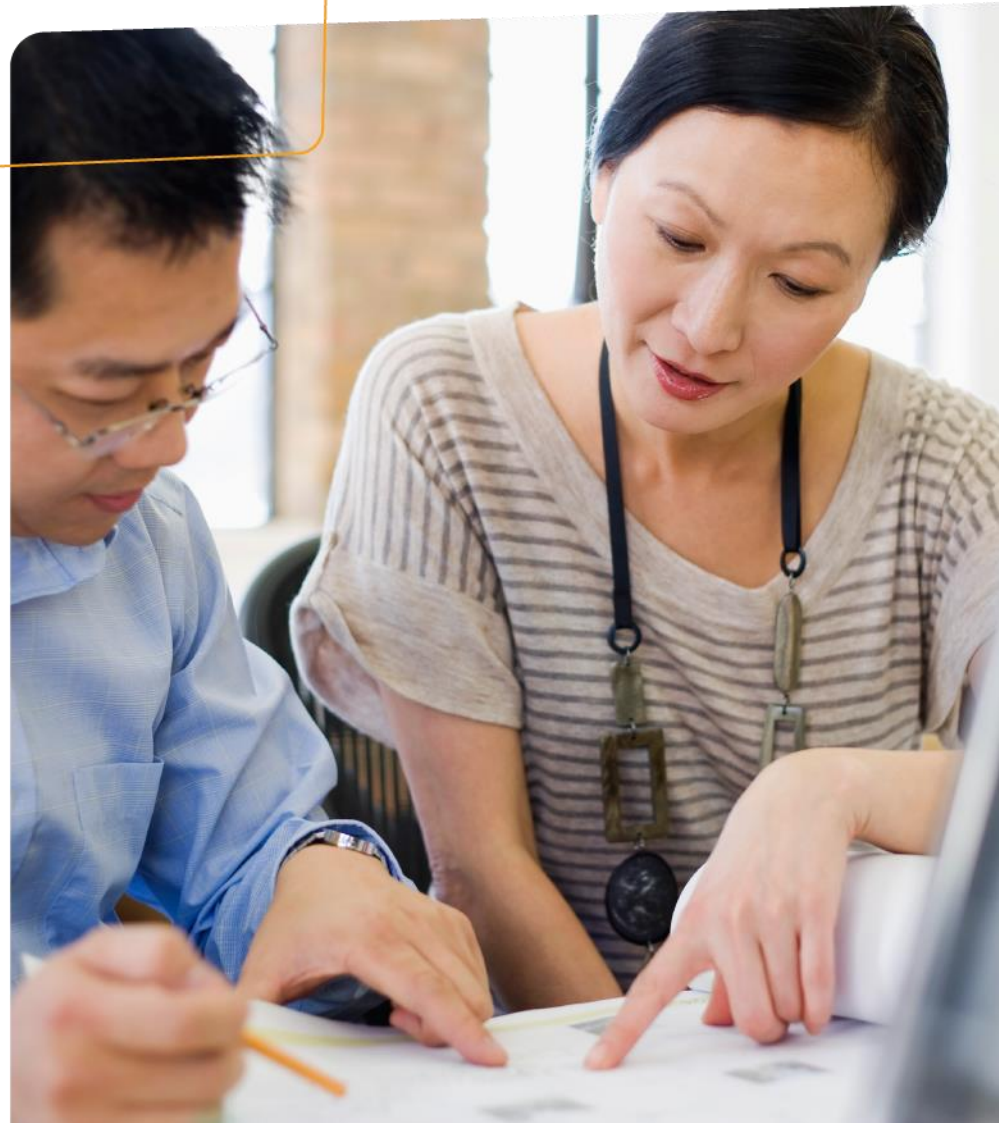


Anthem Blue Cross Select HMO



DMHC Requirements for participating in Select HMO Network

1. Financial Stability;
2. Geographic location in the counties and Anthem's best estimate of likely concentrations of projected enrollment, in order to address geographic accessibility concerns;
3. The availability of necessary specialists, and
4. Cost effectiveness based upon inpatient costs, outpatient costs, and pharmacy costs.

Current Select HMO Network Methodology

Selection Process and Criteria

- Establish a cut off threshold \$PMPM by county
- Medical Groups with total cost \$PMPM less than this cut off threshold are considered as cost effective medical groups and will be designated as “Select” Network
- Medical Groups with total cost \$PMPM more than this cut off threshold are designated as “Non-Select” Network

Current Select Network Summary

The criteria to determine the medical groups that are part of Anthem's Select HMO Network include:

- The medical group's financial stability
- Geographic location in the county served by the medical group and Anthem's estimate of likely concentrations of projected enrollment, in order to address geographic accessibility concerns
- Availability of necessary specialists
- Cost effectiveness based on inpatient costs, outpatient costs, and pharmacy costs.
- The target for the cost factor of Select HMO designation is less than a defined percentage of the county average for a medical group's total per member per month costs (i.e. professional cost, institutional cost (both inpatient and outpatient) and pharmacy costs).
- Providers for our Select HMO network are profiled annually and must meet minimum quality benchmarks.

Underwriting Considerations

- If CalPERS eliminated the Traditional HMO plan, there may be some adjustment to the Select HMO plan to account for the final demographic risk.
- There may also be some adjustment based on geographic distribution within each region.
- This would need to be evaluated based on actual enrollment.

Blue Shield of California

Background: CalPERS is receiving pressure from employers on the high cost of broad networks, specifically related to the Cadillac tax starting in 2018 and as such is looking for ways to address this issue. CalPERS expressed interest in Blue Shield eliminating the broad network, Access+ in certain high cost regions, specifically Bay Area, and Sacramento. CalPERS is also considering the elimination of Access+ in the LA region for 1/1/2016.

In preparation of the March Pension and Health Benefits Committee Meeting, CalPERS asked Blue Shield to outline implications associated with this request and to identify any filing or operational show-stoppers. This information will be shared in open session at the March PHBC meeting.

CalPERS Board Meeting 3/17/15

Implications of eliminating Access+ in the Bay Area, Sacramento and LA regions

1. Blue Shield Long-Term Strategy

- Blue Shield is committed to supporting CalPERS with both short- and long-term goals and has a comprehensive long-term strategy that is aimed at addressing the high cost of healthcare in California,
- The immediate need of addressing the Cadillac tax CalPERS public agencies and other employers are subject to paying in 2018 on high premium health insurance products is a part of and included in this long-term vision.
- Blue Shield's network strategy consists of a variety of both partnership and cost-effective broad network contracting. We are committed to drive organic growth via these partnership (IHM) networks, which will:
 - Offer a lower price and/or better benefits and reduced annual cost trends over time
 - Deliver measurably better clinical quality
 - Deliver a dramatically better patient experience
 - Be the catalyst for transforming healthcare in California

2. Regulatory/Filings

- Blue Shield has historically offered NetValue as a side-by-side offering
- In order for Blue Shield to meet the recent request from CalPERS to eliminate Access+ in the bay area, Sacramento and potentially the LA regions and only offer NetValue, there is significant work required with the Department of Managed Healthcare (DMHC)
- Specifically, Blue Shield will need to prepare and submit a new filing to the DMHC. The process is estimated to take a minimum 90 -120 days, which includes:
 - Network analysis, preparation and legal submission
 - DMHC review and response time
 - Several rounds of filing modifications based on DMHC feedback and comments

3. Access / Disruption

- Specialists: 74% of the specialists are in the NetValue network (26% of the Specialists are Access+ only)
 - Top counties by membership with higher %
 - Sacramento: 98% of the specialists are in NetValue
 - Fresno: 99% of the specialists are in NetValue
 - Top counties by membership with lower %
 - Los Angeles: 63%
 - Orange: 68%
- PCPs: 87% of the PCP are in the NetValue Network
 - Top counties by membership with higher %
 - Sacramento: 100% of the PCP are in NetValue
 - Fresno: 100% of the PCP are in NetValue
 - Top counties by membership with lower %
 - San Diego: 54%
 - Riverside: 60%
- This request by CALPERS will disrupt the existing membership in the current Blue Shield IHM arrangements, and may require Blue Shield to re-negotiate with the IHMs in the affected regions.

4. Pricing

- NetValue providers are paid the same whether they see Access+ or NetValue members, with a few exceptions.
- Access+ is approximately 7% more expensive than NetValue on a statewide basis due to Access+ members choosing to see more expensive providers.
- The additional \$50 in premium that CalPERS collects in 2015 for a single employee in Access + goes to pay for Access + providers who are more expensive than NetValue providers.

5. Operational

- CalPERS would need to remove the current broad network from the MyCalPERS system as well as zip code file changes.
- Both CalPERS and Blue Shield will experience higher call volumes from August through January due to open enrollment.
- This change would require detailed planning and significant system changes for Blue Shield

6. Open enrollment

- All marketing materials need to reflect network changes, including EOC's, SOB's, benefit matrices, as such all open enrollment materials need to be updated and approved by 7/1

- 90 day member notifications of provider termination required by 10/1
- Longer open enrollment and additional open enrollment activities will be required in the selected regions meaning additional resources for Blue Shield and CalPERS

7. Medical Management / Continuity of Care

If Access+ is eliminated in these regions, resulting in a Blue Shield member choosing to switch health plans, the continuity of case management (CM) and disease management (DM) will be disrupted since each health plan has its own CM/DM programs. On the other hand, there will be no impact to medical management programs for Blue Shield members who stay with Blue Shield and choose NetValue.

Potential disruption for Blue Shield members who select another health plan:

- Members will need to go through a re-identification and re-enrollment process for CM/DM with the new health plan which can be time consuming.
- The existing nurse-patient relationships, education and self-management materials will be disrupted and may have an impact on CalPERS population health management efforts and potentially increase CalPERS overall CoHC.
- Members in the middle of ongoing treatment may experience disruption in their continuity of care through the transition.

Below is an estimate of current CalPERS Access+ active participants in Blue Shield disease management or case management programs in the Bay area, Sacramento and LA regions. There are a total of 9,230 members.

Region	Disease management/Case management count *
Bay	3,857
La	3,277
Sac	2,096
Grand Total	9,230

*Access+ members only