



Pension & Health Benefits Committee

Agenda Item 5b

November 15, 2022

Item Name: Health Benefits Program Proposals for the 2024 Plan Year

Program: Health Benefits

Item Type: Action

Recommendation

The California Public Employees' Retirement System (CalPERS) team recommends approving the following proposals in our Preferred Provider Organization (PPO) and Health Maintenance Organization (HMO) programs for the 2024 plan year:

- 1) Site of Care Member Incentive Program for Labs (PPO Basic Plans)
- 2) Pharmacy Mail-Order Opt-Out Program (HMO's using OptumRx Pharmacy Benefit and PPO Basic Plans)

Executive Summary

This agenda item provides a summary of the proposed 2024 benefit design changes, PPO program recommendations and future directions. The benefit design change proposals will be discussed during the November 2022 committee meeting with recommendations for action.

Strategic Plan

This item supports the CalPERS 2022-27 Strategic Goal: Ensure our members have access to equitable, high-quality, affordable health care.

Background

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 Program Strategic Plan. However, due to the HMO Health Plan re-procurement efforts underway for 2024-2028 and the possibility of new plan entrants in 2024, CalPERS is not able to solicit HMO proposals in our usual cadence. CalPERS will bring PPO proposals to PHBC for consideration in November 2022 and new HMO proposals forward as part of the Rate Development Process at the March 2023 PHBC meeting.

At the September 2022 PHBC meeting, the CalPERS team provided an update on the PPO Strategic Alignment project. The purpose of this work is to stabilize the Basic PPO program, short- and long-term, by addressing premium affordability, reducing year-over-year premium volatility, and maintaining and improving the quality of care. The CalPERS team provided the project overview and PPO background, data and analysis, and benefit design options. Longer-term recommendations and feedback will be incorporated in the solicitation for the new 2025-29 PPO third party administrator contract.

Analysis

CalPERS team members have conducted an extensive analysis of the current and historical health care cost and utilization trends in our PPO and HMO Basic plans and have reviewed benefit and network differences among plans. The CalPERS team also conducted research into benefit design, network design, and member navigation opportunities for our PPO members. The information below summarizes each proposal, analysis results, and CalPERS recommendations. In addition to recommendations for approval, the CalPERS team continues to develop programmatic changes to enhance member experience, improve quality of care, and address long-term affordability for our PPO plans.

Site of Care Member Incentive Program for Labs:

CalPERS analysis shows that there is significant variation in the cost of lab services for PPO members when compared with the unit cost of lab services in our HMO products. The CalPERS team proposes a site of care member incentive program for labs to decrease cost variation and improve affordability of lab services for members in our Basic PPO plans. This will contribute to improved long-term affordability of the PPO program.

The total projected savings for this program are approximately \$9 million annually, with approximately \$1.5 million of savings going back to members as co-insurance savings by reducing or eliminating member out-of-pocket expenses.

Pharmacy Mail-Order Opt-Out Program:

The CalPERS team proposes to modify the Pharmacy Home Delivery Program. This modification would guide Basic PPO and HMO members using the OptumRx pharmacy benefit to home delivery for their non-specialty medications with the ability to opt-out. Members who prefer to get their medications at the pharmacy can continue to do so at no increased cost. Estimated cost savings for this program are approximately \$5 million annually.

Anthem PPO Member Navigation and Engagement Program Modifications:

In addition to proposed benefit design changes that require PHBC approval, the CalPERS team continues to develop programmatic interventions in our PPO Basic plans related to member engagement, navigation, and complex care coordination. This includes an Oncology Medical Home Plus (OMH+) Program that supports providers in the delivery of high-quality, highly coordinated oncology care, a Centers of Excellence Program for Cardiac Care, and a specialty

pharmacy program expansion. Targeted programs such as these will engage our most complex and high-need members and help future high-risk members navigate their health care needs successfully. Furthermore, these program modifications will serve to inform the upcoming solicitation for the new 2025-29 PPO third party administrator contract.

Budget and Fiscal Impacts

If approved, the proposed benefit design changes will save approximately \$12.5 million annually to the CalPERS health program.

Benefits and Risks

Benefits

- Provide cost-effective services to our PPO members and incent the use of the appropriate site of care for labs
- Align our strategic goals of access, affordability equity and quality across the CalPERS health program
- Reduce premium increases in the PPO and HMO program

Risks

- Without approval, CalPERS will be unable to curb future premium increases

Materials

Attachment 1 – PowerPoint

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