



Pension & Health Benefits Committee

Agenda Item 7a

March 16, 2021

Item Name: Competition Study & 2022 New Plans, Area Expansion, and Benefit Changes

Program: Health Benefits

Item Type: Action

Recommendation

The California Public Employees' Retirement System (CalPERS) team recommends moving forward with the following proposals that were approved at the November 2020 Pension & Health Benefits Committee (PHBC) meeting, contingent on the results of the CalPERS Basic Health Plan Competition Study:

- 1) Blue Shield's Access+ reentry into eight Bay Area counties (Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, Sonoma, and Solano),
- 2) Blue Shield Trio service area expansion into three counties (Orange, Santa Cruz, and Stanislaus), and
- 3) UnitedHealthcare's SignatureValue Harmony Basic HMO plan in five Southern California counties (Los Angeles, Orange, Riverside, San Bernardino, and San Diego).

Also, the CalPERS team recommends the approval of the Western Health Advantage Basic HMO service area expansion into Humboldt County beginning in plan year 2022, contingent on California Department of Managed Health Care (DMHC) regulatory approval.

Executive Summary

This agenda item provides an update on the following health plan proposals that were approved pending the results of the Competition Study, as well as an additional proposal from Western Health Advantage.

- Blue Shield Access+ reentry into eight Bay Area counties,
- Blue Shield Trio service area expansion into three counties,
- UnitedHealthcare's SignatureValue Harmony Basic HMO plan in five Southern California counties, and
- Western Health Advantage's proposed Basic HMO service area expansion into Humboldt County.

Based on the results of the CalPERS Basic Health Plan Competition Study, all of these proposed expansions will increase competition within the CalPERS insurance marketplace, putting downward price pressure on CalPERS health insurance premiums and positively impacting CalPERS members and employers.

Strategic Plan

This item supports CalPERS Health Care Affordability Strategic Goal: “Transform Health Care Purchasing and Delivery to Achieve Affordability”.

Background

CalPERS recognizes the need to provide affordable health plans for our members and maintain continuity of health care coverage as members age. Annually, CalPERS encourages our health plan partners to submit proposals for new health plans, coverage area changes, and benefit design changes that align with the CalPERS Health Care Affordability Strategic Goal. CalPERS considers proposals based on whether they increase access to affordable, high quality health care for our members.

In August 2020, CalPERS asked its insured health plans to submit proposals for any changes to existing plan products and new plan products (Basic and Medicare), providing CalPERS with applicable pricing, provider network and coverage area, and benefit design information for consideration. In November 2020, the CalPERS team presented these proposals for PHBC approval.

CalPERS partnered with Leemore Dafny and Robin Lee, both Professors at Harvard University and Academic Affiliates at Bates White Economic Consulting. The team built an economic model that predicts the impacts of Basic health plan expansion proposals on overall health plan premiums. This is done by predicting member migration among plans, competitive dynamics within geographic areas, and overall impacts on both particular regions and statewide.

Subscribers are expected to benefit from the expansion proposals. Specific proposed plan expansions are considered individually in the analysis below.

Analysis

The competition study provided an analysis from a three-stage model that includes subscriber health plan migration, a plan cost model and a premium and enrollment model under alternative plan offerings. Due to data limitations in the contribution amounts to the premium of public agencies, the analysis was only conducted for State employees. We nonetheless expect that the results will be similar for State and public agency employees. The model assumed a staggered risk assessment in 2022 and 2023 and predicts plan premiums and subscriber enrollment. The outcomes of the models also include an estimated utility value to subscribers resulting from the change in availability of plans and subscriber premiums for each proposal.

Below is a summary of each carrier’s proposal, analysis results, and CalPERS’ recommendations:

Blue Shield of California:

Access+ Basic Service Area Reentry into the Bay Area

Blue Shield is proposing that Access+ reenter eight of the nine Bay Area counties it exited in 2019. The eight counties proposed are: Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, Sonoma, and Solano. The plan did not propose to reenter Napa County.

The Bates White economic model suggests that Access+ reentry into the eight Bay Area counties could significantly increase price competition in the region.

The CalPERS team recommends moving forward with the approval of this proposal both because of the likelihood that it will cause downward price pressure in the Bay Area and because of the inherent value additional plan offerings afford for members.

Trio Basic Service Area Expansion

Blue Shield is proposing to expand its Trio plan into four counties: Monterey, Orange, Santa Cruz, and Stanislaus counties. Blue Shield's Trio service area for 2020 includes the counties of El Dorado, Los Angeles, Nevada, Placer, Sacramento, and Yolo. In 2021, Trio expanded into San Luis Obispo, Santa Barbara, and Ventura counties. Monterey county was already approved in November 2020 PHBC meeting contingent upon DMHC regulatory approval.

The Bates White economic model projects that the Trio expansion will create modest downward price pressure in each of these counties.

The team recommends moving forward with the approval of this proposal because of the value the additional HMO plan options provide for members.

UnitedHealthcare:

New SignatureValue Harmony Basic HMO

UnitedHealthcare is proposing its SignatureValue Harmony Basic HMO plan in five Southern California counties: Los Angeles, Orange, Riverside, San Bernardino, and San Diego. This new plan is projected to be one of the lowest HMO premiums in the five counties.

The Bates White economic model suggests that introducing United's SignatureValue Harmony HMO would create downward price pressure on the market in this area.

The CalPERS team recommends moving forward with the approval of this new plan.

Western Health Advantage:

Western Health Advantage Basic HMO

Western Health Advantage is an HMO plan currently available in the Sacramento area. The plan is proposing to expand to Humboldt County in the 2022 plan year, contingent on regulatory approval by the DMHC.

The Bate White economic model suggests that members in Humboldt County would benefit significantly from this expansion. The plan will be the first low-cost HMO plan available in the county and is expected to put significant downward price pressure on the market in Humboldt.

The CalPERS team recommends approval of this expansion.

Budget and Fiscal Impacts

All approved health plan, coverage area and benefit design changes will impact premiums and HMO contracts for the 2022 plan year.

Benefits and Risks

CalPERS recognizes the need for providing affordable health plans for our Basic members and maintaining continuity of health care coverage and care as members age. CalPERS is meeting stakeholder expectations by providing more health care options and expanding coverage areas where appropriate and cost-effective.

Attachments

Attachment 1 – Health plan competition study PowerPoint

Attachment 2 – Competition Study & 2022 New Plans, Area Expansion, and Benefit Changes PowerPoint

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