



Pension and Health Benefits Committee Agenda Item 6

April 18, 2017

Item Name: Health Benefit Design Proposals for 2018

Program: Health Benefits

Item Type: Information

Executive Summary

This agenda item provides the Pension & Health Benefits Committee (PHBC) information concerning potential benefit design changes for 2018, including: adding twelve procedures to the Value Based Purchasing Design (VBPD) program for the self-funded Preferred Provider Organization (PPO) Basic plans; adding a site of care alignment program for Medical Pharmacy; adding an educational program designed to reduce the unnecessary use of emergency rooms; and, continuing the Castlight and Welvie tools.

Strategic Plan

This item supports the California Public Employees Retirement System (CALPERS) 2017-22 Strategic Goal: "Transform health care purchasing and delivery to achieve affordability."

Background

In 2012, CalPERS implemented a VBPD program for the self-funded PPO Basic plans that limited the amount the plans would cover (i.e., imposed a reference price) for colonoscopy, cataract surgery, and arthroscopy if the procedures were performed in a Hospital Outpatient Service (HOPS) instead of an Ambulatory Surgery Center (ASC).

In the CalPERS VBPD ASC program, members can go to an ASC and pay the usual coinsurance and deductible for a reference priced procedure as follows.

- \$1,500 colonoscopy
- \$2,000 cataract
- \$6,000 arthroscopy

However, if the member goes to a hospital outpatient facility, the member pays the usual coinsurance and deductible, plus any facility costs over the reference price.

This VBPD program has an exception process for a travel distance greater than 50 miles and for non-routine procedures. The exception process allows a surgeon to perform a procedure in an outpatient hospital if necessary for the member's safety. As an example, about 10 per cent of all knee arthroscopic surgeries were exempted.

Communication to members is extremely important for the VBPD program. The reference pricing program information for use of an ASC is included in the plan Evidence of Coverage (EOC) as well as the Castlight tool. Through the Welvie tool offered by Anthem, members can also look at options other than surgery.

Analysis

Consistent with a focus on affordable, sustainable, high quality health care, the CalPERS Health Benefits Program encourages the use of affordable care without compromising quality or safety. This approach is consistent with the “Let’s Get Healthy California” Triple Aim for:

- **Better Health:** Promote population health through prevention
- **Better Care:** Patient centered, high quality, value-based, whole person health care
- **Lower Costs:** Reduce health care expenditures regionally and statewide to improve access, achieve savings, and advance transformation.

Expand VBPD for use of ASCs

Between 2014 and 2016, the CalPERS Health Program partnered with James Robinson, Ph.D, Director of the Berkeley Center for Health Technology, and a team of researchers to evaluate the CalPERS VBPD program for colonoscopy, cataract, and arthroscopic surgeries in the PPO plans. The study results revealed a sharp increase in the use of ASCs among the CalPERS PPO population upon implementation in 2012. The results were published in peer-reviewed journals and showed that over 90 per cent of our PPO members now choose to go to ASCs for cataract and colonoscopy procedures, and about 83 per cent for arthroscopic surgeries. The ASC program saves approximately \$1,000 to \$4,000 per surgery, with a total savings for all three procedures of about \$5 million per year. Most importantly, there has been no change in complication rates for any of the procedures.

In addition to the five years of progress after implementation of the VBPD for colonoscopy, cataract surgery and arthroscopy, improvements in medical technology, patient safety and evidence-based medicine have increased the number of procedures that can safely be accomplished within an ASC with the same or improved level of quality and with lower cost as the only difference.

Experience shows the value of promoting ASCs over HOPS. Therefore, we have been working with Anthem Blue Cross to evaluate opportunities to expand the VBPD to other procedures. This program is intended to encourage the use of appropriate and cost-effective care settings by members and dependents. These benefit modifications apply to self-funded Basic plans only and will be accomplished by establishing the following benefit limits for PPO plan members who receive the following services in an outpatient hospital setting instead of an ambulatory surgery center:

Reference Pricing for Twelve Procedures Compared to Costs for Ambulatory Surgery Centers and Outpatient Hospital Facilities												
	Upper GI Endoscopy with Biopsy	Laparoscopic Gall Bladder Removal	Upper GI Endoscopy	Esophag- oscopy	Sigmoid- oscopy	Hysteroscopy Uterine Tissue Sample (with Biopsy, with	Nasal/Sinus Submucous Resection Inferior Turbinate	Tonsillectomy and/or Adenoidectomy, Under Age 12	Nasal/Sinus - Corrective Surgery - Septoplasty	Lithotripsy - Fragmenting of Kidney Stones	Hernia Inguinal Repair (Age 5+, Non-Laparoscopic)	Repair of Laparoscopic Inguinal Hernia
Ambulatory Surgery Center												
Highest Cost	\$5,846	\$15,586	\$4,131	\$4,247	\$3,766	\$7,277	\$7,623	\$7,638	\$12,069	\$14,267	\$10,491	\$13,557
Lowest Cost	\$721	\$2,661	\$530	\$1,079	\$403	\$1,398	\$1,564	\$1,550	\$2,123	\$3,916	\$2,311	\$1,942
Outpatient Hospital Facility												
Highest Cost	\$18,589	\$78,822	\$9,652	\$9,030	\$9,907	\$60,818	\$22,695	\$20,990	\$22,014	\$25,759	\$20,129	\$43,612
Lowest Cost	\$786	\$3,082	\$703	\$1,786	\$449	\$1,601	\$4,591	\$1,934	\$4,950	\$3,734	\$2,152	\$3,924
Recommended Reference Price	\$2,000	\$5,000	\$1,500	\$2,000	\$1,000	\$3,500	\$3,000	\$3,000	\$3,500	\$7,000	\$4,000	\$5,500
CalPERS Annual Projected Savings Per Procedure	\$608,102	\$560,857	\$109,775	\$21,137	\$24,683	\$112,468	\$108,900	\$94,505	\$125,637	\$96,731	\$99,711	\$76,737
TOTAL ANNUAL PROJECTED SAVINGS												\$2,039,242
<small>Assumes 10% increase in ASC use</small>												

The CalPERS team requests that the Committee consider expanding the VBPD for ASCs for the diagnostic or surgical procedures listed in the table above.

Align Site of Care for Medical Pharmacy

The Anthem Specialty Drug Solution offers a comprehensive solution for managing specialty drugs under the PPO Basic Plans’ medical benefit to achieve optimal clinical outcomes and lowest cost. The program includes a precertification review and clinical site of care review as well as post-service medical necessity claim reviews, pre-payment medical claim edits, preferred product management, and Cancer Care Quality Program. The clinical site of care review applies to select drugs and excludes oncology diagnosis, end stage renal disease, and hemophilia products. The program steers members to lower-cost sites of care for drug therapy when clinically appropriate. Lower level sites of care include physician’s office, ambulatory infusion suite and home infusion; a higher level site of care would be outpatient hospital. The administrative cost for patient management is \$0.30 PMPM, but the estimated savings are \$1.08 per member per month (PMPM), or \$3.1 million in the first year.

Reduce Use of Emergency Room for Urgent Care

Quick Care Options is an educational product that helps members make better decisions around emergency room (ER) alternatives using the Anthem Provider Finder Website and mobile application. On a proactive basis, Quick Care Options educates members about appropriate ER use, helps guide members to appropriate care facilities for their conditions, and provides quick access to resources and tools that allow consumers to find ER alternatives near them quickly and easily. On a retrospective basis, it uses claims analysis and automated dialer outreach that alerts the member when an ER alternative might have been more appropriate for care of a non-urgent diagnosis, and reminds them of the availability of ER alternatives. The administrative cost is \$0.06 PMPM and estimated savings of \$0.17 PMPM for Basic plans, and \$0.10 PMPM for Medicare plans. The total Basic plan savings is \$330,000 and Medicare plan savings is \$152,000 in the first year.



Continue PPO Purchasing Tools

- Castlight: Staff recommends that we continue to offer this tool to PPO Basic plan members in 2018. Originally offered as a pilot in 2014, this tool educates users about price variation across medical procedures with an intuitive, easy-to-use online application with expanded cost transparency based on CalPERS claims data.
- Welvie: Staff recommends continuing the program in 2018 for the PPO Basic plans due to utilization by the CalPERS members since it was implemented in 2016. This online tool helps educate members on preference sensitive surgeries and places more power in their hands when it comes to minimizing unnecessary and inappropriate surgeries.

Summary of Proposed Benefit Design Changes

The table below shows the net savings for the proposed Medical Benefit Changes.¹ The estimates are conservative to allow for program startup. We would expect to see an increase of 15 to 20 percent increase in use of ASCs.

2018 Net Savings Comparison				
Benefit Design Changes	Basic	Medicare	Combined	Increased ASF
<i>Annual Savings - All PPO Plans Combined (In Millions)</i>				
Expand VBPD for use of ASC's instead of HOPS	\$2.04	\$0.00	\$2.04	
Earned savings VBPD for colonoscopy, arthroscopy, cataract surgery	\$5.00	\$0.00	\$5.00	
Site of Care Alignment for Medical Pharmacy	\$3.10	\$0.00	\$3.10	\$0.30 PMPM
Reduce use of emergency room	\$0.33	\$0.15	\$0.48	\$0.06 PMPM
All Benefit Changes Combined	\$10.47	\$0.15	\$10.62	\$0.36 PMPM

Next steps

The team will continue evaluating these PPO benefit options over the next two months and illustrate the expected reductions in 2018 premiums should these programs be implemented. Final proposals will be presented in June for approval.

Budget and Fiscal Impacts

Proposals increase PPO third party administrative fees by \$0.36 PMPM for Basic Plans and \$0.06 PMPM for Medicare Plans, but produces overall savings to the PPO self-funded program.

Benefits and Risks

The benefits include:

- Health care cost savings of \$5.62 million in the first year
- Supports CalPERS 2017-22 Strategic Goal to transform health care purchasing and delivery to achieve affordability
- Consistent with the "Let's Get Healthy California" Triple Aim for Better Health, Better Care, Lower Costs by directing members to the lowest cost site of care without compromising quality of care
- Increases health care cost transparency and educates members on health care options

¹ CalPERS team members have received a request to include Silver Sneakers in the PPO Medicare Supplement plans. Although this product is currently not available for those plans, Anthem continues to pursue an agreement to offer it to the CalPERS self-funded programs.

The risks include:

- The PPO plans may not realize the identified savings
- Potential increase in member appeals
- Increases PPO Third Party Administrator Fees by \$0.36 PMPM for Basic Plans and \$0.06 for Medicare Plans

Attachment 1 – Health Benefit Design Proposals for 2018

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