City of Los Angeles
2018 Q3 Utilization Update

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# Agenda

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Objective & 2020 Renewal Considerations

Objective:
- The purpose of the following presentation is to provide the JLMBC with a preview of how City of Los Angeles utilization is trending through the first 9 months of 2018 (Q3’2018).
  - This presentation compares the Q3 2018 claims to the claims used to calculate the 2019 renewal.

2020 Renewal Considerations:
- The Q3’ 2018 utilization report includes 9 out of the 12 months of Paid Claims data that will be used for the 2018 renewal.
  - Three months of updated claims information is outstanding for the upcoming 2020 renewal.
- The claims reflected in this report are on a ‘per member per month’ (pmpm) basis and reflect only paid claims. This report does not incorporate other key elements of the renewal calculation such as pooling, trend, IBNR, retention, and ACA.
- Rating Factors and Experience Adjustments for the 2020 Renewal will not be finalized until Spring 2019.
  - Pooling Credit/Charges
  - Conversion of Paid Claims to Incurred Claims
  - Demographic Changes
  - Rating Trend
  - Retention
  - ACA Fees
Key Findings

- Member age for the City is over a year older than the KP Regional Average.
- Total paid claims for the City increased 1.3% vs. 0.6% for the KP Regional Average.
- Inpatient claims increased 3%.
  - Inpatient surgical increase: 14% / $7.25pmpm.
  - Within the surgical category, respiratory failure (DRG-3), with an underlying diagnosis of colorectal cancer saw an increase of $6.46pmpm in paid claims.
  - Colorectal cancer screening for members at the City are higher than the averages, but have room for improvement.
- Pharmacy claims increased 4.7%.
  - Brand Formulary increased 9.6% and Specialty Formulary increased 7.8%.
  - The top prescribed drugs are primarily used to treat cholesterol and high blood pressure (related: 304 visits to the emergency room with diagnoses of chest pain).
    - High blood pressure (hypertension) increases a person’s risk of stroke and heart attack, and often occurs with diabetes.
    - High cholesterol can also be a predictor of diabetes, as elevated cholesterol levels are often seen in people with insulin resistance even before they have developed full-blown diabetes.
For Q3 2018, paid claims for the City increased 1.3% vs. 0.6% for the KP Regional Average.

The 5-year average increase in paid claims for the City is 4.8% vs. 3.6% for the KP Regional Average.
The differential in paid claims between the City and the KP Regional Average is 10.1%. Historically, the City has been close to 11% above the KP Regional Average.

- **Inpatient Claims**: Account for 30% of total paid claims for the City, and 28% of total paid claims for the KP Regional Average
- **Outpatient Claims**: Account for 41% of total paid claims for the City, and 43% of total paid claims for the KP Regional Average
- **Pharmacy Claims**: Account for 10% of total paid claims for the City, and 19% of total paid claims for the KP Regional Average.
**Inpatient Overview**

**Inpatient Medical ∆:**
- CiLA: 4.7% / $2.38
- HP: 4.1% / $1.69

**Inpatient Surgical ∆:**
- CiLA: 14.0% / $7.25
- HP: 2.0% / $0.86

**Inpatient Maternity ∆:**
- CiLA: 8.8% / $1.16
- HP: 5.9% / $0.98

**IP Medical Overview:**
- 5-year avg. increase for the City is 3.6%
- Claims for the City in this category are 22% higher than the Health Plan

**Details:**
- Admits/1000: (2.2%)
- Average Length of Stay: (1.7%)

**IP Surgical Overview:**
- 5-year avg. increase for the City is 4.0%
- Claims for the City in the category are 31.2% higher than the Health Plan

**Details:**
- Admits/1000: (10.2%)
- Average Length of Stay: 40.7%

**IP Maternity Overview:**
- 5-year avg. increase for the City is 4.2%
- Claims for the City in this category are 22.6% lower than the Health Plan

**Details:**
- Admits/1000: (7.5%)
- Average Length of Stay: (3.1%)

Not shown in the table: claims for IP Mental Health; IP Substance Abuse; and IP Skilled Nursing Facility.
Inpatient Detail - Surgical

- DRG-3: respiratory failure
- The underlying primary diagnosis within this DRG for the 2017-2018 experience period is colorectal cancer
### High Cost Claims

<table>
<thead>
<tr>
<th>City of Los Angeles</th>
<th>2016 Renewal</th>
<th>2017 Renewal</th>
<th>2018 Renewal</th>
<th>2019 Renewal</th>
<th>As Of 2018 Q3 ¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooling Point</td>
<td>$625,000</td>
<td>$650,000</td>
<td>$650,000</td>
<td>$675,000</td>
<td>$675,000</td>
</tr>
<tr>
<td>Total Pooled Claims</td>
<td>($102,023)</td>
<td>($896,428)</td>
<td>($4,424,798)</td>
<td>($3,013,190)</td>
<td>($4,703,755)</td>
</tr>
<tr>
<td>Pooling PMPM</td>
<td>($0.27)</td>
<td>($2.37)</td>
<td>($11.45)</td>
<td>($7.61)</td>
<td>($11.60)</td>
</tr>
<tr>
<td>Total Pooled Charge</td>
<td>$1,229,840</td>
<td>$1,217,189</td>
<td>$1,244,353</td>
<td>$1,338,003</td>
<td>$1,370,563</td>
</tr>
<tr>
<td>Pooling Charge PMPM</td>
<td>$3.22</td>
<td>$3.22</td>
<td>$3.22</td>
<td>$3.38</td>
<td>$3.38</td>
</tr>
<tr>
<td>Pooling Difference PMPM</td>
<td>$2.95</td>
<td>$0.85</td>
<td>($8.23)</td>
<td>($4.23)</td>
<td>($8.22)</td>
</tr>
<tr>
<td>Number of Claims Above Pooling</td>
<td>2</td>
<td>5</td>
<td>8</td>
<td>2</td>
<td>5</td>
</tr>
</tbody>
</table>

¹ The pooling point, pooling charge, and number of claims above the pooling threshold will not be known until the renewal for 2020 is calculated.

- As of Q3 2018, there are five claims over the pooling threshold that was used to calculate the 2019 renewal. Claim details are as follows:
  1. Malignant Neoplasm (Colorectal) – Active
  2. Triplet Birth – Terminated
  3. Malignant Neoplasm (Brain Stem) – Active
  4. Single Birth C-Section – Active
  5. Twin Birth C-Section – Active
Outpatient Overview

Outpatient Visits ∆:
- CiLA: (5.6%) / ($4.21)
- HP: (1.3%) / ($0.91)

Emergency Room ∆:
- CiLA: 33.9% / $6.45
- HP: 21.4% / $4.19

Outpatient Surgical ∆:
- CiLA: (3.9%) / ($1.73)
- HP: (2.7%) / ($1.12)

Outpatient Visits include mental health and substance abuse visits. Not shown in the table: claims for OP Lab and OP Radiology.

Total Outpatient ∆:
CiLA: 0.4% / $0.59
HP: 2.1% / $3.23

Outpatient Visits Overview:
- 5-year avg. increase for the City is 9.9%
- Claims for the City in this category are 2.5% higher than the Health Plan

Details:
- Visits/1000: 12.3%
- Cost per Visit: (17.0%)

Emergency Room Overview:
- 5-year avg. increase for the City is 8.4%
- Claims for the City in this category are 7.2% higher than the Health Plan

Details:
- Visits/1000: 1.8%
- Cost per Visit: +31.6%

Outpatient Surgical Overview:
- 5-year avg. increase for the City is 7.6%
- Claims for the City in this category are 6.0% higher than the Health Plan

OP Visits include mental health and substance abuse visits. Not shown in the table: claims for OP Lab and OP Radiology.
Pharmacy Overview

- **5-year avg. increase for the City is 10.6%**
- **Claims for the City in this category are 9.4% higher than the Health Plan**

**Details:**
- **PMPY:** (7.7%)
- **Cost per Script:** 18.7%

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**Generic Formulary**

- **5-year avg. increase for the City is 2.7%**
- **Claims for the City in this category are 1.1% higher than the Health Plan**

**Details:**
- **PMPY:** (2.2%)
- **Cost per Script:** (4.2%)

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**Specialty Formulary**

- **5-year avg. increase for the City is 19.9%**
- **Claims for the City in this category are 9.1% higher than the Health Plan**

**Details:**
- **PMPY:** 3.0%
- **Cost per Script:** 4.6%
### Pharmacy Detail

#### Brand

<table>
<thead>
<tr>
<th>City of Los Angeles</th>
<th>$ Claims</th>
<th>% of Total Rx Claims</th>
<th>PMPM Claims</th>
<th>% of Total Scripts</th>
<th>Scripts</th>
<th>% of Total Scripts</th>
<th>$ Per Script</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2015 - Dec 2015</td>
<td>$5,367,469</td>
<td>35.8%</td>
<td>$14.18</td>
<td>9,350</td>
<td>5.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan 2016 - Dec 2016</td>
<td>$6,267,644</td>
<td>39.5%</td>
<td>$16.22</td>
<td>9,588</td>
<td>5.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan 2017 - Dec 2017</td>
<td>$6,671,927</td>
<td>44.4%</td>
<td>$16.85</td>
<td>8,980</td>
<td>5.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oct 2017 - Sept 2018</td>
<td>$7,488,475</td>
<td>46.4%</td>
<td>$18.47</td>
<td>8,489</td>
<td>4.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Generic

<table>
<thead>
<tr>
<th>City of Los Angeles</th>
<th>$ Claims</th>
<th>% of Total Rx Claims</th>
<th>PMPM Claims</th>
<th>% of Total Scripts</th>
<th>Scripts</th>
<th>% of Total Scripts</th>
<th>$ Per Script</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2015 - Dec 2015</td>
<td>$4,369,269</td>
<td>29.2%</td>
<td>$11.54</td>
<td>167,438</td>
<td>94.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan 2016 - Dec 2016</td>
<td>$4,361,029</td>
<td>27.5%</td>
<td>$11.28</td>
<td>168,842</td>
<td>94.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan 2017 - Dec 2017</td>
<td>$4,101,337</td>
<td>27.3%</td>
<td>$10.36</td>
<td>170,593</td>
<td>94.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oct 2017 - Sept 2018</td>
<td>$3,936,592</td>
<td>24.4%</td>
<td>$9.71</td>
<td>170,871</td>
<td>94.8%</td>
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</table>

#### Specialty

<table>
<thead>
<tr>
<th>City of Los Angeles</th>
<th>$ Claims</th>
<th>% of Total Rx Claims</th>
<th>PMPM Claims</th>
<th>% of Total Scripts</th>
<th>Scripts</th>
<th>% of Total Scripts</th>
<th>$ Per Script</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2015 - Dec 2015</td>
<td>$5,236,217</td>
<td>35.0%</td>
<td>$13.83</td>
<td>850</td>
<td>0.5%</td>
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</tr>
<tr>
<td>Jan 2016 - Dec 2016</td>
<td>$5,228,013</td>
<td>33.0%</td>
<td>$13.53</td>
<td>822</td>
<td>0.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan 2017 - Dec 2017</td>
<td>$4,269,619</td>
<td>28.4%</td>
<td>$10.79</td>
<td>832</td>
<td>0.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oct 2017 - Sept 2018</td>
<td>$4,714,852</td>
<td>29.2%</td>
<td>$11.63</td>
<td>878</td>
<td>0.5%</td>
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<td></td>
</tr>
</tbody>
</table>

- Since the 2015 experience period, Brand claims have increased but the number of scripts have decreased.
- Generic claims have decreased, but scripts have steadily increased.
- Specialty claims increased for the 2017-2018 experience period after steadily decreasing. The number of specialty scripts is at a five-year high point.
## Top 10 Drugs by Volume

<table>
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<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>VENTOLIN HFA 90MCG/ACTUATION HFAA</td>
<td>4,062</td>
<td>4,302</td>
<td>$0.323</td>
<td>$0.36</td>
<td>$0.037</td>
<td>1</td>
<td>1</td>
<td>Asthma</td>
<td>No</td>
</tr>
<tr>
<td>SILDENAFIL (ANTIHYPERTENSIVE) 20MG TAB</td>
<td>3,206</td>
<td>3,182</td>
<td>$0.085</td>
<td>$0.08</td>
<td>$(0.005)</td>
<td>2</td>
<td>4</td>
<td>Pulmonary Hypertension</td>
<td>No</td>
</tr>
<tr>
<td>ATORVASTATIN 40MG TAB</td>
<td>3,050</td>
<td>3,150</td>
<td>$0.052</td>
<td>$0.11</td>
<td>$0.058</td>
<td>3</td>
<td>3</td>
<td>High Cholesterol</td>
<td>No</td>
</tr>
<tr>
<td>HYDROCODONE-ACETAMINOPHEN 5-325MG TAB</td>
<td>2,691</td>
<td>2,506</td>
<td>$0.038</td>
<td>$0.01</td>
<td>$(0.028)</td>
<td>4</td>
<td>2</td>
<td>Pain</td>
<td>No</td>
</tr>
<tr>
<td>ATORVASTATIN 20MG TAB</td>
<td>2,576</td>
<td>2,377</td>
<td>$0.020</td>
<td>$0.05</td>
<td>$0.030</td>
<td>5</td>
<td>5</td>
<td>High Cholesterol</td>
<td>No</td>
</tr>
<tr>
<td>AMOXICILLIN 500MG CAP</td>
<td>2,229</td>
<td>2,143</td>
<td>$0.004</td>
<td>$0.00</td>
<td>$(0.004)</td>
<td>6</td>
<td>6</td>
<td>Infections</td>
<td>No</td>
</tr>
<tr>
<td>AMLODIPINE 5MG TAB</td>
<td>1,805</td>
<td>1,907</td>
<td>$0.001</td>
<td>$0.00</td>
<td>$(0.001)</td>
<td>7</td>
<td>11</td>
<td>High Blood Pressure</td>
<td>No</td>
</tr>
<tr>
<td>CODEINE-GUAIFENESIN 10-100MG/5 ML LIQD</td>
<td>744</td>
<td>1,837</td>
<td>$0.009</td>
<td>$0.02</td>
<td>$0.011</td>
<td>8</td>
<td>9</td>
<td>Cough Suppressant</td>
<td>No</td>
</tr>
<tr>
<td>METFORMIN 1,000MG TAB</td>
<td>1,783</td>
<td>1675</td>
<td>$0.001</td>
<td>$0.00</td>
<td>$(0.001)</td>
<td>9</td>
<td>8</td>
<td>High Sugar Levels</td>
<td>No</td>
</tr>
<tr>
<td>CEPHALEXIN 500MG CAP</td>
<td>621</td>
<td>1,642</td>
<td>$0.003</td>
<td>$0.01</td>
<td>$0.007</td>
<td>10</td>
<td>7</td>
<td>Infections</td>
<td>No</td>
</tr>
<tr>
<td>Total</td>
<td>22,767</td>
<td>24,721</td>
<td>$0.53</td>
<td>$0.64</td>
<td>$0.11</td>
<td></td>
<td></td>
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</tbody>
</table>

## Top 10 Drugs by Cost

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>GENVOYA 150-150-200-10MG TAB</td>
<td>111</td>
<td>126</td>
<td>$1.37</td>
<td>$1.79</td>
<td>$0.42</td>
<td>1</td>
<td>3</td>
<td>HIV</td>
<td>No</td>
</tr>
<tr>
<td>HUMIRA PEN 40MG/0.8 ML PNKT</td>
<td>179</td>
<td>164</td>
<td>$1.85</td>
<td>$1.76</td>
<td>$(0.09)</td>
<td>2</td>
<td>1</td>
<td>Arthritis</td>
<td>Yes</td>
</tr>
<tr>
<td>TRUVADA 200-300MG TAB</td>
<td>172</td>
<td>170</td>
<td>$1.51</td>
<td>$1.70</td>
<td>$(0.19)</td>
<td>3</td>
<td>2</td>
<td>HIV</td>
<td>No</td>
</tr>
<tr>
<td>ENBREL SURECLICK 50MG/ML (0.98 ML) PNIJ</td>
<td>79</td>
<td>86</td>
<td>$0.78</td>
<td>$0.90</td>
<td>$0.12</td>
<td>4</td>
<td>4</td>
<td>Arthritis</td>
<td>Yes</td>
</tr>
<tr>
<td>TRIUMEQ 600-50-300MG TAB</td>
<td>42</td>
<td>58</td>
<td>$0.48</td>
<td>$0.75</td>
<td>$0.27</td>
<td>5</td>
<td>8</td>
<td>HIV</td>
<td>No</td>
</tr>
<tr>
<td>REVOLUMID 10MG CAP</td>
<td>19</td>
<td>20</td>
<td>$0.64</td>
<td>$0.75</td>
<td>$0.11</td>
<td>6</td>
<td>16</td>
<td>Multiple Myeloma</td>
<td>No</td>
</tr>
<tr>
<td>ATRIPLA 600-200-300MG TAB</td>
<td>68</td>
<td>42</td>
<td>$0.93</td>
<td>$0.69</td>
<td>$(0.24)</td>
<td>7</td>
<td>13</td>
<td>HIV</td>
<td>No</td>
</tr>
<tr>
<td>ENBREL 50MG/ML (0.98 ML) SYRG</td>
<td>53</td>
<td>62</td>
<td>$0.53</td>
<td>$0.64</td>
<td>$0.11</td>
<td>8</td>
<td>7</td>
<td>Arthritis</td>
<td>Yes</td>
</tr>
<tr>
<td>ZYTIGA 250MG TAB</td>
<td>4</td>
<td>25</td>
<td>$0.09</td>
<td>$0.63</td>
<td>$0.54</td>
<td>9</td>
<td>39</td>
<td>Prostate Cancer</td>
<td>Yes</td>
</tr>
<tr>
<td>HEMOFIL M HIGH 801-1,500UNIT SOLR</td>
<td>0</td>
<td>5</td>
<td>$0.00</td>
<td>$0.52</td>
<td>$0.52</td>
<td>10</td>
<td>638</td>
<td>Improper Blood Clotting</td>
<td>No</td>
</tr>
<tr>
<td>Total</td>
<td>727</td>
<td>758</td>
<td>$8.18</td>
<td>$10.13</td>
<td>$1.95</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>