



## Agenda Item 6a

June 18, 2013

**ITEM NAME:** Approval of 2014 Health Maintenance Organization Plans Benefits and Rates

**PROGRAM:** Health Benefits

**ITEM TYPE:** Action

### **RECOMMENDATION**

Staff recommends the Pension & Health Benefits Committee approve the proposed 2014 Health Maintenance Organization (HMO) premium rates for Anthem Blue Cross, Blue Shield of California, Health Net, Kaiser Permanente, Sharp, and United Healthcare, inclusive of the benefits changes as contained in this agenda item.

### **EXECUTIVE SUMMARY**

Proposed HMO premium rates for 2014 are provided in Attachments 1a and 1b. Attachment 2 provides the service area coverage for each 2014 HMO health plan.

### **BACKGROUND**

To improve its ability to deal with California's complicated and challenging health care marketplace and begin to lower costs and improve member health outcomes, CalPERS examined its benefit design and care delivery system. In order to maintain program sustainability and continue to provide quality affordable health care, in 2011 CalPERS initiated a comprehensive Health Benefits Purchasing Review (HBPR) to develop strategies and initiatives to implement over the next 3-5 years. This project was guided by the following principles:

- Maximize quality and value for the dollars spent
- Influence the marketplace in a positive direction in cost, quality and coverage
- Provide our members with choices of benefits and providers
- Improve patient safety
- Focus on wellness and prevention
- Deliver affordable quality care
- Protect our active employees' and retirees' coverage
- Lead with innovative delivery methods and promote technology advancements

In January 2012, the project culminated with a set of strategies and health benefits purchasing initiatives to pursue over three to five years aimed at influencing healthcare delivery through innovation, improving health outcomes, and delivering sustainable programs. A core element of implementation of the strategies was to embed them into the contracts that resulted from the HMO Request For Proposal (RFP).

Through the RFP, CalPERS focused on strategies and services that emphasized the following:

- Integrated Healthcare Model (IHM)
- Intensive Case Management
- Reduction in inappropriate health care, including readmissions and avoidable complications
- Risk adjustment across all plans
- Shared decision-making between patient and physician
- Incentives for chronic disease management
- Strong health information technology infrastructure
- Leverage the existing Pharmacy Benefits Manager (PBM) for pharmacy services
- Financial risk sharing arrangements between plans and providers

The HMO RFP was released in a two phased approach. Phase I was released on August 24, 2012, and Phase II on October 26, 2012. The procurement included the submission of written questions and responses, submission of Draft Proposals followed by Confidential Discussions with each Proposer, and the submission of Final Proposals. On February 22, 2013, HMO Final Proposals were received.

The Board of Administration made its final selection of the 2014 HMO health plans on April 17, 2013, and staff immediately began working with the plans on the rate development process. On May 1, 2013, initial premiums were submitted by Anthem Blue Cross (Anthem HMO Select, 21 counties covered, Anthem HMO Traditional, 37 counties covered), Blue Shield of California (Access+, 35 counties covered, NetValue, 28 counties covered), Health Net (Salud y Más, 6 counties covered, SmartCare, 5 counties covered), Kaiser Permanente (30 counties covered), Sharp (1 county covered), and United Healthcare (20 counties covered). They were reviewed by staff and continued negotiations took place with the plans.

The premiums submitted by the health plans include the benefit design changes described within this agenda, as well as, additional costs attributed to the Affordable Care Act.

## **ANALYSIS**

Due to differences in coding practices between HMO and PPO medical encounters, the HMO plans were only risk adjusted against each other for 2014. The purpose of risk adjustment is to reward (rather than penalize) health plans for developing programs that attract high risk individuals and for serving portions of the state that plans would otherwise try to avoid.

Compared to 2013, the net impact to premiums of current CalPERS HMOs is minor. For state members in new HMOs, the premiums of health plans operating exclusively in Southern California (Health Net and Sharp) have been raised, while the premiums for Anthem's traditional HMO network have been lowered, primarily due to the expansion of its service area to include Monterey County.

The following benefit design change is included in the 2014 premiums:

Sex Reassignment Surgery and Related Services for Gender Identity Disorder. Gender Identity Disorder (GID) is a formal diagnosis describing a person with gender dysphoria (discomfort with person's gender identity). GID is a serious medical condition recognized in the International Classification of Disease, Tenth Edition (ICD-10) and the Diagnostic and Statistical Manual of Mental Disorders, Fourth Edition (DSM-IV). Gender reassignment surgery is one procedure that is part of a process involving multiple medical, psychiatric, hormonal, and surgical methods performed in conjunction with each other to help a candidate achieve gender reassignment.

#### **BENEFITS/RISKS**

Staff recommend approval of the proposed HMO benefit and premiums so that work can begin on systems changes and member communications for the 2014 Open Enrollment period, and so that 2014 premiums can be communicated on a timely basis to the State's Department of Finance and our contracting public agencies.

#### **ATTACHMENTS**

Attachment 1a – State 2014 Health Premiums  
Attachment 1b – Contracting Agencies 2014 Health Premiums  
Attachment 2 – Service area maps for all the HMO plans

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DOUG P. McKEEVER, Chief  
Health Policy Research Division

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ANN BOYNTON  
Deputy Executive Officer  
Benefit Programs Policy and Planning