

Projecting Experience Period Costs to Rating Period

Source: Group Ch 21, Medical Claim Costs

1. Trend: changes in cost per service, utilization, mix of services, provider reimbursement, tech, drugs, plan design
2. Secular trends = percent change from factors affecting 1st dollar, 100% benefits
3. Consider effect of ACA on new rating and underwriting
4. Deductibles and copayments create leveraging

Methods of Adjusting Manual Base Rates

Source: Group Ch 21, Medical Claim Costs

1. ACA limits allowable rating variables in small group market
2. Claim Probability Distributions (CPD)
 - 2.1 useful for comprehensive or major med, where there is deductible, coins, out-of-pocket limit
3. Actuarial Cost Models
 - 3.1 useful where copays and limits apply to specific services
 - 3.2 Gross benefit cost quoted as PMPM calculated as
 - 3.2.1 $1/12 * \text{annual freq} * \text{avg allowed charges}$
 - 3.2.2 Reduced by value of any copayments
 - 3.2.3 Total net benefit cost PMPM is then derived
 - 3.3 Provider arrangements should be recognized
4. Using Cost Models to Estimate the Impact of Plan Changes

Typical Pharmacy Data Fields

Source: Group Ch 23, Pharmacy Claim Costs

1. Age, Gender, Date of Birth
2. Fill Date
3. Claim ID
4. Prescribing Provider ID
5. Pharmacy Provider ID
6. Drug Name
7. Tier
8. National Drug Codes (NDC)
9. Days Supply
10. Units
11. Allowed Amount
12. Refill Indicators
13. Member and Plan Costs
14. Therapeutic Classes
15. RxNorm Concept Unique Identifier (RxCUI)
16. Generic Product Identifiers (GPI)

Allowed amount components in pharmacy costs

Source: Group Ch 23, Pharmacy Claim Costs

1. Discounted Ingredient Cost
2. Dispensing Fee
3. Vaccine Fee
4. Sales Tax

Methods of Counting Drug Utilization

Source: Group Ch 23, Pharmacy Claim Costs

1. Number of prescriptions
2. Days supply
3. Dosage
4. Number of pills
5. Raw vs. Normalized

Calculating Pharmacy Premiums

Source: Group Ch 23, Pharmacy Claim Costs

1. To Determine Net Plan Liability
 - 1.1 Project expected claims cost
 - 1.2 Apply member cost sharing
 - 1.3 Apply rebates
2. To Develop Premium Rate
 - 2.1 Add expenses and profit margin