



Pension and Health Benefits Committee Agenda Item 9

March 20, 2018

Item Name: 2019-23 Health Maintenance Organization Plan Solicitation

Program: Health Benefits

Item Type: Information

Executive Summary

This agenda item provides an update to the Pension and Health Benefits Committee (PHBC) on the 2019-2023 Health Maintenance Organization (HMO) Health Plan Solicitation (“Solicitation”).

Strategic Plan

This item supports Strategic Goal Plan: Health Care Affordability – “Transform Health Care Purchasing and delivery to Achieve Affordability.”

Background

In September and October of 2017, the California Public Employees’ Retirement System (CalPERS) released Phase I and II of the Solicitation, and since then, released a revamped 2019-2023 contract to the following carriers: Aetna, Anthem Blue Cross, Blue Shield, Health Net, Kaiser, United Healthcare (United), and Western Health Advantage.

Analysis

CalPERS, among other things, considers price, technical experience, past performance, management oversight, provider and networks/coverage areas in evaluating the carriers.

2019-2023 Contract

This contract builds upon existing provisions that require pricing transparency in the form of capitation and fee-for-service payments conditioned on the receipt of invoices between the carrier and the providers. Further, it reduces complexity by consolidating the periodic reconciliations in the current contract into a single final accounting after each contract year.

Health Plan Provider Network/Coverage Areas

The following highlights certain carriers proposed provider networks and geographic coverage areas:

- Aetna, which would be a new carrier for CalPERS, proposes an HMO plan that covers 30 counties mostly situated in the Bay Area, Sacramento and Los Angeles Regions. Its proposed service area does not expand CalPERS’ geographic reach, but rather lies within existing CalPERS HMO plan offerings.

- Anthem’s coverage area remains unchanged for 2019. However, UC Davis is being removed as a provider from the Select HMO health plan but will continue to be offered in the Traditional HMO health plan.
- Health Net is considering withdrawing its SmartCare plan from Sacramento County due to unfavorable provider rates with UC Davis.
- Western Health Advantage is proposing to expand its current 9 county coverage area to 13 counties, adding Alameda, Contra Costa, San Francisco and San Mateo Counties.
- Kaiser, Sharp, and United’s provider networks remain the same.

The table below illustrates the percentage of matching zip codes shared between Aetna and the other carriers.

Plan Name	ZIP Code Count	% Match vs. Aetna
Aetna	2,170	100%
Anthem (Select)	1,924	95%
Anthem (Traditional)	2,447	90%
Blue Shield (Access+)	2,402	91%
Health Net (Salud y Mas)	912	99%
Health Net (SmartCare)	1,928	98%
Kaiser	1,913	98%
Sharp	181	100%
Western Health Advantage	368	96%
United Healthcare	1,961	99%

Attachment 1 illustrates a comparison of Aetna’s proposed coverage area against all other health plans’ proposed coverage areas based on the zip codes in which they are licensed to provide an HMO health plan.

Contract Requirements

The carrier financial plans consist of proposed Administrative Services Fees (ASF), the percentage of ASFs at risk for not meeting specified contractual performance measures, and information about prescription drug coverage, e.g., dispensing rates, trend guarantees, rebates, clinical savings, etc.

Overall, contractual negotiations are going well, and we are shifting our focus to the Rate Development Process (RDP). However, the team may still recommend removal of certain carriers before rates are finalized in June. For example, some carriers have proposed ASFs that have more than doubled from 2018, and if such carriers cannot provide significantly lower ASFs, the team may be forced to recommend eliminating such carriers.

Budget and Fiscal Impacts

The five-year contract agreements will likely result in an increase of ASF beginning January 1, 2019.

Benefits and Risks

The benefits of this Solicitation are an executed contract; increased transparency into the health plans' financial arrangements with providers; cost-effective, evidence-based methods for providing medical services; and, consumer choice through increased competition.

The risks are that CalPERS may not reach contractual agreements with all health carriers, particularly on their ASFs, and may be recommending that these carriers not move forward in the Solicitation and RDP. Additionally, to the extent agreements are reached, increasing healthcare costs beyond the control of CalPERS may hamper its goal of improving healthcare affordability.

Attachments

Attachment 1 – Coverage Area Maps

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