



## Agenda Item 10

February 18, 2015

**ITEM NAME:** Health Open Enrollment Results

**PROGRAM:** Health Benefits

**ITEM TYPE:** Information

### **EXECUTIVE SUMMARY**

This agenda item reports the movement of members into different health plans, based on the results of the 2014 open enrollment period. In total, 88,521 (6.34 percent) of the California Public Employees' Retirement System (CalPERS) Total Covered Lives (TCLs) changed plans. This represented an increase of 27 percent of transferring TCLs (18,959) from the prior year, resulting in \$34.7 million in net premium savings from members moving into lower cost health plans.

### **STRATEGIC PLAN**

This item supports Goal A: "Improve long-term pension and health benefit sustainability," by educating employers and stakeholders to make informed decisions about retirement security and health care. This information item summarizes the impact of member plan choices during the 2014 open enrollment period.

### **BACKGROUND**

Every year, CalPERS reports the results of open enrollment. This year's results show a trend of increased transfer rates compared to previous years. In 2012, we saw a transfer rate of 3.1 percent. That rate increased to 5.05 percent in 2013 and reached 6.34 percent in 2014. This increase in transfer rates is the result of one or more providers increasing their premiums in any given year (Kaiser in 2013 and Blue Shield in 2014). The increase in Medicare premiums did not cause a significant amount of transfers during this year's open enrollment (3% of all transfers).

### **ANALYSIS**

CalPERS measured the impact of the 2014 open enrollment period by comparing the number of members changing plans effective January 1, 2015, to the December 2014 enrollment counts. This comparison highlights changes due to open enrollment.

Kaiser had a net gain of 18,389 TCLs, with almost three-quarters of all transfers coming from Blue Shield plans.

Blue Shield Access+ membership had a net loss of 7,021 TCLs, with 26 percent of the transfers out going to Kaiser. The majority (over 70%) of Access+ transfers came from Blue Shield NetValue.

Blue Shield NetValue had a net loss of 45,883 TCLs. Of the transfers, the majority went to Kaiser (28%), Anthem Select (18%), United Healthcare (19%), and Sharp (11%).

PERS Choice gained 1,754 TCLs during open enrollment. The two biggest sources of the transfers came from PERS Select (37%) and Blue Shield NetValue (23%).

PERS Select's enrollment was reduced by 4,341 TCLs. The largest groups transferring out went to PERS Choice (49%) and Kaiser (18%).

PERSCare enrollment increased by 2,640 new TCLs. Nearly half of the transfers (49%) came from PERS Choice.

Anthem Select gained 11,961 new TCLs. Of these new members, over 84 percent moved from Blue Shield.

Anthem Traditional gained 2,152 new TCLs. Over 70 percent of these members came from Blue Shield plans.

Health Net gained 1,729 TCLs in Salud y Mas (92%) and SmartCare (8%).

Sharp gained 6,137 new TCLs, and over 95 percent were from Blue Shield plans.

United Healthcare gained 12,504 new TCLs. Eighty-four percent of their new members transferred from Blue Shield plans.

The number of members enrolled in an HMO health plan remained unchanged and members in a PPO plan increased by 0.22 percent.

The table below summarizes the net enrollment changes in each plan.

<b>Health Plan</b>	<b>Net Change</b>
Anthem HMO Select	11,961
Anthem HMO Traditional	2,152
BSC Access+	(7,021)
BSC NetValue	(45,883)
CAHP	(2)
CCPOA	(115)
Health Net Salud y Mas	1,599
Health Net SmartCare	130
Kaiser	18,389
PERS Choice	1,754
PERS Select	(4,341)
PERSCare	2,640
PORAC	(634)
Sharp	6,137
United Healthcare	12,504

### **Annual Net Premium Impact**

The estimated premium cost/savings is determined by comparing members' 2015 premium amount from their new plan with the 2014 premium amount from their old health plan, assuming no change in family size.

The estimated annual premium savings is \$34.7 million. This amount nets from a \$39.7 million savings from members moving into lower cost plans, and \$5.0 million in higher costs from members moving into more expensive health plans. Most of these savings came from members moving out of Blue Shield Access+ and Blue Shield NetValue into lower cost health plans.

### **Transfer Analysis**

To better understand the reasons people change health plans, we conducted a historical analysis of State basic subscribers from 2005 to 2014. About 3.5 percent of subscribers change plans in a typical year. However, this increases with the introduction of new plans or a substantial premium increase of a popular plan. Subscribers saved on average \$56 per month when switching plans, compared to staying in their previous plan. However, these subscribers could have saved \$122 per month had they chosen the least expensive plan available. Younger subscribers were more likely to switch plans, but employment income showed only a weak relationship. Noticeably, members that changed their coverage tier from the previous year were over 1.5 times more likely to change plans. Reported member satisfaction was strongly correlated with changing plans. Subscribers in the plans with the lowest member satisfaction were more likely to change plans than those in the highest member satisfaction plans. Finally, subscribers facing a premium increase of over \$100 per month were about 1.4 times more likely to switch plans than those facing a decrease in premium. Interestingly, subscribers facing a decrease were more likely to switch plans than those facing a moderate increase. The transfer analysis shows that a change in a health plan is correlated with a variety of member and health plan characteristics, and is not only a function of premium changes.

### **BUDGET AND FISCAL IMPACT**

The fiscal impact to CalPERS is negligible. There is cost savings to the State of California and the public agencies due to lower premiums and membership moving into those lower cost plans.

### **BENEFITS/RISKS**

There are no risks to CalPERS as a result of the changes members made.

### **ATTACHMENTS**

Attachment 1: "*All Total Covered Lives (TCLs) Transfers*" provides the count of member transfers in and out of health plans.

Attachment 2: "*Annual Premium Cost/Savings Report*" provides the premium cost savings due to 2014 Open Enrollment.

Attachment 3: "Cost, access and satisfaction: correlation of a CalPERS health plan subscriber changing health plans"

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