



Pension and Health Benefits Committee Agenda Item 6

June 20, 2017

Item Name: Approval of 2018 Medical and Pharmacy Benefits for Preferred Provider Organization Health Plans

Program: Health Benefits

Item Type: Action

Recommendation

Approve the proposed self-funded Preferred Provider Organization (PPO) plans medical and pharmacy benefit changes for the 2018 plan year.

Executive Summary

This agenda item provides the Pension and Health Benefits Committee (PHBC) information concerning medical benefit and pharmacy benefit changes for plan year 2018. The self-funded PPO plan medical and pharmacy benefit changes include: adding twelve procedures to the Value Based Purchasing Design (VBPD) program (Basic plans); adding a site of care management program for medical pharmacy (Basic plans); adding an educational program designed to reduce the unnecessary use of emergency rooms (Basic and Medicare plans); continuing the Castlight tool (Basic plans); expanding the Welvie tool (Medicare plans); and, adding the SilverSneakers program (Medicare plans).

Strategic Plan

This agenda item supports Goal A: "Improve long-term pension and health benefit sustainability by ensuring high quality, accessible, and affordable health benefits."

Background

At the May 16, 2017, PHBC meeting, the California Public Employees' Retirement System (CalPERS) team identified four medical benefit design changes for 2018 that aligned with the CalPERS 2017-2022 Strategic Plan and the CalPERS 2017-2022 health initiatives.

Analysis

Consistent with a focus on affordable, sustainable, high quality health care, the CalPERS Health Benefits Program encourages the use of affordable care without compromising quality or safety. This approach is consistent with the "Let's Get Healthy California" Triple Aim for:

- **Better Health:** Promote population health through prevention
- **Better Care:** Patient centered, high quality, value-based, whole person health care
- **Lower Costs:** Reduce health care expenditures regionally and statewide to improve access, achieve savings, and advance transformation.

The final proposed 2018 health plan rates for CalPERS PPO health plans include the following medical benefit changes for Plan Year 2018 (details on each change are provided in Attachment 2).

1. Expand VBPD for use of Ambulatory Surgery Centers (ASCs)
Staff recommends expanding the VBPD program by twelve medical procedures for self-funded PPO Basic plans only.
2. Site of Care Management for Medical Pharmacy
Staff recommends adding a site of care program to steer members from non-clinically indicated higher cost sites of care (such as outpatient hospital) to lower cost sites of care (physician's office, ambulatory infusion center, and home infusion). This program is for the self-funded PPO Basic plans only.
3. Reduce Use of Emergency Room (ER) for Urgent Care
Staff recommends adding the Anthem Blue Cross Quick Care Options to the self-funded PPO Basic and Medicare plans. Quick Care is an educational product to help members find non-ER care where members will save time and have lower copays. The Quick Care Options mobile application enables members to quickly identify nearby in-network retail health clinics, walk-in doctors' offices, and urgent care centers that provide the care they need. The 24/7 NurseLine is also available to members to find alternate care locations.
4. Continue and Expand PPO Purchasing Tools
Castlight: Staff recommends that CalPERS continues to offer this tool to PPO Basic plan members in 2018. Originally offered as a pilot in 2014, this tool educates users about price variation across medical procedures with an intuitive, easy-to-use online application with expanded cost transparency based on CalPERS claims data.

Welvie: Staff recommends continuing the program in 2018 for the PPO Basic plans due to the utilization by the PPO Basic plan members since it was implemented in 2016, and expanding it to the PPO Medicare Supplement plans. This online tool helps educate members on preference sensitive surgeries and places more power in their hands when it comes to minimizing unnecessary and inappropriate surgeries.
5. SilverSneakers
Staff recommends adding the SilverSneakers program to the self-funded PPO Medicare plans. 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.

The evidence base on the impact of health plan-sponsored benefits, specifically fitness center memberships, on health outcomes has not been synthesized.¹ 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. Although the studies should be treated with caution, they found that regular participation in a health plan-sponsored

¹ 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

activity program resulted in lower longer term health costs. Specific findings from the studies include:

- Greater participation in the physical activity program was associated with lower depression risk.²
- Older Medicare beneficiaries with diabetes who participated in a Health Maintenance Organization-sponsored health club benefit had notable reductions in total health care costs at both 1 year and 2 years after program enrollment.³
- 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 admissions.⁴
- SilverSneakers participants' total health care costs were 0.2 percent lower than the control group, inpatient admission costs were 3.2 percent, 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

Assuming that the SilverSneakers program has a similar impact on CalPERS members, there could be a significant reduction in the number of PPO Medicare inpatient admissions and costs. 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 (citation 5 above), 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 (PMPM).

² 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

³ 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

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.

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)	Net Savings PMPM	Annual Net Savings (millions)
\$490.59	18,897	\$25,961.05	264.6	\$6.87	\$5.71	\$0.77	\$1.15

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

Summary of Proposed Savings and Fees for Medical and Pharmacy Benefit Changes

The table below shows the net savings and the administrative costs for the aforementioned five medical and pharmacy benefit changes. The estimates are conservative to allow for program startup.

Costs and Estimated Savings for Proposed PPO Medical and Pharmacy Benefits for PPO Medicare Plans								
	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		
TOTAL	\$2.27 PMPM	\$0.36 PMPM	\$1.91 PMPM	\$5.53	\$0.10 PMPM	\$0.40 PMPM	\$0.04 PMPM	\$0.15

* 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
Total Medicare Annual Savings (millions)				\$1.30

Budget and Fiscal Impacts

The five proposed medical benefit changes for 2018 would increase PPO third-party administrative costs by \$0.36 PMPM for Basic plans and by \$4.20 PMPM for Medicare plans, but produces a total net savings of \$6.83 million in the first year (\$5.53 million for Basic plans and \$1.30 million for Medicare plans).

Benefits and Risks

The benefits include:

- Health care net cost savings of \$6.83 million in the first year
- Supports the CalPERS 2017-2022 Strategic Goal to transform health care purchasing and delivery to achieve affordability
- Consistent with the “Let’s Get Healthy California” Triple Aim for Better Health, Better Care, Lower Costs by directing members to the lowest cost site of care without compromising quality of care



The risks include:

- The PPO Basic plans may not realize the identified savings
- Potential increase in member appeals

Attachments

Attachment 1 – Benefits of Exercise for Older Adults (excerpt)⁷

Attachment 2 – 2018 Proposed Medical and Pharmacy Benefit Design Changes

Attachment 3 – Medical and Pharmacy Benefits

Kathy Donneson, Chief

Health Plan Administration Division

Liana Bailey-Crimmins

Chief Health Director

Health Policy Benefits Branch

⁷ Ibid.