

The State of Delaware

SurgeryPlus Savings Analysis

SEBC Combined Subcommittee Meeting

June 17, 2024

Context for today's discussion

- The SEBC first implemented the SurgeryPlus program through Employer Direct Healthcare, a third-party administrator of Centers of Excellence (COE) services, effective July 1, 2019 (FY20), based on the SEBC's desire to:
 - Maintain consistency in the GHIP non-Medicare member experience across all medical plans wherever possible; and
 - Promote competition among the providers in Delaware to achieve the best possible pricing on medical services for non-Medicare plan participants as well as the GHIP
- A summary of the scope of surgical procedures (elective, non-emergency procedures only) that are available to non-Medicare GHIP participants through SurgeryPlus is provided on the following slide
- These services are offered as a choice alongside Highmark and Aetna medical networks, with the exception of bariatric surgery which is only available through a SurgeryPlus COE provider (new as of July 1, 2023)
 - To encourage plan participants to voluntarily choose a SurgeryPlus provider for their elective procedures, there is no member out-of-pocket cost sharing for services provided through SurgeryPlus, and
 - Plan participants also receive a financial incentive for voluntary procedures (excludes bariatric surgery) plus travel benefits if they choose to use SurgeryPlus

Context for today's discussion (continued)

SurgeryPlus Financial Incentives*

Tier A (\$4,000)	Tier B (\$2,000)	Tier C (\$1,000)	Tier D (\$500)
<p>Joint Replacement & Revision</p> <ul style="list-style-type: none"> • Knee Replacement / Revision • Hip Replacement / Revision • Shoulder Replacement • Ankle Replacement • Elbow Replacement • Wrist Replacement <p>Spine</p> <ul style="list-style-type: none"> • Laminectomy / Laminotomy • Anterior Lumbar Interbody Fusion (ALIF) • Posterior Interbody Fusion (PLIF) • Anterior Cervical Disk Fusion (ACDF) • 360 Spinal Fusion • Artificial Disk 	<p>Cardiac</p> <ul style="list-style-type: none"> • Defibrillator Implant • Permanent Pacemaker Implant • Pacemaker Device Replacement • Valve Surgery • Cardiac Ablation <p>GYN</p> <ul style="list-style-type: none"> • Hysterectomy • Bladder Repair (Anterior or Posterior) • Hysteroscopy 	<p>Hernia</p> <ul style="list-style-type: none"> • Hernia Repair (inguinal, ventral, umbilical, and hiatal) <p>Gallbladder</p> <ul style="list-style-type: none"> • Gallbladder Removal <p>Thyroid</p> <ul style="list-style-type: none"> • Thyroidectomy <p>Orthopedics</p> <ul style="list-style-type: none"> • Knee/Shoulder Arthroscopy • ACL/MCL/PCL Repair • Rotator Cuff Repair • Bunionectomy • Carpal Tunnel Release <p>ENT</p> <ul style="list-style-type: none"> • Ear Tube Insertion (Ear Infection) • Septoplasty • Sinuplasty 	<p>Gastroenterology</p> <ul style="list-style-type: none"> • Colonoscopy¹ • Endoscopy <p>Pain Management</p> <ul style="list-style-type: none"> • Cervical Epidural • Lumbar Epidural Steroid • Stellate Ganglion Block • Epidural Blood Patch <p>Other Minor / Misc. Procedures</p> <ul style="list-style-type: none"> • Biopsy • Excision of Mass <p><small>¹ Preventive colonoscopies are NOT incentive eligible. Diagnostic colonoscopies ARE incentive eligible.</small></p>

*For members who used the SurgeryPlus benefit, rewards will be provided after claims have been fully processed within an estimated 90-120 days following the surgical date of service. SurgeryPlus will also issue a 1099 for tax reporting purposes. Source: <https://dhr.delaware.gov/benefits/surgery-plus/documents/financial-incentives.pdf?ver=0913>.

Context for today's discussion (continued)

- As the outcome from the recent COE RFP, the SEBC voted to award a new contract to SurgeryPlus effective July 1, 2025; at the same time, the SEBC requested an independent analysis of the savings associated with the SurgeryPlus program
 - SEBC members expressed interest in confirming that the SurgeryPlus pricing for surgical procedures is not any more than what the State would be paying through its medical TPA contracts with Highmark and Aetna
- WTW conducted this analysis in early 2024 as a baseline for future evaluation of the program's performance under the new contract, which is tied to performance guarantees associated with overall return-on-investment as well as savings by procedure category
- Detailed results of this analysis were presented to the SEBC in May 2024
- As a result of these findings, the SEBC directed SBO/WTW to engage in further dialogue with the Subcommittees about the results of this analysis and review potential changes to how the program is designed, including the incentives offered to plan participants
- An overview of the savings analysis will be presented today, with further discussion to take place with the Health Policy & Planning Subcommittee in July 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.



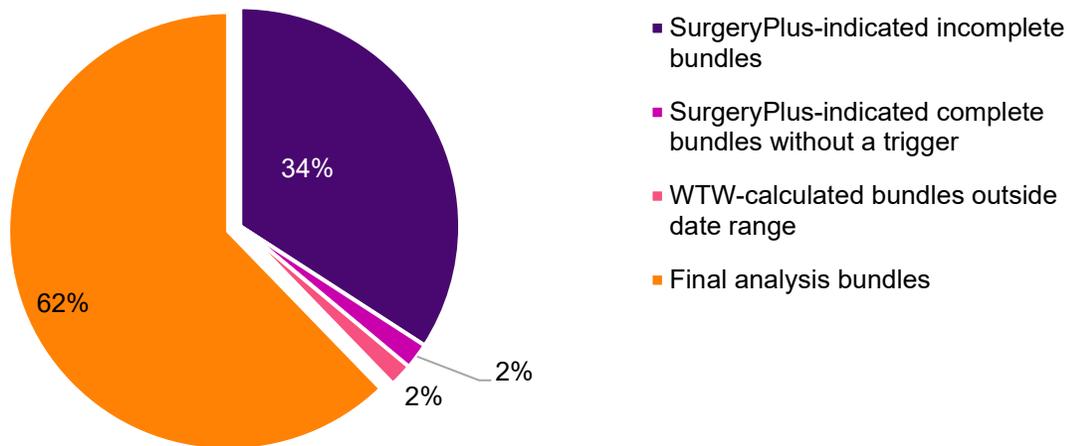
Next Steps

- 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.

Next Steps

- Further discussion with the Health Policy & Planning Subcommittee will take place in July 2024, with a deeper dive into the results of this analysis and potential program design alternatives for initial consideration and feedback

Disclaimer and Actuarial Disclosures

Disclaimer

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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.