

Value-Based Insurance Design Potential CalPERS Strategies

January 18, 2017



CalPERS

Board of Administration and Executive Offsite
JANUARY 2017

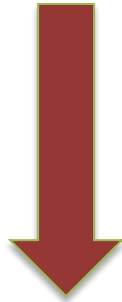
Agenda

- Goals of Value-Based Insurance Design (VBID)
- CalPERS Value-Based Initiatives
- Common VBID Implementation Strategies
- CalPERS VBID Strategies
 - Including Rx Value Based Contracting (VBC)
- Recommendations and Timeline

Goals of VBID



Increase the use of high value services



Reduce the use of low value services

Results: Improved member health and decreased costs.

CalPERS Value-Based Initiatives

A long-standing history with Value-Based Initiatives:

- Maturing Population Health and Integrated Health Models (IHMs)
- Value-based purchasing design at preferred sites of care
- Cost share savings for colonoscopies performed at ASCs
- Robust utilization management for medical and pharmacy services
- U.S. Preventive Services Task Force A and B list with no cost share

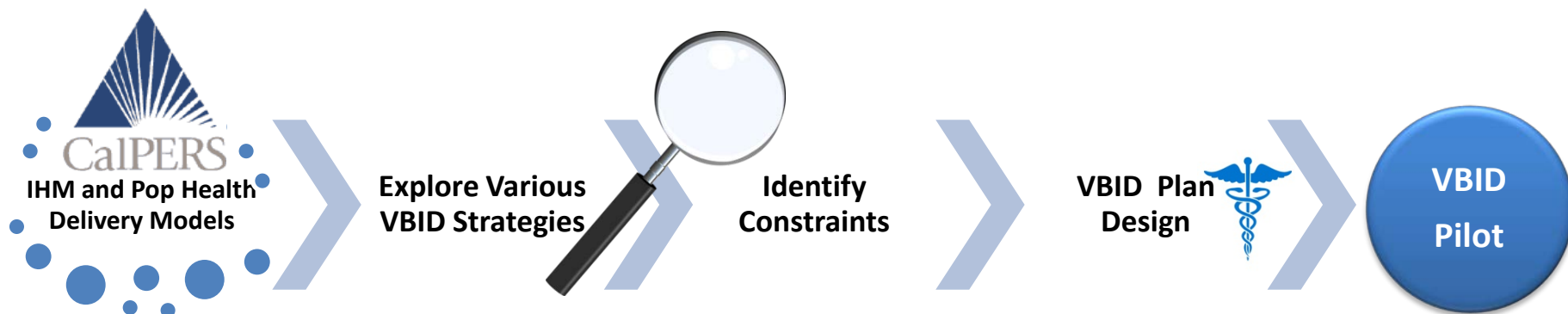


CalPERS Value-Based Initiatives (continued)

- Reference pricing: hip and knee, cataract, and arthroscopy surgeries
- Centers of Excellence: transplants, bariatric surgery, cardiac care
- Member pays the difference for non-preferred brands
- Low-cost generics and discounted brand name options
- High Performance Generic Step Therapy



Adding VBID to the CalPERS Plan Design



- Standardized Integrated Care and Population Health Delivery Models for HMO Health Plans
- Attribution model and Enhanced Personal Care for PPO plans
- Cost-share incentives for high value prescription drugs, value based purchasing, Centers of Excellence, Sites of Care alignment, etc.

Common VBID Implementation Strategies

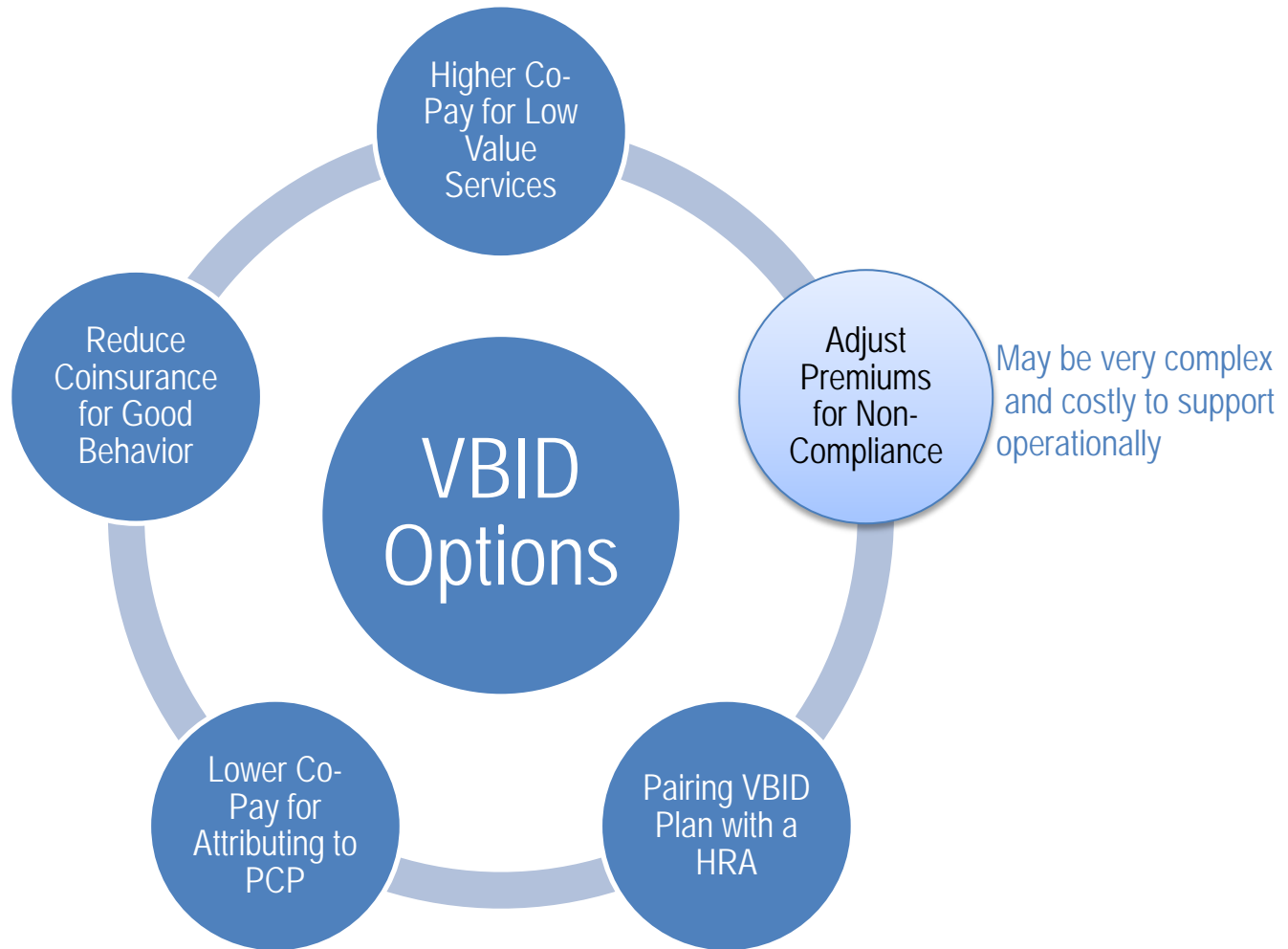
Reduce barriers to health care access and coordination of care.

Increase health risk assessment, screening and wellness programs.

Increase adherence to medications for members with chronic conditions.

Reduce use of low value services.

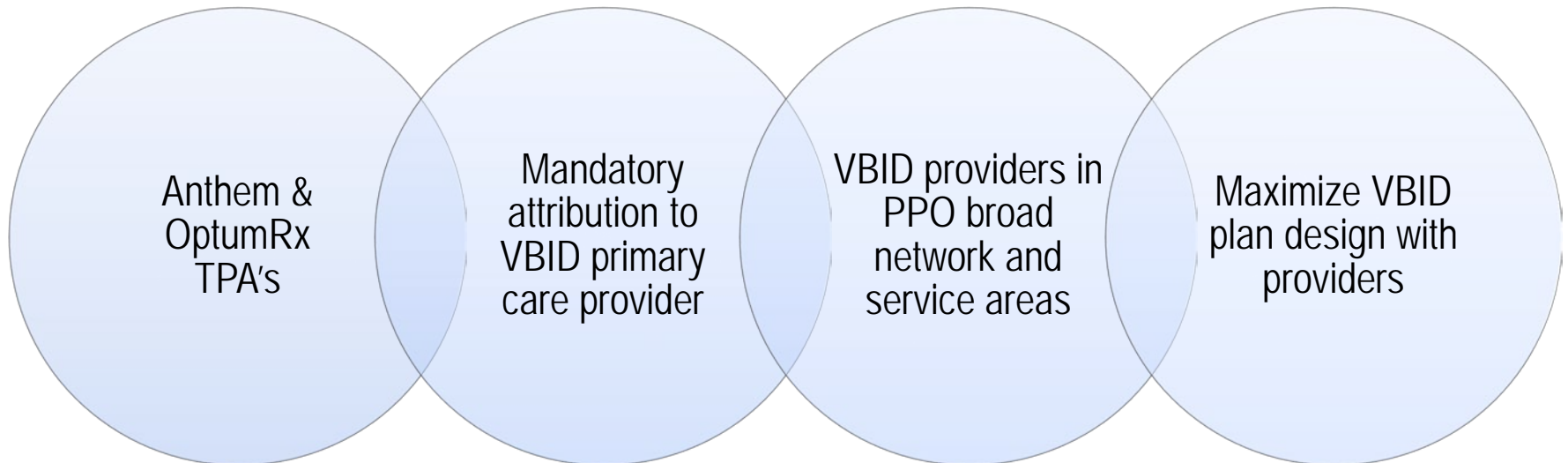
CaIPERS VBID Strategies



Vary Benefit Design and Cost Share Based on High/Low Value Care Models

Include VBID in redesigned PERS Select or new PPO plan

- Add higher deductible and cost share to reduce low value care
- Reduce deductible and adjust co-pays for high-value services



Partnership Opportunities for Pharmaceutical

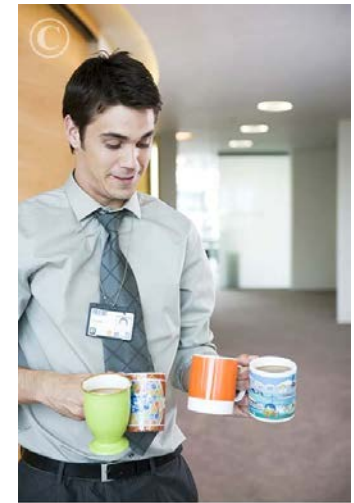
- Exclusions for products that cross certain price increase thresholds (including generic inflation)
- Incent use of BriovaLive for specialty pharmacy adherence
- Pilot Value Based Contracting



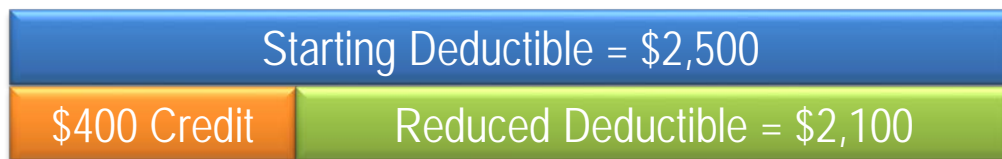
Good Behavior Reduces Deductibles: VBID Example

Andy enrolls in lower premium VBID plan, is assigned a Primary Care doctor and only pays a \$5 co-pay.

- Andy..
- 1) Completes a Health Risk Assessment
 - 2) Gets a Flu Shot
 - 3) Certifies that he is a non-smoker, and
 - 4) Becomes a Health Action Certified Member



Andy's deductible is reduced ~16% (\$400)



Andy's employer could offer a Health Reimbursement Arrangement (HRA) to cover eligible medical expenses.

Plan details located in: Attachment A: Proposed VBID Plan Design

Health Reimbursement Arrangement (HRA)

- Employer Owned
- Does not need to be paired with a IRS-defined HDHP
- Employers responsibility to manage and contribute
- Funds are used by employees on qualifying medical expenses only
- Contributions stay with employer and used once HRA administrator pays a qualifying expense
- Unused HRA dollars at the end of year can be carried over to next year
- Employers can set own contribution levels and no dollar limit
- HRA contributions are not taxable to the employee



Recommendations & Timeline

Proposed Milestone/Activity	Approximate Timeline
Engage Stakeholders	On-going Starting Early 2017
Initiate Pilot Project for Rx VBC	Early 2017
Complete VBID PPO Plan Design	June 2017
Rx VBC - Pilot Data Set Review	Mid 2017
VBID PPO Plan Effective Date	January 1, 2018
Examine VBID Medicare Plan Design	Early 2018

Attachment A

Proposed VBID Plan Design

(Illustrative only)

Attachment A: VBID Plan Design (1 of 4)

Coverage/ Common Medical Event	PERS Select PPO	Proposed VBID PPO Basic Plan	Summary of Changes
Premium	Single: \$673, Two-Party: \$1,346, Family: \$4,824	Approximately 9 - 12% less	Lower Premium
Deductible	Individual \$500 Family \$1,000	Individual \$2,500 Family \$5,000	Increased Deductible
ConditionCare Health Action Certified Member	N/A	Deductible lowered by \$100 if ConditionCare contacted/ engaged	New – lowers deductible
Health Risk Assessment	N/A	Deductible lowered by \$100 after completion	New – lowers deductible
Wellness Credit (Flu Shot/ Immunizations)	N/A	Deductible lowered by \$100	New – lowers deductible
No Smoking Certification	N/A	Deductible lowered by \$100	New – lowers deductible
Solera Weight Program	N/A	Weight management programs such as Weight Watchers covered at no cost	New
Inpatient Maternity (Delivery)	Part of Inpatient and Outpatient co-insurance	No cost if enrolled in Healthy Pregnancy Program	New – opportunity for no cost

Attachment A: VBID Plan Design (2 of 4)

Coverage/ Common Medical Event	PERS Select PPO	Proposed VBID PPO Basic Plan	Summary of Changes
Primary Care	\$20	\$5 if enrolled in Blue Distinction Total Care (BDTC) \$35 if not enrolled	Co-pay reduction or increase Includes \$5 Live Health On-Line
Mental Health/ Behavioral Health/ Substance Abuse	Part of Inpatient and Outpatient co-insurance	\$5 if enrolled in Blue Distinction Total Care (BDTC) \$35 if not enrolled	Co-pay reduction or increase Includes \$5 Live Health On-Line
Wellness Visits	\$0	\$0	Same
Preventive Services (A&B Task Force List)	\$0	\$0	Same
Urgent Care	\$20	\$50	Co-pay increase with Access to Urgent Care Network
Specialist Visit	\$20	\$70	Co-pay increase
Emergency Room	20% after \$50 deductible; waived if admitted	\$200; waived if admitted	Co-pay increase
Laboratory Tests	20% Coinsurance	20% Coinsurance for non-routine	Includes: \$0 Biometric Screening

Attachment A: VBID Plan Design (3 of 4)

Coverage/ Common Medical Event	PERS Select PPO	Proposed VBID PPO Basic Plan	Summary of Changes
Medical Pharmacy (Provider Administered)	20% Coinsurance	20% Coinsurance plus deductible lowered by \$100 for mandatory site of care	New – lowers deductible
X-Ray/Imaging	20% Coinsurance	Precertification of all imaging (more restrictive). 20% Coinsurance	New – reduce low value care
Outpatient Surgery	Tier 1 Hospital 20% Tier 2 Hospital 30%	20% Coinsurance	Reference Priced for Site of Care No tiering
Inpatient Hospital	Tier 1 Hospital 20% Tier 2 Hospital 30%	20% Coinsurance	Centers of Excellence. No tiering
Tier 1 (Generic)	\$5/30 day supply \$10/90 day supply	Tier based on price and effectiveness, not on generic vs. brand Incent use of BrivoaLive for specialty pharmacy adherence	Revised Tier Structure
Tier 2 (Preferred)	\$20/30 day supply \$40/90 day supply		
Tier 3 (Non-Preferred)	\$50/30 day supply \$100/90 day supply		
Tier 4 (Specialty)	Follows tier structure		

Attachment A: VBID Plan Design (4 of 4)

Coverage/ Common Medical Event	PERS Select PPO	Proposed VBID PPO Basic Plan	Summary of Changes
Maximum Out-of-Pocket PPO	Individual \$5,150 Family \$10,300	Individual \$5,150 Family \$10,300	Same
Pharmacy	Individual \$2,000 Family \$4,000 Mail Order \$1,000	Individual \$2,000 Family \$4,000 Mail Order \$1,000	Same
Out-of-Pocket Exclusions?	Balance-billed charges; non-PPO Provider services, health care plan doesn't cover	Balance-billed charges; non-PPO Provider services, health care plan doesn't cover	Same
Non-Network Services	40% coinsurance	40% coinsurance	Same
Use Network Providers?	Yes	Yes	Same
Need Referral for Specialist?	No	No	Same

Attachment B: Summary of HRA's and HSA's

Health Reimbursement Arrangement (HRA)

- Employer Owned (Contributions stay with Employer if Employee leaves employment)
- Does not need to be paired with a IRS-defined High Deductible Health Plan (HDHP)
- Only Employers can make contributions to an HRA
- An HRA must be set up by an Employer as an Employee benefit plan but does not require involvement of an IRS-approved trustee, e.g., bank or insurance company
- Contributions can be used to reimburse Employees for qualified medical expenses, as defined by the IRS
- Contributions may be used to reimburse expenses to treat an existing illness, injury or condition prior to meeting an applicable plan deductible if the HRA is paired with such a plan
- Unused HRA contributions at the end of the year can be carried over to the next year
- Employers can set their own contribution levels. There are no dollar limits.
- HRA contributions are not taxable to the Employee and reimbursements made for qualified medical expenses are tax deductible for the Employer

Health Savings Account (HSA)

- Employee Owned (Contributions stay with Employee if Employee leaves employment)
- MUST be paired with an IRS-defined HDHP
- Both Employer and Employee can make contributions to an HSA
- An HSA must be set up with an IRS-approved trustee
- Contributions can be used to reimburse Employees for qualified medical expenses, as defined by the IRS
- Contributions, however, may not be used to reimburse expenses to treat an existing illness, injury or condition prior to meeting the applicable plan deductible
- Contributions also can be used for non-medical expenses subject to penalty
- Unused HSA contributions at the end of the year automatically roll over to the next year
- The IRS sets annual limits on contribution levels. For 2017, it is \$3,400 for individuals and \$6,750 for family
- Employer HSA contributions are not taxable to the employee and Employee HSA contributions are tax deductible