

# 2018 Medical and Pharmacy Benefits for Preferred Provider Organization Health Plans

Pension and Health Benefits Committee

Kathy Donneson, Chief  
Health Plan Administration Division  
Health Policy Benefits Branch  
June 20, 2017

# 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



## 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

# 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

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 <sup>1</sup>	Potential Inpatient Admission Savings <sup>1</sup> (millions)	SilverSneakers Cost (millions)	Net Savings PMPM	Annual Net Savings (millions)
\$490.59	18,897	\$25,961.05	264.6	\$6.87	\$5.71	\$0.77	\$1.15

<sup>1</sup> 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

	PPO BASIC PLANS				PPO MEDICARE PLANS			
	Per Member Per Month (PMPM)			Annualized Net Savings (millions)	Per Member Per Month (PMPM)			Annualized Net Savings (millions)
	Gross Savings	Administrative Costs	NET SAVINGS		Gross Savings	Administrative Costs	NET SAVINGS	
Expand VBPD for use of ASCs	\$0.71	\$0.00	\$0.71	\$2.04				
Site of Care Management for Medical Pharmacy (excluding Sutter Network)	\$1.39	\$0.30	\$1.09	\$3.16				
Reduce Use of Emergency Room	\$0.17	\$0.06	\$0.11	\$0.33	\$0.10	\$0.06	\$0.04	\$0.15
Castlight (continue in Basic)		\$0.62*						
Welvie (continue in Basic and expand to Medicare Supplement)		\$0.34*				\$0.34		
<b>TOTAL</b>	<b>\$2.27 PMPM</b>	<b>\$0.36 PMPM</b>	<b>\$1.91 PMPM</b>	<b>\$5.53</b>	<b>\$0.10 PMPM</b>	<b>\$0.40 PMPM</b>	<b>\$0.04 PMPM</b>	<b>\$0.15</b>

\* already included in 2017 Administrative Costs

	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
<b>Total Medicare Annual Savings (millions)</b>				<b>\$1.30</b>

# 2017-2022 | Nine (9) Health Initiatives

2017-2022  
STRATEGIC  
PLAN



**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

- <sup>1</sup> 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
- <sup>2</sup> 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
- <sup>3</sup> 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
- <sup>4</sup> Ibid.
- <sup>5</sup> Benton, Melissa J., M.S.N., Ph.D. "Benefits of Exercise for Older Adults." *Exercise for Aging Adults*. Springer, 2015. 23-25.