



Pension and Health Benefits Committee Agenda Item 8

February 13, 2018

Item Name: CalPERS PPO Plans: Optimizing Health Care Benefits and Outcomes

Program: Health Benefits

Item Type: Information

Executive Summary

This agenda item provides the Pension and Health Benefits Committee (PHBC) a revised Value Based Insurance Design (VBID) proposal for the self-funded Preferred Provider Organization (PPO) Basic PERS Select plan. In addition, it presents the most recent proposal for changes to the PERS Choice and PERSCare plan designs based on feedback received.

Strategic Plan

This item supports the California Public Employees' Retirement System (CalPERS) 2017-22 Strategic Goal "Transform health care purchasing and delivery to achieve affordability."

Background

Between September and December 2017, the CalPERS team analyzed PPO Basic plan designs for the PERS Select, PERS Choice and PERSCare PPO plans. The PERS Choice and PERSCare plan designs have not changed since 2005. The PERS Select plan was introduced in 2008 as a narrow hospital network plan design.

At the December 2017, PHBC meeting, the CalPERS team presented a refined benefit design for a PERS Select (New) VBID, as well as, a modernization plan for the PERS Choice and PERSCare PPO plans. After obtaining stakeholder feedback in January 2018, the CalPERS team continued to refine the three PPO plan designs in an effort to optimize changes and keep the benefit designs for the three plans in balance.

Analysis

Current PPO Plan Designs

The CalPERS PPO plans have the current coinsurance, deductible and copay plan design illustrated in the following table.¹

¹ The deductible is a set amount members must pay every year toward their medical bills before the health plan starts paying. The copayment is the flat fee member pays every time they go to the doctor or fill a prescription. Coinsurance is the percentage of medical bill the member shares with the health plan after they have paid the deductible.

Table 1: PPO Basic Plan Information

	PERS Choice	PERSCare	PERS Select*
Coinsurance	80/20	90/10	80/20
Deductible	Individual \$500 Family \$1000		
Primary Care	\$20 Copay		
Urgent Care	\$20 Copay		
Specialist	\$20 Copay		
Inpatient Maternity (Delivery)	20% Coinsurance	10% Coinsurance	20% Coinsurance

*70/30 for a Tier 2 hospital

PERSCare has the same deductible and copay as PERS Choice and PERS Select, but has the lowest coinsurance. It is an “90/10” plan which means the insurance company pays for 90 percent of costs after the member meets the deductible. The member pays for 10 percent.

PPO Basic Plan Population Health Statistics (2013 and 2017)

Table 2 compares population size, average age and disease burden between 2013 and 2017. The PERSCare plan grew from 9,000 to 31,000 between 2013 and 2017 mostly coming from the PERS Choice population. Most notably, the average age declined from 52 to 45 in the PERSCare population. Although the prevalence of chronic diseases associated with aging decreased across all three plans, the decreases in Care were greater than in the other plans. It is likely that risk adjustment caused the reduction in age in the Care plan, which in turn contributed to decreases in chronic disease prevalence.

Table 2: PPO Basic Plan Population Health Statistics (2013 & 2017*)

	PERS Choice		PERSCare		PERS Select	
	2013	2017	2013	2017	2013	2017
Summary Demographics						
Total Covered Lives (TCLs)	194,414	158,134	9,124	31,401	48,112	47,646
Average Age	40	41	52	45	33	33
Major Chronic Conditions Prevalence**						
Asthma	3.95%	2.93%	4.86%	3.36%	3.24%	2.34%
Congestive Heart Failure	0.28%	0.22%	0.90%	0.45%	0.12%	0.09%
Coronary Artery Disease	2.14%	1.65%	4.96%	2.46%	0.91%	0.66%
Depression	5.96%	6.84%	7.56%	7.72%	4.68%	5.64%
Diabetes	7.63%	6.15%	12.61%	7.95%	4.15%	3.54%
Hypertension	14.42%	9.90%	24.44%	12.75%	8.29%	5.69%

*Health Care Decision Support System (HCDSS) Data - January 2018

**Defined by Truven’s Medical Episode Grouper (MEG)



Proposed PPO Plan Designs for PERS Choice and PERSCare

After further review of the benefit designs and conversations with stakeholders, we are not recommending changes to the PERS Choice deductible or coinsurance. For PERSCare, we recommend the deductible differential be changed based on the richer benefits of a 90/10 cost share which would put the deductible at \$750 and \$1500, and the coinsurance maximum equal to PERS Choice at \$3000. We are recommending that specialist visits and urgent care centers copays be set at \$35.

Table 3: Proposed PPO Plan Designs for PERS Choice and PERSCare

Recommended Plan Design as of February 2018	PERS Choice	PERSCare
Deductible	(No Change) Individual \$500 Family \$1000	Individual: Increase from \$500 to \$750 Family: Increase from \$1000 to \$1500
Coinsurance Maximum	(No Change) \$3000	Increase from \$2000 to \$3000
Urgent Care Copay	Increase to \$35	Increase to \$35
Specialty Copay	Increase to \$35	Increase to \$35

PERS Select (New), a VBID Plan Design

The ultimate goal of PERS Select (New) focuses on members receiving high-value coordinated care, with a personal physician practicing advanced primary care² to help assure members are getting the right care at the right time. The VBID strategy is further supported by the following objectives: greater coordination of care and reduced system fragmentation; advanced coordinated care availability in counties not serviced by a Health Maintenance Organization (HMO) plan; increased member engagement in health care decisions with increased adherence to evidence-based guidelines; and, rewards to members for engaging in value based programs and services. This is not a high-deductible plan design.

The CalPERS team proposed approach to VBID is an innovative PPO plan design that benefits members in the following ways:

- PPO members will have the ability to get a personal doctor supporting their care, even if they do not have an HMO in their area. Today, there are 18 counties in California where an HMO health plan is not available. The VBID plan gives California PPO members the opportunity to have a personal doctor help them navigate the complexities of the health care system.
- Members will be encouraged to build a relationship with their personal doctor and engage in VBID activities. All members will be eligible for all credits, up to \$500 for an individual and \$1000 for a family.
- The goals align with the Healthier U California workplace wellness program by helping members engage in healthy decisions like biometric screening, certifying their non-smoking status and encouraging them to get a flu shot or an alternative.

² For the purpose of the PERS Select (New) plan, primary care includes physicians or other primary care providers practicing in Family Practice, General Medicine, OB/GYN, Internal Medicine, Geriatrics, Pediatrics, Cardiology, Endocrinology, Rheumatology, Pulmonology, and Psychiatry.

- The plan design continues to allow freedom of choice for PPO members. Members can still choose PERS Select (New) and not participate in the VBID deductible incentive programs or choose to enroll in another PPO plan.

Earning Deductible Credits with PERS Select (New) a VBID plan

Earning credits toward the annual deductible will be easy for members to achieve. The table below illustrates the five VBID activities and the simple actions members can take to get \$500 in deductible credits which would lower the \$1000 deductible to \$500.

Table 4: VBID Engagement

VBID Engagement	Member Action	Health Plan Administrators
1. Biometric Screening	Receive annual biometric screening. At doctors, at lab, in home.	Automatic through claim identification.
2. Flu Shot	Receive annual flu shot at doctors, pharmacy, or local clinic; or call Health Plan if flu shot not recommended.	Automatic through claim identification or call the health plan (if not recommended).
3. Smoking Cessation	Call or go on-line and press the non-smoking certification button	Automatic when member has certified.
4. Second Opinion	If elective, non-emergent surgery is needed, first receive a second surgical opinion.	Automatic certification for all. Deductible applied only after a surgery without a second opinion is obtained.
5. ConditionCare (Disease Management)	If contacted, engage with nurse manager.	Automatic. Deductible applies only if contacted about condition and member declines.

In addition, a 20 percent co-insurance is waived for healthy baby deliveries if the expectant mother enrolls in a Healthy Pregnancy Program.

The PERS Select (New) VBID Plan design is provided in Attachment 1. Among other changes from previous proposals, it should be noted that the CalPERS team lowered the PERS Select (New) deductible presented in December 2017, from \$1500 to \$1000 for an individual and from \$2000 to \$1000 for a family. If members in PERS Select (New) use the five VBID incentives, the deductible is reduced to what it is today \$500 individual and \$1000 family.

For 2019, the Health Plan Administration Division proposes to include the VBID incentives only in the PERS Select (New) plan. This gives members choices by differentiating one of the PPOs and keeps two other standard PPO benefit designs available to members that want an alternate PPO plan choice. If member engagement in the VBID plan in 2019 is positive, then the Board of Administration (Board) can evaluate expansion of the VBID activities to other PPO health plans in the future.

Next steps

Should the Board approve the proposed VBID plan design and PPO plan design changes, the plan design changes will be incorporated into the 2019 rate development process. Staff will also begin working with Anthem to develop a communications/outreach plan to members that will



inform members of the upcoming changes and encourage members to engage in the VBID incentive activities.

Budget and Fiscal Impacts

As part of the PPO Plans' benefit design analysis, the CalPERS team investigated the costs and savings associated with the benefit design changes, VBID incentives, member migration between the three PPO plans, and PPO network pricing impacts. The proposed design changes are estimated to result in a cost reduction of \$46 million annually. The proposed VBID and PPO plan design changes are expected to improve member engagement in health programs and mitigate future years' premium increases associated with medical and pharmacy costs.

Benefits and Risks

The redesign promotes enhanced coordination of care to counties without an HMO plan, prevention, healthy lifestyles and adherence to evidence-based medical and pharmacy practices which should improve population health. The strategies are consistent with "Healthier U" and the "Let's Get Healthy California" Triple Aim for Better Health, Better Care, and Lower Costs.

There are risks that the PPO plans' new benefit structures may not materially change behavior, that modernization premium-saving efforts may not go far enough achieve and sustain affordability, and that member appeals may increase.

Attachments

Attachment 1 – PPO Basic Plan Design Summary

Attachment 2 – CalPERS Value Based Insurance Design and PPO Basic Plan Presentation

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