



Pension and Health Benefits Committee Agenda Item 6

May 15, 2018

Item Name: Preliminary 2019 Health Rates

Program: Health Benefits

Item Type: Information

Executive Summary

The May rates are preliminary. The California Public Employees' Retirement System (CalPERS) rates team continues to analyze preliminary rates submitted by health plans to ensure accuracy and affordability, as it prepares final rates for review and approval of the Pension and Health Benefits Committee (PHBC) in June. Note that the 2019 preliminary health benefit plan rates are distributed as Attachments 1 and 2, just prior to the PHBC Open Session.

Strategic Plan

This item supports CalPERS Health Care Affordability Strategic Goal: "Transform health care purchasing and delivery to achieve affordability."

Background

Initial rates were provided to the PHBC in April 2018 during closed session. Since then, the rates team has continued to analyze, verify, and validate carrier submitted data against actual plan data available to CalPERS.

The rates team additionally consults with external actuaries to provide independent health actuarial consultation, subjective assessments of each proposal from the carriers, as it relates to outside market trend analysis.

CalPERS has successfully moderated trend increases over the past 15 years as a direct result of cost and quality conscious Board of Administration (Board) actions. Board actions have mitigated medical trend increases through strategies such as promoting efficient hospital and plan networks, value based purchasing, integrated health models, competition, and flex funding.

Basic Medical Trend

The main cost driver continues to be Facility Inpatient, with Primary Care Services and Ambulatory Surgery also contributing heavily. Most of the costs are attributable to unit cost increases. Population and utilization trend account for the remaining changes in costs.

Medicare Medical Trend

Medicare medical trend is driven, largely by the federal government, and is predominately contingent upon federal budget adjustments and other costs outside of the control of CalPERS. Nonetheless, the CalPERS rates team continues to analyze aspects of the Medicare rates which are negotiable to minimize any increase upon the Medicare trend.

Pharmacy Trend

The implementation of OptumRx as the Pharmacy Benefits Manager (PBM) began in January 2017. Since implementation, the rates team and consulting actuaries have been evaluating emerging claims experience for 2017 and 2018. Pharmacy trend projections may change for the final rates as more complete 2018 claims experience becomes available. The rates team and consulting actuaries continue to monitor projected trends in relation to actual cost experience.

While OptumRx is the PBM for the majority of the health plans, the following health plans administer their own pharmacy:

- Blue Shield Access+ (Basic)
- Kaiser (Basic and Medicare)
- UnitedHealthcare (Medicare)

Health Plan Coverage Area Changes

Health Net will withdraw from Sacramento, Yolo, and Placer counties.

Benefits and Risks

Not applicable.

Budget and Fiscal Impacts

The proposed rates for the 2019 plan year will increase/decrease employee and employer contributions.

For the State of California, the increase/decrease will be determined in accordance with Government Code section 22871 et seq, of the Public Employees' Medical and Hospital Care Act. For contracting agencies, the increase/decrease will be determined based on each agency's negotiated contribution amount.

Attachments

(Attachments 1 and 2 will be provided under separate cover just prior to the PHBC meeting on May 15, 2018)

Attachment 1 – 2019 Health Plan Preliminary Rates: Per Subscriber Per Month (PSPM)

Attachment 2 – 2019 Health Plan Preliminary Rates: Public Agency Regional Rates

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