



Agenda Item 5a

June 17, 2014

ITEM NAME: Approval of 2015 Health Maintenance Organization Plans Benefits and Rates

PROGRAM: Health Benefits

ITEM TYPE: Action

RECOMMENDATION

Staff recommends the Pension & Health Benefits Committee approve the proposed 2015 Health Maintenance Organization (HMO) risk adjusted premium rates for Anthem Blue Cross, Blue Shield of California, Health Net, Kaiser Permanente, Sharp, and United Healthcare, inclusive of the benefit changes as contained in this agenda item.

EXECUTIVE SUMMARY

Proposed HMO benefits and premium rates for 2015 are provided in Attachments 1 and 2.

BACKGROUND

Anthem Blue Cross, Blue Shield of California, Health Net, Kaiser Permanente, Sharp, and United Healthcare submitted initial 2015 HMO rates in April 2014. CalPERS staff conducted an analysis of each rate proposal and met numerous times with each health plan to review its rate development methodology and underwriting documentation. Staff also used the Health Care Decision Support System (HCDSS) to validate and question each plan's utilization experience and projected trends.

CalPERS also employed Mercer Human Resource Consulting to provide independent health actuarial consultation and to conduct an independent assessment of each health plan's rate proposal, provide input on market trends, and assist staff in rate negotiations.

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

Blue Shield's NetValue plan is exiting from Humboldt county and removing Sharp from the network for 2015.

United Healthcare is expanding its service area to include San Joaquin and Solano counties.

Benefit Changes for 2015

The benefit changes for 2015 include the following:

- Blue Shield no longer requires the use of Centers of Excellence for knee/hip replacements
- Removal of Blue Shield's \$250 outpatient hospital copay for upper endoscopies, colonoscopies, cataract surgery, and knee injections
- Addition of Acupuncture and Chiropractic benefits
- Adoption of High Performance Generic Step Therapy (HPGST)
- Implementation of Affordable Care Act Maximum Out of Pocket (MOOP) requirements

Acupuncture and Chiropractic benefits

Plans that don't currently cover Acupuncture or Chiropractic services will provide 20 annual visits for (combined) acupuncture and chiropractic services, without regard to medical necessity, at the standard office visit copay level (\$15).

High Performance Generic Step Therapy (HPGST)

High Performance Generic Step Therapy encourages clinically appropriate prescribing at the lowest cost, without sacrificing clinical outcomes, by steering members to more cost effective first-line generics, and provides coverage for one preferred select brand in some classes. The preferred select brand is determined by clinical effectiveness based on FDA approved indications, lowest net cost and/or shortest remaining patent life. It is important to note that the targeted brands in HPGST have generic alternatives within therapeutic classes and the dispensing of generic alternative requires a new prescription from the prescriber.

Maximum Out of Pocket limits

For 2015, the Affordable Care Act (ACA) limits maximum out-of-pocket (MOOP) amounts for health plans to \$6,600/\$13,200 for individuals/families, for both medical and pharmacy benefits combined. The HMO plans currently have a \$1,500/\$3,000 MOOP for medical benefits, and no MOOP for pharmacy benefits. The addition of a \$5,100/\$10,200 MOOP for pharmacy benefits will allow our HMO plans to meet the law's requirement with no impact on premiums. This is a benefit enhancement for our members, who currently have no limit on the cost sharing they are subject to for pharmacy benefits.

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 2015 Open

Enrollment period, and so that 2015 premiums can be communicated on a timely basis to the State's Department of Finance and our contracting public agencies.

ATTACHMENTS

Attachment 1 – State 2015 Health Premiums

Attachment 2 – Contracting Agencies 2015 Health Premiums

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