

# 2003 Adoption Indemnity Report

Utah Insurance Department

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## Executive Summary

A sample of twenty-five commercial health insurance companies and two employer sponsored self-funded health benefit plans doing business in Utah during 2001 and 2002 provided adoption and maternity benefit data for this study. The sample is representative of approximately 98 percent of the comprehensive health insurance market in Utah, as well as two employer sponsored self-funded health benefit plans.

Sample insurance companies and employers reported paying for 403 adoptions and 14,555 non-complicated deliveries (a ratio of 2.77 adoptions for every 100 deliveries) during 2001, and 356 adoptions and 13,447 non-complicated deliveries (a ratio of 2.65 adoptions for every 100 deliveries) during 2002.

Frequency counts and total paid claims were used to calculate average insurance costs for adoptions and non-complicated deliveries. During 2001, the average insurance cost of an adoption was approximately \$3,065 and a non-complicated delivery was approximately \$3,712. During 2002, the average insurance cost of an adoption was approximately \$3,166 and a non-complicated delivery was approximately \$3,786. Using national healthcare spending projections data, the average insurance cost for of a non-complicated delivery during 2003 was estimated to be \$4,018.

The current adoption indemnity benefit impacts approximately one-third of Utah adoptions and less than one percent of Utah residents. Based on current utilization levels, increasing the adoption indemnity benefit from \$3,155 to either \$3,800 or \$4,000 would have the following financial impacts on the comprehensive health insurance market:

- \$3,800 - the net impact would be approximately 27 cents per member per year (or approximately two hundredths of a percent increase in losses per member per year)
- \$4,000 - the net impact would be approximately 35 cents per member per year (or approximately three hundredths of a percent increase in losses per member per year).

## Introduction

The opportunity to have a child is important to many families. Families generally obtain children either by birth or by adoption. When a biological child is born, families often use the services of medical professionals to assist with the birth process. These services are frequently paid for by health insurance. In other cases, families choose to adopt, often because attempts to have biological children have been unsuccessful. Adoption often requires paying for special services as well, including legal and medical costs.

In 1996, the Utah legislature created a statute to assist an adoptive family pay for the cost associated with the birth of an adopted child (Prenatal and Maternity Coverage for an Adopted Child, 1996). In 1998, this statute was amended to pay a fixed indemnity benefit for infants placed for adoption within 30 days of birth (Adoption Indemnity Benefit, 1998). Later amendments extended the placement time limit from 30 days to 90 days (Adoption Indemnity Benefit, 1999) and required health care providers to charge the insured the same contracted rate as the insurer (Adoption Indemnity Benefit, 2000).

The current version of the statute was created during 2000 and is described in Utah Code Annotated (U.C.A.) § 31A-22-610.1 (Adoption Indemnity Benefit, 2000). Subsection 31A-22-610.1(1)(a) states “If an insured has coverage for maternity benefits on the date of an adoptive placement, the insured’s policy shall provide an adoption indemnity benefit payable to the insured, if a child is placed for adoption with the insured within 90 days of the child’s birth.” Subsection (1)(c)(i) requires the amount of the adoption indemnity benefit be set at “a minimum of \$2,500”. Furthermore, subsection (1)(c)(ii) requires the Utah Insurance Department to “review the amount of the adoption indemnity benefit every two years to make any necessary and reasonable adjustments, taking into account the average insurance cost of an uncomplicated birth.” The Utah Insurance Department has defined an uncomplicated birth as a non-complicated vaginal or cesarean delivery (Braun & Green-Wright, 2000) and insurance cost as the cost of the delivery to the insurer (Serbinowski, 1999).

The first biennial review was conducted during late 2000 and estimated the average insurance cost of a non-complicated delivery to be approximately \$3,155 (Hawley, 2000). The current level of the Adoption Indemnity Benefit was then set by rule at \$3,155 in early 2001 (Adoption Indemnity Benefit, 2001). The next biennial review was scheduled for 2003. As part of the required review, the Utah Insurance Commissioner requested an estimate of the number and average insurance cost of adoptions and non-complicated deliveries in Utah during 2001 and 2002, as well as the impact of the adoption indemnity benefit on the comprehensive health insurance market in Utah.

## Literature Review

*Adoptions in Utah.* Despite the importance of adoption for many families, adoption “remains an under researched area and a topic on which the data are incomplete” (Stolley, 1993, p. 1). Currently, there is no standard method for reporting the number of adoptions in the United States (Chandra, Abma, Maza, & Bachrach, 1999; Stolley, 1993). As a result, determining the

actual number of adoptions in Utah is difficult. Several state agencies collect information, but this information is not always consistent or complete.

The Utah State Court system collects data on the number of adoptions filed and finalized in Utah district courts. In 2001, there were 1,029 adoptions finalized out of 1,598 filed. In 2002, there were 1,280 adoptions finalized out of 1,579 filed (see Table 1). Court records provide the most accurate estimate of adoptions in Utah because all legal adoptions must pass through the court system.

Although the Utah State Court system tracks finalized adoptions, they do not track the age of the adopted child. However, national estimates from the 1980's suggest that infants are desired most by potential adoptive families, and approximately 81 percent of children placed for adoption are less than one year old (Stolley, 1993). It follows then that a majority of Utah adoptions are probably children less than one year old. However, these studies do not identify the number of adoptions for children placed with a family within 90 days of birth and finalized within one year (the group of adoptions affected by the adoption indemnity benefit). Also, none of the reviewed studies report costs associated with an adoption. As a result, the number and average cost of infant adoptions occurring 90 days or less after birth in Utah is not definitely known.

**Table 1. Adoptions Filed and Finalized in Utah District Courts: 1991-2002**

<b>Fiscal Year</b>	<b>Total Number of Adoptions Filed</b>	<b>Annual Percent Change in Adoptions Filed</b>	<b>Total Number of Adoptions Finalized</b>	<b>Ratio of Adoptions Finalized to Adoptions Filed</b>
1991	1,240	-	-	-
1992	1,375	10.9%	-	-
1993	1,217	-11.5%	-	-
1994	1,406	15.5%	-	-
1995	1,449	3.1%	-	-
1996	1,476	1.9%	-	-
1997	1,483	0.5%	-	-
1998	1,580	6.5%	-	-
1999	1,562	-1.1%	1,003	64
2000	1,589	1.7%	968	61
2001	1,598	0.6%	1,029	64
2002	1,579	-1.2%	1,280	81

Note: Data on the number of finalized adoptions was only available for fiscal years 1999-2002. Data Sources: Data from 1991 to 1998 was obtained from the National Center for State Courts. Data from 1999 to 2002 was obtained from the Utah State Courts.

*Non-complicated deliveries in Utah.* Better estimates are available for the number and average cost of non-complicated deliveries in Utah. Previous studies of deliveries in Utah have defined non-complicated deliveries using the Diagnosis Related Groups coding system or DRGs (e.g., Office of Health Care Statistics, 1999a; Office of Health Care Statistics, 1999b; Office of Health Care Statistics, 1999c). DRG 373 defines a non-complicated vaginal delivery, while DRG 371 defines a non-complicated cesarean delivery. According to the Utah Hospital Discharge Database, there were 32,685 non-complicated vaginal deliveries (DRG 373) and 6,336 non-complicated cesarean deliveries (DRG 371) in Utah hospitals during 2001. For a non-complicated vaginal delivery, the average hospital charge was \$3,297 and the average length of stay was 1.78 days. For a non-complicated cesarean delivery, the average hospital charge was \$6,097 and the average length of stay was 3.48 days (see Table 2). Equivalent data for 2002 was not yet available, so the number of deliveries during 2002 was projected from the available data. This data is somewhat limited in that it only describes billed charges. Billed charges, while important, may not fully reflect what an insurer would actually pay for a delivery. This is because many insurers receive a significant discount from billed charges as

part of provider contract negotiations. However, the data does provide valuable information about non-complicated deliveries in Utah.

**Table 2. Non-complicated Vaginal and Cesarean Deliveries in Utah Hospitals: 1992-2002**

Year	DRG 373: Non-complicated Vaginal Deliveries			DRG 371: Non-complicated Cesarean Deliveries			DRG 373/371: Non-complicated Deliveries Combined		
	Total Number of Deliveries	Average Length of Stay (Days)	Average Hospital Charge	Total Number of Deliveries	Average Length of Stay (Days)	Average Hospital Charge	Total Number of Deliveries	Average Length of Stay (Days)	Average Hospital Charge
1992	24,220	1.63	\$1,884	4,923	3.44	\$3,838	29,143	1.94	\$2,214
1993	24,259	1.55	\$2,001	4,832	3.29	\$4,050	29,091	1.84	\$2,342
1994	25,573	1.47	\$2,077	4,525	3.14	\$4,136	30,098	1.72	\$2,387
1995	26,386	1.36	\$2,219	4,933	3.01	\$4,296	31,319	1.62	\$2,546
1996	28,096	1.37	\$2,317	4,943	2.98	\$4,598	33,039	1.61	\$2,658
1997	28,666	1.39	\$2,465	4,869	3.05	\$4,967	33,535	1.63	\$2,828
1998	30,256	1.72	\$2,756	5,321	3.31	\$5,314	35,577	1.95	\$3,139
1999	31,148	1.76	\$2,988	5,564	3.41	\$5,853	36,712	2.01	\$3,422
2000	32,499	1.77	\$3,099	5,981	3.43	\$5,973	38,480	2.02	\$3,546
2001	32,685	1.78	\$3,297	6,336	3.48	\$6,097	39,021	2.05	\$3,751
2002	33,800	-	-	6,552	-	-	40,352	-	-

Note: Data for 2002 was not yet available. Total number of deliveries for 2002 was projected using the average rate of change in non-complicated deliveries from 1992 to 2001.

Data Source: Utah Inpatient Hospital Discharge Database, Office of Health Statistics, Utah Department of Health. Available at: <http://hlunix.hl.state.ut.us/ibisq/entrybody.htm>

Given the limited amount of research on adoption and maternity benefits currently available, more data was needed to meet the requirements of the mandated review. The purpose of this study was to collect data that allowed the Utah Insurance Department to determine the current utilization of the adoption indemnity benefit and the average insurance cost of a non-complicated delivery in Utah during 2001 and 2002, as well as estimate the overall impact of the adoption indemnity benefit on the comprehensive health insurance market in Utah.

## Methodology

### Sample

Twenty-five commercial health insurance companies and two employer sponsored self-funded health benefit plans doing business in Utah during 2001 and 2002 provided adoption and maternity benefit data. The data included frequency counts and total paid claims for adoptions and non-complicated deliveries. The sample was selected using targeted sampling techniques to ensure sufficient coverage.

*Sample selection.* The sample was selected from a population of 103 commercial health insurance companies who reported comprehensive health insurance business in Utah during 2001. Only insurance companies that had reported at least \$1,000,000 in direct earned premium for comprehensive health insurance during 2001 were selected for the study. Twenty-seven insurers met these criteria. Because the insurance companies that would have payment records for maternity could not be identified in advance, all 27 insurance companies were mailed a survey requesting information on the utilization and cost of adoption and maternity benefits.

Government sponsored and employer sponsored self-insured health benefit plans are not within the regulatory authority of the Utah Insurance Department and are not required to pay an adoption indemnity benefit as part of their maternity coverage. However, two employer

sponsored self-funded health benefit plans currently provide an adoption benefit as part of their maternity coverage consistent with the adoption indemnity benefit required for commercial health insurance companies. Both are large employer sponsored self-funded health benefit plans with significant market share in Utah. These two self-funded health benefit plans were asked to participate in the survey because they offered adoption and maternity benefits in 2001 and 2002 and were considered representative of the costs for adoption and maternity benefits in Utah.

They also provided a comparison group exempt from state insurance regulation for the commercial health insurance companies.

The Utah Insurance Department received 29 responses to the survey, a 100 percent response rate. Twenty-seven responses were from commercial health insurance companies and two were from employer sponsored self-funded health benefit plans. Fifty-six percent of the responses were from domestic companies ( $n = 15$ ) and forty-four percent of the responses were from foreign companies ( $n = 14$ ). Of the 27 commercial health insurance companies who responded to the survey, twenty-five insurance companies reported adoption and maternity benefit data that could be used for the study. Two insurance companies were excluded from the sample because one was no longer doing business in Utah and the other only offered a student health plan which was exempt from the adoption indemnity benefit. Both employer sponsored self-funded health benefit plans provided adoption and maternity data.

*Sampling frame.* Market share rather than response rate was used to estimate the sampling frame. This was done because each response varied as to how representative it was of the target population and could not be weighted equally. For instance, a response from an insurance company with a large market share had much more impact on the results than an insurance company with a small market share. This is because insurance companies tended to report deliveries in proportion to their market share (i.e., larger market share, more deliveries).

Market share was estimated using direct earned premiums for the Utah comprehensive health insurance market during 2001 and 2002 (Utah Accident & Health Survey, 2001 & 2002). The comprehensive health insurance market covered approximately 37 percent of Utah residents in 2001. In practice, this means only about one third of Utah's residents are directly affected by state insurance regulation (see Utah Insurance Department, 2002). The 25 commercial health insurance companies in the sample represent more than 98 percent of the direct earned premium in the comprehensive health insurance market during 2001 and 2002 (see Table 3).

**Table 3. Sampling of Comprehensive Health Insurance Market**

	<b>Company Count</b>	<b>Member Count</b>	<b>Direct Earned Premium</b>	<b>Market Share</b>
2001 Market	103	855,018	\$1,308,837,635.00	100.00%
Sampled	25	816,323	\$1,284,253,234.00	98.12%
Not Sampled	78	38,695	\$24,584,401.00	1.88%
2002 Market	89	813,394	\$1,328,706,448.00	100.00%
Sampled	25	772,315	\$1,304,652,809.00	98.19%
Not Sampled	64	41,079	\$24,053,639.00	1.81%

Note: All insurance companies reported direct earned premium in Utah during 2001 and 2002 for comprehensive health insurance. Each insurance company in the sample reported at least \$1,000,000 in direct earned premium in Utah during 2001. Data for 2002 is preliminary and may be revised slightly as the data is finalized.  
Data Source: Utah Accident & Health Survey, 2001-2002.

As a result, the sample is representative of approximately 98 percent of the comprehensive health insurance market affected by the adoption indemnity benefit and regulated by the Utah Insurance Department. This would be similar to a response rate of 98 percent from a population where each response was equivalent. The employer sponsored self-funded health benefit plans are representative of employers who pay an adoption benefit as part of their maternity coverage under their health benefit plans (see Table 4).

**Table 4. Sampling of Self-Funded Health Benefit Plans**

Year	Company Count	Member Count	Direct Earned Premium	Market Share
2001	2	93,149	\$177,286,182.00	-
2002	2	85,735	\$186,727,913.00	-

Note: Both employer sponsored self-funded health benefit plans offered adoption and maternity coverage in a fashion similar to the commercial health insurance market.  
Data Source: Information obtained by the Utah Insurance Department as part of the 2003 Adoption Indemnity Survey.

## Data Collection

Data was collected from the sample using a survey and follow-up contacts (telephone calls and electronic mail). The survey asked for information about the 2001 and 2002 calendar year (January 1 to December 31). Data was requested for three topics: adoption indemnity benefits, maternity benefits for non-complicated vaginal deliveries, and maternity benefits for non-complicated cesarean deliveries. Follow-up contacts were made to verify the accuracy of the data.

*Adoption indemnity benefits.* Insurance companies were asked for a frequency count and total paid claims for the adoption indemnity benefit. Although the adoption benefit is currently set at a minimum of \$3,155 (see Adoption Indemnity Benefit, 2001), insurance companies may also pay the adoption benefit "pro rata"; that is, they may share the cost of an adoption as either the primary or secondary payer. Thus, not every paid benefit will be a flat \$3,155. Also, insurance companies can pay more than the minimum. As a result, the paid benefit may be more or less than \$3,155 depending on the situation.

*Maternity benefits.* To determine the cost of delivery, maternity benefits were defined as the combined cost of hospital, physician, laboratory, and anesthesia charges for each delivery. Newborn child costs were not included as these represent hospital and well baby care after the delivery, and therefore were considered to be in addition to the cost of the actual birth.

For each type of delivery (vaginal or cesarean), insurance companies were asked for a frequency count and total paid claims for hospital services, physician services, laboratory services, and anesthesia services, and all four services combined. Separating hospital, physician,

laboratory, and anesthesia costs provided a way to calculate average insurance costs for each service category.

*Coding.* Diagnosis Related Groups (DRG) codes and Current Procedural Terminology (CPT) codes were used to identify non-complicated deliveries, and to obtain frequency counts and total paid claims for hospital and physician services (American Medical Association, 1999; Health Care Financing Administration, 2000). Although it was recognized that some insurance companies might not use DRG codes, DRG codes provided a more effective form of operational definition than International Classification of Diseases (ICD-9) diagnosis codes (Practice Management Information Corporation, 2000). DRG codes, by definition, filter ICD-9 diagnosis codes into complicated or non-complicated deliveries. Previous research in Utah uses this methodology as well (Office of Health Care Statistics, 1999a; Office of Health Care Statistics, 1999b; Office of Health Care Statistics, 1999c). In addition, a preliminary survey of several insurance companies suggested that DRG codes would be more effective as their use would reduce the reporting requirements for most insurance companies. All of the insurance companies sampled were able to use the DRG and CPT codes as required for the survey.

Four medical codes were used to define and obtain data from insurance companies regarding delivery costs. For a non-complicated vaginal delivery, DRG 373 was used for hospital services and CPT 59400 was used for physician services. For a non-complicated cesarean delivery, DRG 371 was used for hospital services and CPT 59510 was used for physician services (American Medical Association, 1999; Health Care Financing Administration, 2000). The combination of these codes would select only non-complicated vaginal or cesarean deliveries with routine obstetric care.

Using these codes, insurance companies were asked to identify all maternity claims that were coded as a non-complicated vaginal delivery with routine obstetric care (DRG 373 and CPT 39400) or a non-complicated cesarean delivery with routine obstetric care (DRG 371 and CPT 59510). Then, using the identified maternity claims insurance companies were asked to report all of the paid claim activity for hospital, physician, laboratory, anesthesia, as well as total delivery charges for each type of delivery.

## Analysis

The data obtained from the survey was analyzed in three ways. First, sample characteristics were compared to state totals and averages. Second, the average insurance costs of adoptions and non-complicated deliveries were calculated from the sample data. Third, the impact of the adoption indemnity benefit on the comprehensive health insurance market was estimated.

## Results

Results of the analysis are reported below. Results are described for three areas: sample characteristics, average insurance costs, and impact analysis.

## Sample Characteristics

The commercial health insurance companies in the sample represent approximately 98 percent of the direct earned premium in the comprehensive health insurance market during 2001 and 2002. Insurance companies reported the number and insurance cost of adoptions and non-complicated deliveries. Four insurance companies (representing less than two percent of the market) were unable to track the adoption indemnity benefit in their systems, but were able to provide data on non-complicated deliveries.

As mentioned previously, the Utah State Court system tracks the number of finalized adoptions and the Utah Department of Health tracks the number of non-complicated deliveries in Utah. However, data on finalized adoptions was only available for the last four years. This data was used to estimate the prevalence of adoptions and non-complicated deliveries in Utah (see Table 5). These state averages were used as benchmarks for evaluating the sample data. An average was used rather than a year-to-year comparison because of the unexplained increase in the number of finalized adoptions during 2002.

**Table 5. Estimated Prevalence of Adoptions and Non-Complicated Deliveries in Utah**

Year	DRG 373/371:		Ratio of Adoptions to 100 Deliveries	Adoptions per 1,000 Persons	Deliveries per 1,000 Persons
	Finalized Adoptions	Non-complicated Deliveries Combined			
1999	1,003	36,712	2.73	0.47	17.16
2000	968	38,480	2.52	0.43	17.13
2001	1,029	39,021	2.64	0.45	17.00
2002	1,280	40,352	3.17	0.55	17.25
<b>Average</b>	<b>1,070</b>	<b>38,641</b>	<b>2.77</b>	<b>0.47</b>	<b>17.14</b>

Data Sources: Utah State Courts and Utah Department of Health.

The prevalence of adoptions and non-complicated deliveries was calculated separately for commercial health insurance companies and for the employer sponsored self-funded health benefit plans, as well as for the entire sample. These prevalence rates were compared to the state averages from Table 5. In 2001, commercial health insurance companies had rates of adoptions and non-complicated deliveries that were slightly lower than the state average. In contrast, the employer sponsored self-funded plans had a rate of adoption that was higher than the state average and a rate of non-complicated deliveries that was lower than the state average. The rates for the combined sample were slightly lower than the state average (see Table 6).

**Table 6. Number of Adoptions and Non-Complicated Deliveries during 2001**

	DRG 373/371:		Ratio of Adoptions to 100 Deliveries	Adoptions per 1,000 Member Years	Deliveries per 1,000 Member Years
	Finalized Adoptions	Non-complicated Deliveries Combined			
<b>Commercial</b>	352	13,592	2.59	0.41	15.97
<b>Self-Funded</b>	51	963	5.30	0.55	10.36
<b>Combined</b>	403	14,555	2.77	0.43	15.42
<b>State Average</b>	<b>1,070</b>	<b>38,641</b>	<b>2.77</b>	<b>0.47</b>	<b>17.14</b>

Data Sources: 2003 Adoption Indemnity Survey, Utah State Courts, and Utah Department of Health.

In 2002, the rates of adoptions and non-complicated deliveries for commercial health insurance companies were slightly lower than in 2001 and continued to be lower than the state average. In comparison, the rates of adoptions for employer sponsored self-funded plans increased significantly from 2001 and continued to be higher than the state average. However, the rate of non-complicated deliveries declined slightly from 2001 and continued to

be lower than the state average. The rates for the combined sample were slightly lower than 2001 and remained lower than the state average (see Table 7).

**Table 7. Number of Adoptions and Non-Complicated Deliveries during 2002**

	Finalized Adoptions	DRG 373/371: Non-complicated Deliveries Combined	Ratio of Adoptions to 100 Deliveries	Adoptions per 1,000 Member Years	Deliveries per 1,000 Member Years
Commercial	300	12,586	2.38	0.38	15.81
Self-Funded	56	861	6.50	0.66	10.07
Combined	356	13,447	2.65	0.40	15.25
<b>State Average</b>	1,070	38,641	2.77	0.47	17.14

Data Sources: 2003 Adoption Indemnity Survey, Utah State Courts, and Utah Department of Health.

The results suggest that the rates of adoptions and non-complicated deliveries for commercial health insurance companies are slightly lower than the state average, whereas the employer sponsored self-funded health benefit plans have rates of adoption that are higher than the state average and rates of non-complicated deliveries that are lower than the state average. The overall sample has rates of adoptions and non-complicated deliveries that are lower than the state average but are generally consistent with the pattern seen in the state average.

## Average Insurance Costs

Frequency counts and total paid claims were used to calculate average insurance costs for adoptions and non-complicated deliveries. Results for adoptions and non-complicated deliveries, organized by service type, are reported below. Table 8 reports the average insurance cost for adoptions (see Table 8). Tables 9 and 10 report the average insurance costs for hospital, physician, laboratory, anesthesia, as well as the total cost per delivery (see Table 9 and 10).

These averages were calculated using data from both the commercial health insurance companies and the employer sponsored self-funded health benefit plans.

*Adoptions.* The average insurance cost of an adoption was approximately \$3,065 during 2001 and approximately \$3,166 during 2002 (see Table 8). The level of the adoption indemnity benefit during this period was set at \$3,155.

**Table 8. Average Insurance Cost of Adoptions during 2001 and 2002**

Year	Adoptions	Cost Per Adoption
2001	403	\$3,065
2002	356	\$3,166

Data Source: 2003 Adoption Indemnity Survey

*Non-complicated deliveries.* During 2001, the average insurance cost of a delivery was \$3,379 for non-complicated vaginal deliveries, \$5,569 for non-complicated cesarean deliveries, and \$3,712 for non-complicated deliveries combined (see Table 9).

**Table 9. Average Insurance Cost of Non-Complicated Deliveries during 2001**

	DRG 373: Non-complicated Vaginal Deliveries		DRG 371: Non-complicated Cesarean Deliveries		DRG 373/371: Non-complicated Deliveries Combined	
	Count/ Dollars	Percent of Total Cost	Count/ Dollars	Percent of Total Cost	Count/ Dollars	Percent of Total Cost
<b>Deliveries</b>	12,344	-	2,211	-	14,555	-
<b>Hospital Cost</b>	\$1,784	53%	\$3,454	62%	\$2,038	55%
<b>Physician Cost</b>	\$1,226	36%	\$1,471	26%	\$1,263	34%
<b>Laboratory Cost</b>	\$26	1%	\$48	1%	\$29	1%
<b>Anesthesia Cost</b>	\$342	10%	\$596	11%	\$381	10%
<b>Total Cost</b>	<b>\$3,379</b>	<b>100%</b>	<b>\$5,569</b>	<b>100%</b>	<b>\$3,712</b>	<b>100%</b>

Data Source: 2003 Adoption Indemnity Survey

During 2002, the average insurance cost of a delivery was \$3,451 for non-complicated vaginal deliveries, \$5,446 for non-complicated cesarean deliveries, and \$3,786 for non-complicated deliveries combined (see Table 10).

**Table 10. Average Insurance Cost of Non-Complicated Deliveries during 2002**

	DRG 373: Non-complicated Vaginal Deliveries		DRG 371: Non-complicated Cesarean Deliveries		DRG 373/371: Non-complicated Deliveries Combined	
	Count/ Dollars	Percent of Total Cost	Count/ Dollars	Percent of Total Cost	Count/ Dollars	Percent of Total Cost
<b>Deliveries</b>	11,192	-	2,255	-	13,447	-
<b>Hospital Cost</b>	\$1,784	52%	\$3,411	63%	\$2,056	54%
<b>Physician Cost</b>	\$1,285	37%	\$1,493	27%	\$1,320	35%
<b>Laboratory Cost</b>	\$17	1%	\$32	1%	\$20	1%
<b>Anesthesia Cost</b>	\$365	11%	\$510	9%	\$390	10%
<b>Total Cost</b>	<b>\$3,451</b>	<b>100%</b>	<b>\$5,446</b>	<b>100%</b>	<b>\$3,786</b>	<b>100%</b>

Data Source: 2003 Adoption Indemnity Survey

## Impact Analysis

The study looked at two ways that the adoption indemnity benefit impacts Utah: population impact and financial impact. In the population impact analysis, the study estimates what percentage of Utah residents are affected by the adoption indemnity benefit. In the financial impact analysis, the study estimates how much the adoption indemnity benefit currently costs the comprehensive health insurance market and how much it would cost the market to increase the benefit. Each impact analysis was conducted using only data from commercial health insurance companies as employer sponsored health benefit plans are not subject to state insurance regulation and would not be directly affected by the adoption indemnity benefit. Impact analyses were conducted for both 2001 and 2002 data. However, only 2001 data results are presented here as this data was the most complete and the results are representative of both years.

*Population impact.* State insurance regulation affects only Utah residents that receive their health insurance coverage through commercial health insurance companies. In 2001,

approximately thirty-seven percent of Utah residents were covered by comprehensive health insurance plans purchased from commercial health insurance companies (Utah Insurance Department, 2002). Furthermore, the adoption indemnity benefit is further limited in scope in that it only applies to commercially insured residents with maternity coverage.

As shown in Table 5, there has been an average of 2.77 adoptions for every 100 non-complicated deliveries in Utah (see Table 5). Commercial health insurance companies appear to be experiencing a similar pattern (see Tables 6 and 7). As long as this pattern continues, the proportion of Utah residents who are affected by the adoption indemnity benefit every year will probably be less than one percent (see Table 11).

**Table 11. Estimated Population Impact of the Adoption Indemnity Benefit**

	State Totals	Percent of Utah Population	Predicted by Market Share	Percent of Utah Population	Commercial Sample Totals	Percent of Utah Population
<b>Finalized Adoptions</b>	1,029	0.05%	381	0.02%	352	0.02%
<b>Non-Complicated Deliveries</b>	39,021	1.70%	14,438	0.63%	13,592	0.59%
<b>Commercially Insured</b>	855,018	37.24%	855,018	37.24%	816,323	35.55%
<b>Utah Population</b>	2,295,971	100.00%	2,295,971	100.00%	2,295,971	100.00%

Note: All data is for the year 2001.

Source: Utah Insurance Department

*Financial impact.* Another important impact comes from any changes in the actual level the adoption indemnity benefit. Utah Code Annotated (U.C.A.) § 31A-22-610.1 requires the Utah Insurance Commissioner to set the adoption indemnity benefit by rule at a level that “takes into account the average insurance cost of a uncomplicated birth”. The current level was set by rule in 2001. The available data suggests that the average insurance cost of a non-complicated delivery has increased to \$3,786, or with rounding, \$3,800 during 2002.

Table 12 provides an impact model of the adoption indemnity benefit at its current level of \$3,155 and the net impact if the benefit were increased to \$3,800. Using data from 2001, the impact model suggests that the current level of the adoption indemnity benefit costs the comprehensive health insurance market approximately \$1.29 per member per year (or .10 percent of losses per member per year). Increasing the adoption indemnity benefit to \$3,800 would increase the cost to the comprehensive health insurance market by approximately 27 cents per member per year (or .02 percent of losses per member per year). Thus, the net the impact would be approximately a two-hundredths of a percent increase in losses per member per year (see Table 12). By comparison, Utah’s comprehensive health insurance market experienced an increase in total direct incurred losses per member year of 10.6 percent during 2001 (Utah Insurance Department, 2002). Similar results are also found if the impact model is applied to 2002 data (not shown here) or if the model assumes that utilization increases to the level of the state average.

**Table 12. Estimated Financial Impact of Increasing the Adoption Indemnity Benefit to \$3,800**

**PMPY Cost of Adoption Indemnity Benefit**

	Adoptions per 1,000 Member Years	Deliveries per 1,000 Member Years	Direct Earned Premium PMPY	Direct Paid Losses PMPY	\$3,155 Level	Percent of Losses PMPY	\$3,800 Level	Percent of Losses PMPY	Net Impact of Increase to \$3,800	Percent of Losses PMPY
<b>Commercial</b>	0.41	15.97	\$1,509	\$1,268	\$1.29	0.10%	\$1.56	0.12%	\$0.27	0.02%
<b>State Average</b>	0.47	17.14	-	-	\$1.48	0.12%	\$1.79	0.14%	\$0.31	0.02%

Note: All data is for the year 2001. PMPY means per member per year.  
Source: Utah Insurance Department

*Reasonableness of Increase.* Increasing the adoption indemnity benefit to \$3,800 is consistent with the projected increase in national health care costs. For example, if one projects the average insurance cost of a non-complicated delivery at the same rate of increase as the National Health Care Expenditures Projections, the projected cost for 2002 is about \$3,755 (similar to the average cost for 2002, \$3,786). Furthermore, this projection also suggests that the average insurance cost of a non-complicated delivery will likely increase to more than \$4,300 by 2004 (see Table 13).

**Table 13. Projected Growth in the Adoption Indemnity Benefit: 2000-2004**

	Projected Cost of Non-Complicated Delivery	Projected Rate of Increase
<b>2000</b>	\$3,155	-
<b>2001</b>	\$3,458	9.6%
<b>2002</b>	\$3,755	8.6%
<b>2003</b>	\$4,018	7.0%
<b>2004</b>	\$4,311	7.3%

Note: The table projects the rate of increase in the adoption indemnity benefit from 2000 to 2004. This projection assumes the average insurance cost of a non-complicated delivery will increase at a rate similar to the National Health Care Spending Expenditure Projections, 2001 to 2011.

Data Source: National Health Care Expenditures Projections: 2001-2011. Available at: <http://cms.hhs.gov/statistics/nhe/projections-2001/>

Given these assumptions, it would be reasonable to set the adoption indemnity benefit at \$3,800. However, this approach does introduce a slight delay between the available data and the actual increase in the average insurance cost of a non-complicated delivery. Another approach would be set to the adoption indemnity benefit at a level that would anticipate future cost increases, such as the mid-point of the forecasted increases between the 2002 data and the next adoption indemnity survey data in 2004. Based on the projections in Table 13, this approach would set the level of the adoption indemnity benefit at the level projected for 2003, which is approximately \$4,000. The financial impact would be slightly higher using this approach. Increasing the adoption indemnity benefit to \$4,000 would increase the cost to the comprehensive health insurance market by approximately 35 cents per member per year (or .03 percent of losses per member per year). Thus, the net impact would be approximately a three-hundredths of a percent increase in losses per member per year (see Table 14).

**Table 14. Estimated Financial Impact of Increasing the Adoption Indemnity Benefit to \$4,000**

<b>PMPY Cost of Adoption Indemnity Benefit</b>										
	Adoptions per 1,000 Member Years	Deliveries per 1,000 Member Years	Direct Earned Premium PMPY	Direct Paid Losses PMPY	\$3,155 Level	Percent of Losses PMPY	\$4,000 Level	Percent of Losses PMPY	Net Impact of Increase to \$3,800	Percent of Losses PMPY
<b>Commercial</b>	0.41	15.97	\$1,509	\$1,268	\$1.29	0.10%	\$1.64	0.13%	\$0.35	0.03%

<b>State Average</b>	0.47	17.14	-	-	\$1.48	0.12%	\$1.88	0.15%	\$0.40	0.03%
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Note: All data is for the year 2001. PMPY means per member per year.

Source: Utah Insurance Department

## Summary

The comprehensive health insurance market covers approximately one third of Utah's population. As a result, state insurance regulation only has a direct effect about one third of Utah residents. Adoption is an important event for a significant number of Utah families and approximately 1,070 adoptions are finalized in Utah district courts each year. Roughly one third of these adoptions are typically eligible for insurance coverage through the adoption indemnity benefit. At current utilization levels, less than one percent of Utah residents are likely to be directly affected by the adoption indemnity benefit each year.

Using data from 98 percent of the population affected by state insurance regulation, the available data suggests that the average insurance cost of a non-complicated delivery increased to approximately \$3,800 during 2002. Projections suggest that the average insurance cost of a non-complicated delivery is likely to increase to approximately \$4,000 during 2003.

The current adoption indemnity benefit is set by rule at \$3,155 and has a financial impact on the comprehensive health insurance market of approximately \$1.29 per member per year (or about one tenth of a percent of losses per member per year). Increasing the adoption indemnity benefit to \$3,800 would have a net impact on the comprehensive health insurance market of approximately 27 cents per member per year (or about two hundredths of a percent increase in losses per member per year). Increasing the adoption indemnity benefit to \$4,000 would have a net impact of approximately 35 cents per member per year (or about three hundredths of a percent increase in losses per member per year).

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