



Agenda Item 9

May 19, 2015

ITEM NAME: Preliminary 2016 Health Benefit Plan Rates

PROGRAM: Health Benefits

ITEM TYPE: Information

EXECUTIVE SUMMARY

Preliminary health benefit plan rates for 2016 are provided in Attachments 1 and 2.

BACKGROUND

Anthem Blue Cross, Blue Shield of California, Health Net, Kaiser Permanente, Sharp, and UnitedHealthcare submitted initial 2016 health plan rates in April 2015. California Public Employees' Retirement System (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.

CalPERS also employs 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.

An aspect of the analysis and assessment used for setting rates for the upcoming 2016 plan year includes the review of prior year medical and pharmacy trends. This review provides insight into the potential costs for future years. In April, 2015 staff provided the CalPERS Health Care Cost Trends Report to the Pension & Health Benefits Committee (PHBC). The report provided the cost trends for CalPERS for the period of July 2013 through June 2014.

As the report noted, the trends driving costs during the reporting period included:

- Inpatient utilization (per 1,000) increased 0.5 percent from FY 12/13, and associated cost increased 4.9 percent; mainly inpatient facility costs
- Pharmacy utilization (per 1,000) decreased 0.1 percent, yet associated cost increased 9.6 percent
- Overall ("Total") PMPM costs rose 7.7 percent in FY 13/14

For context, pharmacy accounts for about 20 percent of health care costs in our Health Maintenance Organization (HMO) basic plans and about 27 percent of health care costs in our Preferred Provider Organization (PPO) basic plans.

The preliminary health plan rates submitted by the health plans include benefit design changes, program and expansion efforts, as well as, additional costs attributed to the Affordable Care Act.

ANALYSIS

The preliminary health plan rates include the following:

Anthem Blue Cross

- Welvie, an online tool that helps educate the member and place more power in their hands when it comes to minimizing unnecessary and inappropriate surgeries (Basic plan)
- Select expansion into San Diego county (Basic plan)
- Senior Secure expansion into Sacramento, San Diego, San Francisco, San Joaquin, Santa Clara and Yolo counties, eliminating the Medicare Preferred plan in these expansion counties (Medicare plan)

Blue Shield of California

- Welvie, an online tool that helps educate the member and place more power in their hands when it comes to minimizing unnecessary and inappropriate surgeries (Basic plan)
- Enhancing the Prescription (Rx) benefit with a 90-day supply option giving members the option to fill their prescriptions at selected retail pharmacies, when mail service by PrimeMail is not feasible or desired (Basic plan)
- Group Medicare Advantage (MA) Prescription Drug expansion into Yolo county

Health Net

- SmartCare expansion into Alameda, Contra Costa, Fresno, Kern, Kings, Napa, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, Tulare and Yolo; totaling 21 counties serviced (Basic plan)
- Seniority Plus MA expansion into Alameda, Contra Costa, Fresno, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma and Yolo (Medicare plan)

Kaiser

- Standardization of acupuncture/chiropractic benefits, \$15.00 co-pay with a combined 20 visits per year (Medicare plan)

Sharp

- Offering of a MA plan in San Diego

UnitedHealthcare

- United Alliance HMO and United Group MA expansion into San Diego county (Basic and Medicare plan)

PPOs

- Welvie, an online tool that helps educate the member and place more power in their hands when it comes to minimizing unnecessary and inappropriate surgeries (Basic plan)
- Extension of Castlight Pilot through December 2016
- Standardization of acupuncture/chiropractic benefits, \$15.00 co-pay with a combined 20 visits per year (PERS Select and PERS Choice Basic, and all three Medicare Supplemental plans, Choice/Care/Select)

All Medicare plan expansion proposals would only occur if the Board of Administration decides not to move forward with the change in Medicare Advantage administration, as discussed in Agenda Item 8.

Given these are only preliminary rates, staff continues to work with the health plans in preparation of presenting final rates to the PHBC in June for review and approval.

BENEFITS/RISKS

Not applicable

ATTACHMENTS

Attachment 1 – State 2016 preliminary health plan rates

Attachment 2 – Contracting agencies 2016 preliminary health plan rates

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