

2018 Proposed Benefit Design Change #1

Add Twelve Procedures to the Value Based Purchasing Design (VBPD) Program for Self-Funded PPO Basic Plans

Description This proposal is to expand the VBPD program to the twelve medical procedures listed in the chart on the next page for self-funded PPO Basic plans only. This program is intended to encourage the use of appropriate and cost-effective care settings by members and dependents. The 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.

Reason for Change To expand the use of Ambulatory Surgery Centers (ASC) over outpatient hospital facilities for certain medical procedures.

Potential Costs This program will be provided to all CalPERS self-funded PPO Basic health plans at no additional cost with details provided in the chart on the next page.

Projected Savings The projected first year savings for this program are \$2.04 million.

Estimated Number of Members The estimated number of CalPERS members affected by this program is 1,850 per year.

Member Distance to an ASC The estimated number of CalPERS members affected by this program is 1,846 per year (see chart on the next page). Member distance to an ASC varies based on area:

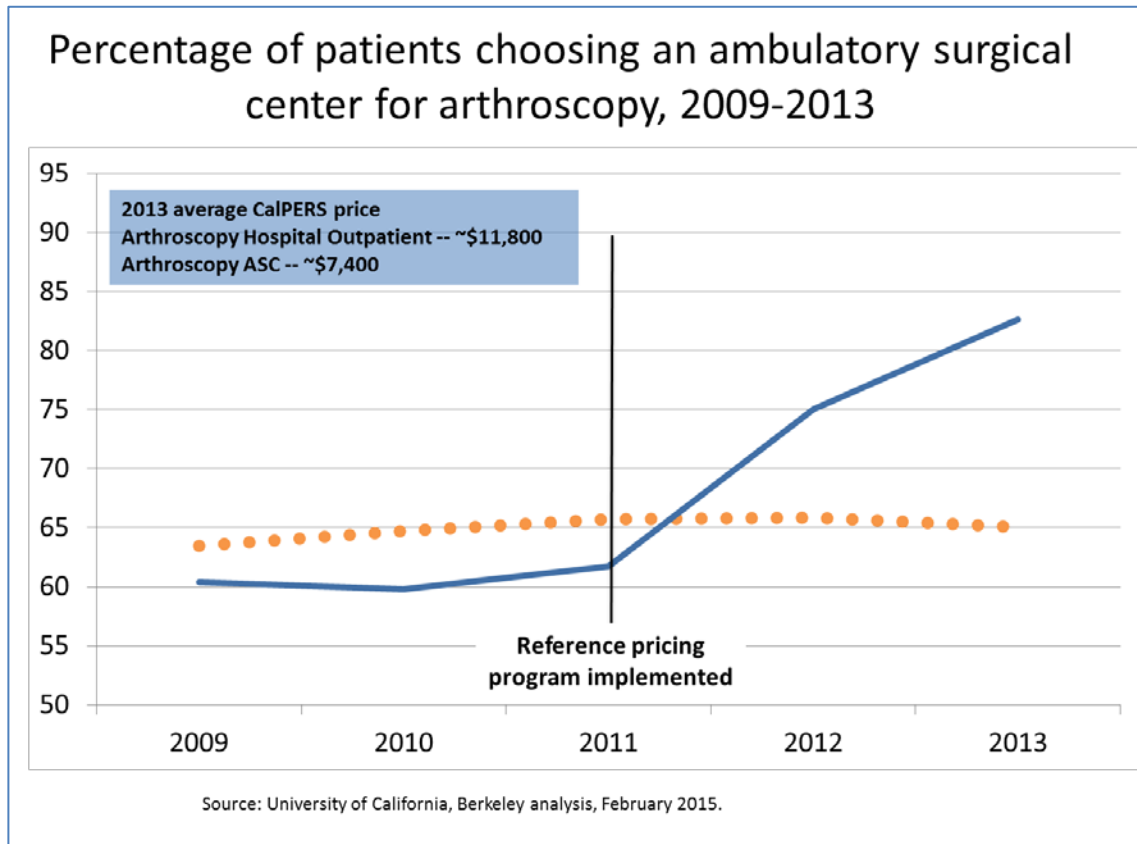
Member Distance to an ASC by PPO Basic Plan		
	Percent of PERsCare Basic Members	Percent of PERS Choice and PERS Select Basic Members)
Urban areas – within 15 miles of an ASC	100%	100%
Suburban areas – within 15 miles of an ASC	99%	99%
Rural areas – within 30 miles of an ASC	93%	89%

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	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
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	\$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
Estimated Annual Number of CalPERS Members Affected	880	218	138	38	39	136	56	64	72	63	82	60
TOTAL ANNUAL PROJECTED SAVINGS												
\$2,039,242												
TOTAL ESTIMATED ANNUAL NUMBER OF MEMBERS AFFECTED												
1,846												

Assumes 10% increase in ASC use

U.C. Berkeley Study

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 ambulatory surgery centers (ASC) among the CalPERS PPO population upon implementation in 2012. The results were published in peer-reviewed journals and showed that over 90 percent of our PPO members now choose to go to ASCs for cataract and colonoscopy procedures, and about 83 percent 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. More importantly, there has been no change in complication rates for any of the procedures.



Staff Recommends

CalPERS should expand the VBPD program to include the twelve medical procedures listed in the chart on the next page for self-funded PPO Basic plans.

2018 Proposed Benefit Design Change #2

Site of Care Management for Medical Pharmacy for Self-Funded PPO Basic Plans

Description Medical pharmacy refers to drugs that a provider administers in an outpatient hospital facility site, physician's office, ambulatory infusion center, or home infusion, which are paid under the medical benefit. The Anthem Specialty Drug Solution focuses on precertification clinical review and appropriate site of care for PPO Basic plans and excludes the Sutter network. The site of care program steers non-clinically indicated use of higher sites of care such as outpatient hospital to lower sites of care (physician's office, ambulatory infusion center, and home infusion.)

Reason for Change To assist members with finding the most appropriate and least costly site of care for drug administration.

Potential Costs and Savings The potential costs and projected gross and net savings for this program are:

Estimated First Year Savings from Implementing the Site of Care Management for Medical Pharmacy Program (excludes Sutter network)		
	Total (millions)	PPO Basic Plans (PMPM)
Estimated Savings Before Program Cost	\$4.03	\$1.39
Program Cost	\$0.87	\$0.30
Estimated Net Savings	\$3.16	\$1.09

Estimated Number of Members The estimated number of CalPERS members affected by this program is 2,900 per year.

Industry Experience Anthem rolled out its site of care alignment program to its fully insured book of business in July 2016 and they are experiencing a 75 percent redirection rate. Anthem has not experienced a high level of complaints or grievances due to the program implementation. This may be attributed to the program's consideration for use of higher level of care sites when clinical criteria are met for medical necessity.

Staff Recommends CalPERS should implement the Site of Care Management for Medical Pharmacy program, excluding the Sutter networks, for the self-funded PPO Basic plans.

2018 Proposed Benefit Design Change #3

Reduce Use of Emergency Room Use Educational Program for Self-Funded PPO Basic and Medicare Supplement Plans

Description To help members find the most appropriate urgent care provider and make better decisions around ER use, Anthem Blue Cross developed and implemented its Quick Care Options educational product. Quick Care Options helps members find non-ER care options. For example, when members cannot see their doctor or their doctor’s office is closed, they can use the Anthem Provider Finder Website mobile application to find other appropriate care options. Typically, members will save time and have lower co-pays when they use an alternate care option instead of going to an ER.

The Quick Care Options application enables member to quickly identify nearby in-network retail health clinics, walk-in doctors’ offices, and urgent care centers that provide the care they need. If members do not have access to the application, they can go on-line or call the 24/7 NurseLine for help finding an alternate care location. 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.

Reason for Change To reduce non-urgent ER use and reduce member and CalPERS costs.

Potential Costs and Projected Savings The potential costs and projected gross and net savings for this program are:

2018 Estimated Savings for PPO Plans from Reducing Use of Emergency Room for Urgent Care			
	Total	PPO Basic Plans (PMPM)	PPO Medicare Supplement Plans (PMPM)
Estimated Savings Before Program Cost	\$689,671	\$0.17	\$0.10
Program Cost	\$208,729	\$0.06	\$0.06
Estimated Net Savings	\$482,000	\$0.11	\$0.04

Estimated Number of Members The estimated number of members affected by this program is 4,000 Basic and 1,500 Medicare per year.

CalPERS Study Anthem Blue Cross conducted a pilot study of emergency room use for CalPERS PPO Basic plan members and a control group during the third and fourth quarters of 2012 and 2013. Anthem’s analysis of the pilot study showed that 9 percent of CalPERS PPO Basic members ER visits were non-urgent.

Staff Recommends PPO members will benefit from the information and assistance to find care at an ER alternative that this program provides via an app or by telephone. Staff recommends that CalPERS implement the Quick Care program.

2018 Proposed Benefit Design Change #4a

Castlight Program for Self-Funded PPO Basic Plans

Description	In partnership with Castlight Health and Anthem Blue Cross (Anthem), CalPERS entered into a two-year pilot project beginning January 2014, to integrate an online health care price transparency tool with our Preferred Provider Organization (PPO) plan data. The two-year pilot project was extended through to December 31, 2016, and continued to be available to members in the 2017 benefit year.
Reason for Change	Castlight was added to the self-funded PPO Basic plans for 2017 only. Approval is needed to continue in 2018.
Potential Costs	The Administrative Services Fee is \$0.62 per member per month and is already included in the PPO Basic plan rate for 2017, therefore continuing this program would not increase costs in 2018.
Estimated Number of Members	The estimated number of members using this program is 43,000 per year.
Staff Recommends	CalPERS should continue to offer the price transparency tool to PPO members in 2018. By continuing to offer the tool, CalPERS will be able to fully understand the role of this and other consumer engagement efforts and enhance our ability to offer more complex benefit design structures in the future.

2018 Proposed Benefit Design Change #4b

Welvie Program for Self-Funded PPO Basic and Medicare Supplement Plans

Description	CalPERS approved implementing Welvie for PERS Select/Choice/Care PPO (Basic plans) effective January 2016. Welvie is an online tool that helps educate members and place more power in their hands when it comes to minimizing unnecessary and inappropriate surgeries.
Reason for Change	Welvie was added to the self-funded PPO Basic plans for 2017 only. Approval is needed to continue in 2018 and to expand the program to the self-funded PPO Medicare Supplement plans.
Potential Costs	The Administrative Services Fee is \$0.34 per member per month and is already included in the PPO Basic plan premium rates for 2017, therefore continuing this program would not increase costs in 2018. The administrative cost for adding Welvie to the PPO Medicare Supplement plans is \$0.34 PMPM for an estimated total cost of \$522,000.
Estimated Number of Members	The estimated number of members who will use this program in 2018 is 11,000 Basic and 3,500 Medicare.
CMMI Grant Evaluation	In 2012, the Center for Medicare & Medicaid Innovation (CMMI) awarded Welvie a three-year grant to apply its approach to a group of Anthem Blue Cross Medicare enrollees in Ohio. An independent evaluation of the project identified that the Welvie intervention significantly lowered surgical and medical expenditures while improving surgical outcomes and decreasing readmissions and ER visits.
Staff Recommends	<p>PPO members, with their freedom to choose providers without being managed by a Personal Care Physician, are in special need of the value this program provides.</p> <p>Staff recommends that CalPERS continue the Welvie program for the self-funded PPO Basic plans and expand the program to the self-funded PPO Medicare Supplement plans.</p>

2018 Proposed Benefit Design Change #5

SilverSneakers Program for Self-Funded Medicare Supplement Plans

Description SilverSneakers is a community fitness program specifically designed for older adults that provides members with regular exercise (strength training, aerobics, and flexibility) and social opportunities at more than 13,000 locations nationwide. The SilverSneakers program is currently provided to CalPERS UnitedHealthcare Medicare Advantage plan members, and is similar to Kaiser's Silver&Fit program for Senior Advantage plan members, which was implemented in 2017. Adding this benefit for the PPO Medicare plans would provide all Medicare members with access to this health plan-sponsored fitness program.

CalPERS PPO Medicare Supplement plan members would receive the following benefits through SilverSneakers without any additional out-of-pocket cost:

- Memberships at multiple gyms
- FLEX classes held at parks, community centers, and other venues for fitness workouts beyond the gym
- Exclusive SilverSneakers yoga, strength training, flexibility, cardio, and movement classes

Reason for Change CalPERS retiree stakeholder groups requested that SilverSneakers be considered as an addition to the CalPERS Medicare plans, similar to the current UnitedHealthcare Medicare Advantage PPO health plan implemented in 2016.

Potential Costs The administrative services fee for the program is \$0.80 PMPM with a program fee of \$4.25 per member visit. The total administrative service and program fees are capped at \$5.14 PMPM.

Projected Savings Assuming that the SilverSneakers program has a similar impact on CalPERS members, there could be a significant reduction in PPO Medicare health care costs. The Centers for Medicare and Medicaid Services (CMS) pays 80 percent of PPO Medicare members' health care costs that qualify for coverage. CalPERS pays the remaining 20 percent of those costs as well as costs associated with care and services that CMS does not cover.

The CalPERS team examined the total cost of care for its PPO Medicare program and in 2016, there were 18,900 PPO Medicare members admitted for inpatient care at a total cost of \$490.59 million or \$25,961 per patient admitted.

The number of SilverSneakers participants with inpatient admissions could decline by 1.4 percent,¹ or 265 fewer PPO Medicare members would be admitted to the hospital. Based on that reduction in number of inpatient admissions, CalPERS team members estimated that PPO Medicare inpatient costs for SilverSneakers participants could decline by \$6.87 million after the first year and produce a net savings of \$1.15 million or \$0.77 Per Member Per Month.

¹ Managed-Medicare Health Club Benefit and Reduced Health Care Costs Among Older Adults, Centers for Disease Control and Prevention, Preventing Chronic Disease, 2008 Volume 5: No. 1

Estimated PPO Medicare Inpatient Admission Reduction and Cost Savings from SilverSneakers

CalPERS PPO Medicare Inpatient Costs (millions)	Number of Patients with Inpatient Admissions	Inpatient Admission Cost per Patient	Potential 1.4% Reduction in Number of People with Inpatient Admissions ¹	Potential Inpatient Admission Savings ¹ (millions)	SilverSneakers Cost (millions)	Annual Net Savings (millions)	Net Savings PMPM ²
\$490.59	18,897	\$25,961.05	264.6	\$6.87	\$5.71	\$1.15	\$0.77

¹ The 1.4% savings based on study: *Managed-Medicare Health Club Benefit and Reduced Health Care Costs Among Older Adults*, Centers for Disease Control and Prevention, *Preventing Chronic Disease*, 2008 Volume 5: No. 1

² Based on 1.504 million PPO Medicare members participating in SilverSneakers similar to UnitedHealthcare experience

Estimated Number of Members All PPO Medicare members.

Industry Findings Although the evidence base on the impact of health plan-sponsored benefits, specifically fitness center memberships, on health outcomes has not been synthesized², Anthem states that costs for SilverSneakers could be partially offset by CalPERS members' better health.

CalPERS team members reviewed several articles based on research studies. Some of the findings suggest that:

- Greater participation in the physical activity program was associated with lower depression risk³.
- SilverSneakers participants were older and more likely to be male who typically had higher health care costs at baseline, but by year 2, participants had significantly fewer inpatient admissions⁴.
- SilverSneakers participants' total health care costs were 0.2 percent lower than the control group, inpatient admission costs were 3.2 percent lower, and the number of participants with inpatient admissions was 1.4 percent lower after the first year.⁵
- Long term benefits of exercise are sustained only with regular adherence. Cardiovascular function, lung function, insulin sensitivity, strength, and pain relief are maintained over time when regular exercise is continued throughout the lifespan.⁶ (See Attachment 1)

Staff Recommends Staff recommends adding the SilverSneakers program to the self-funded PPO Medicare Supplement plans.

² Effects of Health Plan-Sponsored Fitness Center Benefits on Physical Activity, Health Outcomes, and Health Care Costs and Utilization: A Systematic Review, VA Health Care, Queri, October 2012

³ Depression and Use of a Health Plan-Sponsored Physical Activity Program by Older Adults, *American Journal of Preventive Medicine*, 2008-08-01, Volume 35, Issue 2

⁴ *Managed-Medicare Health Club Benefit and Reduced Health Care Costs Among Older Adults*, Centers for Disease Control and Prevention, *Preventing Chronic Disease*, 2008 Volume 5: No. 1

⁵ Ibid.

⁶ Benton, Melissa J., M.S.N., Ph.D. "Benefits of Exercise for Older Adults." *Exercise for Aging Adults*. Springer, 2015. 23-25.