

THE LOCAL CHOICE 2017 ANNUAL REPORT



July 2016 – June 2017

THE LOCAL CHOICE - 2017 Annual Report

Statewide Self-Insured Product

Introduction

The Local Choice (TLC) 2017 Annual Report is based on two years of paid medical claims data from July 2015 through June 2016 and the current period of July 2016 through June 2017 and reflects paid claims during this period. The normative values represent Anthem's combined product average for the period ending June 2017.

- Where health care dollars were spent
- How our experience compared to other similar groups and the average of all groups covered by Anthem Blue Cross and Blue Shield (Anthem)



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Statewide Self-Insured Product

Introduction (continued)

- The savings achieved through Anthem programs and
- General observations concerning what type of health care utilization we are likely to see in the next few years based on our employee demographics and current benefit structure

The annual report claims, enrollment and membership information is based on the entire TLC program including both Key Advantage plans and the HDHP.



Enrollment Results

TLC group membership continues to grow, and TLC remains a very attractive option for the Counties and Schools of Virginia. In FY'17 we added 9 groups. Year over year 99% of groups renew, and approximately 25,000 new members have been added over the last 5 years. The program has 345 groups, 53 of those groups are Schools, and 292 are Government groups. Our average enrollment increased by 5.4% to 38,478 employees during the current year. The current period's enrollment shows approximately 61% of our employees enrolled in an employee only contract. 19% were enrolled in dual coverage, and 20% in family coverage. The average age of employees was 46 which is slightly higher than Anthem's Par/PPO average age of 45. All of these statistics are consistent with prior years.



Employee Enrollment by Sector and Coverage

By Sector:

% by Number of Groups

Schools 15% Government 85%

% by number of Members

Schools 43% Government 57%

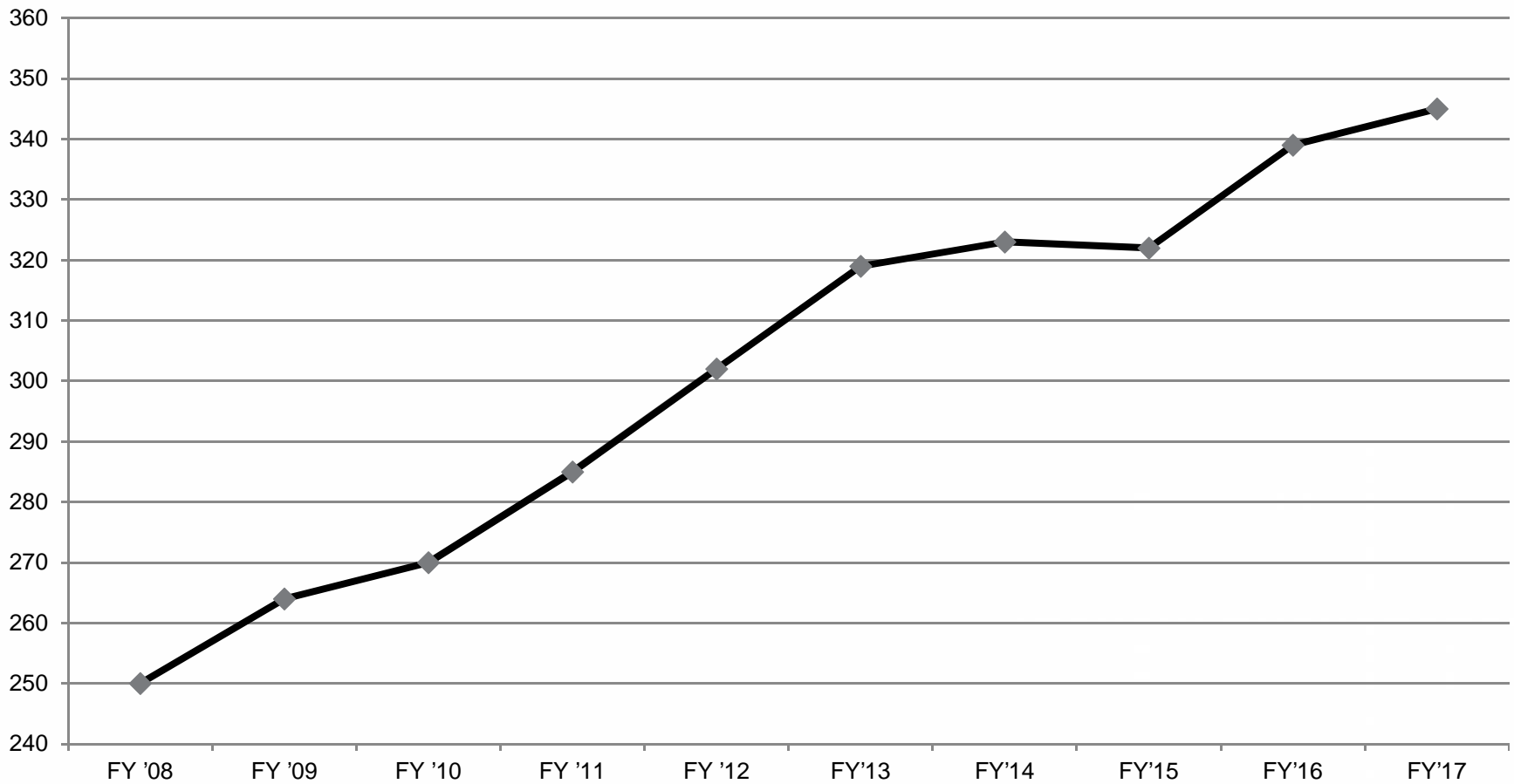
By Coverage Selection:

Key Advantage Expanded	17%
Key Advantage 250	37%
Key Advantage 500	26%
Key Advantage 1000	17%
HDHP	3%

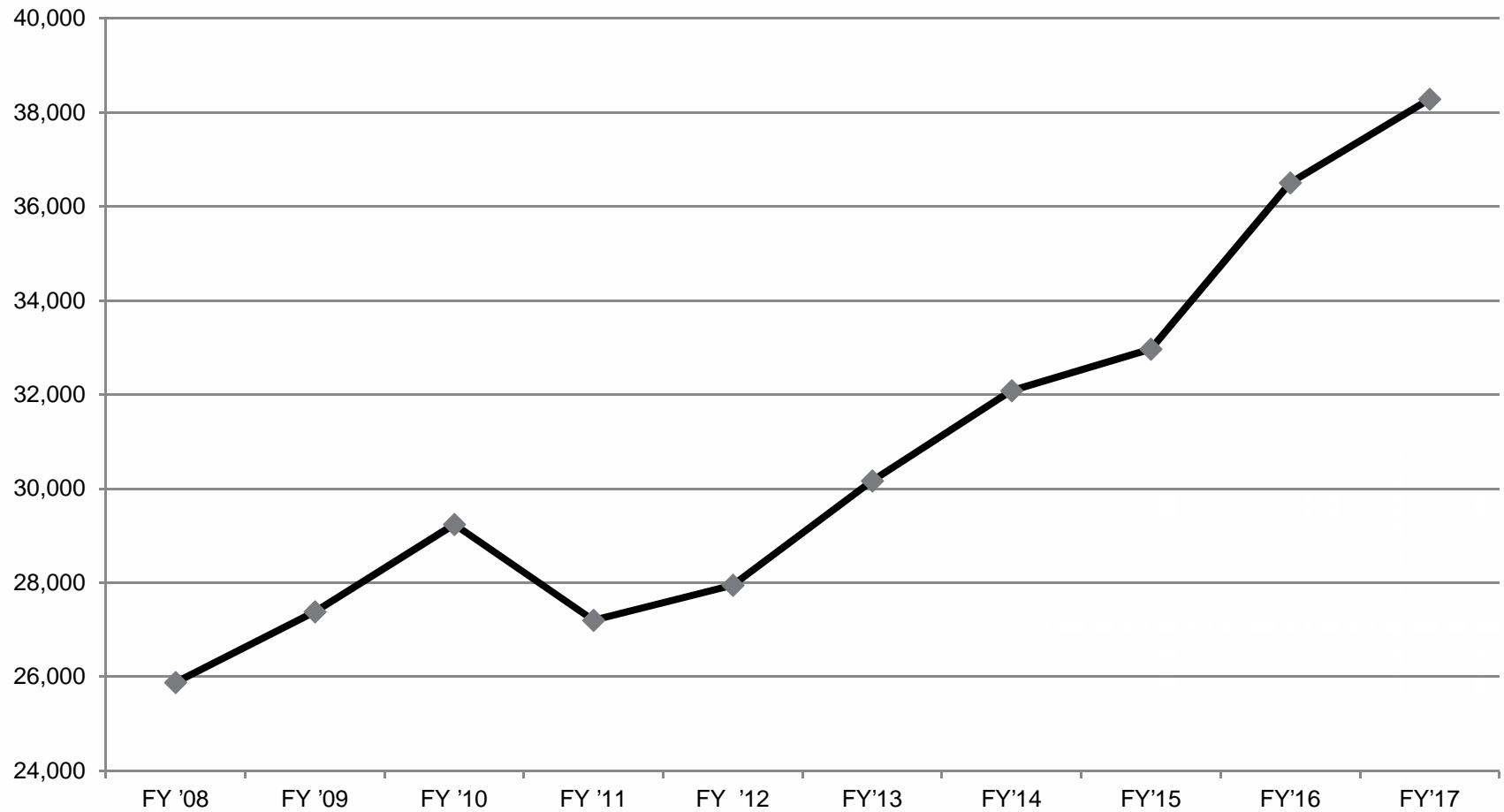
* Key Advantage Expanded enrollment continued to decline and dropped 8.5% this year. All other programs gained enrollment



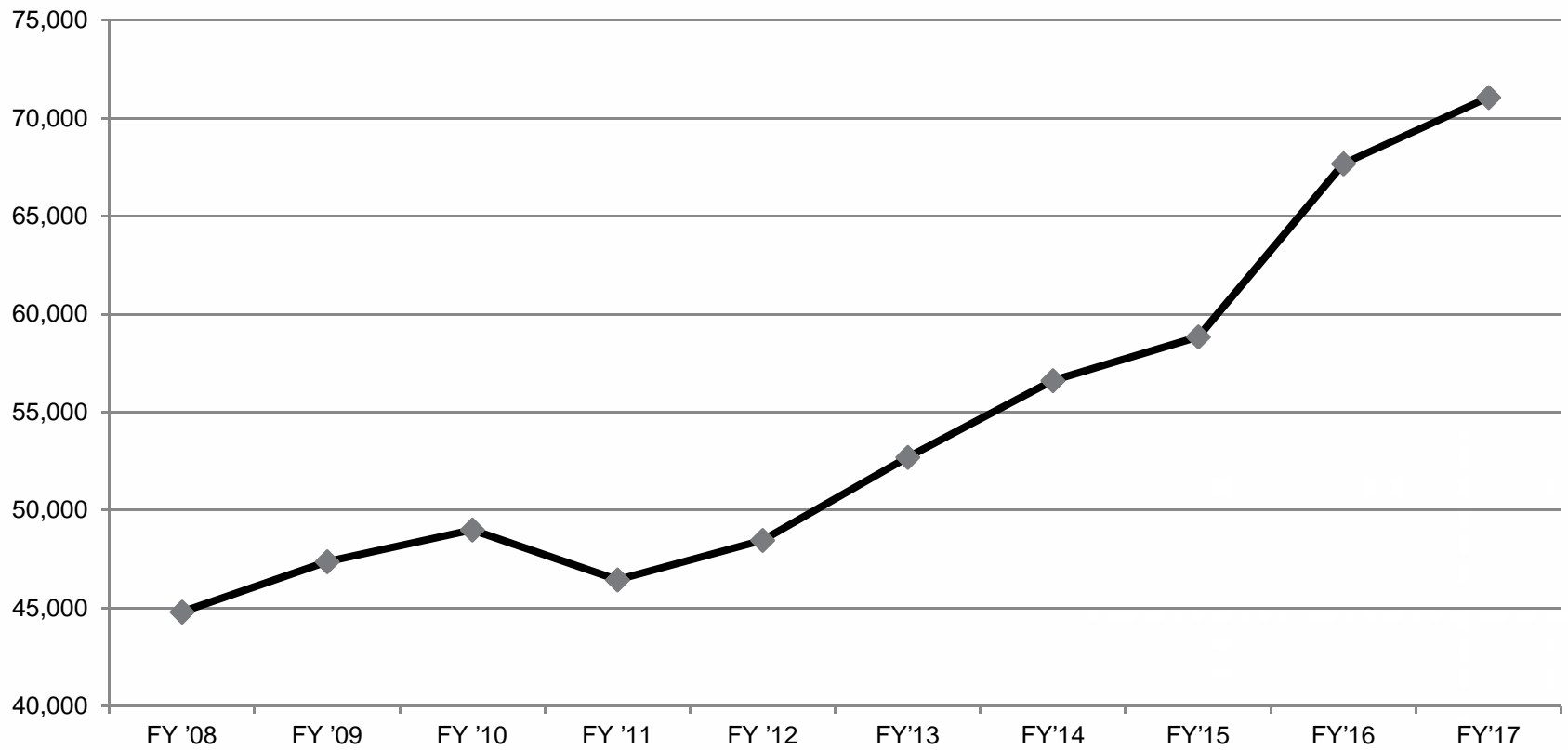
2017 TLC Growth in Participating Groups



2017 TLC Employee Growth by Year



2017 TLC Total Enrollment



Lifestyle Conditions

Preventive medicine is the branch of medicine concerned with preventing the occurrence of both mental and physical illness and disease. For TLC hypertension is the most common lifestyle condition per 1000 members. Coronary artery disease is the primary lifestyle related condition by paid amount. Finishing out the top five by paid amount are: low back pain, cancer, kidney disease, and gallbladder disease. Claims attributed to specific lifestyle conditions makeup 25.5% of the total dollars spent.



Target Conditions Driving Cost

As with most groups, the top target conditions by expense are: cancer, coronary artery disease, low back pain, diabetes, and depression. These conditions continue to drive the TLC experience. For the top 10 target conditions, employees account for 68.8% of total paid claims. Compared to last year this is a per member per month increase of 2.0%.



Inpatient Facility Expenses

Inpatient facility expense for our group's population increased by approximately 7% up to \$84 million. In the area of inpatient facility utilization, our group's admission rate increased 1.9% to 57.6. The overall mix of inpatient care resulted in a 3% decrease in the average length of stay, registering at 4.57 days. This is slightly higher than our Anthem norm of 4.52.



Outpatient Experience

Outpatient facility expense increased by 13% up to \$113 million. The case rate increased by 2.9% to 1,278. The number of total outpatient facility cases registered at 88,527 in the current year 2.8% higher than the prior year. The expense per case was 1.6% lower at \$1,059 and is 7.4% higher than the Anthem norm. The case rate is 22% higher than the Anthem norm.



TLC Medical Expense Year to Year Summary

Period	Prior	Current	% Change
Inpatient Facility	\$79,330,939	\$84,871,387	6.9%
Outpatient Facility	\$100,091,117	\$113,140,028	13%
Total Professional	\$94,363,351	\$104,187,150	10.4%
Total Medical Expense	\$273,785,407	\$302,198,565	10.3%



Financial Summary

The Cash Balance figure listed below represents actual cash on hand as of June 30, 2017. It includes reserves and funds used to pay claims and administrative costs, as they are incurred. When appropriate, TLC may use surplus funds to reduce renewal rates.

Cash Balance (June 30, 2017)	\$ 68,895,324
<u>2017 Self Funded Program Total</u>	
Annual Premiums and Income	\$429,822,321
Annual Expenses	\$446,491,969
Prem. Less Expenses	\$ (16,669,648)
Operating Ratio	104%

2017 Fully Insured Regional Health Plan

Since this is a fully insured product, neither premium nor paid claims are included in the self-funded plan accounting and are not listed.

Annual Premiums (Government & Schools)	\$ 6,197,698
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