



Pension and Health Benefits Committee Agenda Item 5

May 15, 2018

Item Name: Approval of the Preferred Provider Organization 2019 Benefit Design Changes

Program: Health Benefits

Item Type: Action

Recommendation

Approve the discontinuance of the Castlight tool for all Preferred Provider Organization (PPO) Basic health plans, and approve the proposed specialist and urgent care copay changes for PERS Choice and PERSCare PPO Basic health plans in the 2019 plan year.

Executive Summary

This agenda item provides information that the Pension and Health Benefits Committee (PHBC) requested at the April 2018 meeting and seeks PHBC's approval to discontinue use of Castlight for all PPO Basic health plans and change copays for specialty and urgent care visits for PERS Choice and PERSCare PPO Basic health plans in the 2019 plan year.

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

CalPERS Health team has made several Castlight presentations to the PHBC between August 2017 and April 2018. The proposed benefit changes for the PERS Choice and PERSCare PPO health plans were discussed with PHBC in February and April 2018. In April, the PHBC directed staff to provide further financial analysis regarding member and employer cost savings, impacts to members, and additional justification for proposed copay changes.

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. At the same time, CalPERS must evaluate the benefit design to maximize the balance between an individual member's cost share for use of services, and the overall cost of healthcare that is distributed to all members and employers through the monthly premium. The recommendations below would bring forth a small compromise to make health care affordable for both members and employers.

Castlight

Originally offered as a pilot in 2014 for CalPERS' PPO Basic health plans, the Castlight tool was designed to educate members about price variation across medical procedures with an intuitive, easy-to-use online application with expanded cost transparency based on CalPERS claims data. CalPERS' desired outcome was to provide price transparency that would help

CalPERS members have more control of their health care spending and feel empowered in their health care decision-making. In August 2017, Harvard Medical School and CalPERS team presented findings to the PHBC on the multi-faceted evaluation of providing a pricing transparency tool to PPO members. The evaluation, conducted in collaboration with CalPERS, Anthem, and HealthCore, found low utilization among PPO members and no significant difference in the overall rate of growth of spending compared to the control group. Furthermore, a published study evaluating the use of Castlight among CalPERS members in 2014-2015 found "Overall, offering the tool was not associated with lower shoppable services spending."¹

CalPERS PPO member utilization of the Castlight tool has remained low since its inception. The most recent report through March 2018 showed that only 24 percent of eligible households registered to use the tool, and less than half of those households use the tool more than once. Castlight presented member engagement and use patterns at the January 2018 Board offsite meeting. Last month at the PHBC meeting, CalPERS health team proposed discontinuing Castlight.

At this time, CalPERS team is requesting approval to discontinue this program in 2019 due to low participation among the PPO population and lack of value added. The cost savings will be \$0.62 per member per month, or approximately \$1.8 million per year.

Copay changes for 2019

The current PERS Choice and PERSCare PPO plans have the same copay of \$20 for primary care, specialist and urgent care visits, and these copays have not changed since 2005. The nature of the PPO plans allows members to seek care directly from any provider, with no coordination of care required through a primary care physician, unlike Health Maintenance Organization health plans which require members to first seek care through their primary care physician to obtain a referral to a specialist.

The proposal is to increase the specialist visits and urgent care copays from \$20 to \$35 per visit. Although the copay change will affect the members' out of pocket cost at the time of service, the monthly premium amount will be offset to reflect the savings as shown below in the 2018 Single-Party Premium (Unadjusted) table.

Premium Savings for Copay Changes to Specialist and Urgent Care Visits

Based on the number of individuals currently enrolled in the PERS Choice and PERSCare plans, the CalPERS team calculated the estimated premium savings for the copayment changes using the 2018 unadjusted rates. The following table provides the number of Basic members currently enrolled in the PERS Choice and PERSCare Basic plans as of April 2018.

Basic Enrollment April 2018*	Subscribers	Dependents	Total Covered Lives
PERS Choice			
State Active	23,968	33,661	57,629
State Early Retiree	12,258	11,258	23,516
Public Agency Active	22,693	27,787	50,480
Public Agency Early Retiree	5,651	3,605	9,256
Total	64,570	76,311	140,881

¹ Desai S, Hatfield LA, Hicks AL, Sinaiko AD, Chernew ME, Cowling D, Gautam S, Wu SJ, Mehrotra A. Offering A Price Transparency Tool Did Not Reduce Overall Spending Among California Public Employees And Retirees. Health Aff (Millwood). 2017 Aug 1;36(8):1401-1407.

PERSCare			
State Active	4,058	4,476	8,534
State Early Retiree	2,428	1,491	3,919
Public Agency Active	8,633	8,428	17,061
Public Agency Early Retiree	3,013	1,735	4,748
Total	18,132	16,130	34,262

*In addition to these Basic enrollees, there are approximately 10,800 members in the combination (Medicare & Basic) plans with approximately 6,400 in PERS Choice and 4,400 in PERSCare.

The CalPERS team modeled the copayment changes and calculated an estimated \$10.8 million in annual savings to the premium. The estimated single-party premium savings for an entire plan year is between \$59 and \$108 per subscriber depending on the health plan and state/public agency region. The estimated savings on the monthly premium, using 2018 unadjusted single-party premiums, are illustrated in the following table:

		2018 Single-Party Premium (Unadjusted)		
	State/Public Agency Region	2018 Current	2018 with Changes (est.)	Estimated Premium Saving (Per Month)
PERS Choice				
	State	\$721.64	\$715.87	(\$5.77)
	Bay Area	\$797.48	\$791.10	(\$6.38)
	Sacramento	\$732.82	\$726.96	(\$5.86)
	Los Angeles Area	\$618.23	\$613.28	(\$4.95)
	Other S. California	\$696.52	\$690.95	(\$5.57)
	Other N. California	\$811.12	\$804.63	(\$6.49)
PERSCare				
	State	\$1,035.21	\$1,027.24	(\$7.97)
	Bay Area	\$1,176.93	\$1,167.87	(\$9.06)
	Sacramento	\$1,063.78	\$1,055.59	(\$8.19)
	Los Angeles Area	\$898.56	\$891.64	(\$6.92)
	Other S. California	\$978.27	\$970.74	(\$7.53)
	Other N. California	\$1,156.22	\$1,147.32	(\$8.90)

Depending on the employer's contribution formula, the tables below illustrate examples of how the above single-party premium savings per month would be shared based on a variety of employee and employer types in different regions. For both plans, most of the savings benefit the employee due to the employer contribution formula. State employees receive approximately 82 percent of the savings, whereas Public Agency employees receive approximately 69 percent.

2018 PERS Choice		Active & Early Retiree	
State/Public Agency Region	Estimated Premium Saving	Employee Savings	Employer Savings
State			
Monthly Savings	(\$5.77)	(\$4.77)	(\$1.00)
Estimated State Total Annual Savings	(\$4,576,578)	(\$3,783,410)	(\$793,168)
Public Agency			
Bay Area (Monthly Savings)	(\$6.38)	(\$4.40)	(\$1.98)
Sacramento (Monthly Savings)	(\$5.86)	(\$4.04)	(\$1.82)
Los Angeles Area (Monthly Savings)	(\$4.95)	(\$3.42)	(\$1.53)
Other S. California (Monthly Savings)	(\$5.57)	(\$3.84)	(\$1.73)
Other N. California (Monthly Savings)	(\$6.49)	(\$4.48)	(\$2.01)
Estimated PA Total Annual Savings	(\$3,369,310)	(\$2,324,824)	(\$1,044,486)
Estimated Total PERS Choice Savings	(\$7,945,888)	(\$6,108,234)	(\$1,837,654)

2018 PERSCare		Active & Early Retiree	
State/Public Agency Region	Estimated Premium Saving	Employee Savings	Employer Savings
State			
Monthly Savings	(\$7.97)	(\$6.97)	(\$1.00)
Estimated State Total Annual Savings	(\$1,032,603)	(\$903,042)	(\$129,561)
Public Agency			
Bay Area (Monthly Savings)	(\$9.06)	(\$6.25)	(\$2.81)
Sacramento (Monthly Savings)	(\$8.19)	(\$5.65)	(\$2.54)
Los Angeles Area (Monthly Savings)	(\$6.92)	(\$4.77)	(\$2.15)
Other S. California (Monthly Savings)	(\$7.53)	(\$5.20)	(\$2.33)
Other N. California (Monthly Savings)	(\$8.90)	(\$6.14)	(\$2.76)
Estimated PA Total Annual Savings	(\$1,808,402)	(\$1,247,797)	(\$560,605)
Estimated Total PERSCare Savings	(\$2,841,005)	(\$2,150,839)	(\$690,166)

PERS Choice and PERSCare Estimated Grand Total Savings	(\$10,786,893)	(\$8,259,073)	(\$2,527,820)
---	-----------------------	----------------------	----------------------

*A State single-party member would have to visit a specialist and/or urgent care provider **more than 5 times** a year before they would spend more in copayments than the estimated savings for PERSCare.*

The estimated cost savings of these benefit changes for PERSCare is \$5.6 million per year; and for PERS Choice is \$5.1 million per year. The total annual cost savings is estimated at \$10.8 million.

Summary of Premium Savings	
Total Savings for all State Employees	\$4,686,452
Total Savings for State Employer	\$922,729
State Total	\$5,609,181
Total Savings for all PA Employees	\$3,572,621
Total Savings for all PA Employers	\$1,605,091
Public Agency Total	\$5,177,712
TOTAL Estimated Premium Savings	\$10,786,893

Budget and Fiscal Impacts

Discontinuing Castlight will produce a cost savings of approximately \$1.8 million per year, and the PERS Choice and PERSCare medical benefit copay changes to be implemented in 2019 will produce an estimated savings of \$10.8 million in the first year. The total combined savings estimate for discontinuing Castlight and making copay changes is \$12.6 million in the first year.

Benefits and Risks

The benefits include:

- Produces a combined net cost savings of approximately \$12.6 million in the first year
- Supports the CalPERS 2017-2022 Strategic Goal to transform health care purchasing and delivery to achieve affordability

The risks include:

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

Attachments

Attachment 1 – PPO Benefit Design Updates Presentation

Kathy Donneson, Chief
Health Plan Administration Division

Liana Bailey-Crimmins
Chief Health Director
Health Policy and Benefits Branch