2018 Medical and Pharmacy Benefits for Preferred Provider Organization Health Plans

Pension and Health Benefits Committee

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Health Policy Benefits Branch
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Agenda

• **Background**

• **2018 Medical and Pharmacy Benefits for Preferred Provider Organization Health Plans**
  - 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 (Castlight and Welvie)
  - Add SilverSneakers program to PPO Medicare Supplement Plans
Potential PPO Plan Medical Benefit Designs for 2018

- **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
Benefits of Exercise and SilverSneakers Program

- Older
- Likely Male
- Higher costs

- Lower risk Depression
- Pain Relief
- Diabetes cost reduced

- Lower Health cost
- Lower Hosp admission

- Better cardio function, lung function, insulin sensitivity
## SilverSneakers Estimated Savings and Costs

### Estimated PPO Medicare Inpatient Admission Reduction and Cost Savings from SilverSneakers

<table>
<thead>
<tr>
<th>CalPERS PPO Medicare Inpatient Costs (millions)</th>
<th>Number of Patients with Inpatient Admissions</th>
<th>Inpatient Admission Cost per Patient</th>
<th>Potential 1.4% Reduction in Number of People with Inpatient Admissions(^1)</th>
<th>Potential Inpatient Admission Savings(^1) (millions)</th>
<th>SilverSneakers Cost (millions)</th>
<th>Net Savings PMPM</th>
<th>Annual Net Savings (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$490.59</td>
<td>18,897</td>
<td>$25,961.05</td>
<td>264.6</td>
<td>$6.87</td>
<td>$5.71</td>
<td>$0.77</td>
<td>$1.15</td>
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</tbody>
</table>

\(^1\) 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
# 2018 Savings and Administrative Costs

<table>
<thead>
<tr>
<th>PPO BASIC PLANS</th>
<th>Per Member Per Month (PMPM)</th>
<th>Annualized Net Savings (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Savings</td>
<td>Administrative Costs</td>
<td>NET SAVINGS</td>
</tr>
<tr>
<td>Expand VBPD for use of ASCs</td>
<td>$0.71</td>
<td>$0.00</td>
</tr>
<tr>
<td>Site of Care Management for Medical Pharmacy (excluding Sutter Network)</td>
<td>$1.39</td>
<td>$0.30</td>
</tr>
<tr>
<td>Reduce Use of Emergency Room</td>
<td>$0.17</td>
<td>$0.06</td>
</tr>
<tr>
<td>Castlight (continue in Basic)</td>
<td>$0.62</td>
<td>*</td>
</tr>
<tr>
<td>Welvie (continue in Basic and expand to Medicare Supplement)</td>
<td>$0.34</td>
<td>*</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2.27 PMPM</td>
<td>$0.36 PMPM</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PPO MEDICARE PLANS</th>
<th>Per Member Per Month (PMPM)</th>
<th>Annualized Net Savings (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Savings</td>
<td>Administrative Costs</td>
<td>NET SAVINGS</td>
</tr>
<tr>
<td>Medicare Savings with SilverSneakers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Potential Inpatient Admission Savings (millions) | SilverSneakers Cost (millions) | Net Savings PMPM | Annual Net Savings (millions) |
Medicare Savings with SilverSneakers | $6.87 | $5.71 | $0.76 | $1.15 |
Total Medicare Annual Savings (millions) | $1.30 |

* already included in 2017 Administrative Costs
2017-2022 | Nine (9) Health Initiatives

2017-2022 STRATEGIC PLAN

HEALTH CARE AFFORDABILITY
Transform health care purchasing and delivery to achieve affordability

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

IMPROVE HEALTH STATUS
5. Population Health Alignment
6. Partner with Health Plans to Engage in Community Activities

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

Seek Board approval for 2018 Benefit Designs

Produce Ongoing Results

Report Progress
Footnotes

1 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

2 Health Care Use and Costs Associated with Use of a Health Club Membership Benefit in Older Adults with Diabetes, Diabetes Care, August 2008, Volume 31, No. 8

3 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

4 Ibid.