



Pension and Health Benefits Committee Agenda Item 7

April 17, 2018

Item Name: Preferred Provider Organization (PPO) 2018 Benefit Design Update and Benefit Proposals for 2019

Program: Health Benefits

Item Type: Information

Executive Summary

This agenda item provides the Pension and Health Benefits Committee (PHBC) an update concerning benefit design changes implemented in January 2018 for the self-funded Preferred Provider Organization (PPO) health plans, additional programs currently under consideration for 2018, and benefit proposals for 2019. New programs being considered for 2018 include: SpineZone, a nonoperative program to manage back and neck pain patients; and Wisdom, a study on breast cancer screening. New benefit proposals for 2019 include specialty and urgent care copay changes for PERS Choice and PERSCare.

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

On June 20, 2017, the PHBC approved the 2018 plan year benefit design changes for CalPERS' PPO health plans that aligned with the CalPERS 2017-2022 Strategic Plan and the CalPERS 2017-2022 health initiatives. 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.

CalPERS Health team made several presentations to the PHBC and stakeholders on the modernization of PPO Health Plans between September 2017 and February 2018.

Analysis

January 2018 Benefit Changes:

1. Expand Value Based Insurance Design for use of Ambulatory Surgery Centers
CalPERS established a maximum benefit allowance for select non-urgent services if they are performed at a non-PPO Ambulatory Surgery Center (ASC). To provide PPO Basic plan members with a choice of safe, quality services at a lower total cost, this program is intended to encourage the use of appropriate and cost-effective care settings. Effective January 1, 2018, benefit limits apply for the following services performed in an outpatient hospital setting instead of an ASC.

Upper gastrointestinal endoscopy	Tonsillectomy and/or adenoidectomy (for Members under age 12)
Upper gastrointestinal endoscopy (with biopsy)	Lithotripsy - fragmenting of kidney stones
Laparoscopic gall bladder removal	Hernia inguinal repair (Member over age 5, non-laparoscopic)
Hysteroscopy uterine tissue sample (with biopsy, with or without dilation and curettage)	Esophagoscopy
Nasal/sinus corrective surgery - septoplasty	Repair of laparoscopic inguinal hernia
Nasal/sinus - submucous resection inferior turbinate	Sigmoidoscopy services

Result: Claims paid through February 2018, indicate that 1,759 procedures were performed in ASC during the months of January and February 2018.

2. Site of Care Management for Medical Pharmacy

CalPERS added this 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. Anthem is conducting clinical appropriateness review of specialty drugs to ensure consistent use of effective medications, based on health plan medical policy or clinical guidelines. Anthem's review includes clinical edits for acceptable dosing and frequency, and clinically equivalent agents, as well as, redirection to preferred specialty pharmacy providers.

Result: To date, Anthem has conducted ten clinical site of care reviews under this program. In managing the program, Anthem is currently tracking reviews for site of care; however, performance reporting will be provided as the program further materializes.

3. Reduce Use of Emergency Room for Urgent Care

Quick Care Options was added to the self-funded PPO Basic and Medicare plans to educate members who use the Emergency Room (ER) for non-urgent diagnoses of other options available to them for future non-urgent care. Quick Care Options engages members through outbound phone calls with e-mail capture, MyHealthAdvantage mailing, targeted Explanation of Benefits messaging, and access to Mobile Urgent Care Finder. 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 and have lower copays.

Result: In January 2018, Anthem identified and informed 6,999 members of ER alternatives through this program.

4. PPO Purchasing Tool

Castlight: 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. Currently, 22 percent of eligible households are registered to use the tool.

Result: The CalPERS team recommends discontinuing this program in 2019 due to low participation among the PPO population. The cost savings will be \$0.62 per member per month, or approximately \$270,000 per year.

5. SilverSneakers

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. Through a variety of fitness offerings that accommodate all fitness levels and preferences, as well as, invaluable social interactions, SilverSneakers helps older adults maximize their health, maintain their lifestyle and improve overall well-being. Members in CalPERS PPO Medicare Supplement Plans have full access to these programs at no extra cost.

Result: The January 2018 member engagement summary is provided in the tables below. In the first month that SilverSneakers became available, more than 7,000 members enrolled and participated, which represents approximately 5 percent of the 130,000 total Medicare PPO plan member population. Of those participating in the program, the majority are between the ages of 65-74, with nearly 25 percent over the age of 80.

SilverSneakers January 2018 Highlights		
Eligible members	Enrollees	% Members Enrolled
132,585	7,045	5.30%
Active Enrollees	Participants	% Enrollees Participating
7,041	7,033	99.80%
Member Visits	Average Visits Per Participant	Steps Kits Ordered
32,591	5	80
Member Age Distribution		
	Male	Female
<65 Years	0.9%	1.7%
65 - 69 Years	12.0%	15.8%
70 - 74 Years	11.8%	14.1%
75 - 79 Years	8.5%	10.2%
80 - 84 Years	5.4%	6.7%
85+ Years	4.9%	7.9%
Sum (%):	43.6%	56.4%

New Programs Under Development for 2018:

CalPERS is working with Anthem to implement the new programs described below for the self-funded PPO Basic plans in the third quarter of 2018. The programs will further engage members in value-based health programs that will improve the health status of our members and reduce overuse of ineffective or unnecessary care. There is no additional cost to CalPERS or members for administering these programs. All services will be billed through the health care claims adjudication system.

1. SpineZone

SpineZone is a comprehensive nonoperative program to conservatively manage back and neck pain patients. The ultimate goal is to empower patients to build up their confidence in managing their spinal condition without the need for future injections, surgery, or medications whenever possible, through a combination of coaching and online assessment linked to an in-clinic program.

SpineZone partners with medical groups, health systems, and employers to improve the quality of life for patients suffering from back and neck pain. The SpineZone program objectively improves outcomes and lowers the overall cost of spine care for patients. In a study performed with Sharp Community Medical Group, SpineZone demonstrated a 31 percent reduction in spine health expenditures for patients who were referred to SpineZone over a two-year period when compared to the traditional therapy pathway.

The program is designed to strengthen core spinal muscle groups and alter the long-term lifestyle of the patient to effect and improve overall health status related to back and neck pain. All patients will undergo an initial online assessment which will risk stratify patients into a low and high risk category. If red flags (infection, tumor, trauma, cauda equine, etc.) appear during this assessment, SpineZone will triage the patient to their primary care provider or urgent care/ER as necessary. Low risk patients will undergo a coached 6-week online program which embeds the core concepts of the in-clinic program. High risk patients will be managed under a 20 visit in-clinic program over 10-12 weeks. SpineZone clinics utilize the most sophisticated and highly tested strengthening equipment available that allows for almost complete isolation of the muscles of the spine.

SpineZone clinics are currently available in several southern California regions, and will be expanded to locations based on CalPERS population. All patients will have access to the online program; however, if any patient that is not progressing with the online program, their care will be transitioned to an in-clinic program. SpineZone will coordinate care to ensure patients have access to an Anthem in-network therapy provider. Ongoing communication to the patient's primary care physician will occur to further ensure care coordination.

Result: To be determined. This program will be ready for implementation in the second half of 2018. SpineZone will support improved use of evidence-based medicine and reduce spine health expenditures (e.g. imaging, injections, and back/neck surgery).

2. Wisdom Study

Wisdom is part of an ongoing study that is designed to test what we hope will be a transformative approach to breast cancer screening – optimizing breast cancer detection for higher-risk women while reducing the unintended consequences of current screening practices for lower-risk women. The design is based on a preference-tolerant randomized trial of women age 40-74 and no history of breast cancer. Participation in the study is voluntary. The goal is to determine if personalized screening (as compared to annual screening) provides better healthcare value by making better use of available resources, screening women at intervals appropriate to their risk, improving compliance and decreasing patient anxiety.

One arm of the study includes annual mammography screening with women at highest risk being offered a telephone consultation with a trained Breast Health Specialist. The personalized arm of the study includes genomic profiling, biennial, annual and other screening methods. Study participants will be given access to a secure online portal to interact with the study group and will also have access to a Breast Health Specialist.

Information such as testing results, consultation notes, and risk reports will be available to the participant's physician. Personalized care should lead to better health outcomes – fewer indolent tumors will be detected, fewer unnecessary biopsies will be performed, and women will be subject to less anxiety. The desired outcome of this program is to improve access to, and use of, preventive therapy for women at high risk, thereby modifying the incidence and progression of disease.

Result: Wisdom is immediately available for implementation. It will support improved use of evidence-based medicine with no additional administrative cost.

Benefit Proposals for 2019:

The PERS Choice and PERSCare medical plan designs have not changed since 2005. Mercer Health & Benefits LLC actuarial consultants were engaged to work with the CalPERS team and the Anthem actuaries to analyze PPO Basic plan design factors for the PERSCare and PERS Choice PPO products compared to evidence-based practices and cost-share benchmarks to ensure the proposed CalPERS plan design is consistent with industry practice.

CalPERS obtained stakeholder feedback on proposed PPO benefit design changes in January 2018, and continued to refine the two PPO plan designs for PERS Choice and PERSCare. After further review of the PERSCare and PERS Choice benefit designs and conversations with stakeholders, we are not recommending changes to the PERSCare and PERS Choice deductibles or coinsurances. In line with the higher cost of care provided by specialists and urgent care facilities, we are recommending that specialist visits and urgent care copays be changed from the current copay of \$20 to \$35. This will align benefit structure among the PPO health plans, encourage coordination of high value care through primary care physicians, and maintain choice for PPO members.

The estimated cost savings of these benefit changes for PERSCare is \$6.91 PMPM or \$2.6 million per year; and for PERS Choice is \$4.70 pmpm or \$9.2 million per year. The total annual cost savings is estimated at \$11.8 million.

Plan Design and Cost Savings as of April 2018		
Plan Design	PERS Choice	PERSCare
Deductible (No Change)	\$500	\$500
Coinsurance Maximum (No Change)	\$3,000	\$2,000
Urgent Care Copay	Increase from \$20 to \$35	Increase from \$20 to \$35
Specialty Copay	Increase from \$20 to \$35	Increase from \$20 to \$35
Cost Estimates *	PERS Choice	PERSCare
Plan Design Savings	(\$9,200,000)	(\$2,600,000)
2018 PMPM (actual)	\$567.94	\$879.69
2018 PMPM (impact)	\$563.24	\$872.78
\$ PMPM Change	(\$4.70)	(\$6.91)
Total Savings	(\$11,800,000.00)	
* Assumes no migration among plans or network changes		

Budget and Fiscal Impacts

Discontinuing Castlight will produce a cost savings of approximately \$270,000 per year.

The SpineZone and Wisdom programs being considered for 2018 will not increase administrative cost but have the potential to produce a savings by avoiding ineffective or unnecessary medical care.

The PERS Choice and PERSCare benefit copay changes to be implemented in 2019 will produce an estimated savings of \$11.8 million in the first year.

Benefits and Risks

The benefits include:

- Produces a net cost savings of approximately \$11.8 million per 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 method of care without compromising quality of care

The risks include:

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

Attachments

Attachment 1 – Preferred Provider Organization (PPO) 2018 Benefit Design Update and Benefit Proposals for 2019

Kathy Donneson, Chief

Health Plan Administration Division

Liana Bailey-Crimmins

Chief Health Director

Health Policy and Benefits Branch