



Pension & Health Benefits Committee

California Public Employees' Retirement System

Agenda Item 10

December 15, 2015

ITEM NAME: Process for Health Carriers Interested in Joining CalPERS

PROGRAM: Health Benefits

ITEM TYPE: Information

EXECUTIVE SUMMARY

This agenda item provides information to the Pension & Health Benefits Committee (PHBC) on the process that the California Public Employees' Retirement System (CalPERS) would use when considering adding new flex-funded Health Maintenance Organization (HMO) health plans for CalPERS health benefit offerings.

STRATEGIC PLAN

This item supports Strategic Goal Plan A "Improve long-term pension and health benefit sustainability."

BACKGROUND

The health plan procurement process is consistent with Government Code Section 22850(a) whereby the Board of Administration (Board) may, without compliance with any provision of law relating to competitive bidding, enter into contracts with carriers offering health benefit plans or with entities offering services relating to the administration of health benefit plans. In the spirit of aligning with Public Contract Code section 6611, CalPERS undergoes a competitive solicitation process to identify top health plan proposals, secure agreement by proposers to contractual terms, and provide best and final offers for Board consideration. In 2012-2013, CalPERS used a competitive bidding process to award flex-funded HMO contracts for 2014-2018 to Anthem, Blue Shield, Health Net, Sharp Health Plan and United Health Care which increased competition among the health plans and provided more choices to CalPERS members.

ANALYSIS

The objectives of CalPERS health plan procurements are to implement key strategies that would influence healthcare delivery through innovation, improve our members' health outcomes by managing disease, promote quality, safety, and wellness, while supporting a strong health information technology infrastructure. Through the procurement effort, CalPERS expects to positively influence the health care market, slow cost trends, and ensure that quality care across the continuum will be delivered based upon evidence and outcomes.

To be considered as a CalPERS health benefit offering, health carriers interested in joining CalPERS prior to the expiration date of the current HMO contracts would be required to participate in the same solicitation process established for adding plans in 2014, which included, but was not limited to the following components:

- **Minimum Qualifications**

Proposers must submit evidence of meeting CalPERS minimum qualifications in order to be considered for continuation in the solicitation process. The minimum qualifications are based on book of business requirements as established by CalPERS e.g., eligibility and enrollment processing, claims management, customer service, network management, etc.

- **Technical Requirements**

The established technical requirements are set to determine a firm's ability to demonstrate their capabilities and technical understanding of the required services needed to operationally support CalPERS and its plan members, ability to commitment and manage resources promoting seamless/cross-functional support in providing medical services as prescribed in the proposed contract and its related exhibits. The Technical requirements include the Business Questionnaire, Technical Questionnaire and Technical Questionnaire Supplements for Medical and Pharmacy Services. The questionnaires are tools that allow CalPERS to objectively evaluate and score a health plans based on capabilities and marketplace competitiveness.

- **Financial Requirements**

The Financial proposals are evaluated and scored based on: 1) provider network discounts; 2) capitation arrangements; 3) administrative services fees; and, 4) performance measures.

CalPERS uses this information to evaluate and score health plans based on their ability to meet CalPERS contract requirements, technical requirements, as well as, additional requirements, including, but not limited to the following:

- Evidence Based Medicine
- Patient Centered Care
- Value-Based Purchasing Design/Centers of Excellence
- Electronic Health Records
- Integrated Health Care Model (IHM)
- Performance Measures

- **Evaluation and Scoring**

Each Final Technical Proposal and Financial Proposal is evaluated based on the responsiveness to CalPERS requirements. Each of the above mentioned questionnaires are assigned points whereby a single overall score for each dimension within the questionnaires is reached by consensus of the evaluation

team. Cumulative results for Proposers are presented to the PHBC for consideration.

- **On-Site Visits**

As part of the Proposal evaluation and selection process, evaluation team members conduct On-Site Visits. Proposers are notified, in advance, of the specific date, time, and format for the On-Site Visit, including any specific demonstrations and information the evaluation team requests.

The current HMO contracts are established for five years. If the Board wishes to exercise its discretion to add additional plans prior to the end of the 2014-2018 contracts, these plans will be subjected to the same process that was used in 2012-2013, as well as, they must provide agreement to all CalPERS contractual terms and conditions prior to finalizing the annual rate-setting process.

BUDGET AND FISCAL IMPACTS

Not Applicable

BENEFITS/RISKS

Not Applicable

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