

Making Health Care Affordable: What's Driving Costs?

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February 4, 2015



Health Plan of San Joaquin (HPSJ)

Local Initiative serving San Joaquin and Stanislaus Counties

San Joaquin County – 191k member, 90% market share

- HPSJ has been the Local Initiative (LI) in San Joaquin County since 1996

Stanislaus County – 94k members, 56% market share

- The LI in Stanislaus County is the Health Services Agency (HSA) and HPSJ is the subcontractor to Stanislaus HAS
- HPSJ began operations in Stanislaus County 1/1/2013



Cost Drivers in Health Plans

Services Provided to Members

- Hospital Based
 - ✓ Inpatient Services*
 - ✓ Outpatient Services
 - ✓ Emergency Room
- Skilled Nursing
- Outpatient Surgery
- Urgent Care
- Primary Care
- Specialty Care
- Pharmaceuticals*
- Lab, Radiology & other Diagnostic

Cost Drivers - Hospitals

- Service area dominated by large for-profit chain hospitals or integrated health systems (Tenet, Sutter, Dignity) leaving little leverage for price negotiations
- No Public Hospital in Stanislaus County
- Inpatient **Cost Per Day** Examples (Jan-Jun 2014):
 - ✓ Tenet Hospital in Stanislaus = **\$2,338.93**
 - ✓ Sutter Hospital in Stanislaus = **\$2,490.74**
 - ✓ Dignity Hospital in San Joaquin = **\$2,148.58**
 - ✓ San Joaquin General (Public Hospital) = **\$1,549.23**

Cost Drivers - Hospitals

- Tenet, Sutter and Dignity combined represents **69%** of all inpatient admissions for HPSJ and costs exceed our state reimbursement (Jan-June 2014):
 - ✓ Stanislaus Tenet costs us **\$139K** more.
 - ✓ Stanislaus Sutter Hospital costs us **\$403K** more.
 - ✓ San Joaquin Dignity Hospital costs us **\$1.76M** more.

Cost Drivers - Pharmaceuticals

Both Brand and Generic Drugs Unit Cost Increasing

- Top 25 Most Used Brand Name Drugs increased in unit cost by **25%** year to year (Jul-Dec 2013 compared to Jul-Dec 2014).
- Generic drugs, on aggregate, increased in unit cost by **27%** from 2012 to 2014. This represents **\$9.6M** additional costs.

Supply Issue

- A generic drug, clomipramine, went from \$0.28/tablet to \$8.21/tablet when all but one manufacturer stopped making the product (**2,800% increase**).

Orphan Drugs for Rare Diseases

- Procysbi XR for Nephropathic Cystinosis = **\$48,000/month**

Cost Drivers - Pharmaceuticals

Policy Changes

- Nov 2013, DHCS mandates use of Makena over the routine practice of using compound formulation of the hormone therapy. Therapy goes from **\$120 to \$3500/month** (total treatment course went from \$500 to \$14,000).

Hepatitis C

- New therapies – Sovaldi, Harvoni, Viekira, etc in 2014.
- New Hepatitis C drugs are on average \$1,000/day and range from **\$60K to \$200K per treatment**.
- Prevalence (Milliman Report, Dec 2013):
 - ✓ 0.47% of Commercial population has Hep C.
 - ✓ 0.87% of Medicaid population has Hep C.
 - ✓ 30% of Prison population has Hep C.
 - ✓ Therefore, Medi-Cal plans are disproportionately affected.

Cost Drivers - Pharmaceuticals

High Cost Diseases

- Cancer Drugs
 - ✓ 0.07% of membership (**92 members**) accounted for 4.1% of total drug spend (**\$2.12M/year**).
 - ✓ Average cost **\$7,000/month** (\$23,000/year) for outpatient treatment portion only.
 - ✓ New Treatments on market:
 - Blincyto = \$178K/year
 - Keytruda = \$150K/year
 - Lmbruvica = \$130K/year
 - Yervoy = \$120K/year
- Hemophilia
 - ✓ One MediCal Plan has 5 patients with average of **\$32K/month** each.
 - ✓ After many years of bearing these costs, now responsibility of state.

Thank You!

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