

State of Delaware SurgeryPlus Savings Analysis

State Employee Benefits Committee Meeting

May 28, 2024

Key Findings

Overall, SurgeryPlus program did generate substantial savings before accounting for fees. However, the program fees and incentives eroded savings to the plan.

The program accomplished several of the SEBC's original goals, including reducing the total cost of care for members without sacrificing the quality of care delivered, facilitating choice of providers while minimizing disruption, and providing incentives to encourage utilization, such as sharing savings with GHIP participants.

High fees

There is a need to reduce SurgeryPlus fees in order to generate meaningful savings to the plan.



Member Incentives

Re-evaluate how much incentives should be shared between members and the plan.



Procedure Selection

- Ear, Nose and Throat; Gastrointestinal and General Surgery appear to be generating the most savings as a percent of procedure cost.
- Pain Management and Biopsy are services that add costs to the plan even before accounting for fees.
- Orthopedics and Spine surgeries generate savings as a percent of procedure cost, but after accounting for fees, there will be a cost to the plan.



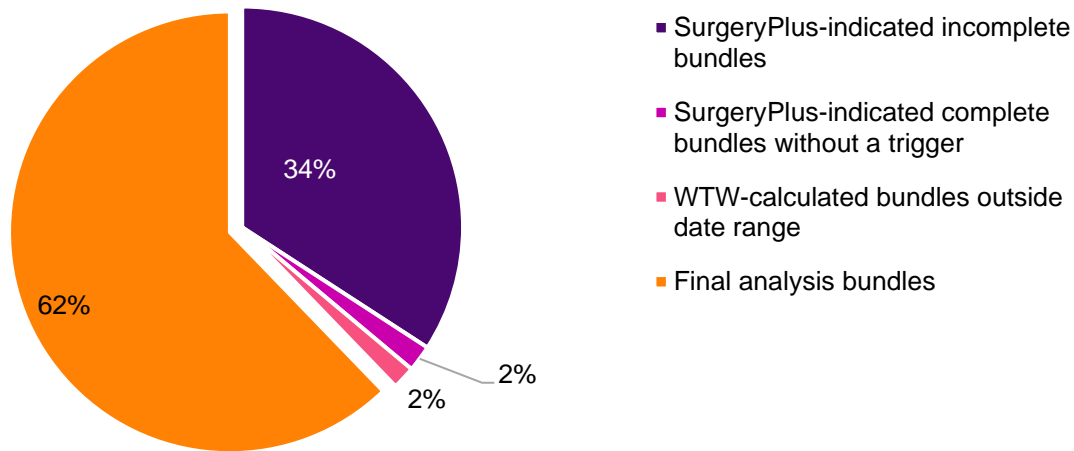
Next Steps

- WTW to continue working with SurgeryPlus to resolve the 48 complete bundles without a trigger code and establish annual cadence for performance review.
- Upon completion of the next year of the SurgeryPlus contract, renew performance review analysis to evaluate if performance guarantees are met and determine any payout to the State, as applicable.

Background

- WTW was engaged to conduct a detailed independent analysis of the performance of Employer Direct Healthcare (EDHC) on behalf of the State of Delaware, to provide a calculation of the savings driven by EDHC's SurgeryPlus program for the State.
- This analysis has been completed through a claims-based retrospective model using the State's data incurred July 1, 2021 through December 31, 2023, paid through January 2024.

Surgery Plus Data: % of Total Allowed Cost Over 2.5 years



6-Month Date Interval	# Bundles
2020-07-01 - 2020-12-31	3
2021-01-01 - 2021-06-30	11
2021-07-01 - 2021-12-31	40
2022-01-01 - 2022-06-30	98
2022-07-01 - 2022-12-31	111
2023-01-01 - 2023-06-30	130
2023-07-01 - 2023-12-31	242
2024-01-01 - 2024-01-22	19

- To capture a majority of bundles, all complete bundles with a trigger code that were incurred from July 1, 2021 through December 31, 2023 were included in the analysis
- There were 33 bundles outside this service date range that were excluded from the analysis, with 14 of these bundles incurred prior to July 1, 2021 and 19 incurred after December 31, 2024

Methodology Summary

Category	Description
Savings Component	<ul style="list-style-type: none"> Gross allowed cost savings were calculated as the difference between the SurgeryPlus bundled procedure allowed cost to an actuarially-adjusted benchmark bundled procedure allowed cost <ul style="list-style-type: none"> The adjusted benchmark is based on the State of Delaware’s experience with Aetna and Highmark, adjusted for credibility with Merative Marketscan Net plan savings were calculated by subtracting program costs (fees and incentives) from gross allowed cost savings
Data Sources	<p>SurgeryPlus</p> <ul style="list-style-type: none"> SurgeryPlus client claims data incurred July 2021 – December 2023, paid through December 2023 <ul style="list-style-type: none"> Only completed bundles containing trigger CPT codes were included in the analysis <p>Benchmark</p> <ul style="list-style-type: none"> Aetna and Highmark client claims data incurred July 2021 – June 2023, paid through December 2023 2021 and 2022 Merative MarketScan commercial research databases
Procedure Categories (COE specialty)	<ul style="list-style-type: none"> Savings were evaluated for each of the following procedure categories (i.e., COE specialty) independently: <ul style="list-style-type: none"> Bariatrics, Biopsy, Cardiac, Ear Nose and Throat, Gastrointestinal, Gynecology, General, Joint Replacement, Orthopedics, Pain Management, Spine, Thyroid
Definition of Bundles	<ul style="list-style-type: none"> Based on bundle definitions provided by SurgeryPlus and reviewed for reasonability by WTW
Fees and Incentives	<ul style="list-style-type: none"> SurgeryPlus fees are calculated as a fixed percentage of the SurgeryPlus bundle allowed cost for each procedure Incentives calculated based on the State’s incentive structure for each completed bundle included in the analysis

Results

- The analysis indicates SurgeryPlus generated **gross savings of \$4.1 million before fees and incentives.**
- **After accounting for fees, the net savings is \$1.5 million.**
- After incentives and waived cost sharing on SurgeryPlus procedures, **the financial impact of the program to the plan is a \$82K cost**, however the \$1.55 million in incentives and waived cost sharing directly improve benefits and access to high-quality care for plan members
- The top three condition categories, Bariatrics, Joint Replacement, and Orthopedics, account for nearly 79% of the State's spend on completed bundles with SurgeryPlus.

Disclaimer and Actuarial Disclosures

Disclaimer

WTW has prepared this information solely in our capacity as consultants under the terms of our engagement with you with knowledge and experience in the industry and not as legal advice. This information is exclusively for the State of Delaware's State Employee Benefits Committee to use in the management, oversight and administration of your state employee group health program. It may not be suitable for use in any other context or for any other purpose and we accept no responsibility for any such use.

WTW is not a law firm and therefore cannot provide legal or tax advice. This document was prepared for information purposes only and it should not be considered a substitute for specific professional advice. As such, we recommend that you discuss this document with your legal counsel and other relevant professional advisers before adopting or implementing its contents. This document is based on information available to WTW as of the date of delivery and does not account for subsequent developments after that date.

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Actuarial Disclosures

The analysis enclosed was conducted using a custom-built model designed to evaluate the performance of centers of excellence carve-out programs (i.e., Surgery Plus). The model performs claim bundling for eligible procedures, then compares the study program's bundles to a set of actuarially-adjusted control bundles to estimate financial savings on claim costs for the claims included in the bundles. Actuarial adjustments were derived from Merative Marketscan commercial research database. The list of eligible procedures and their associated bundle definitions are maintained by WTW in cooperation with the carve-out program vendors.

The model used for this analysis is designed specifically for these purposes, and we know of no material limitations that would prevent the model from being suitable for these intended purposes. We are not aware of any material inconsistencies among assumptions used in this work. The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence. The calculation and presentation of results relies on the assumptions used and the reasonability of the assumptions selected. The output of the model used in this analysis are considered reasonable based on the aggregation of assumptions used. However, a different set of results could also be considered reasonable based on a range of possible values used for each assumption.

The individuals signing or delivering this report have relied on other WTW employees and actuaries who develop, test and maintain each of the proprietary models and/or assumptions used for this analysis. In preparing the results presented in this report, we have relied upon information provided to us regarding plan provisions, plan participants, and/or claims data. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information. We are aware of no errors or omissions that would have a significant effect on the results of our calculations.