

October 23, 2013

Charles S. Reed
Associate Director, Policy and Instruction
Commonwealth of Virginia
Office of State and Local Benefit Plans
101 N. 14th St.
Richmond, VA 23219

Re: SFY2013 Mandated Benefits Report

Dear Mr. Reed:

Aon Hewitt was retained by the Commonwealth of Virginia's Department of Human Resource Management to review and evaluate the Mandated Benefits Reports as prepared by Anthem and Optima for the Commonwealth's Health Benefits Plans. The Commonwealth specific reports for SFY2013 are attached.

The reports provide cost and utilization information for each of the mandated benefits and providers as required. We reviewed and compared the reports specific to the Commonwealth's plans alongside the reports submitted for SFY2010, SFY2011, and SFY2012. The Commonwealth reports reasonably tie to internal data.

With the submission of the SFY2013 reports, we now have 4 years of data to compare, which allows us to draw some general conclusions on cost and utilization patterns related to the mandated benefit provisions. However, to itemize and fully comment on any material impact of the mandates and project future mandate related trends, Aon Hewitt would need to study comparative data over a longer time period, preferably five years, and would need to incorporate data beyond the scope of the reporting requirements of the Mandated Benefits Reports. The Mandated Benefit Reports capture the total claims cost and visits for each mandate and do not contain any information on the cost and utilization patterns related to the specific populations covered by each of the mandated benefits and providers. An independent study would need to be developed to determine reporting metrics that would be appropriate to measure and report on cost, utilization, and health outcomes being driven by the mandates.

Aon Hewitt did compare overall trends across **Part A: Claim Information - Benefits**, **Part B: Claim Information – Providers** and **Part D: Utilization and Expenditures for Selected Procedures by Provider Type** by combining the Anthem and Optima Commonwealth Mandated Benefit reports for SFY2010 through SFY 2013. We observed reasonable trends in total claims paid, claim cost per contract, and visits per contract, a metric we calculated to measure change in utilization volume year over year.

For Part A, total claims payments increased at an annual rate of 6.3% and claims cost per contract increased at an annual rate of 6.8% over the three years. Total utilization, measured by "visits per contract", increased at an annual rate of 1.5% over the three years.



In addition, we compared three years of trends for some of the preventative mandated benefits. Specifically, we looked at the change in “visits per contract” to measure change in volume of these procedures year over year for SFY 2013, SFY 2012, SFY2011, and SFY2010. The “number of contracts” reported for each measure below represents the entire population and “visits per contracts” is defined over the entire COVA population. Generally, industry standard methodology used to report preventative procedures rates involves looking at only the subset of the enrolled population applicable for each measure. Please note that an independent analysis would need to be done to report preventative procedure rates for the measures we reviewed. The results are shown in the table listed in Exhibit A accompanying this letter.

Both vendors in the past have attributed the drop in reported pap smears to the change in American Congress of Obstetricians and Gynecologists guidelines for pap smears. Even though the guideline change occurred in 2012, it is common for new health recommendations to take multiple years to become a full adopted in the healthcare community.

For Part B, total claims payments increased at an annual rate of 5.5% and claims cost per contract increased at an annual rate of 5.9% over the three years. Total utilization, measured by “visits per contract”, increased at an annual rate of 3.6%. For Part D, total claims payments for the selected procedures increased at an annual rate of 6.2% and claims cost per visit increased at an annual rate of 2.2% over the three years. The majority of cost and visits reported for Part B and Part D are for Physical Therapists and Chiropractors, which have both increased in cost and utilization over the three year period. The combined cost per visit for Physical Therapists and Chiropractors increased at an annual rate of 3.0% and visit per contracts increased at an annual rate of 4.4%.

We will continue to monitor the reports, and expect to have more information in the coming years as we are able to provide a general comparison of year over year results. However, it is important to note that our ability to analyze and isolate the impact of the mandated benefits will be limited using the current format of the Mandated Benefit Report, which does not identify the specific population covered by each mandate. We are available to discuss these limitations and what reporting requirements are necessary to accomplish this segmentation.

Please let me know if you have any questions or concerns regarding these reports at this time. I can be reached at (804) 320-8438.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Mack", is positioned below the word "Sincerely,". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Paul Mack
Vice President



Exhibit A:

	Number of Visits				Number of Contracts				Visits per Contract				Paid Claims			
	SFY2010	SFY2011	SFY2012	SFY2013	SFY2010	SFY2011	SFY2012	SFY2013	SFY2010	SFY2011	SFY2012	SFY2013	SFY2010	SFY2011	SFY2012	SFY2013
Childhood Immunizations	516,023	498,434	499,087	511,769	91,455	91,141	90,206	90,339	5.64	5.47	5.53	5.66	\$22,181,399	\$23,751,915	\$25,555,926	27,652,118
Mammograms	54,161	55,477	54,241	54,288	91,455	91,141	90,206	90,339	0.59	0.61	0.60	0.60	\$6,543,285	\$7,080,921	\$7,305,169	7,728,966
Pap Smears	74,243	70,243	68,858	65,069	91,455	91,141	90,206	90,339	0.81	0.77	0.76	0.72	\$6,031,021	\$5,853,068	\$5,847,196	5,908,018
Early Intervention Services	4,400	4,545	4,175	4,156	91,455	91,141	90,206	90,339	0.05	0.05	0.05	0.05	\$637,882	\$796,207	\$903,743	1,032,696
PSA Testing	20,238	20,305	19,588	18,109	91,455	91,141	90,206	90,339	0.22	0.22	0.22	0.20	\$473,080	\$480,015	\$466,056	439,120
Colorectal Cancer Screening	27,591	26,716	26,456	27,070	91,455	91,141	90,206	90,339	0.30	0.29	0.29	0.30	\$9,565,901	\$9,941,704	\$10,626,255	11,506,578

	Paid Per Visit				Paid per Contract				Visit Per Contract			Paid Per Visit			Paid Per Contract		
	SFY2010	SFY2011	SFY2012	SFY2013	SFY2010	SFY2011	SFY2012	SFY2013	2011 vs. 2010	2012 vs. 2011	2013 vs. 2012	2011 vs. 2010	2012 vs. 2011	2013 vs. 2012	2011 vs. 2010	2012 vs. 2011	2013 vs. 2012
Childhood Immunizations	\$43	\$48	\$51	\$54	\$243	\$261	\$283	\$306	-3.1%	1.2%	2.4%	10.9%	7.5%	5.5%	7.4%	8.7%	8.0%
Mammograms	\$121	\$128	\$135	\$142	\$72	\$78	\$81	\$86	2.8%	-1.2%	-0.1%	5.6%	5.5%	5.7%	8.6%	4.2%	5.6%
Pap Smears	\$81	\$83	\$85	\$91	\$66	\$64	\$65	\$65	-5.1%	-1.0%	-5.6%	2.6%	1.9%	6.9%	-2.6%	0.9%	0.9%
Early Intervention Services	\$145	\$175	\$216	\$248	\$7	\$9	\$10	\$11	3.7%	-7.2%	-0.6%	20.8%	23.6%	14.8%	25.3%	14.7%	14.1%
PSA Testing	\$23	\$24	\$24	\$24	\$5	\$5	\$5	\$5	0.7%	-2.5%	-7.7%	1.1%	0.6%	1.9%	1.8%	-1.9%	-5.9%
Colorectal Cancer Screening	\$347	\$372	\$402	\$425	\$105	\$109	\$118	\$127	-2.8%	0.1%	2.2%	7.3%	7.9%	5.8%	4.3%	8.0%	8.1%

**Anthem:
Form MB1 - Part A: Claim Information - Benefits**

GROUP TOTAL CLAIMS PAID OR INCURRED

	Number of Visits	Number of Days	Total Claim payments	Number of Contracts/Certificates	Claim Cost per Contract/Certificate	Annual Admin Cost
Dependent Children (Handicapped)	3330	64	1054265	83618	12.61	22140
Doctor to Include Dentist	758	0	210647	83618	2.52	4424
Newborn Children Child Health Supervision Services	6127	706	3778192	83618	45.18	79342
Childhood Immunizations	32900	0	3085851	83618	36.90	64803
Infant Hearing Screening and Related Diagnostics	510775	0	27432757	83618	328.07	576088
Mental Health Services	9456	0	408107	83618	4.88	8570
Inpatient	617	118	170939	83618	2.04	3590
Partial Hospitalization	0	4	1322.13	83618	0.02	28
Outpatient	24128	0	2155786	83618	25.78	45272
Substance Abuse Services						
Inpatient	163	68	136042	83618	1.63	2857
Partial Hospitalization	0	0	0	83618	0.00	0
Outpatient	2432	0	293622	83618	3.51	6166
Biologically based Mental Illness	9395	79	958677	83618	11.46	20132
Obstetrical Services						
Normal pregnancy	10646	114	3282231	83618	39.25	68927
Other	20397	5097	20851694	83618	249.37	437886
Postpartum Services	512	2	118801	83618	1.42	2495
Pregnancy from Rape / Incest	31	0	10254	83618	0.12	215
Mammograms	50746	0	7091513	83618	84.81	148922
Pap Smears	64690	0	5897469	83618	70.53	123847
Bones and Joints Hemophilia and Congenital Bleeding Disorders	301	374	214530	83618	2.57	4505
Reconstructive Breast Surgery	775	23	1061569	83618	12.70	22293
Early Intervention Services	393	0	1548634	83618	18.52	32521
PSA Testing	3424	91	479051	83618	5.73	10060
Colorectal Cancer Screening	16598	0	401634	83618	4.80	8434
Clinical Trials for Treatment Studies on Cancer	25949	0	11224061	83618	134.23	235705
Minimum Hospital Stay for Hysterectomy	17	0	7488	83618	0.09	157
Diabetes	467	47	1701581	83618	20.35	35733
Hospice Care Hospitalization and Anesthesia for Dental Procedures	115779	0	14726391	83618	176.12	309254
Treatment of Morbid Obesity	1257	0	536412	83618	6.42	11265
Lymphedema	2	0	1106	83618	0.01	23
Prosthetic Devices	9	0	9796	83618	0.12	206
Telemedicine	438	0	44480	83618	0.53	934
	0	0	0	83618	0.00	0
	747	0	37184	83618	0.44	781

No data available

No data available

**Anthem:
Form MB1 - Part B: Providers**

group Values

	Number of Visits	Total Claim payments	Cost per visit	Number of Contracts/Certificates	Claim Cost per Contract/Certificate	Annual Admin Cost	
Chiropractor	86213	3018273	35.01	83618	36.10	51311	
Optometrist	14721	1223629	83.12	83618	14.63	20802	
Optician	0	0	0.00	83618	0.00	0	No data available
Psychologist	58	29197	496.00	83618	0.35	496	
Clinical Social Worker	83	2251	27.11	83618	0.03	38	
Podiatrist	14898	1535459	103.06	83618	18.36	26103	
Professional Counselor	69	3134	45.42	83618	0.04	53	
Physical Therapist	79314	4928347	62.14	83618	58.94	83782	
Clinical Nurse Specialist	150	46805	312.03	83618	0.56	796	
Audiologist	1538	289605	188.30	83618	3.46	4923	
Speech Pathologist	2831	165478	58.45	83618	1.98	2813	
Certified Nurse Midwife	566	85694	151.40	83618	1.02	1457	
Licensed Acupuncturist	0	0	0.00	83618	0.00	0	No data available
Marriage and Family Therapist	3	336	112.00	83618	0.00	6	

Anthem:

Form MB1 - Part D: Utilization and Expenditures for Selected Procedures by Provider Type

Procedure Code/Provider Type	Number of Visits	Claim Payments	Cost Per Visit	
1. 99203 - Office Visit, Intermediate Service to New Patient				
Chiropractor	1289	60037	46.58	
Clinical Social Worker	0	0	0.00	No data available
Physical Therapist	0	0	0.00	
Podiatrist	2663	253465	95.18	
Professional Counselor	0	0	0.00	No data available
Psychiatrist	5	60	12.00	
Psychologist	0	0	0.00	No data available
Physician	16896	1777665	105.21	
Certified Nurse Midwife	4	123	30.75	
Marriage and Family Therapist	0	0	0.00	No data available
2. 90806-90807, 90818-90819 - Individual/Medical Psychotherapy, 45 to 50 Minute Session				
Clinical Nurse Specialist	3	158	52.67	
Clinical Social Worker	39	967	24.79	
Professional Counselor	23	366	15.91	
Psychiatrist	18	166	9.22	
Psychologist	0	0	0.00	No data available
Physician	6	156	26.00	
Marriage and Family Therapist	0	0	0.00	No data available
3. 90853 - Group Psychotherapy				
Clinical Nurse Specialist	0	0	0.00	No data available
Clinical Social Worker	12	0	0.00	
Professional Counselor	2	0	0.00	
Psychiatrist	12	0	0.00	
Psychologist	0	0	0.00	No data available
Physician	51	154	3.02	
Marriage and Family Therapist	0	0	0.00	No data available
4. 92507 - Speech, Language or Hearing Therapy, Individual				
Audiologist	10	363	36.30	
Physical Therapist	6	442	73.67	
Speech Pathologist	2652	140057	52.81	
Physician	272	10402	38.24	
5. 97110 - Physical Medicine Treatment, each 15 minutes, Therapeutic Exercise				
Chiropractor	17250	494393.13	28.66	
Physical Therapist	62378	1973079	31.63	
Physician	727	45145	62.10	
Podiatrist	88	8152	92.64	
Speech Pathologist	0	0	0.00	No data available
6. 97124 - Physical Medicine Treatment, Massage				
Chiropractor	9741	329544	33.83	
Physical Therapist	836	26606	31.83	
Physician	37	746	20.16	
Podiatrist	0	0	0.00	No data available
7. 97035 - Physical Medicine Treatment, Ultrasound, each 15 minutes				
Chiropractor	7417	79671	10.74	
Physical Therapist	5747	79592	13.85	
Physician	126	2128	16.89	
Podiatrist	75	1010	13.47	
8. 92352 - Fitting of Spectacle Prosthesis for Aphakia, monofocal				
Ophthalmologist	0	0	0.00	No data available
Optician	0	0	0.00	No data available
Optometrist	0	0	0.00	No data available
Physician	0	0	0.00	No data available
9. 11750 - Excision of Nail and Nail Matrix, Partial or Complete, for Permanent Removal				
Physician	62	14763	238.12	
Podiatrist	482	119428	247.78	

Form MB 1 - Part A: Claim Information - Benefits

[Edit Group Values](#)

	a	b	c	d	e	f	g
	Number of Visits	Number of Days	Total Claim Payments	Number of Contracts/Certificates	Claim Cost Per Contract/Certificate	Annual Administrative Cost	Percent of Total Health Claims
GROUP TOTAL CLAIMS PAID OR INCURRED					\$	75,387,426	
Dependent Children (Handicapped)							
Doctor to Include Dentist	765		\$ 626,427	6,721	\$ 93.20	101,976.48	0.83%
Newborn Children	117		\$ 50,077	6,721	\$ 7.45	8,152.09	0.07%
Child Health Supervision Services	374		\$ 28,108	6,721	\$ 4.18	4,575.75	0.04%
Childhood Immunizations	994		\$ 219,361	6,721	\$ 32.64	35,709.99	0.29%
Infant Hearing Screening and Related Diagnostics	117		\$ 4,725	6,721	\$ 0.70	769.26	0.01%
Obstetrical Services							
Normal Pregnancy	77		\$ 142,446	6,721	\$ 21.19	23,188.85	0.19%
All Other	772		\$ 582,056	6,721	\$ 86.60	94,753.31	0.77%
Postpartum Services							
Pregnancy from Rape / Incest							
Mammograms	3,542		\$ 637,454	6,721	\$ 94.85	103,771.50	0.85%
Bone Marrow Transplants							
Pap Smears	379		\$ 10,549	6,721	\$ 1.57	1,717.33	0.01%
Bones and Joints	49		\$ 8,013	6,721	\$ 1.19	1,304.39	0.01%
Hemophilia and Congenital Bleeding Disorders	80		\$ 970	6,721	\$ 0.14	157.86	0.00%
Reconstructive Breast Surgery							
Early Intervention Services	732		\$ 553,645	6,721	\$ 82.38	90,128.30	0.73%
PSA Testing	1,511		\$ 37,486	6,721	\$ 5.58	6,102.38	0.05%
Colorectal Cancer Screening	1,121		\$ 282,517	6,721	\$ 42.04	45,991.19	0.37%
Clinical Trials for Treatment Studies on Cancer	18		\$ 36,280	6,721	\$ 5.40	5,906.01	0.05%
Minimum Hospital Stay for Hysterectomy	45		\$ 97,043	6,721	\$ 14.44	15,797.69	0.13%
Diabetes	81		\$ 6,745	6,721	\$ 1.00	1,098.10	0.01%
Hospice Care							
Hospitalization and Anesthesia for Dental Procedures	129		\$ 22,349	6,721	\$ 3.33	3,638.28	0.03%
Treatment of Morbid Obesity	2		\$ 2,936	6,721	\$ 0.44	478.03	0.00%
Lymphedema	13		\$ 6,904	6,721	\$ 1.03	1,123.95	0.01%

Form 1 MB - Part B: Claim Information - Providers

Optima

[Edit Group Values](#)

	a	b	c	d	e	f	g
	Number of Visits	Total Claim Payments	Costs Per Visit	Number of Contracts/certificates	Claim Cost Per Contract / Certificate	Annual Administrative Costs	Percent of Total Health Claims
Marriage and Family Therapist							
Chiropractor						-	
Optometrist	891	\$ 54,617	\$ 61.30	6,721	\$ 8.13	8,891.08	0.07%
Optician	2,907	\$ 406,427	\$ 139.81	6,721	\$ 60.47	66,162.60	0.00%
Psychologist							
Clinical Social Worker							
Podiatrist	1,424	\$ 161,524	\$ 113.43	6,721	\$ 24.03	26,294.65	0.21%
Professional Counselor							
Physical Therapist	3,647	\$ 1,186,448	\$ 325.32	6,721	\$ 176.53	193,142.74	1.57%
Clinical Nurse Specialist							
Audiologist	113	\$ 24,290	\$ 214.96	6,721	\$ 3.61	3,954.20	0.03%
Speech Pathologist	2	\$ 205	\$ 102.50	6,721	\$ 0.03	33.37	0.00%
Certified Nurse Midwife	74	\$ 11,470	\$ 155.00	6,721	\$ 1.71	1,867.17	0.02%
Licensed Acupuncturist							
Marriage and Family Therapist							

Standard Policy:

**Form MB 1 - Part D: Utilization and Expenditures
for Selected Procedures by Provider Type**

Procedure Code/Provider Type	Number of Visits	Claim Payments	Cost Per Visit
1. 99203 - Office Visit, Intermediate Service to New Patient	2	\$ 222	\$ 111.15
Audiologist			
Chiropractor			
Clinical Social Worker			
Physical Therapist			
Podiatrist	234	\$ 18,320	\$ 78.29
Professional Counselor			
Psychiatrist			
Psychologist			
Physician	2,794	\$ 269,809	\$ 96.57
Ophthalmologist	62	\$ 3,896	\$ 62.84
Optometrist	25	\$ 1,457	\$ 58.28
Certified Nurse Midwife			
Marriage and Family Therapist			
4. 92507 - Speech, Language or Hearing Therapy, Individual			
Audiologist			
Chiropractor	17	\$ 1,390	\$ 81.76
Physical Therapist	25	\$ 1,633	\$ 65.31
Speech Pathologist			
Physician	40	\$ 12,221	\$ 305.53
5. 97110 - Physical Medicine Treatment, each 15 minutes, Therapeutic Exercise			
Chiropractor	204	\$ 11,877	\$ 58.22
Physical Therapist	2,906	\$ 672,868	\$ 231.54
Physician	361	\$ 20,571	\$ 56.98
Podiatrist			
Speech Pathologist			
6. 97124 - Physical Medicine Treatment, Massage			
Chiropractor			
Physical Therapist	13	\$ 833	\$ 64.06
Physician	3	\$ 40	\$ 13.49
Podiatrist			
7. 97035 - Physical Medicine Treatment, Ultrasound, each 15 minutes			
Chiropractor	14	\$ 151	\$ 10.81
Physical Therapist	333	\$ 24,390	\$ 73.24
Physician	16	\$ 112	\$ 6.99
Podiatrist			
9. 11750 - Excision of Nail and Nail Matrix, Partial or Complete, for Permanent Removal			
Physician	3	\$ 578	\$ 192.72
Podiatrist	34	\$ 7,343	\$ 215.98

Optima

Part	Va_Code_Section	Description	# of visits	Total Costs
A	38.2-3410	Doctor to Include Dentist	765	\$626,426.92
A	38.2-3411	Newborn Children	117	\$50,077.10
A	38.2-3411.1	Child Health Supervision	374	\$28,108.19
A	38.2-3411.3	Childhood Immunizations	994	\$219,361.36
A	38.2-3411.4	Infant Hearing	117	\$4,725.46
A	38.2-3414	Obstetrical Services - Normal Pregnancy	77	\$142,445.82
A	38.2-3414	Obstetrical Services - All Other	772	\$582,056.05
A	38.2-3418.1	Mammography	3542	\$637,453.53
A	38.2-3418.1:2	Pap Smears	379	\$10,549.32
A	38.2-3418.10	Diabetes Equipmt, Supplies, Outpatient Mgnt	81	\$6,745.45
A	38.2-3418.12	Hospitalization & Anesthesia for Dental Procedures	129	\$22,349.44
A	38.2-3418.13	Treatment of Morbid Obesity	2	\$2,936.46
A	38.2-3418.14	Lymphedema	13	\$6,904.26
A	38.2-3418.2	Bones and Joints	49	\$8,012.67
A	38.2-3418.3	Hemophilia and Congenital Bleeding Disorders	80	\$969.73
A	38.2-3418.5	Early Intervention Services	732	\$553,645.30
A	38.2-3418.7	PSA Testing	1511	\$37,486.02
A	38.2-3418.7:1	Colorectal Cancer Screening	1121	\$282,517.28
A	38.2-3418.8	Clin Trials for Treatmt Studies on Cancer	18	\$36,279.77
A	38.2-3418.9	Min Hosp Stay for Hysterectomy	45	\$97,042.97
B		Physical Therapist	3647	\$1,186,448.29
B		Podiatrist	1424	\$161,524.26
B		Optometrist	891	\$54,616.66
B		Ophthalmologist	2907	\$406,427.38
B		Certified Nurse Midwife	74	\$11,469.75
B		Audiologist	113	\$24,290.08
B		Speech Pathologist	2	\$205.00
D	CERTIFIED NURSE MIDWIFE	99203-Office Visit, Intermediate Service to New Patient	2	\$222.29
D	CHIROPRACTOR	92507 - Speech, Language or Hearing Therapy; Individual	17	\$1,390.00
D	CHIROPRACTOR	97035 - Physical Medicine Treatment, Ultrasound	14	\$151.30
D	CHIROPRACTOR	97110 - Physical Medicine Treatment, Therapeutic Exercise	204	\$11,876.59
D	OPHTHALMOLOGIST	99203-Office Visit, Intermediate Service to New Patient	62	\$3,895.96
D	OPTOMETRIST	99203-Office Visit, Intermediate Service to New Patient	25	\$1,457.11
D	PHYSICAL THERAPIST	97124 - Physical Medicine Treatment, Massage	13	\$832.79
D	PHYSICAL THERAPIST	97035 - Physical Medicine Treatment, Ultrasound	333	\$24,390.18
D	PHYSICAL THERAPIST	92507 - Speech, Language or Hearing Therapy; Individual	25	\$1,632.80
D	PHYSICAL THERAPIST	97110 - Physical Medicine Treatment, Therapeutic Exercise	2906	\$672,868.43
D	PHYSICIAN	97110 - Physical Medicine Treatment, Therapeutic Exercise	361	\$20,571.16
D	PHYSICIAN	97124 - Physical Medicine Treatment, Massage	3	\$40.47
D	PHYSICIAN	99203-Office Visit, Intermediate Service to New Patient	2794	\$269,808.65
D	PHYSICIAN	97035 - Physical Medicine Treatment, Ultrasound	16	\$111.90
D	PHYSICIAN	11750 - Excision of Nail and Nail Matrix	3	\$578.16
D	PHYSICIAN	92507 - Speech, Language or Hearing Therapy; Individual	40	\$12,221.18
D	PODIATRIST	99203-Office Visit, Intermediate Service to New Patient	234	\$18,319.69
D	PODIATRIST	11750 - Excision of Nail and Nail Matrix	34	\$7,343.29