



Pension & Health Benefits Committee

California Public Employees' Retirement System

Agenda Item 7

June 16, 2015

ITEM NAME: Approval of 2016 Preferred Provider Organization Plans Benefits and Rates

PROGRAM: Health Benefits

ITEM TYPE: Action

RECOMMENDATION

Staff recommends the Pension & Health Benefits Committee approve the proposed 2016 Preferred Provider Organization (PPO) rates for Anthem Exclusive Provider Organization (EPO), PERS Select, PersCare, and PERS Choice as contained in this agenda item.

EXECUTIVE SUMMARY

Staff recommended proposed PPO benefits and premium rates for 2016 are provided in Attachments 1 and 2.

BACKGROUND

California Public Employees' Retirement System (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 2016 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.

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. For context, pharmacy accounts for about 27 percent of health care costs in our PPO basic plans, but accounts for a significant percentage of the overall rate increases as discussed in the Budget and Fiscal Impact section below.

ANALYSIS

The health plan rates include the following:

- 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)

BUDGET AND FISCAL IMPACTS

For the 2016 plan year, the proposed rates will increase the amount employees and employers contribute. For the State of California, the increase will be determined in accordance with Government Code section 22871 et seq, of The Public Employees' Medical and Hospital Care Act.

For contracting agencies, the increase will be determined based on each agencies negotiated contribution amount.

Finally, for the 2016 plan year, pharmacy trends and projected costs contributed significantly to the overall rates. As a percentage of the overall rate increases for both the HMO and PPO, about 45 percent is attributed to pharmacy. The balance is attributed to medical expenses, Affordable Care Act fees, and administrative fees. As an example of the pharmacy costs driving our health plan costs to date, the following provides a list of the top 10 drugs and how much CalPERS paid for these drugs in 2014 for CVS:

CVS Administered Plans - Total Spend \$704,774,972 (of which \$129,545,116, or 18 percent, was attributable to top 10 drugs)

Product Name	Paid
Nexium	\$26,027,501
Sovaldi	\$16,124,786
Crestor	\$14,613,891
Humira Pen	\$12,085,623
Advair Diskus	\$11,681,946
Abilify	\$11,348,309
Duloxetine HCL	\$9,808,941
Revlimid	\$9,803,880
Enbrel Sureclick	\$9,357,852
Januvia	\$8,692,387

BENEFITS/RISKS

Staff recommend approval of the proposed PPO benefits and premiums so that work can begin on system changes and member communications for the 2016 Open Enrollment period, and 2016 premiums can be communicated on a timely basis to the State's Department of Finance and our contracting public agencies.

ATTACHMENTS

Attachment 1 – State 2016 Health Premiums

Attachment 2 – Contracting Agencies 2016 Health Premiums

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