

# Medical and Pharmacy Benefit Strategies

Pension & Health Benefits Committee

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Benefit Programs Policy & Planning

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# Agenda

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- Background
- **Health Benefit Design Proposals for 2018**
  - Expand Value-Based Purchasing Design for ASCs
  - Site of Care Management for Medical Pharmacy
  - Reduce Use of Emergency Room for Urgent Care
  - Continue PPO Purchasing Tools
  - Add SilverSneakers program to PPO Medicare Supplement Plans
- **Potential Pharmacy Benefit Design Strategies for 2019 and Beyond**
  - Implement Reference Pricing for Rx Therapeutic Classes
  - Evaluate Value-Based Insurance Designs for Pharmacy Benefits
  - Carve-out Selected Pharmacy Benefit Management Tasks
  - Modify Pharmacy Copayment Structure



# Potential PPO Plan Medical Benefit Designs for 2018



## HEALTH CARE AFFORDABILITY

Transform health care purchasing and delivery to achieve affordability

ASCs

Expand Value Based Purchasing Design For ASCs

Med Rx

Site of Care Management For Medical Pharmacy

ER

Educational Program To Reduce Unnecessary Emergency Room Use

Member Tools

Continue Castlight and Welvie PPO Basic Purchasing Tools And Expand to PPO Medicare Supplement Plans

Senior Health

Add SilverSneakers Program for Anthem PPO Medicare Supplement Plans

# Reference Pricing and Savings for 12 Procedures

	Upper GI Endoscopy with Biopsy	Laparoscopic Gall Bladder Removal	Upper GI Endoscopy	Esophagoscopy	Sigmoidoscopy	Hysteroscopy Uterine Tissue Sample (with Biopsy, with or without D&C)	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
<b>Reference Pricing for Twelve Procedures Compared to Costs for Ambulatory Surgery Centers and Outpatient Hospital Facilities</b>												
<b>Ambulatory Surgery Center</b>												
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
<b>Outpatient Hospital Facility</b>												
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	\$5,500	\$5,500
CalPERS Annual Projected Savings	\$608,102	\$560,857	\$109,775	\$21,137	\$24,683	\$112,468	\$108,900	\$94,505	\$125,637	\$96,731	\$99,711	\$76,737
<b>TOTAL ANNUAL PROJECTED SAVINGS</b>												<b>\$2,039,242</b>

Assumes 10% increase in ASC use

# 2018 Med Rx and ER Use Proposals' Net Savings

Estimated 2018 Net Savings* from Site of Care Management for Medical Pharmacy for PPO Basic Plans		
	Total (millions)	PMPM
Estimated Savings Before Program Cost	\$4.03	\$0.92
Program Cost	\$0.87	\$0.30
<b>Savings AFTER ASF</b>	<b>\$3.16</b>	<b>\$0.62</b>

\*Net Savings = Gross Savings minus Administrative Fees (excludes Sutter network)

Estimated 2018 Net Savings* from Reducing Use of ER for Urgent Care for PPO Plans			
	Combined Total (millions)	PPO Basic Plans (PMPM)	PPO Medicare Supplement Plans (PMPM)
Estimated Savings Before Program Cost	\$0.69	\$0.23	\$0.16
Program Cost	\$0.21	\$0.06	\$0.06
<b>Savings AFTER ASF</b>	<b>\$0.48</b>	<b>\$0.17</b>	<b>\$0.10</b>

\*Net Savings = Gross Savings minus Administrative Fees

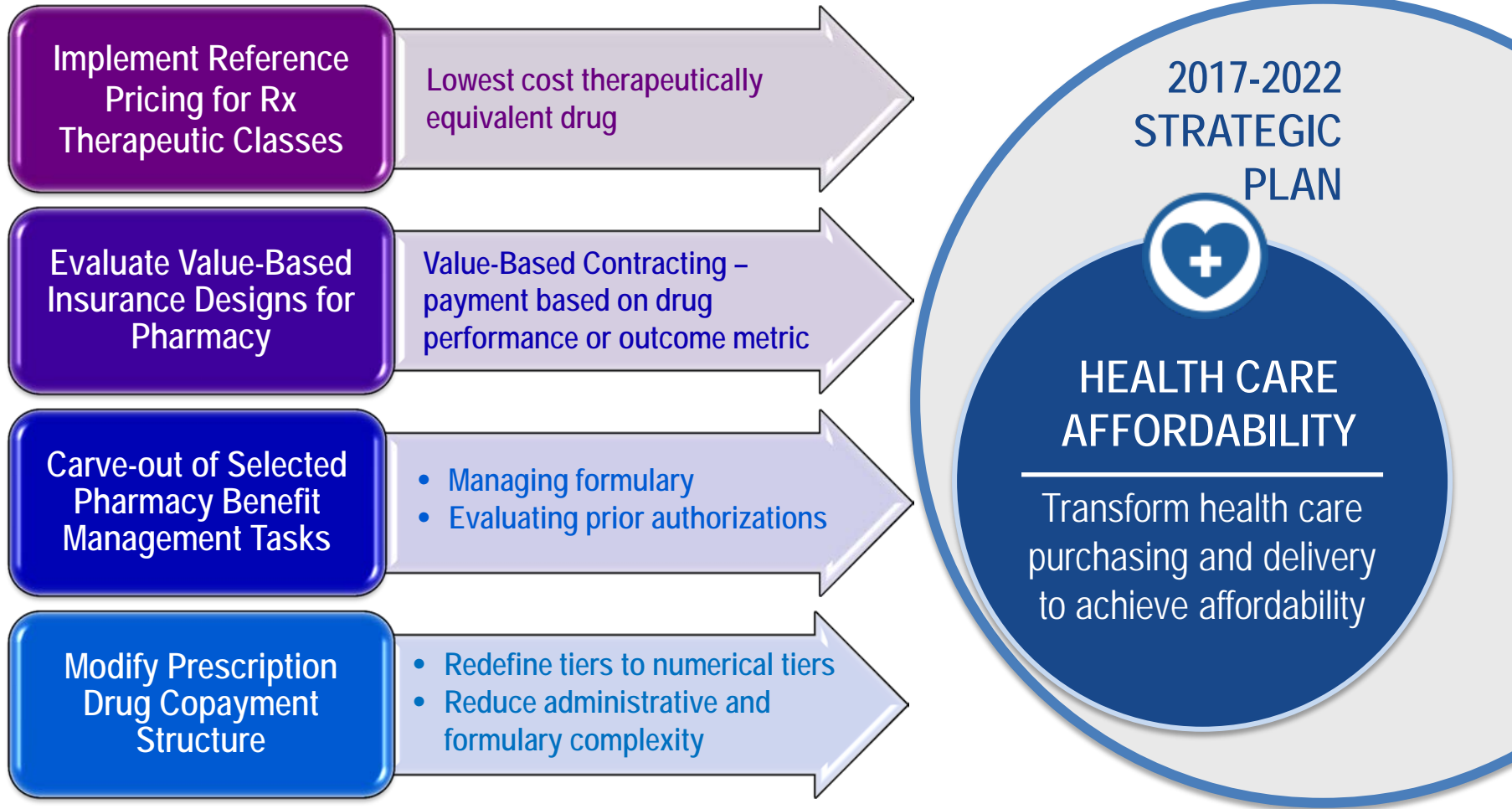
# 2018 Net Savings\* and PMPM Admin Fees

2018 Net Savings* (millions)				PMPM Admin Fees for 2018*	
Medical Benefit Design Changes	Basic	Medicare	Combined	Basic	Medicare
Expand VBPD for use of ASCs instead of HOPS	\$2.04		\$2.04		
Site of Care Alignment for Medical Pharmacy <i>(excluding the Sutter Network)</i>	\$3.16		\$3.16	\$0.30 PMPM	
Reduce Use of Emergency Room	\$0.33	\$0.15	\$0.48	\$0.06 PMPM	\$0.10 PMPM
PPO Purchasing Tool – Castlight only	TBD			\$0.62 PMPM	
SilverSneakers					\$0.80 PMPM
<b>Savings AFTER ASF for All Medical Benefit Changes Combined (millions)</b>	<b>\$5.43</b>	<b>\$0.15</b>	<b>\$5.68</b>	<b>\$0.98 PMPM</b>	<b>\$0.90 PMPM</b>

\*Net Savings = Gross Savings minus Administrative Fees

\*If CalPERS Board adopts proposed health benefits

# Potential Pharmacy Benefit Strategies for 2019 and Beyond



# 2017-2022 | Nine (9) Health Initiatives

2017-2022  
STRATEGIC  
PLAN



- 1. Value-Based Insurance Design
- 2. Site of Care Management
- 3. Pharmacy Benefit Manager Pilot
- 4. Reference Pricing Expansion



- 5. Population Health Alignment
- 6. Partner with Health Plans to Engage in Community Activities



- 7. Statewide Collaboration through Smart Care California
- 8. Shared Savings Accountable Care
- 9. Research and Expand Evidence-Based Medicine



# Next Steps

2017-2022  
Develop Action Plans

Seek Board approval for  
2018 Benefit Designs

Produce Ongoing Results

Report Progress