



Pension and Health Benefits Committee Agenda Item 6

May 16, 2017

Item Name: Preliminary 2018 Health Plan Rates and Contracts

Program: Health Benefits

Item Type: Information

Executive Summary

The May rates are preliminary. The California Public Employees' Retirement System (CalPERS) rates team continues to analyze these preliminary rates to ensure accuracy and affordability, as it prepares final risk adjusted rates for review and approval of the PHBC in June. Note that the 2018 preliminary unadjusted and risk adjusted health benefit plan rates are distributed as Attachments 1 and 2, just prior to the Pension and Health Benefits Committee (PHBC) Open Session.

Background

Unadjusted initial rates were provided to the PHBC in April 2017 during closed session for the following carriers: Anthem Blue Cross, Blue Shield of California, Health Net, Kaiser Permanente, Sharp, UnitedHealthcare, and Western Health Advantage. Since then, the rates team has continued to analyze and verify carrier submitted data against actual plan data available to CalPERS.

In an effort to encourage plans to compete based on the best value to CalPERS members rather than by trying to avoid sicker members, CalPERS risk adjusts rates by reallocating funds from plans with lower-risk members to plans with higher-risk members. Risk adjustment accounts for the health risk of the overall CalPERS program. Final risk adjusted rates will ultimately be published by the CalPERS Board of Administration (Board) next month. Attachments 1 and 2 provide the preliminary unadjusted and risk adjusted rates.

The rates team also employs consulting actuaries to provide independent health actuarial consultation, individual assessments of each proposal from the carriers, and market trend analysis.

CalPERS has successfully moderated trend increases over the past fourteen years as a direct result of cost and quality conscious Board actions. Board actions have mitigated medical trend increases through strategies such as promoting efficient hospital and plan networks, value based purchasing, integrated health models, competition, flex funding, and risk adjustment.

Medical Trend

The main cost driver continues to be Facility Inpatient, with Primary Care Services and Ambulatory surgery also contributing heavily. Most of the costs are contained in increases to unit cost with some also being attributed to population and utilization trend.

Pharmacy Trend

The implementation of OptumRx as the Pharmacy Benefits Manager (PBM) began in January, 2017. Since implementation, the rates team and consulting actuaries have been evaluating emerging claims experience for 2017. Pharmacy trend projections may change for the final rates as more reliable 2017 claims experience becomes available. The rates team and consulting actuaries continue to monitor projected trends in relation to actual cost experience.

Medicare Trend

Medicare trend is driven, in part, by the federal government, and is largely contingent on federal budget adjustments and other costs outside of the control of CalPERS. Nonetheless, the CalPERS rates team is analyzing those aspects of the Medicare rates that are negotiable, in order to minimize any increase upon the Medicare trend.

Western Health Advantage (WHA)

WHA is a new HMO plan offering for 2018. The plan will be offered in the Bay Area, Sacramento, and Other Northern regions.

Anthem Exclusive Provider Organization (EPO) Monterey

For 2018, the Community Hospital of the Monterey Peninsula (CHOMP) intends to become part of Anthem's Select Health Maintenance Organization (HMO) provider network. If this occurs, the Anthem EPO Monterey plan would not be offered in 2018, and Anthem would expand its HMO Select plan into Monterey County, expanding member access to an HMO plan in an area where there are no current HMO plan options.

Health Plan Expansion

CalPERS staff is working with some carriers to expand into additional counties, and there will be no carrier withdrawals from existing counties.

The table below identifies potential expansions:

Proposed Expansions	
Health Plan	Counties
Anthem Blue Cross Select HMO	Monterey
Health Net SmartCare	Placer County, cities include Lincoln, Loomis, Roseville, Rocklin, and Granite Bay
Kaiser Permanente	State of Washington counties: Grays Harbor, Island, King, Kitsap, Lewis, Mason, Pierce, San Juan, Skagit, Snohomish, Spokane, Thurston, Whatcom.
Western Health Advantage	Placer, El Dorado, Sacramento, Yolo, Colusa, Solano, Napa, Sonoma, and Marin

Benefits and Risks

Not applicable.

Budget and Fiscal Impacts

The proposed rates for the 2018 plan year will increase employee and employer contributions.

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.

Attachments (Attachments 1 and 2 will be provided under separate cover just prior to the PHBC meeting on May 16, 2017)

- Attachment 1 – State 2018 preliminary health plan rates
- Attachment 2 – Contracting agencies 2018 preliminary health plan rates
- Attachment 3 – Preliminary 2018 Health Rates and Contracts

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