



Pension & Health Benefits Committee

Agenda Item 6a

June 15, 2021

Item Name: Preliminary 2022 Health Maintenance Organization and Preferred Provider Organization Plan Rates

Program: Health Benefits

Item Type: Information

Executive Summary

This agenda item provides an update on the Rate Development Process (RDP) and the 2022 preliminary proposed premiums for California Public Employees' Retirement System (CalPERS) health plans. The 2022 proposed premiums will continue to be negotiated and refined over the next month. Additionally, this agenda item outlines the next steps between now and July 2021 when the CalPERS Board of Administration (Board) is scheduled to approve the 2022 premiums.

Strategic Plan

This item supports the CalPERS 2017-2022 Strategic Goal "High-Quality Affordable Health Care."

Background

Pursuant to Government Code Section 22864(a), which requires that premiums shall reasonably reflect the cost of benefits provided, CalPERS engages each year in the RDP. The goal of the RDP is to ensure that CalPERS members receive high-quality health care at an aggressively negotiated price. The CalPERS rates team is comprised of individuals from the Health Plan Research and Administration Division, the Actuarial Office, and the Legal Office, as well as consulting actuaries. Additionally, pursuant to Government Code Section 22850, additions of new health plans are considered part of the RDP at the discretion of the Board.

2022 Rate Development Process Timeline

CalPERS began preparations for the 2022 RDP cycle in August 2020. CalPERS asked its contracted health plan carriers 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 areas, as well as benefit design information. In November 2020, the CalPERS team presented these proposals for Board approval. The Board approved several new plans or plan area expansions, but in a handful of cases did so provisionally, contingent upon a review using the results of a health plan competition analysis and economic model developed for CalPERS by Bates White Economic Consulting and Harvard Economics Professors Leemore Dafny and Robin Lee.

At the March 2021 Pension & Health Benefits Committee (PHBC) meeting, the CalPERS team provided an update on proposals that were approved pending the results of the Bates White economic model and recommended moving forward with these proposals.

Each carrier submitted its initial forecast for its 2022 plan rates to CalPERS in March 2021. Leading up to these submissions, CalPERS also developed its own preliminary rate for each plan using historical claims data and trends.

Following the March rates submission, the CalPERS team met with each plan carrier to discuss its data, assumptions, and models used to calculate initial rates.

The CalPERS rates team evaluates and negotiates rates by:

- Testing the plan carrier submissions for validity, reasonableness, and reliability using risk scores from the Health Care Decision Support System and financial data from the Health Care Fund;
- Considering and assessing additional information from existing and proposed plans as warranted; and,
- Comparing those results to the 2020 and initial 2021 self-funded and flex-funded experiences.

The 2022 preliminary proposed premiums presented at the June PHBC meeting are a culmination of CalPERS rates team's evaluations and negotiations of the health plan carriers' March and May rate submissions.

Between now and the July Board meeting, the CalPERS rates team will continue to verify that all rates reasonably reflect the cost of the benefits provided and present the 2022 premiums for Board approval at the July Board offsite.

2022 Program Updates

Risk Mitigation for Basic Health Maintenance Organization (HMO) Plans and Portfolio Rating for Basic Preferred Provider Organization (PPO) Plans

In November 2020, the Board approved a risk mitigation strategy for Basic HMO and PPO plans. The strategy will commence in 2022 with a two-year phase in. Risk mitigation will enable CalPERS to manage population health risk within the portfolio of Basic health plans, improve quality and affordability of health care, promote efficient care management, and mitigate year-over-year premium volatility and large premium increases. Furthermore, risk mitigation requires health plans to compete based on medical and administrative efficiency and quality of care rather than on a plan's ability to attract favorable risk.

In April 2021, CalPERS shared risk scores with the health plan carriers and stakeholders. The risk scores are also available on the CalPERS [website](#).

New Health Plans, Coverage Area Changes, and Benefit Design Changes

Below are the Board-approved carrier proposals for new health plan offerings, changes in coverage area or changes in benefit design for plan year 2022.

Anthem Blue Cross:

Anthem Medicare Preferred Service Area Expansion:

Anthem is expanding its Anthem Medicare Preferred service area into 21 counties (Alpine, Amador, Calaveras, Colusa, Del Norte, Inyo, Lake, Lassen, Mariposa, Modoc, Mono, Plumas, San Diego, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, and Yuba).

Anthem Medicare Preferred—New Supplemental Benefits

The following are new supplemental benefits offered in plan year 2022 for Anthem Medicare Preferred:

- 12 telephone nutritional counseling sessions
- 1 monthly shipment of recommended health non-perishable staples
- Non-emergency medical transportation to medical appointments, SilverSneakers locations, and pharmacy. Twelve one-way trips, up to 60 miles per trip, per year.

Blue Shield of California:

Access+ EPO Basic Service Area Expansion

Blue Shield is expanding its Access+ EPO service area into Lassen and Shasta counties.

Access+ Basic Service Area Re-entry into the Bay Area

Blue Shield is expanding its Access+ service area into - 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 re-enter Napa County.

Trio Basic Service Area Expansion:

Blue Shield is expanding its Trio service area to three counties: Orange, Santa Cruz, and Stanislaus counties. Monterey County is no longer included in the 2022 service area expansion proposal because of difficulty in provider negotiations.

Blue Shield Medicare Advantage—New Plan

Blue Shield is providing a nationwide Medicare Advantage plan with the following additional supplemental benefits:

- Quarterly \$80 over-the-county drug benefit
- Personal emergency response system
- Post-discharge meals
- 24 non-emergency medical transportation one-way trips

UnitedHealthcare:

SignatureValue Harmony Basic HMO—New Plan

UnitedHealthcare is providing its SignatureValue Harmony Basic HMO plan in five Southern California counties: Los Angeles, Orange, Riverside, San Bernardino, and San Diego.

UnitedHealthcare Edge—New Plan

UnitedHealthcare is providing a new Medicare plan in addition to their existing Medicare plan that is currently part of CalPERS Health Benefits Program. UnitedHealthcare Edge is a new nationwide plan with CalPERS self-funded OptumRx pharmacy benefit manager.

Western Health Advantage:

Western Health Advantage Basic HMO Service Area Expansion

Western Health Advantage is an HMO plan currently available in nine counties (Colusa, El Dorado, Marin, Napa, Placer, Sacramento, Solano, Sonoma, and Yolo). The plan is expanding to Humboldt County (contingent upon approval by the Department of Managed Health Care).

Western Health Advantage Medicare MyCare Select Medicare Advantage—New Plan

Western Health Advantage is offering a new Medicare Advantage plan with the same service area as their Basic plan with the exception of Humboldt County. The Western Health Advantage Medicare Advantage plan will not yet be available in Humboldt County.

PPO Basic and PPO Medicare Supplemental Plans:

PERS Platinum and PERS Gold PPO—New Plans

In November 2020, the Board approved replacing the current CalPERS PPO Basic and PPO Medicare Supplemental Plans (PERSCare, PERS Choice, and PERS Select) with the proposed PERS Platinum and PERS Gold plans. Benefit design changes will be considered in November 2021.

Plan Name	Changes for 2022
PERSCare	Transition to PERS Platinum. Retains the same 90/10 benefit design and network as PERSCare/PERS Choice.
PERS Choice	Transition to PERS Platinum. Offers a 90/10 benefit design and retains the network of PERSCare/PERS Choice.
PERS Select	Transition to PERS Gold. Retains the same 80/20 benefit design and network as PERS Select.
PERSCare Supplement to Medicare Plan	Transition to PERS Platinum Supplement to Medicare Plan. No changes to benefit design or network.
PERS Choice Supplement to Medicare Plan	Transition to PERS Platinum Supplement to Medicare Plan. No changes to benefit design or network.
PERS Select Supplement to Medicare Plan	Transition to PERS Gold Supplement to Medicare Plan. No change to benefit design or network.

Medicare Copay Changes

In November 2020, the Board approved the UnitedHealthcare Edge plan proposal which offered \$0 copays for many services, including \$0 copays for emergency room visits for plan year 2022.

CalPERS gave its existing health plan carriers an opportunity to propose changes to their Medicare copays for plan year 2022. Blue Shield Medicare PPO, Sharp Direct Advantage, and Western Health Advantage Medicare Advantage plans proposed \$0 copays for the same \$0 copay services offered by UnitedHealthcare Edge except for emergency room visits. Emergency room visits will remain unchanged at a \$50 copay per visit.

Individual Plan Information

Plan-specific information on 2022 preliminary proposed premiums will be presented and discussed in detail during the June 2021 PHBC meeting.

Budget and Fiscal Impacts

Overall, the proposed premiums for the 2022 plan year will marginally increase employee and employer health premium contributions. The actual increase or decrease depend on plan specific information.

For the State of California, the increase or decrease will be determined in accordance with Public Employees' Medical and Hospital Care Act provisions. For contracting agencies, the increase or decrease will be determined based on each agency's negotiated health premium contribution amount.

Benefits and Risks

The increasing cost of health care is a burden to CalPERS and our members. CalPERS, like many purchasers of health benefits, continues to face the challenge of adequately covering the cost of health care while remaining competitive. CalPERS aggressively works to keep costs and

premiums as low as possible and continues to pursue innovations that help to make high quality health care affordable to our employer partners and members.

Like last year, 2021 year brings new potential risks related to the continuing unknown medium and long-term impacts of the COVID-19 pandemic on the CalPERS Health Care Fund.

Attachments

Attachments 1a, 1b, 2a, 2b, and 3 will be provided under separate cover just prior to the PHBC meeting on June 15, 2021.

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