,600 |
| Uniform Medical Plan Classic | 1,919,615 | 1,949,598 | 1,967,117 | 1,894,098 |
| Uniform Medical Plan Plus | | | | 139,027 |
| Kaiser Permanente of Washington CDHP | 29,124 | 38,412 | 46,570 | 50,956 |
| Kaiser Permanente of Washington Sound Choice | | | | 22,314 |
| Kaiser Permanente of Washington Value | 648,430 | 649,459 | 612,661 | 556,988 |
| Kaiser Permanente of Washington Classic | 397,078 | 374,787 | 378,036 | 365,675 |
| All CDHP | 169,350 | 192,742 | 216,928 | 236,556 |
| All Accountable Care | | | | 161,341 |
| All Classic and Value | 2,965,123 | 2,973,844 | 2,957,814 | 2,816,761 |
| All Plans | 3,134,473 | 3,166,586 | 3,174,742 | 3,214,658 |

**Utilization Per 1,000**

| | 2013 | | | 2014 | | | 2015 | | | 2016 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Plan | Medical | Pharmacy | Total | Medical | Pharmacy | Total | Medical | Pharmacy | Total | Medical | Pharmacy | Total |
| Uniform Medical Plan CDHP | 35,906 | 5,266 | 41,172 | 36,990 | 5,294 | 42,284 | 42,090 | 5,405 | 47,496 | 40,850 | 5,508 | 46,358 |
| Uniform Medical Plan Classic | 79,931 | 13,026 | 92,957 | 83,657 | 12,834 | 96,491 | 91,246 | 12,811 | 104,057 | 91,079 | 13,204 | 104,284 |
| Uniform Medical Plan Plus | | | | | | | | | | 67,557 | 8,090 | 75,648 |
| Kaiser Permanente of Washington CDHP | 25,360 | 4,546 | 29,906 | 22,181 | 3,974 | 26,155 | 29,141 | 3,858 | 32,999 | 31,217 | 3,919 | 35,136 |
| Kaiser Permanente of Washington Sound Choice | | | | | | | | | | 29,211 | 5,550 | 34,761 |
| Kaiser Permanente of Washington Value | 49,874 | 8,802 | 58,675 | 49,901 | 8,703 | 58,604 | 53,446 | 8,509 | 61,955 | 55,130 | 8,877 | 64,007 |
| Kaiser Permanente of Washington Classic | 71,689 | 14,597 | 86,286 | 71,349 | 14,524 | 85,873 | 84,363 | 13,699 | 98,062 | 80,570 | 13,620 | 94,191 |
| All CDHP | 34,093 | 5,142 | 39,234 | 34,038 | 5,031 | 39,070 | 39,311 | 5,073 | 44,383 | 38,775 | 5,166 | 43,940 |
| All Accountable Care | | | | | | | | | | 62,254 | 7,739 | 69,993 |
| All Classic and Value | 72,254 | 12,313 | 84,567 | 74,734 | 12,145 | 86,878 | 82,537 | 12,033 | 94,570 | 82,606 | 12,403 | 95,009 |
| All Plans | 70,192 | 11,925 | 82,117 | 72,257 | 11,712 | 83,968 | 79,583 | 11,558 | 91,141 | 78,359 | 11,636 | 89,996 |

**PEBB - Exhibit 1**
**CDHP LEG Report**
**PEBB Health Plan Cost and Service Utilization Trends for 2013 Through 2016**
**Non-Medicare Risk Pool**

**Utilization Trend**

| | 2013 to 2014 | | | 2014 to 2015 | | | 2015 to 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| Plan | Medical | Pharmacy | Total | Medical | Pharmacy | Total | Medical | Pharmacy | Total |
| Uniform Medical Plan CDHP | 3.0% | 0.5% | 2.7% | 13.8% | 2.1% | 12.3% | -2.9% | 1.9% | -2.4% |
| Uniform Medical Plan Classic | 4.7% | -1.5% | 3.8% | 9.1% | -0.2% | 7.8% | -0.2% | 3.1% | 0.2% |
| Uniform Medical Plan Plus | | | | | | | | | |
| Kaiser Permanente of Washington CDHP | -12.5% | -12.6% | -12.5% | 31.4% | -2.9% | 26.2% | 7.1% | 1.6% | 6.5% |
| Kaiser Permanente of Washington Sound Choice | | | | | | | | | |
| Kaiser Permanente of Washington Value | 0.1% | -1.1% | -0.1% | 7.1% | -2.2% | 5.7% | 3.2% | 4.3% | 3.3% |
| Kaiser Permanente of Washington Classic | -0.5% | -0.5% | -0.5% | 18.2% | -5.7% | 14.2% | -4.5% | -0.6% | -3.9% |
| All CDHP | -0.2% | -2.2% | -0.4% | 15.5% | 0.8% | 13.6% | -1.4% | 1.8% | -1.0% |
| All Accountable Care | | | | | | | | | |
| All Classic and Value | 3.4% | -1.4% | 2.7% | 10.4% | -0.9% | 8.9% | 0.1% | 3.1% | 0.5% |
| All Plans | 2.9% | -1.8% | 2.3% | 10.1% | -1.3% | 8.5% | -1.5% | 0.7% | -1.3% |

**Unit Cost and Mix Trend**

| | 2013 to 2014 | | | 2014 to 2015 | | | 2015 to 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| Plan | Medical | Pharmacy | Total | Medical | Pharmacy | Total | Medical | Pharmacy | Total |
| Uniform Medical Plan CDHP | -3.5% | 5.4% | -2.5% | -3.5% | 15.8% | -1.4% | 1.8% | 5.9% | 2.4% |
| Uniform Medical Plan Classic | -0.7% | 6.6% | 0.3% | -5.6% | 13.2% | -3.0% | 3.3% | 6.5% | 4.1% |
| Uniform Medical Plan Plus | | | | | | | | | |
| Kaiser Permanente of Washington CDHP | -0.3% | -13.3% | -1.6% | 1.3% | 12.9% | 3.9% | 4.1% | -3.6% | 3.8% |
| Kaiser Permanente of Washington Sound Choice | | | | | | | | | |
| Kaiser Permanente of Washington Value | -1.3% | 14.1% | 0.4% | -6.0% | 17.5% | -3.1% | -2.7% | 4.5% | -1.7% |
| Kaiser Permanente of Washington Classic | 4.4% | 15.6% | 5.9% | -12.1% | 16.6% | -8.2% | 2.6% | 6.4% | 3.3% |
| All CDHP | -3.0% | 2.7% | -2.3% | -2.0% | 15.2% | -0.1% | 2.7% | 4.7% | 2.9% |
| All Accountable Care | | | | | | | | | |
| All Classic and Value | -0.5% | 8.8% | 0.8% | -6.7% | 14.5% | -3.8% | 2.1% | 6.4% | 3.0% |
| All Plans | -0.5% | 8.6% | 0.8% | -6.5% | 14.4% | -3.7% | -1.9% | 2.7% | -1.0% |

**Total Allowed PMPM Trend**

| | 2013 to 2014 | | | 2014 to 2015 | | | 2015 to 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| Plan | Medical | Pharmacy | Total | Medical | Pharmacy | Total | Medical | Pharmacy | Total |
| Uniform Medical Plan CDHP | -0.6% | 6.0% | 0.1% | 9.8% | 18.2% | 10.7% | -1.2% | 7.9% | -0.1% |
| Uniform Medical Plan Classic | 3.9% | 5.0% | 4.1% | 3.0% | 13.0% | 4.7% | 3.1% | 9.8% | 4.3% |
| Uniform Medical Plan Plus | | | | | | | | | |
| Kaiser Permanente of Washington CDHP | -12.8% | -24.2% | -13.9% | 33.1% | 9.5% | 31.0% | 11.5% | -2.1% | 10.5% |
| Kaiser Permanente of Washington Sound Choice | | | | | | | | | |
| Kaiser Permanente of Washington Value | -1.3% | 12.8% | 0.3% | 0.7% | 14.9% | 2.5% | 0.3% | 9.1% | 1.5% |
| Kaiser Permanente of Washington Classic | 3.9% | 15.0% | 5.4% | 3.9% | 10.0% | 4.8% | -2.0% | 5.7% | -0.8% |
| All CDHP | -3.1% | 0.4% | -2.7% | 13.1% | 16.2% | 13.5% | 1.3% | 6.6% | 1.9% |
| All Accountable Care | | | | | | | | | |
| All Classic and Value | 2.9% | 7.3% | 3.6% | 3.1% | 13.5% | 4.7% | 2.2% | 9.7% | 3.5% |
| All Plans | 2.4% | 6.7% | 3.0% | 3.0% | 12.9% | 4.5% | -3.4% | 3.4% | -2.2% |

**PEBB - Exhibit 2**
**CDHP LEG Report**
**Demographic Summary**

| | Average Members* | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Uniform Medical Plan CDHP | | | | Uniform Medical Plan Classic | | | | Uniform Medical Plan Plus | | | |
| Demographic Group | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 |
| Gender | | | | | | | | | | | | |
| Male | 5,612 | 6,188 | 6,807 | 7,397 | 73,647 | 74,845 | 75,579 | 72,868 | - | - | - | 5,196 |
| Female | 6,073 | 6,673 | 7,390 | 8,069 | 86,321 | 87,621 | 88,347 | 84,973 | - | - | - | 6,389 |
| Total | 11 686 | 12 861 | 14 197 | 15 467 | 159 968 | 162 467 | 163 926 | 157 842 | - | - | - | 11 586 |
| Age Band | | | | | | | | | | | | |
| Under 25 | 4,314 | 4,683 | 5,111 | 5,514 | 49,827 | 51,212 | 51,905 | 49,972 | - | - | - | 3,762 |
| 25 to 29 | 755 | 981 | 1,093 | 1,243 | 7,032 | 7,436 | 7,787 | 7,766 | - | - | - | 852 |
| 30 to 34 | 901 | 1,086 | 1,271 | 1,418 | 9,240 | 9,671 | 9,795 | 9,260 | - | - | - | 1,144 |
| 35 to 39 | 992 | 1,096 | 1,229 | 1,422 | 10,492 | 10,785 | 11,231 | 10,969 | - | - | - | 1,107 |
| 40 to 44 | 1,076 | 1,107 | 1,217 | 1,294 | 12,016 | 12,026 | 11,983 | 11,293 | - | - | - | 967 |
| 45 to 49 | 974 | 1,057 | 1,183 | 1,312 | 12,928 | 13,203 | 13,438 | 13,150 | - | - | - | 973 |
| 50 to 54 | 1,000 | 1,047 | 1,123 | 1,155 | 15,215 | 15,027 | 14,762 | 13,862 | - | - | - | 803 |
| 55 to 59 | 926 | 970 | 1,035 | 1,109 | 17,577 | 17,072 | 16,767 | 15,966 | - | - | - | 867 |
| 60 to 64 | 667 | 744 | 824 | 856 | 18,675 | 18,603 | 18,456 | 17,779 | - | - | - | 777 |
| Over 65 | 81 | 91 | 112 | 143 | 6,965 | 7,432 | 7,804 | 7,825 | - | - | - | 334 |
| Total | 11,686 | 12,861 | 14,197 | 15,467 | 159,968 | 162,467 | 163,926 | 157,842 | - | - | - | 11,586 |
| Member Type | | | | | | | | | | | | |
| Employee | 5,146 | 5,774 | 6,537 | 7,220 | 77,309 | 78,451 | 79,577 | 76,991 | - | - | - | 5,765 |
| Dependent | 6,540 | 7,087 | 7,660 | 8,247 | 82,659 | 84,016 | 84,349 | 80,851 | - | - | - | 5,820 |
| Total | 11,686 | 12,861 | 14,197 | 15,467 | 159,968 | 162,467 | 163,926 | 157,842 | - | - | - | 11,586 |
| Avg Demographic Factor** | 0.943 | 0.937 | 0.937 | 0.933 | 1.147 | 1.142 | 1.138 | 1.139 | - | - | - | 1 007 |

*Calculated as member months divided by 12
**The average demographic factor is based on the Milliman *Health Cost Guidelines* age/sex factors assigned by age band and gender to the plan's population. t is a measure of relative cost based on the age and gender distribution of members, all else being equal.

| | Distribution Within Each Plan | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Uniform Medical Plan CDHP | | | | Uniform Medical Plan Classic | | | | Uniform Medical Plan Plus | | | |
| Demographic Group | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 |
| Gender | | | | | | | | | | | | |
| Male | 48% | 48% | 48% | 48% | 46% | 46% | 46% | 46% | na | na | na | 45% |
| Female | 52% | 52% | 52% | 52% | 54% | 54% | 54% | 54% | na | na | na | 55% |
| Age Band | | | | | | | | | | | | |
| Under 25 | 37% | 36% | 36% | 36% | 31% | 32% | 32% | 32% | na | na | na | 32% |
| 25 to 29 | 6% | 8% | 8% | 8% | 4% | 5% | 5% | 5% | na | na | na | 7% |
| 30 to 34 | 8% | 8% | 9% | 9% | 6% | 6% | 6% | 6% | na | na | na | 10% |
| 35 to 39 | 8% | 9% | 9% | 9% | 7% | 7% | 7% | 7% | na | na | na | 10% |
| 40 to 44 | 9% | 9% | 9% | 8% | 8% | 7% | 7% | 7% | na | na | na | 8% |
| 45 to 49 | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% | na | na | na | 8% |
| 50 to 54 | 9% | 8% | 8% | 7% | 10% | 9% | 9% | 9% | na | na | na | 7% |
| 55 to 59 | 8% | 8% | 7% | 7% | 11% | 11% | 10% | 10% | na | na | na | 7% |
| 60 to 64 | 6% | 6% | 6% | 6% | 12% | 11% | 11% | 11% | na | na | na | 7% |
| Over 65 | 1% | 1% | 1% | 1% | 4% | 5% | 5% | 5% | na | na | na | 3% |
| Member Type | | | | | | | | | | | | |
| Employee | 44% | 45% | 46% | 47% | 48% | 48% | 49% | 49% | na | na | na | 50% |
| Dependent | 56% | 55% | 54% | 53% | 52% | 52% | 51% | 51% | na | na | na | 50% |

**PEBB - Exhibit 2**
**CDHP LEG Report**
**Demographic Summary**

| | Average Members* | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kaiser Permanente of Washington CDHP | | | | Kaiser Permanente of Washington Sound Choice | | | | Kaiser Permanente of Washington Value | | | | Kaiser Permanente of Washington Classic | | | |
| Demographic Group | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 |
| Gender | | | | | | | | | | | | | | | | |
| Male | 1,167 | 1,563 | 1,907 | 2,096 | - | - | - | 862 | 25,634 | 25,618 | 24,197 | 21,953 | 15,812 | 14,892 | 15,000 | 14,463 |
| Female | 1,260 | 1,638 | 1,974 | 2,151 | - | - | - | 997 | 28,402 | 28,504 | 26,858 | 24,463 | 17,278 | 16,340 | 16,503 | 16,010 |
| Total | 2 427 | 3 201 | 3 881 | 4 246 | - | - | - | 1 860 | 54 036 | 54 122 | 51 055 | 46 416 | 33 090 | 31 232 | 31 503 | 30 473 |
| Age Band | | | | | | | | | | | | | | | | |
| Under 25 | 903 | 1,161 | 1,341 | 1,449 | - | - | - | 619 | 18,797 | 18,883 | 17,621 | 15,879 | 9,980 | 9,384 | 9,547 | 9,132 |
| 25 to 29 | 231 | 323 | 455 | 481 | - | - | - | 166 | 3,676 | 3,624 | 3,309 | 2,908 | 1,360 | 1,307 | 1,427 | 1,541 |
| 30 to 34 | 213 | 327 | 440 | 507 | - | - | - | 209 | 4,471 | 4,608 | 4,432 | 3,883 | 1,676 | 1,646 | 1,774 | 1,817 |
| 35 to 39 | 212 | 289 | 330 | 372 | - | - | - | 168 | 4,229 | 4,363 | 4,231 | 3,861 | 1,887 | 1,809 | 1,950 | 1,957 |
| 40 to 44 | 213 | 286 | 343 | 339 | - | - | - | 164 | 4,478 | 4,408 | 4,063 | 3,630 | 2,308 | 2,144 | 2,109 | 2,010 |
| 45 to 49 | 195 | 236 | 273 | 311 | - | - | - | 162 | 4,182 | 4,125 | 4,044 | 3,796 | 2,559 | 2,406 | 2,420 | 2,394 |
| 50 to 54 | 162 | 218 | 272 | 316 | - | - | - | 115 | 4,457 | 4,415 | 4,119 | 3,702 | 3,397 | 3,121 | 3,022 | 2,804 |
| 55 to 59 | 165 | 192 | 223 | 238 | - | - | - | 109 | 4,512 | 4,415 | 4,180 | 3,927 | 4,091 | 3,762 | 3,647 | 3,388 |
| 60 to 64 | 120 | 149 | 176 | 196 | - | - | - | 106 | 4,064 | 4,033 | 3,829 | 3,563 | 4,098 | 3,912 | 3,869 | 3,742 |
| Over 65 | 13 | 21 | 29 | 37 | - | - | - | 43 | 1,171 | 1,248 | 1,228 | 1,269 | 1,734 | 1,742 | 1,739 | 1,688 |
| Total | 2,427 | 3,201 | 3,881 | 4,246 | - | - | - | 1,860 | 54,036 | 54,122 | 51,055 | 46,416 | 33,090 | 31,232 | 31,503 | 30,473 |
| Member Type | | | | | | | | | | | | | | | | |
| Employee | 1,144 | 1,528 | 1,942 | 2,166 | - | - | - | 929 | 24,751 | 24,943 | 23,892 | 21,809 | 16,348 | 15,539 | 15,787 | 15,480 |
| Dependent | 1,283 | 1,673 | 1,939 | 2,080 | - | - | - | 931 | 29,284 | 29,178 | 27,164 | 24,607 | 16,742 | 15,693 | 15,716 | 14,993 |
| Total | 2,427 | 3,201 | 3,881 | 4,246 | - | - | - | 1,860 | 54,036 | 54,122 | 51,055 | 46,416 | 33,090 | 31,232 | 31,503 | 30,473 |
| Avg Demographic Factor** | 0 898 | 0.888 | 0.887 | 0.893 | - | - | - | 0.952 | 1.002 | 1.001 | 1 005 | 1 018 | 1.188 | 1.192 | 1.180 | 1.176 |

*Calculated as member months divided by 12
**The average demographic factor is based on the Milliman Health Cost Guidelines age/sex factors assigned by age band and gender to the plan's population. t is a measure of relative cost based on the age and gender distribution of members, all else being equal.

| | Distribution Within Each Plan | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kaiser Permanente of Washington CDHP | | | | Kaiser Permanente of Washington Sound Choice | | | | Kaiser Permanente of Washington Value | | | | Kaiser Permanente of Washington Classic | | | |
| Demographic Group | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 |
| Gender | | | | | | | | | | | | | | | | |
| Male | 48% | 49% | 49% | 49% | na | na | na | 46% | 47% | 47% | 47% | 47% | 48% | 48% | 48% | 47% |
| Female | 52% | 51% | 51% | 51% | na | na | na | 54% | 53% | 53% | 53% | 53% | 52% | 52% | 52% | 53% |
| Age Band | | | | | | | | | | | | | | | | |
| Under 25 | 37% | 36% | 35% | 34% | na | na | na | 33% | 35% | 35% | 35% | 34% | 30% | 30% | 30% | 30% |
| 25 to 29 | 10% | 10% | 12% | 11% | na | na | na | 9% | 7% | 7% | 6% | 6% | 4% | 4% | 5% | 5% |
| 30 to 34 | 9% | 10% | 11% | 12% | na | na | na | 11% | 8% | 9% | 9% | 8% | 5% | 5% | 6% | 6% |
| 35 to 39 | 9% | 9% | 9% | 9% | na | na | na | 9% | 8% | 8% | 8% | 8% | 6% | 6% | 6% | 6% |
| 40 to 44 | 9% | 9% | 9% | 8% | na | na | na | 9% | 8% | 8% | 8% | 8% | 7% | 7% | 7% | 7% |
| 45 to 49 | 8% | 7% | 7% | 7% | na | na | na | 9% | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% |
| 50 to 54 | 7% | 7% | 7% | 7% | na | na | na | 6% | 8% | 8% | 8% | 8% | 10% | 10% | 10% | 9% |
| 55 to 59 | 7% | 6% | 6% | 6% | na | na | na | 6% | 8% | 8% | 8% | 8% | 12% | 12% | 12% | 11% |
| 60 to 64 | 5% | 5% | 5% | 5% | na | na | na | 6% | 8% | 7% | 8% | 8% | 12% | 13% | 12% | 12% |
| Over 65 | 1% | 1% | 1% | 1% | na | na | na | 2% | 2% | 2% | 2% | 3% | 5% | 6% | 6% | 6% |
| Member Type | | | | | | | | | | | | | | | | |
| Employee | 47% | 48% | 50% | 51% | na | na | na | 50% | 46% | 46% | 47% | 47% | 49% | 50% | 50% | 51% |
| Dependent | 53% | 52% | 50% | 49% | na | na | na | 50% | 54% | 54% | 53% | 53% | 51% | 50% | 50% | 49% |

**PEBB - Exhibit 2**
**CDHP LEG Report**
**Demographic Summary**

| | Average Members* | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All CDHP | | | | All Accountable Care | | | | All Classic and Value | | | | All Plans | | | |
| Demographic Group | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 |
| Gender | | | | | | | | | | | | | | | | |
| Male | 6,779 | 7,750 | 8,714 | 9,493 | - | - | - | 6,058 | 115,093 | 115,356 | 114,776 | 109,284 | 121,872 | 123,106 | 123,490 | 124,835 |
| Female | 7,333 | 8,311 | 9,364 | 10,220 | - | - | - | 7,387 | 132,000 | 132,465 | 131,708 | 125,447 | 139,334 | 140,776 | 141,072 | 143,053 |
| Total | 14 113 | 16 062 | 18 077 | 19 713 | - | - | - | 13 445 | 247 094 | 247 820 | 246 485 | 234 730 | 261 206 | 263 882 | 264 562 | 267 888 |
| Age Band | | | | | | | | | | | | | | | | |
| Under 25 | 5,216 | 5,843 | 6,452 | 6,963 | - | - | - | 4,381 | 78,604 | 79,479 | 79,072 | 74,984 | 83,820 | 85,322 | 85,524 | 86,328 |
| 25 to 29 | 986 | 1,304 | 1,547 | 1,725 | - | - | - | 1,017 | 12,069 | 12,366 | 12,523 | 12,215 | 13,055 | 13,670 | 14,070 | 14,957 |
| 30 to 34 | 1,115 | 1,412 | 1,711 | 1,924 | - | - | - | 1,352 | 15,388 | 15,924 | 16,002 | 14,959 | 16,503 | 17,336 | 17,713 | 18,235 |
| 35 to 39 | 1,204 | 1,384 | 1,559 | 1,794 | - | - | - | 1,275 | 16,608 | 16,957 | 17,412 | 16,787 | 17,812 | 18,342 | 18,971 | 19,857 |
| 40 to 44 | 1,289 | 1,393 | 1,560 | 1,633 | - | - | - | 1,132 | 18,801 | 18,578 | 18,154 | 16,932 | 20,090 | 19,971 | 19,713 | 19,696 |
| 45 to 49 | 1,169 | 1,294 | 1,456 | 1,623 | - | - | - | 1,136 | 19,669 | 19,734 | 19,902 | 19,340 | 20,838 | 21,027 | 21,358 | 22,098 |
| 50 to 54 | 1,162 | 1,265 | 1,394 | 1,472 | - | - | - | 917 | 23,070 | 22,563 | 21,903 | 20,368 | 24,232 | 23,828 | 23,297 | 22,756 |
| 55 to 59 | 1,091 | 1,162 | 1,257 | 1,347 | - | - | - | 976 | 26,179 | 25,249 | 24,594 | 23,281 | 27,270 | 26,412 | 25,851 | 25,604 |
| 60 to 64 | 786 | 892 | 999 | 1,052 | - | - | - | 883 | 26,837 | 26,548 | 26,154 | 25,084 | 27,623 | 27,440 | 27,154 | 27,019 |
| Over 65 | 94 | 112 | 141 | 180 | - | - | - | 377 | 9,870 | 10,422 | 10,770 | 10,782 | 9,963 | 10,533 | 10,911 | 11,339 |
| Total | 14,113 | 16,062 | 18,077 | 19,713 | - | - | - | 13,445 | 247,094 | 247,820 | 246,485 | 234,730 | 261,206 | 263,882 | 264,562 | 267,888 |
| Member Type | | | | | | | | | | | | | | | | |
| Employee | 6,290 | 7,303 | 8,478 | 9,386 | - | - | - | 6,694 | 118,409 | 118,933 | 119,256 | 114,279 | 124,699 | 126,236 | 127,734 | 130,359 |
| Dependent | 7,822 | 8,759 | 9,599 | 10,327 | - | - | - | 6,751 | 128,685 | 128,887 | 127,229 | 120,451 | 136,507 | 137,646 | 136,828 | 137,529 |
| Total | 14,113 | 16,062 | 18,077 | 19,713 | - | - | - | 13,445 | 247,094 | 247,820 | 246,485 | 234,730 | 261,206 | 263,882 | 264,562 | 267,888 |
| Avg Demographic Factor** | 0.935 | 0.927 | 0 926 | 0 924 | - | - | - | 0.999 | 1.121 | 1.117 | 1.116 | 1.120 | 1.111 | 1.106 | 1.103 | 1.099 |

*Calculated as member months divided by 12
**The average demographic factor is based on the Milliman Health Cost Guidelines age/sex factors assigned by age band and gender to the plan's population. It is a measure of relative cost based on the age and gender distribution of members, all else being equal

| | Distribution Within Each Plan | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All CDHP | | | | All Accountable Care | | | | All Classic and Value | | | | All Plans | | | |
| Demographic Group | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 |
| Gender | | | | | | | | | | | | | | | | |
| Male | 48% | 48% | 48% | 48% | na | na | na | 45% | 47% | 47% | 47% | 47% | 47% | 47% | 47% | 47% |
| Female | 52% | 52% | 52% | 52% | na | na | na | 55% | 53% | 53% | 53% | 53% | 53% | 53% | 53% | 53% |
| Age Band | | | | | | | | | | | | | | | | |
| Under 25 | 37% | 36% | 36% | 35% | na | na | na | 33% | 32% | 32% | 32% | 32% | 32% | 32% | 32% | 32% |
| 25 to 29 | 7% | 8% | 9% | 9% | na | na | na | 8% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 6% |
| 30 to 34 | 8% | 9% | 9% | 10% | na | na | na | 10% | 6% | 6% | 6% | 6% | 6% | 7% | 7% | 7% |
| 35 to 39 | 9% | 9% | 9% | 9% | na | na | na | 9% | 7% | 7% | 7% | 7% | 7% | 7% | 7% | 7% |
| 40 to 44 | 9% | 9% | 9% | 8% | na | na | na | 8% | 8% | 7% | 7% | 7% | 8% | 8% | 7% | 7% |
| 45 to 49 | 8% | 8% | 8% | 8% | na | na | na | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% |
| 50 to 54 | 8% | 8% | 8% | 7% | na | na | na | 7% | 9% | 9% | 9% | 9% | 9% | 9% | 9% | 8% |
| 55 to 59 | 8% | 7% | 7% | 7% | na | na | na | 7% | 11% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| 60 to 64 | 6% | 6% | 6% | 5% | na | na | na | 7% | 11% | 11% | 11% | 11% | 11% | 10% | 10% | 10% |
| Over 65 | 1% | 1% | 1% | 1% | na | na | na | 3% | 4% | 4% | 4% | 5% | 4% | 4% | 4% | 4% |
| Member Type | | | | | | | | | | | | | | | | |
| Employee | 45% | 45% | 47% | 48% | na | na | na | 50% | 48% | 48% | 48% | 49% | 48% | 48% | 48% | 49% |
| Dependent | 55% | 55% | 53% | 52% | na | na | na | 50% | 52% | 52% | 52% | 51% | 52% | 52% | 52% | 51% |

**PEBB - Exhibit 3a**
**CDHP LEG Report**
**Impact Summary - Payment Rate**

| | | Year 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Carrier | Plan | (A) Carrier Allowed PMPM | (B) Concurrent Risk Score | (C) Paid / Allowed | (D) Modeled Paid PMPM | (E) Target Medical Loss Ratio | (F) Modeled Payment PMPM | (G) Scaled Modeled Payment PAUPM | (H) Original Payment PAUPM |
| UMP | Uniform Medical Plan CDHP | $457 37 | 0.52 | 0.70 | $166 09 | 91.2% | $182.20 | $257.46 | $231.20 |
| UMP | Uniform Medical Plan Classic | $457 37 | 1.04 | 0.87 | $411 67 | 96.4% | $426.94 | $579.91 | $581.91 |
| KPNWA | Kaiser Permanente of Washington CDHP | $387 93 | 0.45 | 0.62 | $107 86 | 80.4% | $134.23 | $184.60 | $216.59 |
| KPNWA | Kaiser Permanente of Washington Value | $387 93 | 0.86 | 0.83 | $276 68 | 87.7% | $315.52 | $432.71 | $435.91 |
| KPNWA | Kaiser Permanente of Washington Classic | $387 93 | 1.31 | 0.87 | $439 35 | 89.5% | $491.16 | $650.36 | $641.85 |
| All | CDHP Totals | | | 0.69 | $154.48 | | $172.64 | $242 84 | $228 27 |
| All | Classic and Value Totals | | | 0.86 | $385 68 | | $410.70 | $557.48 | $558.39 |
| All | All Plans | | | 0 86 | $371.61 | | $396.21 | $538.91 | $538.91 |

| | | Year 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Carrier | Plan | (A) Carrier Allowed PMPM | (B) Concurrent Risk Score | (C) Paid / Allowed | (D) Modeled Paid PMPM | (E) Target Medical Loss Ratio | (F) Modeled Payment PMPM | (G) Scaled Modeled Payment PAUPM | (H) Original Payment PAUPM |
| UMP | Uniform Medical Plan CDHP | $477 94 | 0.55 | 0.72 | $186 55 | 91.2% | $204.65 | $283.91 | $263.01 |
| UMP | Uniform Medical Plan Classic | $477 94 | 1.04 | 0.88 | $436 34 | 96.4% | $452.52 | $606.57 | $608.32 |
| KPNWA | Kaiser Permanente of Washington CDHP | $404 07 | 0.47 | 0.70 | $132 00 | 80.4% | $164.27 | $217.93 | $217.16 |
| KPNWA | Kaiser Permanente of Washington Value | $404 07 | 0.86 | 0.86 | $297 37 | 87.7% | $339.10 | $453.20 | $453.38 |
| KPNWA | Kaiser Permanente of Washington Classic | $404 07 | 1.30 | 0.88 | $460 92 | 89.5% | $515.27 | $667.70 | $667.51 |
| All | CDHP Totals | | | 0.71 | $174.84 | | $195.98 | $269 53 | $253 02 |
| All | Classic and Value Totals | | | 0.88 | $410 69 | | $437.05 | $583.31 | $584.49 |
| All | All Plans | | | 0 87 | $394.58 | | $420.57 | $562.40 | $562.40 |

| | | Year 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Carrier | Plan | (A) Carrier Allowed PMPM | (B) Concurrent Risk Score | (C) Paid / Allowed | (D) Modeled Paid PMPM | (E) Target Medical Loss Ratio | (F) Modeled Payment PMPM | (G) Scaled Modeled Payment PAUPM | (H) Original Payment PAUPM |
| UMP | Uniform Medical Plan CDHP | $487 56 | 0.54 | 0.71 | $186 38 | 91.2% | $204.46 | $272.29 | $247.13 |
| UMP | Uniform Medical Plan Plus | $487 56 | 0.83 | 0.87 | $350.43 | 94 9% | $369.43 | $473.71 | $480.89 |
| UMP | Uniform Medical Plan Classic | $487 56 | 1.06 | 0.88 | $455.47 | 96.4% | $472.36 | $610.70 | $612.56 |
| KPNWA | Kaiser Permanente of Washington CDHP | $402.71 | 0.50 | 0.75 | $149 26 | 80.4% | $185.75 | $244.48 | $189.39 |
| KPNWA | Kaiser Permanente of Washington Sound Choice | $402.71 | 0.58 | 0.83 | $194 87 | 87.8% | $221.94 | $286.43 | $445.44 |
| KPNWA | Kaiser Permanente of Washington Value | $402.71 | 0.87 | 0.88 | $309 32 | 87.7% | $352.74 | $468.58 | $465.19 |
| KPNWA | Kaiser Permanente of Washington Classic | $402.71 | 1.29 | 0.92 | $475.47 | 89.5% | $531.53 | $682.34 | $685.16 |
| All | CDHP Totals | | | 0.72 | $178.38 | | $200.43 | $266 22 | $234 53 |
| All | All Accountable Care | | | 0.87 | $328 91 | | $349.03 | $447.85 | $475.99 |
| All | Classic and Value Totals | | | 0.89 | $429.17 | | $456.39 | $592.58 | $593.55 |
| All | All Plans | | | 0 88 | $405.68 | | $432.16 | $561.74 | $561.74 |

**PEBB - Exhibit 3b**
**CDHP LEG Report**
**Impact Summary - Bid Rate**

Year 2014

| Carrier | Plan | (A) Scaled Modeled Payment PAUPM | (B) Prospective Risk Score | (C) Modeled Bid Rate PAUPM | (D) HSA and Wellness Contribution PAUPM | (E) Modeled Bid Rate With HSA PAUPM | (F) Actual Bid Rate With HSA PAUPM | (G) Index Rate PAUPM | (H) Modeled Employee Contribution PAUPM | (I) Actual Employee Contribution PAUPM | (J) Risk Score Gap Impact | (K) Other Impact | (L) Total Impact |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| UMP | Uniform Medical Plan CDHP | $257.46 | 0.630 | $408.63 | $51.97 | $460.60 | $490.78 | $466.00 | -$5.40 | $25 00 | $71.41 | -$41 01 | **$30.40** |
| UMP | Uniform Medical Plan Classic | $579 91 | 1.062 | $545.93 | $0.00 | $545.93 | $544.81 | $466.00 | $79.93 | $79 00 | -$6.69 | $5.76 | **-$0.93** |
| KPWA | Kaiser Permanente of Washington CDHP | $184 60 | 0.522 | $353.73 | $52.99 | $406.71 | $486.17 | $466.00 | -$59.29 | $20 00 | $99.44 | -$20.16 | **$79.29** |
| KPWA | Kaiser Permanente of Washington Value | $432.71 | 0.811 | $533.63 | $0.00 | $533.63 | $530.82 | $466.00 | $67.63 | $65 00 | $19.30 | -$21 93 | **-$2.63** |
| KPWA | Kaiser Permanente of Washington Classic | $650 36 | 1.120 | $580.90 | $0.00 | $580.90 | $582.97 | $466.00 | $114.90 | $117 00 | -$35.61 | $37.70 | **$2.10** |
| All | All CDHP | $242 84 | | $397.61 | $52.17 | $449.79 | $489.85 | $466.00 | -$16.21 | $24 00 | $77.03 | -$36 82 | **$40.21** |
| All | Classic and Value Totals | $557.48 | | $547.77 | $0.00 | $547.77 | $546.69 | $466.00 | $81.77 | $81 00 | -$4.83 | $4 06 | **-$0.77** |
| All | All Plans | $538 91 | | $538.91 | $3.08 | $541.98 | $543.34 | $466.00 | $75.98 | $77 00 | $0.00 | $1 02 | **$1.02** |

Year 2015

| Carrier | Plan | (A) Scaled Modeled Payment PAUPM | (B) Prospective Risk Score | (C) Modeled Bid Rate PAUPM | (D) HSA and Wellness Contribution PAUPM | (E) Modeled Bid Rate With HSA PAUPM | (F) Actual Bid Rate With HSA PAUPM | (G) Index Rate PAUPM | (H) Modeled Employee Contribution PAUPM | (I) Actual Employee Contribution PAUPM | (J) Risk Score Gap Impact | (K) Other Impact | (L) Total Impact |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| UMP | Uniform Medical Plan CDHP | $283 91 | 0.637 | $445.97 | $55.28 | $501.25 | $519.33 | $488.00 | $13.25 | $31 00 | $58.01 | -$40 26 | **$17.75** |
| UMP | Uniform Medical Plan Classic | $606 57 | 1.062 | $571.22 | $0.00 | $571.22 | $572.26 | $488.00 | $83.22 | $84 00 | -$6.16 | $6 94 | **$0.78** |
| KPWA | Kaiser Permanente of Washington CDHP | $217 93 | 0.517 | $421.80 | $56.69 | $478.49 | $513.00 | $488.00 | -$9.51 | $25 00 | $87.38 | -$52 87 | **$34.51** |
| KPWA | Kaiser Permanente of Washington Value | $453 20 | 0.813 | $557.57 | $0.00 | $557.57 | $563.13 | $488.00 | $69.57 | $75 00 | $17.86 | -$12.43 | **$5.43** |
| KPWA | Kaiser Permanente of Washington Classic | $667.70 | 1.129 | $591.67 | $0.00 | $591.67 | $594.55 | $488.00 | $103.67 | $107 00 | -$31.84 | $35.17 | **$3.33** |
| All | All CDHP | $269 53 | | $440.70 | $55.58 | $496.29 | $517.95 | $488.00 | $8.29 | $30 00 | $64.41 | -$42.70 | **$21.71** |
| All | Classic and Value Totals | $583 31 | | $571.09 | $0.00 | $571.09 | $573.29 | $488.00 | $83.09 | $85 00 | -$4.60 | $6 51 | **$1.91** |
| All | All Plans | $562.40 | | $562.40 | $3.74 | $566.14 | $569.60 | $488.00 | $78.14 | $82 00 | $0.00 | $3 86 | **$3.86** |

Year 2016

| Carrier | Plan | (A) Scaled Modeled Payment PAUPM | (B) Prospective Risk Score | (C) Modeled Bid Rate PAUPM | (D) HSA and Wellness Contribution PAUPM | (E) Modeled Bid Rate With HSA PAUPM | (F) Actual Bid Rate With HSA PAUPM | (G) Index Rate PAUPM | (H) Modeled Employee Contribution PAUPM | (I) Actual Employee Contribution PAUPM | (J) Risk Score Gap Impact | (K) Other Impact | (L) Total Impact |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| UMP | Uniform Medical Plan CDHP | $272 29 | 0.647 | $421.11 | $55.50 | $476.61 | $508.47 | $487.00 | -$10.39 | $21 00 | $62.83 | -$31.44 | **$31.39** |
| UMP | Uniform Medical Plan Plus | $473.71 | 0.867 | $546.33 | $0.00 | $546.33 | $546.37 | $487.00 | $59.33 | $59 00 | -$0.51 | $0.18 | **-$0.33** |
| UMP | Uniform Medical Plan Classic | $610.70 | 1.075 | $568.12 | $0.00 | $568.12 | $570.75 | $487.00 | $81.12 | $84 00 | -$18.50 | $21 38 | **$2.88** |
| KPWA | Kaiser Permanente of Washington CDHP | $244.48 | 0.538 | $454.05 | $56.78 | $510.83 | $508.80 | $487.00 | $23.83 | $22 00 | $75.16 | -$76 99 | **-$1.83** |
| KPWA | Kaiser Permanente of Washington Sound Choice | $286.43 | 0.652 | $439.25 | $0.00 | $439.25 | $532.06 | $487.00 | -$47.75 | $45 00 | $87.54 | $5 21 | **$92.75** |
| KPWA | Kaiser Permanente of Washington Value | $468 58 | 0.819 | $572.07 | $0.00 | $572.07 | $567.96 | $487.00 | $85.07 | $81 00 | $3.65 | -$7.72 | **-$4.07** |
| KPWA | Kaiser Permanente of Washington Classic | $682 34 | 1.118 | $610.24 | $0.00 | $610.24 | $604.75 | $487.00 | $123.24 | $118 00 | -$42.35 | $37.11 | **-$5.24** |
| All | All CDHP | $266 22 | | $428.30 | $55.78 | $484.07 | $508.54 | $487.00 | -$2.93 | $22 00 | $65.52 | -$40 59 | **$24.93** |
| All | All Accountable Care | $447 85 | | $531.55 | $0.00 | $531.55 | $544.39 | $487.00 | $44.55 | $57 00 | -$0.86 | $13 31 | **$12.45** |
| All | Classic and Value Totals | $592 58 | | $574.43 | $0.00 | $574.43 | $574.69 | $487.00 | $87.43 | $88 00 | -$17.34 | $17 91 | **$0.57** |
| All | All Plans | $561.74 | | $561.74 | $4.04 | $565.77 | $568.39 | $487.00 | $78.77 | $81 00 | -$13.42 | $15 65 | **$2.23** |