



## Pension and Health Benefits Committee

# Agenda Item 7a

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**May 14, 2019**

**Item Name:** Preliminary 2020 Health Rates

**Program:** Health Benefits

**Item Type:** Information

### **Executive Summary**

The Health Plan rates presented in May 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 by the Pension and Health Benefits Committee (PHBC) in June. Note that the 2020 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 2020 rates were provided to the PHBC in April during closed session. Since then, the rates team has continued to analyze, verify, and validate carrier submitted data against actual claims data in our data warehouse. In addition, the rates team continues to engage internal and third-party actuaries to provide independent health actuarial consultation, assess the proposals from the carriers, and provide market trend analysis.

CalPERS continues to manage premium increases through cost containment and quality assurance strategies that include:

- Adding narrow network health plans such as PERS Select and Western Health Advantage. Additionally, we are currently considering Blue Shield's Trio plan.
- Implementing value-based purchasing, such as, the reference pricing for hip and knee replacements; based on its success, 12 additional value-based procedures were added to this program in 2017.
- Ensuring Health Plans meet their performance measures.

- Engaging with the Health Plans on wellness programs and employer and member outreach.

### **Basic Plans Projected Medical Costs**

Consistent with prior years, projected medical (non-pharmacy) costs continue to be attributed to hospital admissions, outpatient surgical procedures, and primary care services. Within these categories, utilization and cost of services performed determine the majority of our per member per month costs.

Plans making changes to their hospital/provider networks, and/or service areas, can also experience cost changes.

### **Medicare Plans Projected Medical Costs**

Projected medical costs for Medicare plans is driven by the federal government and is largely contingent on federal budget adjustments and costs outside of CalPERS control. The rates team analyzes those aspects of the Medicare rates that are negotiable to minimize any increase upon Medicare costs.

### **Pharmacy**

The rates team and our third-party consulting actuaries monitor projected pharmaceutical trends in relation to actual costs. Pharmacy trend projections may change for the final rates presented in June as the team continues to analyze additional 2019 claims data.

While OptumRx is the Pharmacy Benefit Manager for most of the health plans, the following health plans administer their own pharmacy:

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

### **New Health Plans**

Blue Shield Trio is being considered as a new HMO plan offering for 2020. This is a narrow network plan proposed in the following six counties: El Dorado, Los Angeles, Nevada, Placer, Sacramento, and Yolo.

### **Health Plan Service Area Changes**

Currently, there is no HMO Medicare plan for our Combination members in Monterey county. A Combination plan has at least one member in a Basic plan and at least one member in a Medicare plan. The rates team is working with Anthem to provide HMO coverage for Combination enrollment members and will bring the final premiums in June for approval.

### **Preferred Provider Organization (PPO) Spend Down Proposal**

During the 2019 rate development process, PPO Health Care Fund (HCF) surplus reserves were used to smooth the impact to the Basic PERSCare plan caused by the elimination of risk-adjustment. In September 2018, the Board of Administration (Board) approved a new Health

Care Fund Reserve Policy including a methodology for handling surpluses or deficits in the PPO plan fund accounts. The May 2019 PHBC Agenda Item 6a is an action item for the Board that proposes a spend down of the PERSCare premium. The 2020 preliminary rate sheet includes two premiums for PERSCare: one reflects the rate without the spend down, the other reflects the rate with the spend down.

### **Public Agency and School Regions**

Regions enable CalPERS to provide high quality health plans to public agency and school contracting employers with rates that are competitively priced and in alignment with the cost of care in the market. In December 2018, the Board approved to change the structure of regions for public agencies and schools from five regions to a three-region model effective with the 2020 health rates. Attachment 3 provides a map of both the current five-region model and the 2020 three-region model. Due to this change of regions, there is no comparison to 2019 premiums.

### **Budget and Fiscal Impacts**

The proposed rates for the 2020 plan year will increase or decrease employee and employer health premium contributions.

For the State of California, the increase or 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 or decrease will be determined based on each agency's negotiated contribution amount.

### **Benefits and Risks**

CalPERS benefits from annual Health Plan rates being negotiated in the following ways:

- Evaluate new offerings in the market to keep costs contained for our membership
- Negotiate and validate rates that truly reflect the cost of care
- Ensure health plans provide quality care

The risk of not evaluating plan offerings and validating rates annually could negatively impact the cost of care to our members and employers.

### **Attachments**

Attachments 1 and 2 will be provided under separate cover just prior to the PHBC meeting on May 14, 2019.

Attachment 1 – 2020 Health Plan Preliminary Rates: Per Subscriber Per Month (PSPM)

Attachment 2 – 2020 Health Plan Preliminary Rates: Public Agency Regional Rates

Attachment 3 – Regions Maps

Attachment 4 – Preliminary 2020 Health Rates PowerPoint

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