



Pension and Health Benefits Committee Agenda Item 6

June 14, 2016

Item Name: Approval of 2017 Preferred Provider Organization Plan Rates

Program: Health Benefits

Item Type: Action

Recommendation

Staff recommends the Pension and Health Benefits Committee (PHBC) approve the proposed 2017 rates for the Anthem Exclusive Provider Organization (EPO), PERS Choice, PERS Select, and PERSCare Preferred Provider Organization (PPO) health plans as contained in this agenda item.

Executive Summary

This agenda item provides the PHBC the proposed 2017 Basic and Medicare premiums for Anthem EPO and the California Public Employees' Retirements System (CalPERS) PPO health plans

Strategic Plan

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

Background

Anthem Blue Cross and CVS Caremark submitted initial 2017 medical and pharmacy rate information earlier this year. Since then, CalPERS has rigorously analyzed and verified these submissions against claims data available to CalPERS in order to arrive at the rates being presented today. These rates take into account current utilization, cost trends and the need to maintain appropriate reserves under the Risk Based Capital (RBC) methodology. In looking at these factors, we have determined that in recent years pharmacy costs have accounted for a significant amount of the overall rate increases for Anthem's EPO and CalPERS PPO health plans. With the selection of OptumRx as the Pharmacy Benefit Manager (PBM) for these plans beginning in 2017, we expect this pharmacy trend to moderate.

Benefit Clarifications and Changes for 2017

The benefit changes for 2017 include the following:

Castlight: Castlight is an online health care price transparency tool available to members enrolled in CalPERS Basic PPO plans. Staff recommends continuation of Castlight tool for the CalPERS Basic PPO plans.

Welvie: Welvie is an online tool that helps educate members on unnecessary and inappropriate surgeries. Staff recommends continuation of the Welvie program for the CalPERS Basic PPO Plans.

Budget and Fiscal Impacts

For the 2017 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 agency's negotiated contribution amount.

Benefits and Risks

Staff recommends approval of the proposed EPO and PPO benefit and premiums so that work can begin on systems changes and member communications for the 2017 Open Enrollment period, and so that 2017 premiums can be communicated on a timely basis to the State's Department of Finance and contracting agencies.

Attachments

Attachment 1 – 2017 State Health Premiums

Attachment 2 – 2017 Contracting Agencies Health Premiums

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