



Agenda Item 10

June 17, 2014

ITEM NAME: Update on Health Benefits Purchasing Initiatives

PROGRAM: Health Benefits

ITEM TYPE: Information

EXECUTIVE SUMMARY

This informational item provides a status update on four of the 21 initiatives resulting from the Health Benefits Purchasing Review (HBPR):

- Medicare Exchanges
- Dependent Eligibility Verification
- Regulatory Flexibility for Public Agencies
- Wellness Platform

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

In January 2011, the CalPERS Board of Administration endorsed the HBPR project to develop three- to five-year strategies and initiatives to ensure the continuation and sustainability of the CalPERS Health Benefits Program. The HBPR project was launched in March 2011 to evaluate health plan benefit design and purchasing strategies in order to ensure that the CalPERS Health Benefits Program meets the future needs of members and employers. This year-long effort culminated at the January 2012 Board offsite, when the Board approved 21 Health Benefits Purchasing Initiatives (HBPI) related to health care delivery, improving health outcomes, and delivering sustainable programs (see Attachment 1).

ANALYSIS

The HBPI are organized around three main strategies with supporting initiatives, as outlined in Attachment 1:

- Influence Health Care Delivery
 - Innovate/Experiment
 - Strong Health IT infrastructure
- Improve Health Outcomes
 - Manage Disease
 - Promote Quality & Safety
 - Prevent Illness
- Deliver Sustainable Programs

- Encourage Competition
- Optimized Eligibility
- Flex for Growth

Of the 21 HBPR initiatives, four are complete; 14 are in process; one is not yet started; and two are not being pursued.

Medicare Exchanges

In the fall of 2012, HPRD staff recommended pursuing updated proposed regulations to provide the Board of Administration flexibility to offer Medicare Supplement health plans from the same or different carriers that provide basic coverage. The Board approved the recommendation and CalPERS adopted new regulations. As a possible option to address this initiative, staff investigated Medicare Exchanges (MEs), which included meeting with ME providers Extend Health (“OneExchange”) and Mercer (“myCustomHealth”), and learned the following.

- Medicare Exchanges are private companies that developed in the mid-2000s in response to employer pressures to address retiree health benefits.
 - MEs are not part of Affordable Care Act health care exchanges.
 - Costs are funded by employer/health benefits sponsor contributions, and are used to pay premiums and sometimes out-of-pocket costs if there is a surplus from the contribution after premiums are paid.
 - MEs offer individual plan enrollment vs. employer group plans.
 - They provide more cost and benefit options compared to employer group plans.
 - Premium costs can often be lower than group costs, due to participation in larger risk pools.
- MEs contract with employers/health benefit sponsors to administer health benefits to retirees age 65+, including:
 - Plan enrollment (medical and prescription drug)
 - Retiree Health Reimbursement Account (RHRA) management
 - Single-point customer service centers
 - Trained advisors to help navigate plan choice, enrollment
 - Claims and RHRA assistance
- Other characteristics of MEs
 - They can be single- or multiple-carrier exchanges.
 - They can offer Supplemental and/or Advantage Medicare plans.
 - They must offer standardized plan options (Medicare “alphabet” plans) because Medicare regulates the individual plan market

While MEs have features that could appeal to eligible members and to CalPERS, there are issues that may make them undesirable, as outlined below.

Limited “guaranteed issue”

During the one-time open enrollment period for the individual Medicare market, applicants have “guaranteed issue” rights. These rights mean that insurance companies cannot “underwrite” applicants or refuse to sell them a policy in the individual market (underwriting involves charging applicants different premiums based on age, gender or health status). For those turning 65, open enrollment is a seven-month period, beginning three months before the month they turn 65. For those over 65 who are already in an employer group Medicare plan, the open enrollment period is determined by the employer when they first contract with a Medicare Exchange.

After the open enrollment period, members who change carriers may be subject to underwriting, which can result in significantly higher premiums or a denial of coverage by that carrier. To avoid underwriting, members must remain with the carrier they are enrolled with at the end of open enrollment. Exceptions include if a carrier goes out of business, stops doing business in an area or stops offering a plan. The possibility of underwriting does not apply to changing benefit plans offered by the same carrier in the same exchange.

Currently, CalPERS Medicare members can change plans every year during open enrollment, so Medicare Exchange individual plans would represent a substantial diversion from the CalPERS employer group design. Our experience shows limited movement during open enrollment. Consequently, the actual impact to members might be minimal.

Equity concerns

A core feature of the Health Benefits Program is equity among member groups. Allowing Medicare-eligible members or a subset, such as out-of-state eligibles, to participate in a ME could give them advantages not available to members in CalPERS group plans. These advantages include wider plan choice, potentially lower premiums, and the possibility of using excess contribution funds to cover out-of-pocket costs (as is done with the RHRAs).

Extensive my|CalPERS system changes required

HPRD staff consulted with CalPERS Information Technology Services Division, who advised that extensive my|CalPERS system changes would be needed to accommodate participation in an ME. These changes mainly stem from the multitude of plans and benefit designs that would have to be programmed into the system, and that it would likely require data feeds from the ME provider, adding considerably to program and ME premium costs (if, in fact, an ME provider were willing to provide the data).

Also, because ME members would not be in CalPERS group plans that provide data to the Health Care Decision Support System (HCDSS – member claims data warehouse), CalPERS would not be able to obtain cost and utilization data on these

members from their health care claims without data sharing agreements with a multitude of plans. Additionally, it is possible plans would be unwilling to prepare a data feed for a small number of members. As a result, CalPERS would likely lose claims data information for members participating in a ME.

A careful analysis of the benefits and challenges is needed. We will review this issue for consideration again in 2016, and will keep the Board updated on our progress.

Dependent Eligibility Verification

The Dependent Eligibility Verification (DEV) project began in the summer of 2013 to verify the eligibility of currently enrolled dependents receiving CalPERS health benefits. Approximately 738,000 dependents are being verified through this process. Removing ineligible dependents from coverage will help CalPERS manage overall plan costs and promote the sustainability of health benefits.

The DEV project requires active and retired members to provide documentation supporting their dependents' eligibility for CalPERS health coverage. The project was implemented in two phases: amnesty and verification. A three-month amnesty period (March through June 2013) was offered to members to voluntarily disenroll any ineligible dependents. More than 6,700 dependents were voluntarily disenrolled during this period, resulting in more than \$41 million in savings to CalPERS and employers.

An independent company that specializes in verifying health plan eligibility was hired to conduct the verification phase of the project. Verification is being divided into nine cycles due to the large number of dependents to be verified. The verification phase began in July 2013, and will conclude in the spring of 2015. To date, we have concluded disenrollment activities for three verification cycles (two for State Actives and one for State Retirees) and have disenrolled more than 6,600 ineligible dependents, as highlighted in Attachment 2.

Over the coming weeks, we will finish up Cycle 4, the final cycle for State Retirees, and Cycle 5, the last State Actives cycle. Subsequent cycles will focus on Actives and Retirees of Public Agencies and School Districts.

Regulatory Flexibility for Public Agencies

In the spring of 2014, this effort was renamed the "Public Agency Health Benefits Design Needs Assessment" (PAHBDNA), and the scope was expanded to include a review of health plan regions for contracting agencies, and gather input regarding development of a statewide wellness/health management platform.

The objectives of PAHBDNA are to:

- Engage CalPERS employers, members, and member organizations in evaluating current health benefit design and legislative requirements, and determine how those align with employer and member needs

- Identify specific areas of need and/or concern pertaining to CalPERS health program and benefit design
- Determine how CalPERS can better serve the health benefit needs of members and employers
- Develop strategies and recommendations, as appropriate, to present to the CalPERS Board of Administration in December 2014.

For this project, it is critical for CalPERS to understand the views and experiences of employers and members relative to our Health Benefits Program. To facilitate these discussions, the Health Policy Research Division (HPRD) surveyed Public Employees Medical and Hospital Care Act (PEMHCA) employers, pension-only employers, and member organizations between January and February of 2014. HPRD also has hosted four focus groups to date (three for PEMHCA employers and one for member organizations) in March and April of 2014.

With input from our stakeholders, including the League of California Cities (LOCC), California State Association of Counties (CSAC), Service Employees International Union (SEIU), and the California School Employees' Association (CSEA), staff are planning additional focus group meetings for employers and member organizations in the coming months. In addition, CalPERS executives and HPRD leaders are taking every opportunity to meet and discuss the PAHBDNA project with external stakeholders, including attending meetings and conferences hosted by the LOCC, SEIU, and the California Professional Firefighters Association.

Wellness Platform

Staff have been making progress on the Wellness Platform initiative included in the HBPI. This initiative will utilize evidence-based programs with outcomes and measurements, with the goal of creating an independent, overarching health and wellness platform with flexible options that engage employers, members, and providers. So far, we began development of a Workforce Health Pilot, and surveyed and led discussions with wellness stakeholders. In the coming months, we will continue to evaluate existing wellness programs and approaches. Following is a summary of our efforts to date:

CalPERS – BART – Kaiser Permanente Workforce Health Pilot

Beginning in the summer of 2014, CalPERS will sponsor a worksite health and wellness pilot in collaboration with Bay Area Rapid Transit (BART) management and labor. CalPERS will utilize Kaiser Permanente as the onsite facilitator to implement the pilot, which will be available to all BART employees.

The pilot's goals and objectives include the creation and execution of a long-term strategy focused on total health and wellness that is both meaningful and enjoyable to participants. The Workforce Health strategy will provide options that meet BART's diverse employment types, such as shift work and varied job roles, and will engage

all BART facilities, including the yards. The strategy will leverage existing resources and benefits.

The approach for this pilot is similar to that of the ongoing State of California Healthier U Wellness Pilot, which includes close labor/management collaboration as a key element. Both of these pilots will demonstrate that comprehensive workplace wellness programs developed in partnership with labor and management are key to improving the health and wellness of workers.

Public Agency Wellness Needs Assessment and Outreach

The Public Agency Health Benefit Design Needs Assessment survey conducted in early 2014 contained questions designed to gauge employer interest in and determine current implementation of wellness programs. The majority of responding public agencies said they wanted CalPERS to sponsor a statewide wellness platform, and that they currently do not sponsor their own wellness/health management programs.

In the months following the survey, CalPERS conducted numerous focus groups at regional offices throughout the State. Attendees of these focus groups, which included representatives of labor associations and public agency employers, voiced an interest in a CalPERS-led statewide wellness platform. They communicated that they have the desire to implement wellness programs, but perhaps not the ability to do so independently.

Additionally, in March 2014, the CalPERS Health Plan Administration Division (HPAD) released a Request for Information (RFI) to all CalPERS contracting health plans seeking current information about wellness programs and pilots conducted over the past 24-months, as well as planned work in 2014 related to wellness and employer onsite wellness events. The health plan responses are currently being analyzed and evaluated and these responses will inform future deliverables for HPAD's Population Health Management and Wellness initiative.

CalPERS Wellness and the Potential for Employer Engagement

CalPERS currently relies on its six contracted health plans as well as its self-insured PPO products to promote and administer wellness programs for our members. Each plan offers a variety of unique services, and members may access the wellness services of the plan in which they are enrolled. The plans are responsible for promoting their wellness programs and utilize their own contracted providers, products, and services with minimal oversight from CalPERS. In plan year 2014, the health plans agreed to work with CalPERS, employers, and retiree groups to implement wellness programs for both active and retired employees and will work with employer groups to develop worksite wellness programs.

As CalPERS continues to compile and analyze input from health plans and employers and perform market research, CalPERS could choose to either continue to

allow the contracted health plans to implement their own distinct, branded programs or begin to develop a consistent, comprehensive wellness platform. The types of wellness interventions or programs that could be implemented are vast in number and scope.

BUDGET AND FISCAL IMPACTS

Not applicable

ATTACHMENTS

Attachment 1 – Health Benefits Purchasing Strategies & Initiatives

Attachment 2 – Dependent Eligibility Verification Project Update

Attachment 3 – Public Agency Health Benefits Design Needs Assessment Update

Attachment 4 – Wellness Platform Update

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