



Agenda Item 6b

June 18, 2013

ITEM NAME: Approval of 2014 Preferred Provider Organization Plans Rates

PROGRAM: Health Benefits

ITEM TYPE: Action

RECOMMENDATION

Staff recommends the Pension & Health Benefits Committee approve the proposed 2014 Preferred Provider Organization (PPO) rates for PersSelect, PersCare, and PersChoice, inclusive of the benefits changes as contained in this agenda item.

EXECUTIVE SUMMARY

Proposed PPO benefits and premium rates for 2014 are provided in Attachment 1a and 1b.

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 PPO 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 PPO RFP was released on October 12, 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 January 3, 2013, PPO Final Proposals were received.

The Board of Administration made their final selection of the 2014 PPO third-party administrator on March 20, 2013, and CalPERS staff immediately began working with actuaries from Mercer Human Resource Consulting, and actuarial and underwriting staff from Anthem Blue Cross, and CVS Caremark to develop the 2014 PPO health plan rates. 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 PPO 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.

The net impact was to raise premiums for the plan with a high proportion of low risk members (PERS Select), while reducing premiums for the plan with a high proportion of high risk members (PERSCare). The premiums for the three plans now reflect their differences in benefit design and provider network, rather than their ability to attract high (or low) risk individuals.

The following benefit design changes are included in the 2014 premiums:

1. 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.
2. Applied Behavioral Analysis (ABA) Therapy
ABA therapy is a type of "behavioral health treatment" that services to "develop or restore, to the maximum extent practicable, the functioning of an individual with pervasive developmental disorder or autism."
3. Dental Services for Cleft Lip/Palate
Senate Bill (SB) 630 of 2009 requires that California HMO plans cover "medically necessary dental or orthodontic services that are an integral part of reconstructive surgery" for cleft lip/palate. Specifically, SB 630 defines "cleft palate" for purposes of this bill as a condition that may include cleft palate, cleft lip, or related craniofacial anomalies. Although CalPERS PPO plans cover medically necessary treatments for cleft lip/palate, they exclude coverage for all dental services.
4. Specialty Preferred Drug Strategy (SPDS)
CVS Caremark's Specialty Preferred Drug Strategy encourages clinically appropriate prescribing at the lowest cost, without sacrificing clinical outcomes, by steering members to preferred drug use prior to non-preferred drug use. Each preferred specialty medication is selected after evaluating current prescribing patterns, cost considerations, and the product's clinical attributes. Clinical attributes include breadth of indications, ease of use, compliance, and outcomes-related data.

BENEFITS/RISKS

Staff recommend approval of the proposed PPO benefits 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.

Agenda Item 6b
Pension & Health Benefits Committee
June 18, 2013
Page 4 of 4

ATTACHMENTS

Attachment 1a – State 2014 Health Premiums

Attachment 1b – Contracting Agencies 2014 Health Premiums

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