

DELAWARE COMPENSATION RATING BUREAU, INC.

Evaluation of House Bill 175 of 2013

The Delaware Compensation Rating Bureau, Inc. (DCRB) previously evaluated House Bill 175 for purposes of DCRB Filing Numbers 1305 and 1404. In limited respects, we have updated the evaluation found in Filing No. 1404 for the December 1, 2015 filing. This narrative and the accompanying exhibits provide an overview of the laws' provisions and the DCRB's current evaluation of its impact on prospective rates and loss costs.

Pages 2 – 11 summarize the components of HB175 that were susceptible of estimating impacts on system costs.

Exhibit 34-1 presents a summary of the estimated savings separated by legislative component as discussed in pages 2 -11. Exhibit 34-1 is divided into two parts with the first (top) part addressing sections of HB175 that affected the existing payment structure for services. The combined savings in medical costs in this section is 4.50 percent.

The second (bottom) part of Exhibit 34-1 addresses sections of HB175 that froze fees during the period July 1, 2013 through January 1, 2016. During that period, professional, hospital and ambulatory surgical centers will not have fee values adjusted for inflation. The combined savings in medical costs in this section is 1.60 percent.

The DCRB treats the combined impact of these two sections as occurring sequentially and therefore considers them to be multiplicative in nature. Thus, the overall effect on medical costs is a savings of 6.03 percent ($[(1-0.0450)*(1-.0160)]-1$).

For each line, the impact on combined indemnity and medical benefits is based on a constant weighting of 0.2846 for indemnity and 0.7154 for medical, with the weights consistent with Exhibit 12, page 1, line 5b of the December 31, 2013 filing, Filing No. 1305.

The following components of HB175 were previously evaluated for purposes of DCRB Filing No. 1404. The indicated savings to base medical payments derived in those estimates were retained for purposes of the December 1, 2015 filing.

§2322B (3) (i) set fee schedule amounts for pathology, laboratory, and radiological services and durable medical equipment at 85 percent of 90 percent of the 75th percentile

of actual charges, instead of the previous standard of 90 percent of the 75th percentile of actual charges.

19 DE Admin. Code Section 1341, Paragraphs 4.12.1, 4.12.2, 4.26.1.1.1, 4.26.1.1.2, 4.26.1.3.5, 4.27.1.1.1, 4.27.1.1.2, 4.29.1, 4.29.2, 4.29.3, 4.29.4

See Exhibit 34-2 for a summary of estimated impacts of this component of HB175.

§2322B (12) directed that the formulary and fee methodology system developed by the Health Care Advisory Panel for pharmacy services, prescription drugs and other pharmaceuticals include a mandated discount from average wholesale price, a ban on repackaging fees, and adoption of a preferred drug list by September 1, 2013.

19 DE Admin. Code Section 1341, Paragraphs 4.13.1, 4.13.2, 4.13.2.1, 4.13.2.2, 4.13.2.3, 4.13.3, 4.13.4, 4.13.5, 4.13.6, 4.13.7, 4.13.8, 4.30

See Exhibit 34-3 for a summary of estimated impacts of this component of HB175.

§2322B (11) directed the Health Care Advisory Panel to adopt and recommend a reimbursement schedule for pathology, laboratory and radiological services and durable medical equipment (see also §2322B (3) (i) above) and to implement a specific limitation on drug screenings absent pre-authorization and a specific limitation on per-procedure reimbursements for drug testing.

19 DE Admin. Code Section 1341, Paragraphs 4.27.1.1.5

See Exhibit 34-4 for a summary of estimated impacts of this component of HB175.

§2322B (7) directed the Health Care Advisory Panel to implement a specific cap on fees for anesthesia by January 1, 2014.

19 DE Admin. Code Section 1341, Paragraphs 4.20.1.1

See Exhibit 34-5 for a summary of estimated impacts of this component of HB175.

HCAP changes to Fee Schedule

During 2013, the Health Care Advisory Panel used information provided by the DCRB and obtained from other resources to develop fee schedule amounts for services previously published as “POC85” in the Delaware fee schedule.

See Exhibit 34-6 for a summary of estimated impacts of this component of HB175.

Code Section 1341, Paragraph 4.13.3 provides the following language pertinent to repackaging of prescription drugs or medicines:

Notwithstanding any other provision, if a prescription drug or medicine has been repackaged, the Average Wholesale Price used to determine the maximum reimbursement in controverted and uncontroverted cases shall be the Average Wholesale Price for the underlying drug product, as identified by its national drug code, from the original labeler.

No Administrative Code Language

See Exhibit 34-8 for a summary of estimated impacts of this component of HB175.

Hot and Cold Pack Therapy

19 DE Admin. Code Section 1342, Part B, Paragraph 6.4.12.8, Part C, Paragraph 6.10.8, Part D, Paragraph 5.10.8, Part E, Paragraph 6.10.8, Part F, Paragraph 5.10.8, Part G, Paragraph 6.15.10.3

See Exhibit 34-9 for a summary of estimated impacts of this component of HB175.

For the following components of HB175, the DCRB has revisited its previous estimates of savings for purposes of the December 1, 2015 filing. The following narrative and accompanying exhibits reflect the most recent review of these provisions made by the DCRB.

§2322B (8) changed the index applicable to revision of hospital reimbursement rates from CPI-Medical to CPI-U.

No Administrative Code Language

See Exhibit 34-7 for a summary of estimated impacts of this component of HB175.

Brief Description of Intended Change: §2322B (8) provided that no increases to hospital reimbursement rates would be permitted between July 1, 2013 and January 1, 2016 and required that subsequent adjustments to hospital reimbursement rates would be indexed to CPI-U in place of the CPI-Medical measure.

Description of Process for Estimating Impacts for Affected Portion(s) of Medical Cost:

HB175 requires that the payment factor for hospitals will not be adjusted for inflation attributable to increases in CPI-M or CPI-U for a two-year period. The impact of this provision is estimated in Exhibit 34-13. Following this period, the index for adjusting the payment factor for hospitals will change from CPI-M to CPI-U.

Sheet 2 of Exhibit 34-7 compares the projected savings by year over a forty-year period. Long-term inflation estimates for CPI-M of 3.0 percent and for CPI-U of 2.0 percent, as shown in Exhibit 34-14, were used to measure the annual savings in hospital costs. The method for calculating the savings is consistent with the process currently utilized. Of

note is the result that, over a sufficiently long term, this method could produce a payment factor that becomes a negative number.

Exhibit 34-7, Sheet 1 shows a forty-year Delaware workers compensation medical payout table. Based on total medical payments of \$1 million, year-by-year payments are shown without any anticipated savings and with those payments adjusted to reflect the year-by-year savings as calculated on Sheet 2 of Exhibit 34-7. The overall savings over the forty-year period is 16.01 percent.

Portion of Overall Medical Costs Subject to Enacted Change(s):

The overall savings attributable to affected non-network services is estimated at 16.01 percent. When weighting non-network services (approximately 34 percent of services) with services provided under a network agreement and therefore unaffected by this provision of HB175, the overall impact is a savings of 5.41 percent.

Payments under this provision of HB175 represent approximately 25.4 percent of total medical payments and the impact on total medical payments is a savings of 1.37 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.98 percent.

§2322B (3) (v) provided that the health care payment system in Delaware not be adjusted for inflation between July 1, 2013 and January 1, 2016, and required that subsequent adjustments to the health care payment system not recoup the adjustments thus foregone.

No Administrative Code Language

See Exhibit 34-10 for a summary of estimated impacts of this component of HB175.

Brief Description of Intended Change: Fees for professional services currently based on a fee representing 90% of the 75th percentile will not have those values adjusted for inflation during the period July 1, 2013 through January 1, 2016.

Description of Process for Estimating Impacts for Affected Portion(s) of Medical Cost:

The period July 1, 2013 through January 1, 2016 includes two dates, January 31, 2014 and January 31, 2015, when the fee schedule would normally be adjusted for inflation. This provision effectively places a two-year freeze on fee schedule values.

To estimate the savings under this provision of HB175, it is necessary to first estimate what the payments would be in two years if there were no freeze on fee schedule payment rates. As shown in Exhibit 34-14, the DCRB has assumed that charges and payments for Delaware medical professional services will increase 1.8 percent for the first year and 1.4 percent for the second year and that the CPI-U will increase 1.5 percent for the first year and 1.6 percent for the second year. Based on these indices, projected fee schedule values

and projected payments are calculated for the first and second years. Projected payments are subject to the constraint that, if the projected paid per unit of service is higher than the projected fee amount, then the projected payment will be limited to the amount allowable under the fee schedule. Exhibit 34-10 estimates that the projected payments in year 2 for the affected services would have been \$35,562,669 if fee schedule values are adjusted for inflation each year.

In determining the impact of a freeze in the fee schedule, the projected year 2 payments discussed above have been compared with current fee schedule amounts. If projected payments are below current fee schedule values then there is no savings but if projected payments rise above current fee schedule values then projected payments are capped at the fee schedule amounts and the reduction is equal to the savings. Exhibit 34-10 estimates that the projected payments in year 2 for the affected services will be \$34,757,459 if fee schedule values are not adjusted for inflation each year. Savings in year 2 are therefore 2.26 percent of payments.

Portion of Overall Medical Costs Subject to Enacted Change(s):

The overall savings attributable to affected non-network services is estimated at 2.26 percent. When weighting non-network services (approximately 70 percent of services) with services provided under a network agreement and therefore unaffected by this provision of HB175, the overall impact is a savings of 1.59 percent.

Payments under this provision of HB175 represent approximately 32.2 percent of total medical payments and the impact on total medical payments is a savings of 0.51 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.37 percent.

§2322B (3) (v) provided that the health care payment system in Delaware not be adjusted for inflation between July 1, 2013 and January 1, 2016, and required that subsequent adjustments to the health care payment system not recoup the adjustments thus foregone.

No Administrative Code Language

See Exhibit 34-11 for a summary of estimated impacts of this component of HB175.

Brief Description of Intended Change: Fees for professional services based on a fee representing 85% of 90% of the 75th percentile will not have those values adjusted for inflation during the period July 1, 2013 through January 1, 2016.

Description of Process for Estimating Impacts for Affected Portion(s) of Medical Cost:

The period July 1, 2013 through January 1, 2016 will include two dates, January 31, 2014 and January 31, 2015, when the fee schedule would normally be adjusted for inflation. This provision effectively places a two-year freeze on fee schedule values.

The approach used in estimating the savings under this provision of HB175 is similar to the approach using in estimating savings when freezing the fee schedule for fees set at 90% of the 75th percentile and as presented in Exhibit 34-10. The primary difference is that, before estimations can be made, the fees in the fee schedule are adjusted by multiplying by a factor of 0.85 and payments must be adjusted to reflect the lower fee amounts. In cases where the paid amount is higher than the revised (lower) fee schedule amount, the paid amount is adjusted to be equal to the adjusted fee amount.

To estimate the savings under this provision of HB175, an estimate was then made of what the payments would be in two years if there were no freeze on fee schedule payment rates. As shown in Exhibit 34-14, the DCRB has assumed that charges and payments for Delaware medical professional services will increase 1.8 percent for the first year and 1.4 percent for the second year and that the CPI-U will increase 1.5 percent for the first year and 1.6 percent for the second year. Based on these indices, projected fee schedule values and projected payments are calculated for the first and second years. Projected payments are subject to the constraint that, if the projected paid per unit of service is higher than the projected fee amount, then the projected payment will be limited to the amount allowable under the fee schedule. Exhibit 34-11 estimates that the projected payments in year 2 for the affected services will be \$31,499,895 if fee schedule values are adjusted for inflation each year.

In determining the impact of a freeze in the fee schedule, the projected year 2 payments discussed above have been compared with current fee schedule amounts. If projected payments are below current fee schedule values then there is no savings but if projected payments rise above current fee schedule values then projected payments are capped at the fee schedule amounts and the reduction is equal to the savings. Exhibit 34-11 estimates that the projected payments in year 2 for the affected services will be \$30,665,628 if fee schedule values are not adjusted for inflation each year. Savings in year 2 are therefore 2.65 percent of payments.

Portion of Overall Medical Costs Subject to Enacted Change(s):

The overall savings attributable to affected non-network services is estimated at 2.65 percent. When weighting non-network services (approximately 51 percent of services) with services provided under a network agreement and therefore unaffected by this provision of HB175, the overall impact is a savings of 1.34 percent.

Payments under this provision of HB175 represent approximately 7.2 percent of total medical payments and the impact on total medical payments is a savings of 0.10 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.07 percent.

§2322B (3) (v) provided that the health care payment system in Delaware not be adjusted for inflation between July 1, 2013 and January 1, 2016, and required that subsequent adjustments to the health care payment system not recoup the adjustments thus foregone.

No Administrative Code Language

See Exhibit 34-12 for a summary of estimated impacts of this component of HB175.

Brief Description of Intended Change: The fee schedule includes numerous procedure codes for which the fee is posted as “POC85” meaning that the payment will be made at 85 percent of the charge. HB175 establishes actual fee amounts that will be used as a cap on payments in place of the POC85 designation. This portion of HB175 requires that the fees thus established will not have those values adjusted for inflation during the period July 1, 2013 through January 1, 2016.

Description of Process for Estimating Impacts for Affected Portion(s) of Medical Cost:

The period July 1, 2013 through January 1, 2016 will include two dates, January 31, 2014 and January 31, 2015, when the fee schedule would normally be adjusted for inflation. This provision effectively places a two year freeze on fee schedule values.

The fees established for services previously paid at 85 percent of charge are now paid at a specific dollar amount and the effect is that, going forward, payments for these procedures will inflate and otherwise behave much like the fees and payments for services currently priced at 90 percent of the 75th percentile. Thus, the savings associated with a two-year freeze in reimbursement rates for professional services based on a fee schedule at 90% of the 75th percentile from Exhibit 34-10 are assumed to be appropriate for services moving from POC85 to a fee amount.

An additional amount of professional services, not separately identified in other portions of the analysis of a two-year freeze in fees, are shown in the middle section of Exhibit 34-12. It has been assumed that payments for these services will most closely compare to the savings for procedures being moved from POC85 to a fee base and the payments are assigned a savings consistent with the savings identified in the upper portion of Exhibit 34-12.

Portion of Overall Medical Costs Subject to Enacted Change(s):

The overall savings attributable to affected non-network services is estimated at 2.26 percent. When weighting non-network services (approximately 55 percent of services) with services provided under a network agreement and therefore unaffected by this provision of HB175, the overall impact is a savings of 1.24 percent.

Payments under this provision of HB175 represent approximately 18.4 percent of total medical payments and the impact on total medical payments is a savings of 0.23 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.16 percent.

§2322B (3) (v) provided that the health care payment system in Delaware not be adjusted for inflation between July 1, 2013 and January 1, 2016, and required that subsequent adjustments to the health care payment system not recoup the adjustments thus foregone.

No Administrative Code Language

§2322B (9) (d) provided that no increases to allowable reimbursement rates for Ambulatory Surgical Centers would be permitted between July 1, 2013 and January 1, 2016 and required that subsequent adjustments to Ambulatory Surgical Center reimbursement rates not recoup the adjustments thus foregone.

No Administrative Code Language

§2322B (14) reiterated the prohibition on adjustments of the payment system for inflation between July 1, 2013 and January 1, 2016 or recoupment of the adjustments thus foregone in later adjustments to the payment system.

No Administrative Code Language

See Exhibit 34-13 for a summary of estimated impacts of this component of HB175.

Brief Description of Intended Change: This portion of HB175 requires that the payment factor for facility fees associated with hospitals and ambulatory surgical centers will not be adjusted to benefit from inflation attributable to increases in CPI-M or CPI-U during the period July 1, 2013 through January 1, 2016.

Description of Process for Estimating Impacts for Affected Portion(s) of Medical Cost:

The period July 1, 2013 through January 1, 2016 will include two dates, January 31, 2014 and January 31, 2015, when the fee schedule would normally be adjusted for inflation. This provision effectively places a two-year freeze on fee schedule values.

Exhibit 34-13 shows the calculation of the current adjusted payment factor for hospitals on line 5 under the column labeled "Current". It is assumed that the factor for ambulatory surgical centers is equal to the hospital factor. Line 1 shows that the CPI-M will increase 2.5 percent for the first year and 2.4 percent for the second year. This figure is calculated in Exhibit 34-14. On line 2 of Exhibit 34-10, it is assumed that the credit for the annual increase in CPI-M or CPI-U is zero as shown under the columns labeled "Year 1" and "Year 2". The year 2 adjusted rate of 0.7446 indicates a savings of 6.17 percent relative to the current adjusted rate of 0.7936.

The bottom portion of Exhibit 34-13 shows the paid weights, separately for non-network and network provided services along with the corresponding savings.

Portion of Overall Medical Costs Subject to Enacted Change(s):

The overall savings attributable to affected non-network services is estimated at 6.17 percent. When weighting non-network services (approximately 40 percent of services) with services provided under a network agreement and therefore unaffected by this provision of HB175, the overall impact is a savings of 2.46 percent.

Payments under this provision of HB175 represent approximately 31.2 percent of total medical payments and the impact on total medical payments is a savings of 0.77 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.55 percent.

Exhibit 34-14 shows a five-year summary of the CPI – Urban and various medical indices. It is the basis for the selection of various projected inflation rates used throughout this analysis of HB175 savings.

DELAWARE COMPENSATION RATING BUREAU, INC.

ESTIMATED COST SAVINGS OF HOUSE BILL 175 OF 2013

	Base Payments	% of Total Medical Payments	Savings	% Savings (-)		
				To Base Payments	To Total Medical	To Total Indemnity & Medical
HB175 - Adjustments to Reimbursement Rates						
Services moving to 85% of 90% of 75th percentile	10,606,989	7.2%	(460,343)	-4.34%	-0.31%	-0.22%
Pharmaceuticals (paid at a % of AWP plus handling fee)	16,157,215	11.0%	(772,315)	-4.78%	-0.53%	-0.38%
Drug Tests (\$100 per test, maximum of 4 times)	1,011,565	0.7%	(662,373)	-65.48%	-0.45%	-0.32%
Anesthesia (\$100 Northern Zips, \$76 Southern Zips)	3,309,173	2.3%	(670,438)	-20.26%	-0.46%	-0.33%
Professional - Other - Total	26,923,383	18.4%	(743,085)	-2.76%	-0.51%	-0.36%
Hospitals (CPI-U replaces CPI-M as Index)	37,274,003	25.4%	(2,016,524)	-5.41%	-1.37%	-0.98%
Drug Repackaging	2,614,267	1.8%	(784,280)	-30.00%	-0.53%	-0.38%
Hot & Cold Packs (limit of 12 and 1 per day)	1,998,144	1.4%	(489,945)	-24.52%	-0.33%	-0.24%
All Medical	146,707,507		(6,599,303)	-4.50%	-4.50%	-3.22%
HB175 - Impact of 2 Year Freeze in Reimbursement Rates						
Professional (service reimbursed at 90/75)	47,217,483	32.2%	(750,758)	-1.59%	-0.51%	-0.37%
Professional (services reimbursed at 85% of 90/75)	10,606,989	7.2%	(142,134)	-1.34%	-0.10%	-0.07%
Professional - Other - Total	26,923,383	18.4%	(333,850)	-1.24%	-0.23%	-0.16%
Facility Fees for hospitals, ambulatory surgical services)	45,802,437	31.2%	(1,126,740)	-2.46%	-0.77%	-0.55%
Pharmaceuticals (freeze not applicable)	16,157,215	11.0%	-	0.00%	0.00%	0.00%
All Medical	146,707,507		(2,353,482)	-1.60%	-1.60%	-1.15%
Combined Medical Savings					-6.03%	

Delaware Compensation Rating Bureau, Inc.
Estimated Savings - Pathology, Radiology, Laboratory and Durable Medical Equipment
Medical Fees Set at 85% of 90% of the 75th Percentile

Non-Network Services Only	Base Paid	Paid at Fee	Savings (-)	Savings %
Services Currently at 90/75				
Measured Services	2,100,760	1,823,810	(276,949)	-13.18%
Other 90/75 Services Subject to Savings	699,317	607,124	(92,193)	-13.18%
Subtotal	2,800,077	2,430,934	(369,142)	-13.18%
Services Currently at POC85				
Measured Services	1,074,406	1,051,791	(22,614)	-2.10%
Other POC85 Services Subject to Savings	934,163	914,500	(19,663)	-2.10%
Subtotal	2,008,569	1,966,291	(42,277)	-2.10%
Other Services Subject to Savings	178,959	162,108	(16,851)	-9.42% *
Total - Non-Network Services	4,987,604	4,559,334	(428,271)	-8.59%
Network Services				
Not Subject to Savings	4,886,084	4,886,084	-	0.00%
Total - All Services	9,873,688	9,445,417	(428,271)	-4.34%
* Savings % based on:				
Total - Measured Services	3,175,165	2,875,602	(299,564)	-9.43%

Delaware Compensation Rating Bureau, Inc.
Estimated Savings - Pharmaceuticals at a Percentage of AWP Plus Handling Fee

Non-Network Services Only	Paid Amount	Paid at Fee	Savings (-)	Savings %
Measured Services				
Generic	1,512,833	1,284,112	(228,721)	-15.12%
Brand	3,517,212	3,059,592	(457,620)	-13.01%
Total	5,030,045	4,343,704	(686,341)	-13.64%
Other Services Subject to Savings				
Generic	30,450	25,847	(4,604)	-15.12%
Brand	157,991	137,435	(20,556)	-13.01%
Total	188,442	163,282	(25,160)	-13.35%
Total - Non-Network	5,218,486	4,506,986	(711,500)	-13.63%
Network Services				
Not Subject to Savings	9,660,453	9,660,453	-	0.00%
Total - All Services	14,878,940	14,167,439	(711,500)	-4.78%

Delaware Compensation Rating Bureau, Inc.
Estimated Savings - Drug Testing
Valued at \$100 Per Test, Cap of 4 Times Per Year (Cap also applies to network services)

	Base Paid	Adjusted Paid	Savings (-)	Savings %
Non-Network Services Only				
Measured Services	442,951	114,918	(328,032)	-74.06%
Other Services Subject to Savings	118,876	30,841	(88,035)	-74.06%
Subtotal	561,826	145,759	(416,067)	-74.06%
 Network Services				
Savings Attributable to Cap of 4 Per Year	171,536	107,385	(64,151)	-37.40%
 Total - All Services	 733,362	 253,145	 (480,218)	 -65.48%

Delaware Compensation Rating Bureau, Inc.
Estimated Savings - Anesthesia
Northern Zip Codes (197/198) at \$100, Southern Zip Codes (199) at \$76

	Base Paid	Paid at Fee	Savings (-)	Savings %
Non-Network Services Only				
Measured Services	308,059	155,106	(152,953)	-49.65%
Other Services Subject to Savings	1,052,788	530,072	(522,716)	-49.65%
Subtotal	1,360,847	685,178	(675,669)	-49.65%
Network Services				
Not Subject to Savings	1,973,839	1,973,839	-	0.00%
Total - All Services	3,334,685	2,659,016	(675,669)	-20.26%

Delaware Compensation Rating Bureau, Inc.
Estimated Savings - Professional Services Moving From POC85 to a Fee Amount

Non-Network Services Only	Paid at POC85	Paid at Fee	Savings (-)	Savings %
Measured Services	7,161,156	6,801,014	(360,142)	-5.03%
Other Services Subject to Savings	1,245,092	1,182,475	(62,617)	-5.03%
Total	8,406,248	7,983,489	(422,759)	-5.03%
Network Services				
Not Subject to Savings	2,584,873	2,584,873	-	0.00%
Total - All Services	10,991,120	10,568,362	(422,759)	-3.85%

Estimated Savings - Other Professional Services at New Fee Amount

	Paid Amount	Paid at Fee	Savings (-)	Savings %
Non-Network Services Only	7,361,400	6,991,188	(370,212)	-5.03%
Network Services	10,357,553	10,357,553	-	0.00%
Total - All Services	17,718,953	17,348,741	(370,212)	-2.09%

Estimated Savings - Other Professional Combined

	Paid Amount	Paid at Fee	Savings (-)	Savings %
Non-Network Services Only	15,767,648	14,974,677	(792,971)	-5.03%
Network Services	12,942,426	12,942,426	-	0.00%
Total - All Services	28,710,073	27,917,103	(792,971)	-2.76%

Note: Savings % from calculation for "Services moving from POC85 to a Fee Amount".

Delaware Compensation Rating Bureau, Inc.
Estimated Savings - Hospitals
CPI-U Replaces CPI-M as Inflation Index

Year (1)	Medical 40 Year Payout		Savings Factor (4)	Indicated Paid (5) (3)*\$1,000,000	Adjusted Paid (6) (5)*(1+(4))		
	Cum (2)	Incram (3)					
1	0.0652	0.0652	-1.34%	65,200	64,326		
2	0.2634	0.1982	-2.69%	198,200	192,876		
3	0.3779	0.1145	-4.03%	114,500	109,887		
4	0.4399	0.0620	-5.37%	62,000	58,669		
5	0.4769	0.0370	-6.72%	37,000	34,515		
6	0.5088	0.0319	-8.06%	31,900	29,329		
7	0.5368	0.0280	-9.40%	28,000	25,368		
8	0.5615	0.0247	-10.74%	24,700	22,046		
9	0.5836	0.0221	-12.09%	22,100	19,429		
10	0.6036	0.0200	-13.43%	20,000	17,314		
11	0.6219	0.0183	-14.77%	18,300	15,597		
12	0.6388	0.0169	-16.12%	16,900	14,176		
13	0.6548	0.0160	-17.46%	16,000	13,207		
14	0.6700	0.0152	-18.80%	15,200	12,342		
15	0.6847	0.0147	-20.15%	14,700	11,739		
16	0.6989	0.0142	-21.49%	14,200	11,149		
17	0.7128	0.0139	-22.83%	13,900	10,726		
18	0.7265	0.0137	-24.17%	13,700	10,388		
19	0.7401	0.0136	-25.52%	13,600	10,130		
20	0.7536	0.0135	-26.86%	13,500	9,874		
21	0.7671	0.0135	-28.20%	13,500	9,693		
22	0.7806	0.0135	-29.55%	13,500	9,511		
23	0.7942	0.0136	-30.89%	13,600	9,399		
24	0.8076	0.0134	-32.23%	13,400	9,081		
25	0.8208	0.0132	-33.58%	13,200	8,768		
26	0.8338	0.0130	-34.92%	13,000	8,461		
27	0.8466	0.0128	-36.26%	12,800	8,159		
28	0.8592	0.0126	-37.60%	12,600	7,862		
29	0.8716	0.0124	-38.95%	12,400	7,571		
30	0.8839	0.0123	-40.29%	12,300	7,344		
31	0.8961	0.0122	-41.63%	12,200	7,121		
32	0.9082	0.0121	-42.98%	12,100	6,900		
33	0.9202	0.0120	-44.32%	12,000	6,682		
34	0.9321	0.0119	-45.66%	11,900	6,466		
35	0.9439	0.0118	-47.01%	11,800	6,253		
36	0.9556	0.0117	-48.35%	11,700	6,043		
37	0.9672	0.0116	-49.69%	11,600	5,836		
38	0.9787	0.0115	-51.03%	11,500	5,631		
39	0.9901	0.0114	-52.38%	11,400	5,429		
40	1.0000	0.0099	-53.72%	9,900	4,582		
		Total	-16.01%	1,000,000	839,878		
				Paid Amount	Savings (-)	Savings (-) %	
				Hospital - Non-Network Facility	11,546,669	(1,848,871)	-16.01%
				Hospital - Network Facility	22,620,503	-	0.00%
				Hospital - Total Facility	34,167,172	(1,848,871)	-5.41%

Delaware Compensation Rating Bureau, Inc.
Estimated Savings - Hospitals
CPI-U Replaces CPI-M as Inflation Index

Year (7)	Hospital Inflation (8)	Allowable Increase (9)	Difference (10) (8)-(9)	Base Rate (11) (12 _{yr-1})	Adj Rate (12) (11)-(10)	Savings % (-) (13) (12)/(12 _{yr-1}) -1	Savings Cum % (-) (14) (12)/(12 _{yr1}) -1
	CPI-M	CPI-U					
1	0.0300	0.0200	0.0100	0.7446	0.7346	-1.34%	-1.34%
2	0.0300	0.0200	0.0100	0.7346	0.7246	-1.36%	-2.69%
3	0.0300	0.0200	0.0100	0.7246	0.7146	-1.38%	-4.03%
4	0.0300	0.0200	0.0100	0.7146	0.7046	-1.40%	-5.37%
5	0.0300	0.0200	0.0100	0.7046	0.6946	-1.42%	-6.72%
6	0.0300	0.0200	0.0100	0.6946	0.6846	-1.44%	-8.06%
7	0.0300	0.0200	0.0100	0.6846	0.6746	-1.46%	-9.40%
8	0.0300	0.0200	0.0100	0.6746	0.6646	-1.48%	-10.74%
9	0.0300	0.0200	0.0100	0.6646	0.6546	-1.50%	-12.09%
10	0.0300	0.0200	0.0100	0.6546	0.6446	-1.53%	-13.43%
11	0.0300	0.0200	0.0100	0.6446	0.6346	-1.55%	-14.77%
12	0.0300	0.0200	0.0100	0.6346	0.6246	-1.58%	-16.12%
13	0.0300	0.0200	0.0100	0.6246	0.6146	-1.60%	-17.46%
14	0.0300	0.0200	0.0100	0.6146	0.6046	-1.63%	-18.80%
15	0.0300	0.0200	0.0100	0.6046	0.5946	-1.65%	-20.15%
16	0.0300	0.0200	0.0100	0.5946	0.5846	-1.68%	-21.49%
17	0.0300	0.0200	0.0100	0.5846	0.5746	-1.71%	-22.83%
18	0.0300	0.0200	0.0100	0.5746	0.5646	-1.74%	-24.17%
19	0.0300	0.0200	0.0100	0.5646	0.5546	-1.77%	-25.52%
20	0.0300	0.0200	0.0100	0.5546	0.5446	-1.80%	-26.86%
21	0.0300	0.0200	0.0100	0.5446	0.5346	-1.84%	-28.20%
22	0.0300	0.0200	0.0100	0.5346	0.5246	-1.87%	-29.55%
23	0.0300	0.0200	0.0100	0.5246	0.5146	-1.91%	-30.89%
24	0.0300	0.0200	0.0100	0.5146	0.5046	-1.94%	-32.23%
25	0.0300	0.0200	0.0100	0.5046	0.4946	-1.98%	-33.58%
26	0.0300	0.0200	0.0100	0.4946	0.4846	-2.02%	-34.92%
27	0.0300	0.0200	0.0100	0.4846	0.4746	-2.06%	-36.26%
28	0.0300	0.0200	0.0100	0.4746	0.4646	-2.11%	-37.60%
29	0.0300	0.0200	0.0100	0.4646	0.4546	-2.15%	-38.95%
30	0.0300	0.0200	0.0100	0.4546	0.4446	-2.20%	-40.29%
31	0.0300	0.0200	0.0100	0.4446	0.4346	-2.25%	-41.63%
32	0.0300	0.0200	0.0100	0.4346	0.4246	-2.30%	-42.98%
33	0.0300	0.0200	0.0100	0.4246	0.4146	-2.36%	-44.32%
34	0.0300	0.0200	0.0100	0.4146	0.4046	-2.41%	-45.66%
35	0.0300	0.0200	0.0100	0.4046	0.3946	-2.47%	-47.01%
36	0.0300	0.0200	0.0100	0.3946	0.3846	-2.53%	-48.35%
37	0.0300	0.0200	0.0100	0.3846	0.3746	-2.60%	-49.69%
38	0.0300	0.0200	0.0100	0.3746	0.3646	-2.67%	-51.03%
39	0.0300	0.0200	0.0100	0.3646	0.3546	-2.74%	-52.38%
40	0.0300	0.0200	0.0100	0.3546	0.3446	-2.82%	-53.72%

Delaware Compensation Rating Bureau, Inc.
Estimated Savings - Repackaged Drugs

	Base Payments	Savings (-)	Savings %
Non-Network Services			
Measured Services			
Brand Drugs	469,908	(116,067)	-24.70%
Generic Drugs	921,599	(425,779)	-46.20%
Total	1,391,507	(541,846)	-38.94%
Other Services Subject to Savings	14,823	(5,772)	-38.94%
Total - All Non-Network Services	1,406,330	(547,618)	-38.94%
Network Services			
Not Subject to Savings	419,219	-	0.00%
Total - All Repackaged Drugs	1,825,549	(547,618)	-30.00%

Delaware Compensation Rating Bureau, Inc.
Estimated Savings - Hot and Cold Packs
Limit of 12 and 1 per Day

	# Packs	# Over Limit	Paid Amount	Savings (-)	Savings %
Claims having hot/cold pack visits <=12 and 1 hot/cold pack per day					
	12,585	0	314,644	-	0.00%
Claims having hot/cold pack visits >12 and/or >1 hot/cold pack per day					
	15,394	6,286	373,027	(168,623)	-45.20%
Total - Reviewed	27,979	6,286	687,672	(168,623)	-24.52%

Delaware Compensation Rating Bureau, Inc.
Estimated Savings - 2 Year Freeze in Reimbursement Rates
Professional Services Based on Fee Schedule at 90% of the 75th Percentile

Exhibit 34 - 10

Non-Network Services Only	Year 1	Year 2
1 Indicated Fee Schedule Increase	1.0150	1.0312
2 Indicated Charge & Payment Increase	1.0180	1.0323
3 Projected Total Paid (without Freezing Fees) *	35,021,703	35,562,669
4 Projected Total Paid (with Fees Frozen) **	34,639,830	34,757,459
5 Ratio (4)/(3)	0.989	0.977
6 Savings (-) % [(5)-1]	-1.09%	-2.26%

* Based on indicated increases in Fee Schd & Charges

** Based on existing Fee Schd & indicated increase in Charges

	Base Paid	Savings (-)	Savings %
Total - Non-network Services (2 Year Actual Payments)	33,313,715	(754,289)	-2.26%
Network Services Only			
Not Subject to Savings	13,995,667	-	0.00%
Total - All Services	47,309,382	(754,289)	-1.59%

Delaware Compensation Rating Bureau, Inc.
Estimated Savings - 2 Year Freeze in Reimbursement Rates
Professional Services Based on Fee Schedule at 85% of 90% of the 75th Percentile

Exhibit 34 - 11

Non-Network Services Only	Year 1	Year 2
1 Indicated Fee Schedule Increase	1.0150	1.0312
2 Indicated Charge & Payment Increase	1.0180	1.0323
3 Projected Total Paid (without Freezing Fees) *	31,011,853	31,499,895
4 Projected Total Paid (with Fees Frozen) **	30,612,401	30,665,628
5 Ratio (4)/(3)	0.987	0.974
6 Savings (-) % [(5)-1]	-1.29%	-2.65%

* Based on indicated increases in Fee Schd & Charges

** Based on existing Fee Schd & indicated increase in Charges

	Base Paid	Savings (-)	Savings %
Total - Non-network Services (2 Year Actual Payments)	4,987,413	(132,090)	-2.65%
Network Services Only			
Not Subject to Savings	4,886,084	-	0.00%
Total - All Services	9,873,497	(132,090)	-1.34%

**Delaware Compensation Rating Bureau, Inc.
Estimated Savings - 2 Year Freeze in Reimbursement Rates
Professional Services Moving From POC85 to a Fee Amount**

	Paid Amount	Savings (-)	Savings %
Non-Network Services Only	8,406,248	(190,334)	-2.26%
Network Services	2,584,872	-	0.00%
Total - All Services	10,991,120	(190,334)	-1.73%

Other Professional Services at New Fee Amount

	Paid Amount	Savings (-)	Savings %
Non-Network Services Only	7,361,400	(166,677)	-2.26%
Network Services	10,357,553	-	0.00%
Total - All Services	17,718,953	(166,677)	-0.94%

Estimated Savings - Other Professional Combined

	Paid Amount	Savings (-)	Savings %
Non-Network Services Only	15,767,648	(357,011)	-2.26%
Network Services	12,942,425	-	0.00%
Total - All Services	28,710,073	(357,011)	-1.24%

Note: Savings % from calculation for "Services moving from Exhibit 34-10".

Delaware Compensation Rating Bureau, Inc.
Estimated Savings - 2 Year Freeze in Reimbursement Rates
Facility Fees - Hospitals & Ambulatory Surgical Centers

		Year 1	Year 2
1 CPI-M - Annual Increase		2.50%	2.40%
2 Two Year Freeze		0.00%	0.00%
3 Difference (as %)		2.50%	2.40%
Difference (As Factor)		0.0250	0.0240
4 Base Rate	0.8000	0.7936	0.7686
5 Adjusted Rate (4)-(3)	0.7936	0.7686	0.7446
6 Ratio (5)/(5 _{current})		0.968	0.938
7 Savings (-) % [(6)-1]		-3.15%	-6.17%

Summary	Paid Amount	Savings (-)	Savings %
Non-Network Services	16,815,055	(1,038,228)	-6.17%
Network Services	25,450,741	-	0.00%
Total - Facility Fees	42,265,796	(1,038,228)	-2.46%

Delaware Compensation Rating Bureau, Inc.

Projected Annual Increases in Cost of Hospital & Professional Services

Consumer Price Index - All Urban Consumers
12-Month Percent Change
Not Seasonally Adjusted

ALL STATES

Year	Urban All Items	Services by									
		Medical Care	Medical Care Commodities	Medical Care Services	Professional Services	Physicians' Services	Other Med Prof	Hospital and Related Svcs	Hospital Services	Inpatient Hospital Svcs	Outpatient Hospital Svcs
2010	1.6	3.4	3.1	3.5	2.8	3.3	2.2	7.0	7.8	8.8	6.1
2011	3.2	3.0	3.0	3.1	2.3	2.7	1.4	5.6	6.2	6.8	5.1
2012	2.1	3.7	2.9	3.9	1.9	2.1	1.0	4.8	5.1	5.2	5.0
2013	1.5	2.5	0.4	3.1	2.2	2.0	1.7	4.4	4.7	4.4	4.8
2014	1.6	2.4	2.5	2.4	1.6	1.4	1.4	4.6	5.0	5.7	4.5
5-Yr Avg	2.0	3.0	2.4	3.2	2.2	2.3	1.5	5.3	5.8	6.2	5.1

Source: Bureau of Labor Statistics

	Hospital and Related Svcs					
	2013	2014	2013	2014	2015	
U.S.	4.4	4.6	De Hospital Base Rate	0.7936	0.7563	0.7159 *
De Hospitals	3.7	4.0				
Ratio De to US	0.84	0.87				
			CPI-M	0.037	0.025	0.024
			CPI-U	0.021	0.015	0.016
			De Hospital Inflation	0.0434	0.0373	0.0404 **
		Professional Services				
		2013	2014			
U.S.		2.2	1.6			
Ratio De to US		0.84	0.87			
De Professional		1.8	1.4			

* 0.7159 = 0.7563 - 0.0404

** Average of 2013 & 2014 De Hospital Inflation