



Pension & Health Benefits Committee

Agenda Item 5a

September 19, 2023

Item Name: Overview of Preferred Provider Organization (PPO) Solicitation

Program: Health Benefits

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Executive Summary

This agenda item provides the Pension & Health Benefits Committee (PHBC) with an update on the 2025-2029 Preferred Provider Organization (PPO) Health Plan Solicitation (Solicitation). The Solicitation seeks to implement new key strategies to ensure members have access to high-quality health care that is equitable and affordable. This agenda item provides an overview of the Solicitation's objectives, process, and activities. The agreement(s) will be for five years beginning January 1, 2025, and ending December 31, 2029.

Strategic Plan

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

Background

In 2022, CalPERS launched the PPO Strategic Alignment project to identify interventions and potential benefit design changes to address challenges facing the Basic PPO program. The goal of that project was to research and identify approaches to stabilize the Basic PPO program by addressing premium affordability, reducing year-over-year premium volatility, and maintaining and improving the quality of care. The PPO Strategic Alignment project served as the foundation for the Solicitation to ensure alignment with the strategic goals and the quality measures established in the recent Health Maintenance Organization (HMO) solicitation. CalPERS worked to implement short-term intervention strategies during the 2024 rate development process, while also leveraging this Solicitation to achieve long-term goals and objectives.

Analysis

CalPERS conducted nationwide market research on various large purchaser groups and Population Health Management (PHM) vendors to explore opportunities that would inform the Solicitation. The composition of the purchaser groups ranged in membership size, total health

spend, benefit design programs, and contracting health plans. Their successes and challenges were very informative to the Solicitation. The PHM vendors provided valuable insight on how entities outside of a typical PPO Third-Party Administrator (TPA) are able to provide member focused care including care navigation, member support services, behavioral health care, and virtual primary care, among other things.

Through our research and recent completion of the HMO Solicitation, CalPERS is seeking to implement changes to foster member choice based on value, quality, and cost-effectiveness through the PPO Solicitation.

Specifically, CalPERS is soliciting proposals from Firms that support and advance initiatives to develop a health care market in which payments reflect the effectiveness and efficiency of care, members have adequate and timely access to services, and plans proactively engage members through care navigation and member support services.

Another effort includes a focus on Population Health Management. Population health is a patient-centered approach that aims to improve physical and behavioral health outcomes, promote wellbeing, and reduce health inequalities across an entire population using data to drive decision making. It is meant to promote better health outcomes and cost-effective healthcare delivery for the members we serve.

Additionally, CalPERS continues to seek ways to improve the PPO network access in each of California's 58 counties through network design and virtual health innovation. We want to include a broad network that offers members substantial choice and offers virtual health services in hopes of extending access in rural areas. We're also considering alternative tiered network products to offer members lower out-of-pocket costs for choosing high-performance providers that consistently deliver both lower costs and higher quality through care that is patient-centered, evidence-based, appropriate, and coordinated.

Firms are required to provide and include the following:

- A broad statewide network for two plans, PERS Platinum and PERS Gold.
- All aspects of PPO administration under fully insured and self-funded financial models.
- Supplemental virtual primary care and virtual behavioral health services.
- Option to carve out a separate contract for PHM functions, to include high-intensity care management, navigation and consumer support services.

The Firms that meet the minimum qualifications will be required to submit initial proposals for self-funded TPA, fully insured carrier, and PHM services which include supplemental virtual primary care and behavioral health services in the October/November timeframe. CalPERS will then conduct Confidential Discussions with Firms. Firms will have an opportunity to update their proposals after Confidential Discussion for a final submission in January. Once the final submissions are evaluated, qualified firms may advance to Finalist Interviews and successful Firms will enter into Competitive Negotiations immediately after. In order for a Firm(s) to be awarded the CalPERS PPO contract, Firm(s) must come to an agreement in Competitive Negotiations. Additionally, Firm(s) will be required to participate in the 2025 Rate Development Process.

Benefits and Risks

Benefits include:

- CalPERS securing the most competitive pricing and strengthened financial contract terms
- Implementing innovative programs to better serve PPO members
- Aligning with new HMO quality measures
- Improving the sustainability of the PPO program

Risks:

- Increased costs associated with PHM services
- Member disruption with implementation of a potential new TPA
- Member abrasion due to potential network and benefit design changes

Attachments

Overview of Preferred Provider Organization (PPO) Solicitation PowerPoint

Rob Jarzombek
Chief, Health Plan Research & Administration Division

Don Moulds
Chief Health Director
Health Policy & Benefits Branch