Exhibit 34
Filing 1305

Delaware Compensation Rating Bureau, Inc.

Evaluation of House Bill 175 of 2013

The Delaware Compensation Rating Bureau, Inc. (DCRB) offers the following narrative and accompanying exhibits as an assessment of the effects of House Bill 175 on Delaware workers compensation benefit costs.

Exhibit 34-1 presents a summary of the savings, by legislative component, that are discussed individually in subsequent pages. The exhibit is divided into two parts with the first part addressing sections of HB175 that affected the current the payment structure for services provided. The combined savings in medical costs in this section is 4.4 percent.

The second part addresses sections of HB175 that address increases in fees during the period July 1, 2013 through January 1, 2013. During that period professional, hospital and ambulatory surgical centers will not have those values adjusted for inflation. The combined savings in medical costs in this section is 2.88 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 7.11 percent ([(1-0.044)*(1-.0288)]-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.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

§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

Exhibit: 34-2

Brief Description of Intended Change: Pathology, radiology, laboratory and durable medical equipment services previously assigned a fee amount at 90% of the 75th percentile or at 85 percent of charge are assigned fees at 85% of 90% of the 75th Percentile.

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

The revised fee schedule provided fees for the affected services. The data used to measure the impact of the changes included payments on services with transaction dates from July 1, 2010 to June 30, 2012. In order to make a valid comparison between fees and payments, the proposed fees were adjusted to a value consistent with the transaction dates available. This was done by de-trending the proposed fees based on actual changes in the CPI-U to the date of the transaction.

Actual payments were then compared with indicated payments based on the proposed fees and the minimum of those two values was selected as the proposed payment. Measures were separately calculated based on whether the service was previously subject to a fee or 85 percent of charge.

In some cases insufficient information was available to directly calculate a savings. This would include situations where a valid zip code was not available or where the zip code was not a Delaware zip code. Records where the payment exceeded the charge were also separately handled. In these situations the data was grouped into an “other” category and an average savings factor was applied based on the indicated savings for precisely measured transactions.

The savings for services previously reimbursed at 90% of the 75th percentile was measured at 13.2 percent. Services previously based on 85% of charge indicated a savings of 2.1 percent.

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

The overall savings attributable to affected non-network services is estimated at 8.6 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 4.3 percent.

Payments under this provision of HB175 represent approximately 6.9 percent of total medical payments and the impact on total medical payments is a savings of 0.3 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.2 percent.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

§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

Exhibit: 34-3

Brief Description of Intended Change: Pharmaceuticals were previously paid at 100 percent of the average wholesale price (AWP). Brand drugs will now be paid at 80 percent of the AWP plus a $5.00 processing fee. Generic drugs will now be paid at 88 percent of the AWP plus a $4.00 processing fee.

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

Actual payments were compared with indicated payments based on the proposed fees measured at 80% of AWP plus $5.00 or 88% of AWP plus $4 as appropriate.

In some cases insufficient information was available to directly calculate a savings. This would include situations the AWP was not available. Records where the payment exceeded the charge were also separately handled. In cases where the amount charged was greater than five times that of the payments, and where the ratio of fee to charge was greater than 2.0, the data was grouped into an “other” category and an average savings factor was applied based on the indicated savings for precisely measured transactions.

The savings for brand drugs was measured at 13.0 percent and for generic drugs at 15.1 percent.

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

The overall savings attributable to affected non-network services is estimated at 13.6 percent. When weighting non-network services (approximately 35 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 4.8 percent.

Payments under this provision of HB175 represent approximately 10.4 percent of total medical payments and the impact on total medical payments is a savings of 0.5 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.4 percent.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

§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

Exhibit: 34-4

Brief Description of Intended Change: Drug tests will be reimbursed at $100.00 per test and there will be maximum of four tests per year permitted. The cap on the number of tests per year is also applicable to services covered by a network contract.

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

The $100.00 fee applies to current services. The data used to measure the impact of the changes included payments on services with transaction dates from July 1, 2010 to June 30, 2012. In order to make a valid comparison between fees and payments, the proposed $100.00 fee was adjusted to a value consistent with the transaction dates available. This was done by de-trending the proposed fee based on actual changes in the CPI-U to the date of the transaction.

For non-network services the combined impact of the proposed fee and the cap on the number of drug tests per year was calculated. For network services only the cap on the number of drug tests per year was calculated.

In some cases insufficient information was available to directly calculate a savings. This would include situations where a valid zip code was not available or where the zip code was not a Delaware zip code. Records where the payment exceeded the charge were also separately handled. In these situations the data was grouped into an “other” category and an average savings factor was applied based on the indicated savings for precisely measured transactions.

The savings for non-network services, combining the impact of the $100.00 fee and the cap on the number of tests, was 74.1 percent. For network services the cap on the number of tests per year indicated a savings of 37.4 percent.

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

The overall savings attributable to affected non-network services is estimated at 74.1 percent. When weighting non-network services (approximately 77 percent of services) with savings of 37.4 percent for services provided under a network agreement, the overall impact is a savings of 65.5 percent.

Payments under this provision of HB175 represent approximately 0.5 percent of total medical payments and the impact on total medical payments is a savings of 0.3 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.2 percent.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

§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

Exhibit: 34-5

Brief Description of Intended Change: Fees for anesthesia services are to be paid at a rate of $100.00 per unit for Northern zip codes (geozip 197/198) and at $76.00 per unit for Southern zip codes (geozip 199).

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

The fixed amount fees apply to current services. The data used to measure the impact of the changes included payments on services with transaction dates from July 1, 2010 to June 30, 2012. In order to make a valid comparison between fees and payments, the proposed fees of $100.00 and $76.00 were adjusted to a value consistent with the transaction dates available. This was done by de-trending the proposed fee based on actual changes in the CPI-U to the date of the transaction.

Actual payments were compared to indicated payments where indicated payments were the lesser of the amount charged and the amount indicated based on the proposed fees de-trended to the transaction date.

In some cases insufficient information was available to directly calculate a savings. This would include situations where a valid zip code was not available or where the zip code was not a Delaware zip code. Records where the payment exceeded the charge were also separately handled. Records with a number of units less than 30 of greater than 300 were also treated separately because of concern with the accuracy of the unit field. In these situations the data was grouped into an “other” category and an average savings factor was applied based on the indicated savings for precisely measured transactions.

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

The overall savings attributable to affected non-network services is estimated at 49.7 percent. When weighting non-network services (approximately 41 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 20.3 percent.

Payments under this provision of HB175 represent approximately 2.3 percent of total medical payments and the impact on total medical payments is a savings of 0.5 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.3 percent.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

No Administrative Code Language

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.

Exhibit: 34-6

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. This provision of HB175 establishes actual fee amounts that will be used as a cap on payments in place of the POC85 designation.

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

The fixed amount fees apply to current services. The data used to measure the impact of the changes included payments on services with transaction dates from July 1, 2010 to June 30, 2012. In order to make a valid comparison between fees and payments, the proposed fees were adjusted to a value consistent with the transaction dates available. This was done by de-trending the proposed fee based on actual changes in the CPI-U to the date of the transaction.

The de-trended fees are the new indicated payments. These indicated payments were then compared with the actual charges. The minimum of the charge and indicated (fee based) payment was then chosen as the final calculated paid amount and compared with actual payments to determine the potential savings. In some cases the final calculated paid amount represents a “cost” to the system since the payment may in fact be higher than 85 percent of the amount charged.

In some cases insufficient information was available to directly calculate a savings. This would include situations where a valid zip code was not available or where the zip code was not a Delaware zip code. Records where the payment exceeded the charge were also separately handled. In these situations the data

was grouped into an “other” category and an average savings factor was applied based on the indicated savings for precisely measured transactions.

An additional amount of professional services, not separately identified in other portions of this analysis, are shown in the middle section of Exhibit 34-6. 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 34-6.

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

The overall savings attributable to affected non-network services is estimated at 5.0 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 2.8 percent.

Payments under this provision of HB175 represent approximately 20.1 percent of total medical payments and the impact on total medical payments is a savings of 0.6 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.4 percent.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

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

No Administrative Code Language

Exhibit: 34-7

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 CPUI-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 to benefit from 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 be 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 3.4 percent and for CPI-U of 2.1 percent, as shown in Exhibit 34-14, are 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 will 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 19.1 percent.

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

The overall savings attributable to affected non-network services is estimated at 19.1 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 6.5 percent.

Payments under this provision of HB175 represent approximately 23.9 percent of total medical payments and the impact on total medical payments is a savings of 1.5 percent.

The impact on combined indemnity and medical payments is an estimated savings of 1.1 percent.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

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

Exhibit: 34-8

Brief Description of Intended Change: Repackaged drugs are assigned a unique national drug code (NDC) and assigned an Average Wholesale Price (AWP) independent and generally higher than the AWP for the underlying drug product. This provision of HB175 requires that the maximum reimbursement for repackaged drugs will be limited to the AWP for the underlying drug or medicine.

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

The analysis identified all drug category descriptions that had at least $100,000 in payments and included transactions for both drugs with original packaging and repackaged drugs. Separate totals were made for generic and brand drugs.

For each drug category totals for the number of script units, the amount paid and the paid per script unit were accumulated separately for original packaging and repackaged drugs. The paid per unit for original packaging drugs was then substituted for the comparable repackaged drug category paid per unit and implied paid amounts were calculated for repackaged drugs based on the number of repackaged script units. The resulting calculated payments for repackaged drugs was then compared to the actual payments for repackaged drugs, yielding the estimated savings.

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

The overall savings attributable to affected non-network services is estimated at 38.9 percent with the savings for brand drugs at 24.7 percent and savings for generic drugs at 46.2 percent. When weighting non-network services (approximately 77 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 30.0 percent.

Payments under this provision of HB175 represent approximately 1.3 percent of total medical payments and the impact on total medical payments is a savings of 0.4 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.3 percent.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

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

Exhibit: 34-9

Brief Description of Intended Change: Hot and Cold packs are commonly used as part of the treatment during a physical therapy visit. Prior to HB175 hot and cold packs were subject to limits of eighteen or twenty-four per claimant with no limit on the number that could be used in a single day. This provision of HB175 places a maximum number of reimbursable hot and cold packs at twelve per claimant and further subject to no more than one hot or cold pack per day. The DCRB treats this provision as applicable regardless of whether services are provided within or apart from a network environment.

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

Hot and cold pack utilization for all claims with accident dates from July 1, 2010 to June 30, 2011 was tracked through December 31, 2012. Summaries of hot and cold pack usage were made. Separate accumulations for claims with no more than twelve hot and cold packs and not more than one hot or cold pack per day versus claims that exceeded the allowable maximums. For claims exceeding allowable maximums, the number and cost of hot and cold packs both below and above allowable thresholds were accumulated, permitting the calculation of expected savings.

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

The overall savings attributable to the elimination of separate payments for hot or cold packs provided as part of a physical therapy visit is estimated at 24.5 percent, applicable to both non-network and network services.

Payments under this provision of HB175 represent approximately 1.1 percent of total medical payments and the impact on total medical payments is a savings of 0.3 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.2 percent.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

Code Section 1341, Paragraph 4.13.5 provides the following language pertinent to the use of specified narcotic drugs:

> As of the effective date of this Regulation, Oxycontin as well as oxycodone extended release; and Actiq, as well as transmucosal fentanyl, are not on the Preferred or Non-Preferred Medication List and may only be used with prior written approval of the employer or its insurance carrier. However, an employee on a stable dose of Oxycontin prior to the effective date of this Regulation may continue the use of this medication after the effective date of this Regulation.

Exhibit: None

Discussion:

The above-referenced changes have been popularly described as “banning” the use of Oxycontin. In fact, the changes adopted stop short of a “ban”. The four long-lasting forms of Oxycontin addressed in the regulation are not “banned”, but may still be used with the approval of the employer or its insurance carrier. Even presuming that such approvals would be rare, the preferred drug list includes long-lasting alternatives such as fentanyl transdermal, methadone tablets, morphine ER tablets and Kadian which can be used without prior approval. Other non-preferred long-lasting drugs may be used if multiple preferred products are tried without being effective or with unacceptable side effects.

Alternative drugs including formulations of Oxycontin with short durations, such as oxycodone IR, oxycodone/APAP, oxycodone/ASA and oxycodone/ibuprofen, also remain available as preferred drugs which might be used in lieu of the limited forms of Oxycontin. As is also the case for long-term medications, a variety of other short duration products become available if multiple preferred products are tried without being effective or with unacceptable side effects. For some claims, treatment regimens outside the realm of prescriptions might be used, either alone or in concert with various medications.

The spectrum of possible replacements or substitutions that exist for the long-lasting forms of Oxycontin that will require approval under the regulations,

including those noted above, present a broad range of unit prices both above and below those of the drugs that they might replace. Considerations of price and duration of treatment will necessarily produce a range of associated costs for different treatment programs. The efficacy of whatever complement of prescriptions and services that will be tried in place of the limited drugs remains to be seen. Successes in this regard would presumably inure to the benefit of system costs, while trials that require adaptation to other alternatives over time could prolong recovery of injured workers to the detriment of system costs.

Going forward, it should be possible to monitor the use of specific forms of Oxycontin in the Delaware workers compensation system. It will likely not be possible to definitively associate the use of the many possible alternatives to those drugs to specific cases that might have or presumably would have otherwise used the limited long-term forms of Oxycontin addressed in the regulation. While the DCRB believes that the changes in regulation are well-intended the implications of the approach adopted are not clear and did not allow a credible projection of costs or savings that will arise from these changes.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

§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

Exhibit: 34-10

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 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.

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 fees schedule payment rates. As shown in Exhibit 34-14 the DCRB has assumed that charges and payments for Delaware medical professional services will increase at 2.3 percent per year and that the CPI-U will increase at 2.1 percent per 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 will be $35,977,845 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 $34,856,172 if fee schedule values are not adjusted for inflation each year. Savings in year 2 are therefore 3.1 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 3.1 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 2.18 percent.

Payments under this provision of HB175 represent approximately 33.1 percent of total medical payments and the impact on total medical payments is a savings of 0.72 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.52 percent.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

§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

Exhibit: 34-11

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 fees schedule payment rates. As shown in Exhibit 34-14 the DCRB has assumed that charges and payments for Delaware medical professional services will increase

at 2.3 percent per year and that the CPI-U will increase at 2.1 percent per 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 34-8 estimates that the projected payments in year 2 for the affected services will be $31,854,291 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 34-8 estimates that the projected payments in year 2 for the affected services will be $30,716,245 if fee schedule values are not adjusted for inflation each year. Savings in year 2 are therefore 3.6 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 3.6 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 1.82 percent.

Payments under this provision of HB175 represent approximately 6.9 percent of total medical payments and the impact on total medical payments is a savings of 0.13 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.09 percent.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

§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

Exhibit: 34-12

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 2 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 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 2 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 3.1 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 1.7 percent.

Payments under this provision of HB175 represent approximately 20.1 percent of total medical payments and the impact on total medical payments is a savings of 0.34 percent.

The impact on combined indemnity and medical payments is an estimated savings of 0.25 percent.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

§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

Exhibit: 34-13

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 a projected annual increase of 5.7 percent in hospital costs. 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 0.6796 indicates a savings of 14.4 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 14.4 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 5.73 percent.

Payments under this provision of HB175 represent approximately 29.5 percent of total medical payments and the impact on total medical payments is a savings of 0.1.69 percent.

The impact on combined indemnity and medical payments is an estimated savings of 1.21 percent.

Delaware Compensation Rating Bureau, Inc.

Savings Evaluation for December 1, 2013 Filing

Statutory Basis: HB175

Rule Citation(s) for Implementation of Change Where Applicable:

None

Exhibit: 34-14

Description of Exhibit 34-14:

Exhibit 34-11 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.

The CPI-U 5 year average is 2.1 percent. The annual inflation rate for Delaware hospital services is calculated at 5.7 percent and the annual inflation rate for Delaware professional services is calculated at 2.3 percent.

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	% Savings (-) To Total Medical	% Savings (-) To Total Indemnity & Medical
HB175 - Adjustments to Reimbursement Rates						
Services moving to 85% of 90% of 75th percentile	9,873,496	6.9%	(428,271)	-4.3%	-0.3%	-0.2%
Pharmaceuticals (paid at a % of AWP plus handling fee)	14,878,940	10.4%	(711,500)	-4.8%	-0.5%	-0.4%
Drug Tests ($100 per test, maximum of 4 times)	733,362	0.5%	(480,218)	-65.5%	-0.3%	-0.2%
Anesthesia ($100 Northern Zips, $76 Southern Zips)	3,334,685	2.3%	(675,669)	-20.3%	-0.5%	-0.3%
Professional - Other - Total	28,710,072	20.1%	(792,971)	-2.8%	-0.6%	-0.4%
Hospitals (CPI-U replaces CPI-M as Index)	34,167,172	23.9%	(2,205,414)	-6.5%	-1.5%	-1.1%
Drug Repackaging	1,825,549	1.3%	(547,618)	-30.0%	-0.4%	-0.3%
Hot & Cold Packs (limit of 12 and 1 per day)	1,588,276	1.1%	(389,458)	-24.5%	-0.3%	-0.2%
All Medical	143,037,687		(6,231,119)	-4.4%	-4.4%	-3.1%
HB175 - Impact of 2 Year Freeze in Reimbursement Rates						
Professional (service reimbursed at 90/75)	47,309,382	33.1%	(1,032,725)	-2.18%	-0.72%	-0.52%
Professional (services reimbursed at 85% of 90/75)	9,873,497	6.9%	(179,547)	-1.82%	-0.13%	-0.09%
Professional - Other - Total	28,710,072	20.1%	(488,797)	-1.70%	-0.34%	-0.24%
Facility Fees for hospitals, ambulatory surgical services)	42,265,796	29.5%	(2,421,368)	-5.73%	-1.69%	-1.21%
Pharmaceuticals (freeze not applicable)	14,878,940	10.4%	-	0.00%	0.00%	0.00%
All Medical	143,037,687		(4,122,437)	-2.88%	-2.88%	-2.06%
Combine Medical Savings					-7.11%	

Note: Changes related to the use of some forms of oxycontin were not quantifiable as discussed on page 18 of this exhibit.

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)	-13.2%
Other 90/75 Services Subject to Savings	699,317	607,124	(92,193)	-13.2%
Subtotal	2,800,077	2,430,934	(369,142)	-13.2%
Services Currently at POC85				
Measured Services	1,074,406	1,051,791	(22,614)	-2.1%
Other POC85 Services Subject to Savings	934,163	914,500	(19,663)	-2.1%
Subtotal	2,008,569	1,966,291	(42,277)	-2.1%
Other Services Subject to Savings	178,959	162,108	(16,851)	-9.4% *
Total - Non-Network Services	4,987,604	4,559,334	(428,271)	-8.6%
Network Services				
Not Subject to Savings	4,886,084	4,886,084	-	0.0%
Total - All Services	9,873,688	9,445,417	(428,271)	-4.3%
* Savings % based on:				
Total - Measured Services	3,175,165	2,875,602	(299,564)	-9.4%

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)	-15.1%
Brand	3,517,212	3,059,592	(457,620)	-13.0%
Total	5,030,045	4,343,704	(686,341)	-13.6%
Other Services Subject to Savings				
Generic	30,450	25,847	(4,604)	-15.1%
Brand	157,991	137,435	(20,556)	-13.0%
Total	188,442	163,282	(25,160)	-13.4%
Total - Non-Network	5,218,486	4,506,986	(711,500)	-13.6%
Network Services				
Not Subject to Savings	9,660,453	9,660,453	-	0.0%
Total - All Services	14,878,940	14,167,439	(711,500)	-4.8%

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)	-74.1%
Other Services Subject to Savings	118,876	30,841	(88,035)	-74.1%
Subtotal	561,826	145,759	(416,067)	-74.1%
Network Services				
Savings Attributable to Cap of 4 Per Year	171,536	107,385	(64,151)	-37.4%
Total - All Services	733,362	253,145	(480,218)	-65.5%

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)	-49.7%
Other Services Subject to Savings	1,052,788	530,072	(522,716)	-49.7%
Subtotal	1,360,847	685,178	(675,669)	-49.7%
Network Services				
Not Subject to Savings	1,973,839	1,973,839	-	0.0%
Total - All Services	3,334,685	2,659,016	(675,669)	-20.3%

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)	-5.0%
Other Services Subject to Savings	1,245,092	1,182,475	(62,617)	-5.0%
Total	8,406,248	7,983,489	(422,759)	-5.0%
Network Services				
Not Subject to Savings	2,584,873	2,584,873	-	0.0%
Total - All Services	10,991,120	10,568,362	(422,759)	-3.8%

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)	-5.0%
Network Services	10,357,553	10,357,553	-	0.0%
Total - All Services	17,718,953	17,348,741	(370,212)	-2.1%

Estimated Savings - Other Professional Combined

	Paid Amount	Paid at Fee	Savings (-)	Savings %
Non-Network Services Only	15,767,648	14,974,677	(792,971)	-5.0%
Network Services	12,942,426	12,942,426	-	0.0%
Total - All Services	28,710,073	27,917,103	(792,971)	-2.8%

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	Medical 40 Year Payout Cum	Medical 40 Year Payout Increm	Savings Factor	Indicated Paid	Adjusted Paid
(1)	(2)	(3)	(4)	(5)	(6)
				(3)*$1,000,000	(5)*(1+(4))
0					
1	0.0652	0.0652	0.0%	65,200	65,200
2	0.2634	0.1982	0.0%	198,200	198,200
3	0.3779	0.1145	-1.9%	114,500	112,313
4	0.4399	0.0620	-3.8%	62,000	59,628
5	0.4769	0.0370	-5.7%	37,000	34,877
6	0.5088	0.0319	-7.7%	31,900	29,459
7	0.5368	0.0280	-9.6%	28,000	25,322
8	0.5615	0.0247	-11.5%	24,700	21,865
9	0.5836	0.0221	-13.4%	22,100	19,141
10	0.6036	0.0200	-15.3%	20,000	16,939
11	0.6219	0.0183	-17.2%	18,300	15,149
12	0.6388	0.0169	-19.1%	16,900	13,667
13	0.6548	0.0160	-21.0%	16,000	12,633
14	0.6700	0.0152	-23.0%	15,200	11,711
15	0.6847	0.0147	-24.9%	14,700	11,044
16	0.6989	0.0142	-26.8%	14,200	10,397
17	0.7128	0.0139	-28.7%	13,900	9,912
18	0.7265	0.0137	-30.6%	13,700	9,507
19	0.7401	0.0136	-32.5%	13,600	9,177
20	0.7536	0.0135	-34.4%	13,500	8,852
21	0.7671	0.0135	-36.3%	13,500	8,593
22	0.7806	0.0135	-38.3%	13,500	8,335
23	0.7942	0.0136	-40.2%	13,600	8,137
24	0.8076	0.0134	-42.1%	13,400	7,761
25	0.8208	0.0132	-44.0%	13,200	7,392
26	0.8338	0.0130	-45.9%	13,000	7,032
27	0.8466	0.0128	-47.8%	12,800	6,679
28	0.8592	0.0126	-49.7%	12,600	6,333
29	0.8716	0.0124	-51.6%	12,400	5,996
30	0.8839	0.0123	-53.6%	12,300	5,712
31	0.8961	0.0122	-55.5%	12,200	5,432
32	0.9082	0.0121	-57.4%	12,100	5,156
33	0.9202	0.0120	-59.3%	12,000	4,884
34	0.9321	0.0119	-61.2%	11,900	4,616
35	0.9439	0.0118	-63.1%	11,800	4,351
36	0.9556	0.0117	-65.0%	11,700	4,091
37	0.9672	0.0116	-67.0%	11,600	3,834
38	0.9787	0.0115	-68.9%	11,500	3,581
39	0.9901	0.0114	-70.8%	11,400	3,331
40	1.0000	0.0099	-72.7%	9,900	2,704
	Total		-19.1%	1,000,000	808,944

	Paid Amount	Savings (-)	Savings (-) %
Hospital - Non-Network Facility	11,546,669	(2,205,414)	-19.1%
Hospital - Network Facility	22,620,503	-	0.0%
Hospital - Total Facility	34,167,172	(2,205,414)	-6.5%

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

Year	Hospital Inflation	Allowable Increase	Difference	Base Rate	Adj Rate	Savings % (-)	Savings Cum % (-)
(7)	(8)	(9)	(10) (8)-(9)	(11) (12) $_{yr-1}$	(12) (11)-(10)	(13) (12)/(12$_{yr-1}$)-1	(14) (12)/(12$_{yr2}$) -1
0					0.7936		
1	0.0570	-	0.0570	0.7936	0.7366		
2	0.0570	-	0.0570	0.7366	0.6796		
	CPI-M	**CPI-U**					
3	0.0340	0.0210	0.0130	0.6796	0.6666	-1.91%	-1.91%
4	0.0340	0.0210	0.0130	0.6666	0.6536	-1.95%	-3.83%
5	0.0340	0.0210	0.0130	0.6536	0.6406	-1.99%	-5.74%
6	0.0340	0.0210	0.0130	0.6406	0.6276	-2.03%	-7.65%
7	0.0340	0.0210	0.0130	0.6276	0.6146	-2.07%	-9.56%
8	0.0340	0.0210	0.0130	0.6146	0.6016	-2.12%	-11.48%
9	0.0340	0.0210	0.0130	0.6016	0.5886	-2.16%	-13.39%
10	0.0340	0.0210	0.0130	0.5886	0.5756	-2.21%	-15.30%
11	0.0340	0.0210	0.0130	0.5756	0.5626	-2.26%	-17.22%
12	0.0340	0.0210	0.0130	0.5626	0.5496	-2.31%	-19.13%
13	0.0340	0.0210	0.0130	0.5496	0.5366	-2.37%	-21.04%
14	0.0340	0.0210	0.0130	0.5366	0.5236	-2.42%	-22.95%
15	0.0340	0.0210	0.0130	0.5236	0.5106	-2.48%	-24.87%
16	0.0340	0.0210	0.0130	0.5106	0.4976	-2.55%	-26.78%
17	0.0340	0.0210	0.0130	0.4976	0.4846	-2.61%	-28.69%
18	0.0340	0.0210	0.0130	0.4846	0.4716	-2.68%	-30.61%
19	0.0340	0.0210	0.0130	0.4716	0.4586	-2.76%	-32.52%
20	0.0340	0.0210	0.0130	0.4586	0.4456	-2.83%	-34.43%
21	0.0340	0.0210	0.0130	0.4456	0.4326	-2.92%	-36.34%
22	0.0340	0.0210	0.0130	0.4326	0.4196	-3.01%	-38.26%
23	0.0340	0.0210	0.0130	0.4196	0.4066	-3.10%	-40.17%
24	0.0340	0.0210	0.0130	0.4066	0.3936	-3.20%	-42.08%
25	0.0340	0.0210	0.0130	0.3936	0.3806	-3.30%	-44.00%
26	0.0340	0.0210	0.0130	0.3806	0.3676	-3.42%	-45.91%
27	0.0340	0.0210	0.0130	0.3676	0.3546	-3.54%	-47.82%
28	0.0340	0.0210	0.0130	0.3546	0.3416	-3.67%	-49.74%
29	0.0340	0.0210	0.0130	0.3416	0.3286	-3.81%	-51.65%
30	0.0340	0.0210	0.0130	0.3286	0.3156	-3.96%	-53.56%
31	0.0340	0.0210	0.0130	0.3156	0.3026	-4.12%	-55.47%
32	0.0340	0.0210	0.0130	0.3026	0.2896	-4.30%	-57.39%
33	0.0340	0.0210	0.0130	0.2896	0.2766	-4.49%	-59.30%
34	0.0340	0.0210	0.0130	0.2766	0.2636	-4.70%	-61.21%
35	0.0340	0.0210	0.0130	0.2636	0.2506	-4.93%	-63.13%
36	0.0340	0.0210	0.0130	0.2506	0.2376	-5.19%	-65.04%
37	0.0340	0.0210	0.0130	0.2376	0.2246	-5.47%	-66.95%
38	0.0340	0.0210	0.0130	0.2246	0.2116	-5.79%	-68.86%
39	0.0340	0.0210	0.0130	0.2116	0.1986	-6.14%	-70.78%
40	0.0340	0.0210	0.0130	0.1986	0.1856	-6.55%	-72.69%

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

	Base Payments	Savings (-)	Savings %
Non-Network Services			
Measured Services			
Brand Drugs	469,908	(116,067)	-24.7%
Generic Drugs	921,599	(425,779)	-46.2%
Total	1,391,507	(541,846)	-38.9%
Other Services Subject to Savings	14,823	(5,772)	-38.9%
Total - All Non-Network Services	1,406,330	(547,618)	-38.9%
Network Services			
Not Subject to Savings	419,219	-	0.00%
Total - All Repackaged Drugs	1,825,549	(547,618)	-30.0%

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	-	0.0%
Claims having hot/cold pack visits >12 and/or >1 hot/cold pack per day					
	15,394	6,286	373,027	(168,623)	-45.2%
Total - Reviewed	27,979	6,286	687,672	(168,623)	-24.5%

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

	Non-Network Services Only	Annual Change	Year 1	Year 2
1	Indicated Fee Schedule Increase	2.10%	1.0210	1.0424
2	Indicated Charge & Payment Increase	2.30%	1.0230	1.0465
3	Projected Total Paid (without Freezing Fees) *		35,219,075	35,977,845
4	Projected Total Paid (with Fees Frozen) **		34,681,949	34,856,172
5	Ratio (4)/(3)		0.985	0.969
6	Savings (-) % [(5)-1]		-1.5%	-3.1%

* 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	(1,032,725)	-3.1%
Network Services Only			
Not Subject to Savings	13,995,667	-	0.0%
Total - All Services	47,309,382	(1,032,725)	-2.18%

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

	Non-Network Services Only	Annual	Year 1	Year 2
1	Indicated Fee Schedule Increase	2.10%	1.0210	1.0424
2	Indicated Charge & Payment Increase	2.30%	1.0230	1.0465
3	Projected Total Paid (without Freezing Fees) *		31,191,106	31,854,291
4	Projected Total Paid (with Fees Frozen) **		30,631,478	30,716,245
5	Ratio (4)/(3)		0.982	0.964
6	Savings (-) % [(5)-1]		-1.8%	-3.6%

* 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	(179,547)	-3.6%
Network Services Only			
Not Subject to Savings	4,886,084	-	0.0%
Total - All Services	9,873,497	(179,547)	-1.82%

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	(260,594)	-3.1%
Network Services	2,584,872	-	0.0%
Total - All Services	10,991,120	(260,594)	-2.4%

Other Professional Services at New Fee Amount

	Paid Amount	Savings (-)	Savings %
Non-Network Services Only	7,361,400	(228,203)	-3.1%
Network Services	10,357,553	-	0.0%
Total - All Services	17,718,953	(228,203)	-1.3%

Estimated Savings - Other Professional Combined

	Paid Amount	Savings (-)	Savings %
Non-Network Services Only	15,767,648	(488,797)	-3.10%
Network Services	12,942,425	-	0.00%
Total - All Services	28,710,073	(488,797)	-1.70%

Note: Savings % from calculation for "Services moving from Exhibit XX-6.

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

		Current	Projected Average	Year 1	Year 2
1	Hospitals - Annual Increase	4.34%	5.70%	5.70%	5.70%
2	CPI-M - Annual Increase	3.70%	3.40%	0.00%	0.00%
3	Difference (as %)	0.64%	2.30%	5.70%	5.70%
	Difference (As Factor)	0.0064	0.0230	0.0570	0.0570
4	Base Rate	0.8000		0.7936	0.7366
5	Adjusted Rate (4)-(3)	0.7936		0.7366	0.6796
6	Ratio (5)/($5_{current}$)			0.928	0.856
7	Savings (-) % [(6)-1]			-7.2%	-14.4%

Summary	Paid Amount	Savings (-)	Savings %
Non-Network Services	16,815,055	(2,421,368)	-14.40%
Network Services	25,450,741	-	0.00%
Total - Facility Fees	42,265,796	(2,421,368)	-5.73%

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	Medical Care	Medical Care Commodities	Medical Care Services	Professional Services	Physicians' Services	Services by Other Med Prof	Hospital and Related Svcs	Hospital Services	Inpatient Hospital Svcs	Outpatient Hospital Svcs
2008	3.8	3.7	2.1	4.2	3.4	2.7	4.1	7.0	7.4	7.1	7.7
2009	-0.4	3.2	3.1	3.2	2.7	3.0	2.1	6.4	6.9	6.7	7.4
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
5-Yr Avg	2.1	3.4	2.8	3.6	2.6	2.8	2.2	6.2	6.7	6.9	6.3

Source: Bureau of Labor Statistics

		Hospital and Related Svcs	
U.S.	2012	4.8	
De Hospitals		4.3	*
Difference		0.5	
Ratio De to US		0.90	

		Hospital and Related Svcs
U.S.	5-Yr Avg	6.2
Difference		0.5
De Hospitals		5.7

		Professional Services
U.S.	5-Yr Avg	2.6
Ratio De to US		0.90
De Professional		2.3

* De Hospital Base Rate	0.8000
De Hospital Adjusted Rate	0.7936
Difference	0.0064
De Hospital inflation (1/31/2013 CPI-M)	3.70
Difference	0.64
Adj De Hospital Inflation	4.3