



## Agenda Item 8

April 15, 2014

**ITEM NAME:** Health Plan Regions for Contracting Agencies Effective 2015

**PROGRAM:** Health Benefits

**ITEM TYPE:** Action

### **RECOMMENDATION**

At the Pension and Health Benefits Committee's (PHBC) request, staff recommends reviewing the three proposed county region assignments presented in March along with the additional proposals being presented today, and determine which to implement for 2015.

### **EXECUTIVE SUMMARY**

Staff will discuss analyses for the three alternatives the Committee requested at the February 2014 meeting and the alternative requested at the March 2014 meeting.

### **STRATEGIC PLAN**

This agenda item supports Goal A, Improve long-term pension and health benefit sustainability by ensuring high quality, accessible and affordable health benefits.

### **BACKGROUND**

At the February 2014, PHBC meeting, staff presented an analysis of health care costs by region for contracting agencies. The Committee directed staff to produce analyses for additional scenarios centered on the Sacramento region and its adjacent counties for consideration in March. The Committee also directed staff to incorporate an analysis of pricing regions into the Public Agency Health Benefits Needs Assessment. At the March meeting, the Committee moved the item to April and requested additional information.

Similar to the analyses presented in February and March, the following criteria were used in this analysis of county health care costs and region composition.

#### County relative cost factors

County relative costs were calculated from each county's health care costs, adjusted for risk (health status) to reflect the actual cost of health care. This adjustment maintains the relative cost patterns that exist due to geographic competition and service delivery efficiencies but without cost patterns due to health risk. Without risk adjusting county level plan costs, high cost claimants requiring higher levels of services would skew aggregated county level costs, especially in the counties with smaller populations.

#### Variation in costs over the past five years

To capture historic variation in county health care costs, staff calculated a five-year average cost factor for each county, with recent years weighted more heavily than older years.

#### Geography

People generally prefer regions composed of geographically contiguous counties for ease of administration and communication.

### **ANALYSIS**

Staff will verbally discuss the additional alternatives requested by the Committee:

- Alternative #1: Move the current Sacramento region counties (El Dorado, Placer, and Sacramento) to the current Bay Area region.
- Alternative #2: Move six counties (Amador, Nevada, San Joaquin, Sutter, Yolo, and Yuba) in the current Bay Area region to the current Sacramento region.
- Alternative #3: Move one county (Yolo) in the current Bay Area region to the current Sacramento region. Approximately 32% of Yolo County's PA members currently utilize providers in the Sacramento Region.
- Alternative #4: Move seven counties (Amador, Nevada, San Joaquin, Solano, Sutter, Yolo, and Yuba) in the current Bay Area region to the current Sacramento region.
- Alternative #5: Make no changes to the current region county composition.

On March 5, staff conducted a meeting, which was also webcast, to which employers, employer associations, and employee organizations in the current Bay Area and Sacramento regions were invited. The three alternatives were discussed and comments and feedback were solicited from those attending. Following is a synopsis of those comments:

- They would like the option to choose which plan they participate in, including the option to choose a nearby county.
- They would like to see the total number of members in the Bay Area and Sacramento counties (provided in March agenda item).
- Stakeholders in counties where members may see potential premium decreases were in favor of that alternative.
- Solano County wants to know why it is not in the Sacramento region.
- Several stakeholders commented that the current alternatives appear to arbitrarily group counties into regions without regard to health care costs.
- Several stakeholders expressed a preference for using the longer-term approach and changing the entire region structure at the same time.

## **BENEFITS/RISKS**

### 1. Benefits

- If Alternative #1 is adopted, the Bay Area region should experience lower premiums.
- Alternative #2 regions and county compositions better reflect recent geographic variance in health care costs compared to the current regions.
- If Alternative #2 is adopted, the lower-cost counties currently in the Bay Area region that move to the Sacramento region should experience lower premiums.
- If Alternative #3 is adopted, Yolo County should experience lower premiums.
- If Alternative #4 is adopted, the counties currently in the Bay Area should experience lower premiums.

### 2. Risks

- If Alternative #1 is adopted, the Sacramento region should experience higher premiums.
- If Alternative #2 is adopted, the Bay Area region should experience higher premiums.
- If Alternative #4 is adopted, the current Sacramento region counties should experience higher premiums.
- There are some California Public Employees Retirement System contracting agencies that may require modifications to existing labor contracts due to changes in region names.
- Potential increase in contracting agency calls to Contact Center.

## **BUDGET AND FISCAL IMPACTS**

Minimal (absorbed by existing staff/budget).

**ATTACHMENTS**

Attachment 1: Potential Change in Single Party Premium: Move Sacramento Region Counties to Bay Area Region (El Dorado, Placer, Sacramento)

Attachment 2: Potential Change in Single Party Premium: Move 6 Counties from Current Bay Area to Current Sacramento Region (Amador, Nevada, San Joaquin, Sutter, Yolo, Yuba)

Attachment 3: Potential Change in Single Party Premium: Move 1 County from Current Bay Area to Current Sacramento Region (Yolo)

Attachment 4: Potential Change in Single Party Premium: Move 7 Counties from Current Bay Area to Current Sacramento Region (Amador, Nevada, San Joaquin, Solano, Sutter, Yolo, Yuba)

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