



Pension & Health Benefits Committee

Agenda Item 5c

June 16, 2020

Item Name: Preferred Provider Organization Health Plan Assessment

Program: Health Benefits

Item Type: Information Consent

Executive Summary

The purpose of Preferred Provider Organization (PPO) Assessment Project is to understand the cause of the current premium disparities between the PPO Basic Plans and help inform proposed changes to achieve the long-term sustainability and stability of California Public Employees' Retirement System (CalPERS) self-funded PPO Program.

This agenda item provides an update on Phase II Stakeholder Outreach of the Project. In this phase, we surveyed a random sample of PPO Basic members to better understand their purchasing preferences such as the factors they consider when selecting a health plan or why they choose to remain in their current plan. This phase also included an industry literature research review on health plan choice and adverse selection. Findings from this phase will be used during Phase III Benefit Design Modeling to be presented to the Pension & Health Benefits Committee (PHBC) in September 2020.

Strategic Plan

This item supports the CalPERS 2017-22 Strategic Goal: "Transform Health Care Purchasing and Delivery to Achieve Affordability."

Background

The PPO Health Plan Assessment Project includes actuarial analyses and stakeholder outreach to provide insight into the cause of the premium disparities in the PPO Basic plans and how member choice may influence those disparities. The assessment will better inform CalPERS on how to develop strategies to reduce year-over-year premium volatility, allowing for more stable premiums and minimizing member disruption. We are optimistic that it will also help maintain member satisfaction and stabilize plan populations.

The Project includes four phases: Phase 1 Analysis, Phase II Stakeholder Outreach, Phase III Benefit Design Modeling, and Phase IV Implementation. The CalPERS team provided an overview of the project and the findings from Phase I at the April 2020, PHBC meeting.

Data Collection

In February 2020, a survey of 12 questions was distributed to a randomly selected pool of 3,000 members in each of the three PPO Basic plans as part of Phase II of the Project. Members were asked through email, as well as, post mail to participate in the survey. The responses were collected through the online survey platform Survey Monkey.

CalPERS collected 259 responses from PERSCare members, 302 responses from PERS Choice members, and 270 responses from PERS Select members, for a total of 831 survey results available for analysis.

Key Findings of Phase II Member Survey

The responses to the key question are summarized in Figure 1 below. Members were asked to choose the factor that is most important to them when selecting their health plan. The data highlights the following patterns among member purchasing preferences:

- PERSCare members are generally the highest medical utilizers with relatively more chronic conditions. They are relatively less sensitive to “Monthly Premiums” (7% of respondents) and prefer a “Broad Network” (27%) with high “Quality of Care” (51%).
- PERS Choice members generally prefer a “Broad Network” (33%) with high “Quality of Care” (36%) and show, on average, more sensitivity to “Monthly Premiums” (16%) relative to PERSCare members.
- PERS Select members are generally most concerned with “Monthly Premiums” (40%) and require the least amount of medical care compared to PERSCare and PERS Choice members.

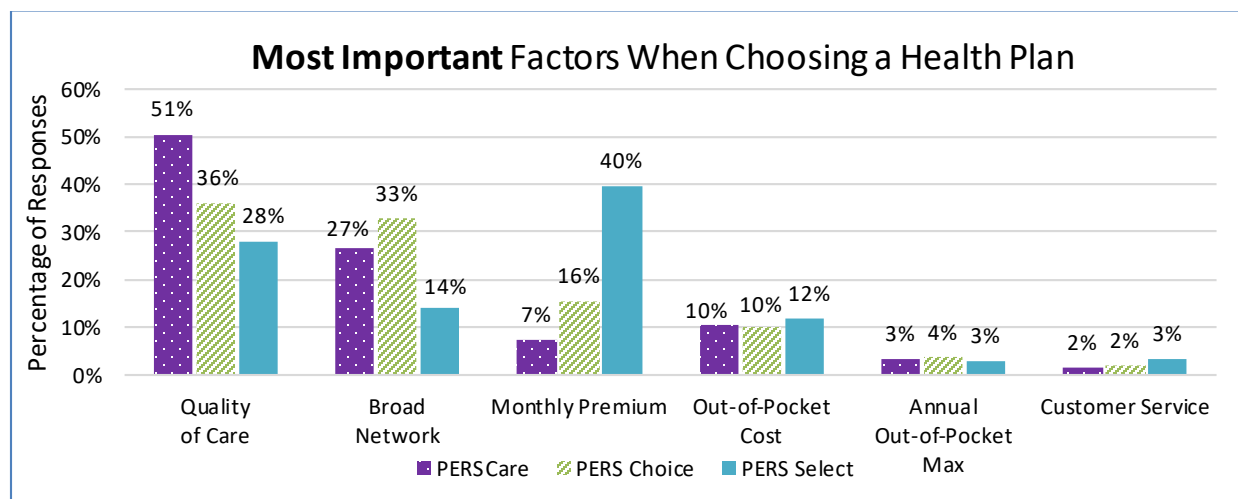


Figure 1: Most Important Factors When Choosing a Health Plan

For members who choose to remain in their current health plan:

- PERSCare and PERS Choice members are happy with their current plan and believe their current plan has better provider access.
- PERS Select members are happy with their current plan and believe their current plan provides better financial value.

Stakeholder Engagement and Literature Review

The team presented the PPO Assessment Project to stakeholders during the Stakeholder Forum held in January 2020. Subsequent presentations and updates have been made during the monthly Stakeholder Engagement Briefings. In addition, the team reviewed industry research on how individuals choose their health plans and strategies to address health plan enrollment, pool health plan risk, and limit adverse selection.

Findings from Phase II of the project will be used during Phase III Benefit Design Modeling of this project where the team will perform analysis and benefit design modeling and present scenarios at the September 2020 PHBC meeting.

Budget and Fiscal Impacts

Currently, there is no expected fiscal impact. The aim of this project is to promote a budget-neutral solution for the PERS Basic PPO products that is self-sustainable and reduces year-over-year premium volatility, allowing for more stable premiums.

Benefits and Risks

This project serves to protect members of the CalPERS PPO Basic health plans from the negative effects of adverse selection and premium volatility. However, any proposed plan changes have the potential to cause member disruption.

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