

November 24, 2014

Gene Raney
Director, Office of Health Benefits
Commonwealth of Virginia
Department of Human Resource Management
101 N. 14th Street
Richmond, VA 23219

Re: SFY2014 Mandated Benefits Report

Dear Mr. Raney:

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 Aetna for the Commonwealth's Health Benefits Plans. The Commonwealth specific reports for Anthem and Book of Business (BOB) reports for Aetna for SFY2014 are attached.

The reports provide cost and utilization information for each of the mandated benefits and providers as required. We reviewed and compared the Anthem reports specific to the Commonwealth's plans alongside the reports submitted for SFY2010- SFY2013. The Commonwealth reports reasonably tie to internal data. Because SFY2014 represents the first data submission year for Aetna, and because Aetna provided data for their book of business (not specific to the Commonwealth), the Aetna information is provided in a separate table.

With the submission of the SFY2014 reports, we now have 5 years of Anthem 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 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 SFY2011 through SFY 2013 and the Anthem report from SFY2014. 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.

While we do not have data on the Aetna HealthAware specific population, Anthem covers approximately 96% of the contracts for the Commonwealth. Therefore, we can still make reasonable observations about trend from the Anthem data.



For Part A, total claims per contract increased at an annual rate of 11.9% and claims cost per visit increased at an annual rate of 4.9% over the four years. Total utilization, measured by “visits per contract”, has increased at an annual rate of 6.7% over four years. However, within that four year period, it stayed relatively flat over the first three years and spiked in the SFY2014 with a 23.6% increase over SFY2013.

In addition, we compared four years of trends for some of the preventive 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 2014, SFY 2013, SFY2012, and SFY2011. The “number of contracts” reported for each measure below represents the entire COVA population and “visits per contract-” is defined over the entire COVA population, with the exception of SFY2014 which represents 96% of the population (Anthem only). Generally, industry standard methodology used to report preventive procedure- 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 tables listed in Exhibit A accompanying this letter.

In SFY2014, there were increases in Visits per Contract in categories that have historically been decreasing, most notably Childhood Immunizations and Pap Smears. Visits per Contract for the Colorectal Cancer Screenings category also increased at a higher rate in SF2014 vs prior years..

For Part B, total claims paid per contract increased at an annual rate of 9.2% and claims cost per visit increased at an annual rate of 2.1% over the four years. Total utilization, measured by “visits per contract”, increased at an annual rate of 7.0%. For Part D, total claims payments for the selected procedures increased at an annual rate of 1.6% and claims cost per visit decreased at an annual rate of -0.8% over the four 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 four year period. The combined cost per visit for Physical Therapists and Chiropractors decreased at an annual rate of -1.3% and visit per contracts increased at an annual rate of 1.1%.

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. In the future we will also work with Aetna to obtain a Commonwealth HealthAware specific population report.

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 above the typed name.

Paul Mack
Vice President



Exhibit A

Anthem/Optima

	Number of Visits					Number of Contracts					Visits per Contract					Paid Claims				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
• Childhood Immunizations	516,023	498,434	499,087	511,769	545,262	91,455	91,141	90,206	90,339	86,287	5.64	5.47	5.53	5.66	6.32	\$22,181,399	\$23,751,915	\$25,555,926	\$27,652,118	\$30,957,219
• Mammograms	54,161	55,477	54,241	54,288	53,072	91,455	91,141	90,206	90,339	86,287	0.59	0.61	0.60	0.60	0.62	\$6,543,285	\$7,080,921	\$7,305,169	\$7,728,966	\$7,540,077
• Pap Smears	74,243	70,243	68,858	65,069	65,888	91,455	91,141	90,206	90,339	86,287	0.81	0.77	0.76	0.72	0.76	\$6,031,021	\$5,853,068	\$5,847,196	\$5,908,018	\$6,474,314
• Early Intervention Services	4,400	4,545	4,175	4,156	3,649	91,455	91,141	90,206	90,339	86,287	0.05	0.05	0.05	0.05	0.04	\$637,882	\$796,207	\$903,743	\$1,032,696	\$294,843
• PSA Testing	20,238	20,305	19,588	18,109	17,734	91,455	91,141	90,206	90,339	86,287	0.22	0.22	0.22	0.20	0.21	\$473,080	\$480,015	\$466,056	\$439,120	\$417,351
• Colorectal Cancer Screening	27,591	26,716	26,456	27,070	28,057	91,455	91,141	90,206	90,339	86,287	0.30	0.29	0.29	0.30	0.33	\$9,565,901	\$9,941,704	\$10,626,255	\$11,506,578	\$13,044,465

	Paid Per Visit					Paid per Contract					Visit Per Contract				Paid Per Visit				Paid Per Contract			
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2011 vs. 2010	2012 vs. 2011	2013 vs. 2012	2014 vs. 2013	2011 vs. 2010	2012 vs. 2011	2013 vs. 2012	2014 vs. 2013	2011 vs. 2010	2012 vs. 2011	2013 vs. 2012	2014 vs. 2013
• Childhood Immunizations	\$43	\$48	\$51	\$54	\$57	\$243	\$261	\$283	\$306	\$359	-3.1%	1.2%	2.4%	11.5%	10.9%	7.5%	5.5%	5.1%	7.4%	8.7%	8.0%	17.2%
• Mammograms	\$121	\$128	\$135	\$142	\$142	\$72	\$78	\$81	\$86	\$87	2.8%	-1.2%	-0.1%	2.4%	5.6%	5.5%	5.7%	-0.2%	8.6%	4.2%	5.6%	2.1%
• Pap Smears	\$81	\$83	\$85	\$91	\$98	\$66	\$64	\$65	\$65	\$75	-5.1%	-1.0%	-5.6%	6.0%	2.6%	1.9%	6.9%	8.2%	-2.6%	0.9%	0.9%	14.7%
• Early Intervention Services	\$145	\$175	\$216	\$248	\$81	\$7	\$9	\$10	\$11	\$3	3.7%	-7.2%	-0.6%	-8.1%	20.8%	23.6%	14.8%	-67.5%	25.3%	14.7%	14.1%	-70.1%
• PSA Testing	\$23	\$24	\$24	\$24	\$24	\$5	\$5	\$5	\$5	\$5	0.7%	-2.5%	-7.7%	2.5%	1.1%	0.6%	1.9%	-2.9%	1.8%	-1.9%	-5.9%	-0.5%
• Colorectal Cancer Screening	\$347	\$372	\$402	\$425	\$465	\$105	\$109	\$118	\$127	\$151	-2.8%	0.1%	2.2%	8.5%	7.3%	7.9%	5.8%	9.4%	4.3%	8.0%	8.1%	18.7%



Exhibit A

Aetna

Aetna SFY14 (Book of Business)

	Number of Visits	Number of Contracts	Visits per Contract	Paid Claims	Paid Per Visit	Paid per Contract
• Childhood Immunizations	1,609	57,984	0.03	\$934,290	\$581	\$16
• Mammograms	12,315	57,984	0.21	\$2,199,161	\$179	\$38
• Pap Smears	26,033	57,984	0.45	\$2,604,659	\$100	\$45
• Early Intervention Services	3,987	57,984	0.07	\$2,990,356	\$750	\$52
• PSA/ Colorectal Cancer Screening	8,218	57,984	0.14	\$4,533,693	\$552	\$78

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) Doctor to Include	3585	107	900253	86287	10.43	17105
Dentist	823	0	218273	86287	2.53	4147
Newborn Children	7282	786	5056220	86287	58.60	96068
Child Health Supervision Services	34936	0	3739878	86287	43.34	71058
Childhood Immunizations	545262	0	30957219	86287	358.77	588187
Infant Hearing Screening and Related Diagnostics	10058	0	349450	86287	4.05	6640
Mental Health Services						
Inpatient	3245	2694	4196831	86287	48.64	79740
Partial Hospitalization	0	544	362142	86287	4.20	6881
Outpatient	129212	0	9011367	86287	104.43	171266
Substance Abuse Services						
Inpatient	355	459	624842	86287	7.24	11872
Partial Hospitalization	0	2052	611033	86287	7.08	11610
Outpatient	6387	0	578842	86287	6.71	10998
Biologically based Mental Illness	49582	4301	6975993	86287	80.85	132544

Obstetrical Services	86287					
Normal pregnancy	11696	103	3759591	86287	43.57	71432
Other	22104	5537	24318992	86287	281.84	462061
Postpartum Services	1263	2	234717	86287	2.72	4460
Pregnancy from Rape / Incest	27	0	7088	86287	0.08	135
Mammograms	53072	0	7540077	86287	87.38	143261
Pap Smears	65888	0	6474314	86287	75.03	123012
Bones and Joints Hemophilia and Congenital Bleeding Disorders	291	352	218699	86287	2.53	4155
Reconstructive Breast Surgery	816	81	1306459	86287	15.14	24823
Early Intervention Services	472	0	2013301	86287	23.33	38253
PSA Testing	3649	0	294843	86287	3.42	5602
Colorectal Cancer Screening	17734	0	417351	86287	4.84	7930
Clinical Trials for Treatment Studies on Cancer	28057	0	13044465	86287	151.18	247845
Minimum Hospital Stay for Hysterectomy	16	0	4113	86287	0.05	78
Diabetes	432	32	1535378	86287	17.79	29172
Hospice Care	119342	4	15123982	86287	175.28	287356
Hospitalization and Anesthesia for Dental Procedures	1223	0	600619	86287	6.96	11412
Treatment of Morbid Obesity	2	0	1690	86287	0.02	32
Lymphedema	18	0	34592	86287	0.40	657
Prosthetic Devices	528	33	75538	86287	0.88	1435
Telemedicine	0	0	0	86287	0.00	0
	530	0	32397	86287	0.38	616

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	87265	3193531	36.60	86287	37.01	60677
Optometrist	15688	1388708	88.52	86287	16.09	26385
Optician	6	348	58.00	86287	0.00	7
Psychologist	1729	188428	108.98	86287	2.18	3580
Clinical Social Worker	25483	1323963	51.95	86287	15.34	25155
Podiatrist	15713	1660515	105.68	86287	19.24	31550
Professional Counselor	69	1399154	20277.60	86287	16.22	26584
Physical Therapist	82309	5155703	62.64	86287	59.75	97958
Clinical Nurse Specialist	1261	64997	51.54	86287	0.75	1235
Audiologist	1603	293972	183.39	86287	3.41	5585
Speech Pathologist	2836	174909	61.67	86287	2.03	3323
Certified Nurse Midwife	757	172518	227.90	86287	2.00	3278
Licensed Acupuncturist	0	0	0.00	86287	0.00	0
Marriage and Family Therapist	952	52394	55.04	86287	0.61	995

no data available

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	1463	67761	46.32	
Clinical Social Worker	0	0	0.00	No data available
Physical Therapist	2	113	0.00	
Podiatrist	2970	276054	92.95	
Professional Counselor	0	0	0.00	No data available
Psychiatrist	21	973	46.33	
Psychologist	0	0	0.00	No data available
Physician	15248	1613829	105.84	
Certified Nurse Midwife	12	956	79.67	
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	0	0	0.00	No data available
Clinical Social Worker	0	0	0.00	No data available
Professional Counselor	0	0	0.00	No data available
Psychiatrist	0	0	0.00	No data available
Psychologist	0	0	0.00	No data available
Physician	0	0	0.00	No data available
Marriage and Family Therapist	0	0	0.00	No data available
3. 90853 - Group Psychotherapy				
Clinical Nurse Specialist	6	213	35.50	
Clinical Social Worker	1085	23918	22.04	
Professional Counselor	876	20708	23.64	
Psychiatrist	109	3602	33.05	
Psychologist	5	117	23.40	
Physician	263	4781	18.18	
Marriage and Family Therapist	27	582	21.56	
4. 92507 - Speech, Language or Hearing Therapy, Individual				
Audiologist	33	979	29.67	
Physical Therapist	8	364	45.50	
Speech Pathologist	2633	151951	57.71	
Physician	70	3869	55.27	

5. 97110 - Physical Medicine Treatment, each 15 minutes, Therapeutic Exercise

Chiropractor	17707	517535	29.23
Physical Therapist	66338	2,330,486.85	35.13
Physician	849	33,774.74	39.78
Podiatrist	40	1941	48.53
Speech Pathologist	1	602	0.00

6. 97124 - Physical Medicine Treatment, Massage

Chiropractor	10724	399159	37.22
Physical Therapist	877	28199	32.15
Physician	16	715	44.69
Podiatrist	0	0	0.00

No data available

7. 97035 - Physical Medicine Treatment, Ultrasound, each 15 minutes

Chiropractor	6546	67642	10.33
Physical Therapist	4638	65573	14.14
Physician	109	935	8.58
Podiatrist	42	445	10.60

8. 92352 - Fitting of Spectacle Prosthesis for Aphakia, monofocal

Ophthalmologist	0	0	0.00
Optician	0	0	0.00
Optometrist	0	0	0.00
Physician	0	0	0.00

No data available

No data available

No data available

No data available

9. 11750 - Excision of Nail and Nail Matrix, Partial or Complete, for Permanent Removal

Physician	52	12437	239.17
Podiatrist	485	125352	258.46

Form 1 MB - Part A: Claim Information - Benefits

Group Values						
	a	b	c	d	e	f
	Number of Visits	Number of Days	Total Claim Payments	Number of Contracts/Certificates	Claim Cost Per Contract/Certificate	Annual Administrative Cost
GROUP TOTAL CLAIMS PAID OR INCURRED					\$	238,371,091
Dependent Children (Handicapped)	2,631	73	619,263	57,984	\$	10.68
Doctor to Include Dentist	4,649	0	1,650,662	57,984	\$	28.47
Newborn Children	3,920	35	10,527,266	57,984	\$	181.55
Child Health Supervision Services	20,860	2	4,408,817	57,984	\$	76.04
Childhood Immunizations	1,609	844	934,290	57,984	\$	16.11
Infant Hearing Screening and Related Diagnostics	163	0	36,124	57,984	\$	0.62
Mental Health Services						
Inpatient	1,112	1,174	3,038,210	57,984	\$	52.40
Partial Hospital	85	25	54,213	57,984	\$	0.93
Outpatient	42,410	0	6,298,297	57,984	\$	108.62
Substance Abuse Services						
Inpatient	357	782	2,985,240	57,984	\$	51.48
Partial Hospital	2	0	183	57,984	\$	0.00
Outpatient	6,105	0	451,210	57,984	\$	7.78
Biologically Based Mental Illness	22,184	2,783	7,386,391	57,984	\$	127.39
Obstetrical Services						
Normal Pregnancy	1,112	1,174	3,038,210	57,984	\$	52.40
All Other	85	25	54,213	57,984	\$	0.93
Postpartum Services	739	0	107,897	57,984	\$	1.86
Pregnancy from Rape / Incest	0	0	0	57,984	\$	-
Mammograms	12,315	0	2,199,161	57,984	\$	37.93
Bone Marrow Transplants						
Pap Smears	26,033	0	2,604,659	57,984	\$	44.92
Bones and Joints	42,630	434	8,104,378	57,984	\$	139.77
Hemophilia and Congenital Bleeding Disorders	1,510	418	2,455,488	57,984	\$	42.35
Reconstructive Breast Surgery	455	12	916,460	57,984	\$	15.81
Early Intervention Services	3,987	1,119	2,990,356	57,984	\$	51.57
PSA Testing	8,218	0	4,533,693	57,984	\$	78.19
Colorectal Cancer Screening	8,218	0	4,533,693	57,984	\$	78.19
Clinical Trials for Treatment Studies on Cancer	195	18	204,838	57,984	\$	3.53
Minimum Hospital Stay for Hysterectomy	177	0	636,732	57,984	\$	10.98
Diabetes	814	12	393,573	57,984	\$	6.79
Hospice Care	32	8	18,988	57,984	\$	0.33
Hospitalization and Anesthesia for Dental Procedures	657	0	484,830	57,984	\$	8.36
Treatment of Morbid Obesity	15	0	70,237	57,984	\$	1.21
Lymphedema	42	0	15,495	57,984	\$	0.27
Prosthetic Devices and Components	3	1	24,765	57,984	\$	0.43
Telemedicine Services	9,590	28	1,663,682	57,984	\$	28.69
Autism Spectrum Disorder	1,514	68	492,929	57,984	\$	8.50

Aetna - FY 2014 - **BOOK OF BUSINESS**

Form 1 MB - Part B: Claim Information - Providers

	Group Values					
	a	b	c	d	e	f
	Number of Visits	Total Claim Payments	Costs Per Visit	Number of Contracts/ certificates	Claim Cost Per Contract / Certificate	Annual Administrative Costs
Chiropractor	34,901	\$ 2,039,752	\$ 58.44	57,984	\$ 35.18	-
Optometrist	22,981	\$ 3,505,392	\$ 152.53	57,984	\$ 60.45	-
Optician	798	\$ 213,524	\$ 267.57	57,984	\$ 3.68	-
Psychologist	6,723	\$ 640,669	\$ 95.30	57,984	\$ 11.05	-
Clinical Social Worker	5,435	\$ 397,071	\$ 73.06	57,984	\$ 6.85	-
Podiatrist	6,214	\$ 540,756	\$ 87.02	57,984	\$ 9.33	-
Professional Counselor	7,643	\$ 580,444	\$ 75.94	57,984	\$ 10.01	-
Physical Therapist	27,371	\$ 2,021,792	\$ 73.87	57,984	\$ 34.87	-
Clinical Nurse Specialist	247	\$ 36,436	\$ 147.51	57,984	\$ 0.63	-
Audiologist	443	\$ 72,258	\$ 163.11	57,984	\$ 1.25	-
Speech Pathologist	1,621	\$ 116,937	\$ 72.14	57,984	\$ 2.02	-
Certified Nurse Midwife	503	\$ 119,440	\$ 237.46	57,984	\$ 2.06	-
Licensed Acupuncturist	487	\$ 40,949	\$ 84.08	57,984	\$ 0.71	-
Marriage and Family Therapist	709	\$ 46,168	\$ 65.12	57,984	\$ 0.80	-

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

Selected Procedure Codes are listed in Part D to obtain information about utilization and costs for specific types of services. Report identifies expenditures and visits for the Procedure Codes indicated by instructions. Other claims should not be included in this Part.

Note: Blank fields (0) indicate that there is no data available for the BOI criteria

Procedure Code/Provider Type	Number of Visits	Claim Payments	Cost Per Visit
1. 99203 - Office Visit, Intermediate Service to New Patient			
Chiropractor	97	5,201	53.62
Clinical Social Worker	0	0	0.00
Physical Therapist	1	0	0.00
Podiatrist	383	24,859	64.91
Professional Counselor	3	258	0.00
Psychiatrist	0	0	0.00
Psychologist	1	0	0.00
Physician	11,991	1,080,132	90.08
Certified Nurse Midwife	4	519	129.75
Marriage and Family Therapist	0	0	0.00
2. 90806-90807, 90818-90819 - Individual/Medical Psychotherapy, 45 to 50 Minute Session			
Clinical Nurse Specialist	1	68	0.00
Clinical Social Worker	3,141	208,103	66.25
Professional Counselor	3,485	174,146	49.97
Psychiatrist	4	0	0.00
Psychologist	3,813	300,236	78.74
Physician	3,327	268,290	80.64
Marriage and Family Therapist	344	21,604	62.80
3. 90853 - Group Psychotherapy			
Clinical Nurse Specialist	0	0	0.00
Clinical Social Worker	127	4,722	37.18
Professional Counselor	330	17,641	53.46
Psychiatrist	0	0	0.00
Psychologist	81	4,179	51.59
Physician	170	8,718	51.28
Marriage and Family Therapist	1	23	23.00
4. 92507 - Speech, Language or Hearing Therapy, Individual			
Audiologist	9	199	22.11
Physical Therapist	98	4,796	48.94
Speech Pathologist	871	32,144	36.90
Physician	119	10,274	86.34
5. 97110 - Physical Medicine Treatment, each 15 minutes, Therapeutic Exercise			
Chiropractor	6,175	420,374	68.08
Physical Therapist	14,009	990,347	70.69
Physician	3,859	287,672	74.55
Podiatrist	13	156	12.00
Speech Pathologist	100	4,161	41.61
6. 97124 - Physical Medicine Treatment, Massage			
Chiropractor	1,472	160,128	108.78
Physical Therapist	6	630	105.00
Physician	25	832	33.28
Podiatrist	0	0	0.00
7. 97035 - Physical Medicine Treatment, Ultrasound, each 15 minutes			
Chiropractor	520	25,257	48.57
Physical Therapist	484	30,864	63.77
Physician	98	10,135	103.42
Podiatrist	20	1,758	87.90
8. 92352 - Fitting of Spectacle Prosthesis for Aphakia, monofocal			
Ophthalmologist	0	0	0.00
Optician	0	0	0.00
Optometrist	0	0	0.00
Physician	0	0	0.00
9. 11750 - Excision of Nail and Nail Matrix, Partial or Complete, for Permanent Removal			
Physician	30	4,082	136.07
Podiatrist	196	36,788	187.69