



Agenda Item 5b

June 17, 2014

ITEM NAME: Approval of 2015 Preferred Provider Organization Plans Benefits and Rates

PROGRAM: Health Benefits

ITEM TYPE: Action

RECOMMENDATION

Staff recommends the Pension & Health Benefits Committee approve the proposed 2015 Preferred Provider Organization (PPO) rates for Anthem EPO, PersSelect, PersCare, and PersChoice, inclusive of the benefits changes as contained in this agenda item.

EXECUTIVE SUMMARY

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

BACKGROUND

CalPERS staff worked with actuaries from Mercer Human Resource Consulting, and actuarial and underwriting staff from Anthem Blue Cross, and CVS Caremark to develop the 2015 PPO health plan rates. The review examined current utilization and cost trends and the need to maintain appropriate reserves under the Risk Based Capital methodology.

ANALYSIS

Benefit Changes for 2015

The benefit changes for 2015 include the following:

- Adopting High Performance Generic Step Therapy (HPGST)
- Aligning Maximum Out of Pocket (MOOP) to Affordable Care Act requirements

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 PPO plans currently have no MOOP for medical or pharmacy benefits. The addition of a \$4,600/\$9,200 MOOP for medical benefits and \$2,000/\$4,000 for pharmacy benefits will allow the PPO plans to meet the law's requirement with no impact on premiums.

Like the HMO plans, the EPO plan currently has 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 the EPO plan 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 medical and pharmacy benefits.

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 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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CalPERS 2015 State Health Premiums PPOs' Only

June PHBC Proposed Premiums

| Basic | 2014 | | | 2015 | | | Percent Change (+/-) |
|--------------------|---------------|----------------|---------------|---------------|----------------|---------------|----------------------|
| | <i>Single</i> | <i>2-Party</i> | <i>Family</i> | <i>Single</i> | <i>2-Party</i> | <i>Family</i> | |
| Anthem EPO | \$670.36 | \$1,340.72 | \$1,742.94 | \$640.45 | \$1,280.90 | \$1,665.17 | -4.46% |
| PERS Choice | 643.53 | 1,287.06 | 1,673.18 | 640.45 | 1,280.90 | 1,665.17 | -0.48% |
| PERS Select | 594.95 | 1,189.90 | 1,546.87 | 618.22 | 1,236.44 | 1,607.37 | 3.91% |
| PERSCare | 698.73 | 1,397.46 | 1,816.70 | 718.93 | 1,437.86 | 1,869.22 | 2.89% |

| | |
|---|--------------|
| Total PPO Basic Change ^{a/} | 0.56% |
|---|--------------|

| Medicare | 2014 | | | 2015 | | | Percent Change (+/-) |
|--------------------|---------------|----------------|---------------|---------------|----------------|---------------|----------------------|
| | <i>Single</i> | <i>2-Party</i> | <i>Family</i> | <i>Single</i> | <i>2-Party</i> | <i>Family</i> | |
| PERS Choice | \$307.23 | \$614.46 | \$921.69 | \$339.47 | \$678.94 | \$1,018.41 | 10.49% |
| PERS Select | 307.23 | 614.46 | 921.69 | 339.47 | 678.94 | 1,018.41 | 10.49% |
| PERSCare | 327.36 | 654.72 | 982.08 | 368.76 | 737.52 | 1,106.28 | 12.65% |

| | |
|--|---------------|
| Total Medicare Change ^{a/} | 11.52% |
|--|---------------|

^{a/} Percent change is a weighted average difference between 2014 & 2015 premiums with January 2014 enrollment data.

**CalPERS 2015 Health Premiums - Regional
Contracting Agencies Only - PPOs Only
June PHBC Proposed Premiums**

| Basic | 2014 | | | 2015 | | | Percent Change (+/-) |
|--|---------------|----------------|---------------|---------------|----------------|---------------|-----------------------------|
| | <i>Single</i> | <i>2-Party</i> | <i>Family</i> | <i>Single</i> | <i>2-Party</i> | <i>Family</i> | |
| Basic Premium Rates - Bay Area | | | | | | | |
| <i>Alameda, Amador, Contra Costa, Marin, Napa, Nevada, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, Sutter, and Yuba</i> | | | | | | | |
| PERS Choice | \$690.77 | \$1,381.54 | \$1,796.00 | \$700.84 | \$1,401.68 | \$1,822.18 | 1.46% |
| PERS Select | 661.52 | 1,323.04 | 1,719.95 | 690.43 | 1,380.86 | 1,795.12 | 4.37% |
| PERSCare | 720.04 | 1,440.08 | 1,872.10 | 775.08 | 1,550.16 | 2,015.21 | 7.64% |
| Basic Premium Rates - Sacramento Area | | | | | | | |
| <i>El Dorado, Placer, Sacramento, and Yolo</i> | | | | | | | |
| PERS Choice | \$665.99 | \$1,331.98 | \$1,731.57 | \$679.26 | \$1,358.52 | \$1,766.08 | 1.99% |
| PERS Select | 637.85 | 1,275.70 | 1,658.41 | 669.16 | 1,338.32 | 1,739.82 | 4.91% |
| PERSCare | 694.26 | 1,388.52 | 1,805.08 | 751.21 | 1,502.42 | 1,953.15 | 8.20% |
| Basic Premium Rates - Los Angeles Area | | | | | | | |
| <i>Los Angeles, San Bernardino, and Ventura</i> | | | | | | | |
| PERS Choice | \$599.19 | \$1,198.38 | \$1,557.89 | \$585.18 | \$1,170.36 | \$1,521.47 | -2.34% |
| PERS Select | 573.83 | 1,147.66 | 1,491.96 | 576.49 | 1,152.98 | 1,498.87 | 0.46% |
| PERSCare | 624.59 | 1,249.18 | 1,623.93 | 647.11 | 1,294.22 | 1,682.49 | 3.61% |
| Basic Premium Rates - Other Southern California | | | | | | | |
| <i>Fresno, Imperial, Inyo, Kern, Kings, Madera, Riverside, Orange, San Diego, San Luis Obispo, Santa Barbara, and Tulare</i> | | | | | | | |
| PERS Choice | \$612.25 | \$1,224.50 | \$1,591.85 | \$594.40 | \$1,188.80 | \$1,545.44 | -2.92% |
| PERS Select | 586.32 | 1,172.64 | 1,524.43 | 585.58 | 1,171.16 | 1,522.51 | -0.13% |
| PERSCare | 638.22 | 1,276.44 | 1,659.37 | 657.32 | 1,314.64 | 1,709.03 | 2.99% |
| Basic Premium Rates - Other Northern California | | | | | | | |
| <i>Alpine, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Plumas, San Benito, Shasta, Sierra, Siskiyou, Stanislaus, Tehama, Trinity, and Tuolumne</i> | | | | | | | |
| Anthem EPO | \$767.36 | \$1,534.72 | \$1,995.14 | \$656.08 | \$1,312.16 | \$1,705.81 | -14.50% |
| PERS Choice | 641.08 | 1,282.16 | 1,666.81 | 656.08 | 1,312.16 | 1,705.81 | 2.34% |
| PERS Select | 613.99 | 1,227.98 | 1,596.37 | 646.35 | 1,292.70 | 1,680.51 | 5.27% |
| PERSCare | 668.27 | 1,336.54 | 1,737.50 | 725.54 | 1,451.08 | 1,886.40 | 8.57% |
| Basic Premium Rates - Out of State | | | | | | | |
| PERS Choice | \$706.40 | \$1,412.80 | \$1,836.64 | \$653.58 | \$1,307.16 | \$1,699.31 | -7.48% |
| PERSCare | 736.32 | 1,472.64 | 1,914.43 | 722.74 | 1,445.48 | 1,879.12 | -1.84% |
| Medicare | | | | | | | |
| Medicare | 2014 | | | 2015 | | | Percent Change (+/-) |
| | <i>Single</i> | <i>2-Party</i> | <i>Family</i> | <i>Single</i> | <i>2-Party</i> | <i>Family</i> | |
| Medicare Premium Rates - All Regions | | | | | | | |
| PERS Choice | \$307.23 | \$614.46 | \$921.69 | \$339.47 | \$678.94 | \$1,018.41 | 10.49% |
| PERS Select | 307.23 | 614.46 | 921.69 | 339.47 | 678.94 | 1,018.41 | 10.49% |
| PERSCare | 327.36 | 654.72 | 982.08 | 368.76 | 737.52 | 1,106.28 | 12.65% |