Healthcare Competition

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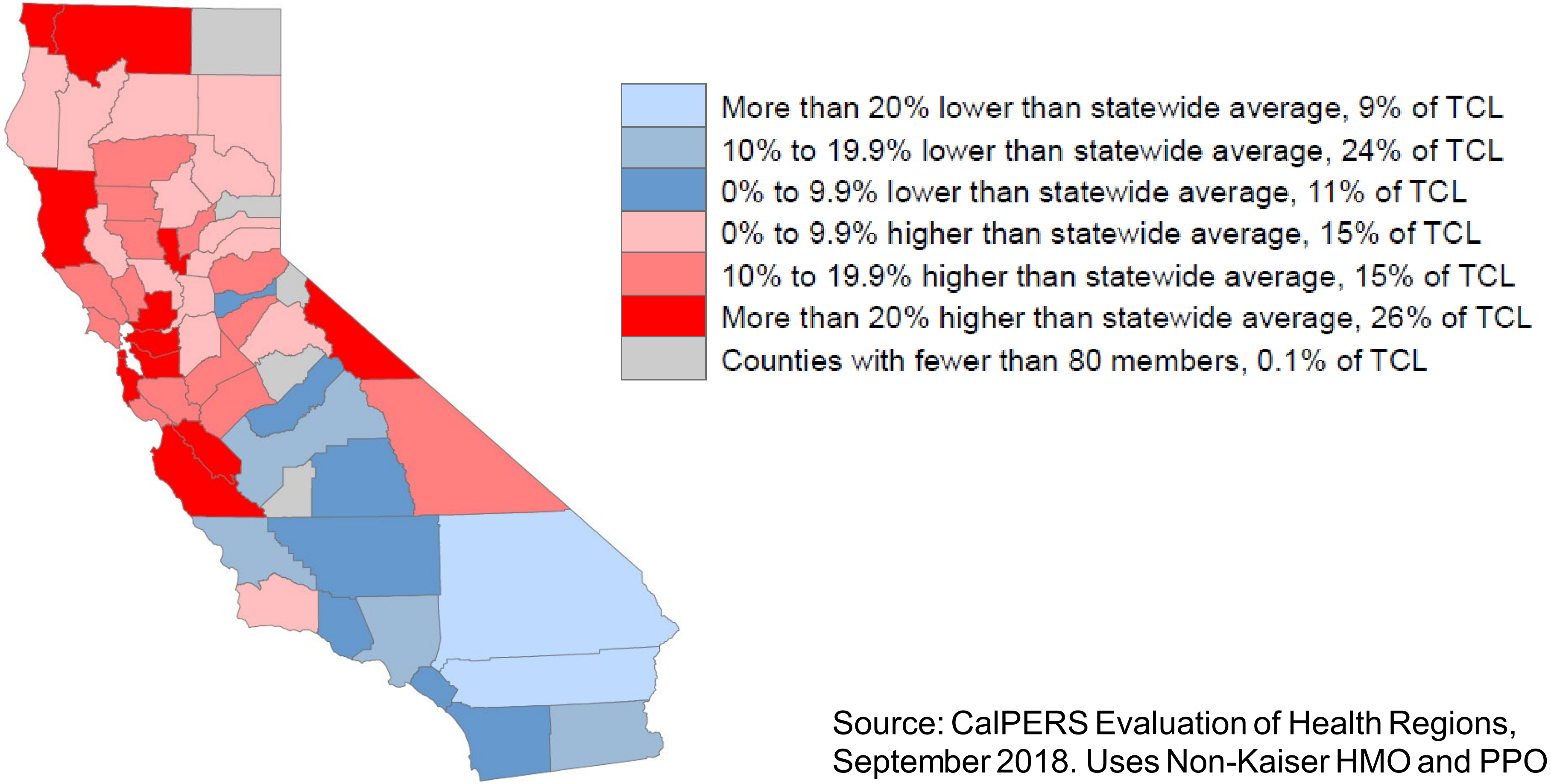
Provider Competition

- Higher prices in areas with limited hospitals
- Little competition in rural areas
- Hospital consolidation, medical group consolidation
- Mergers

Insurer Competition

- Stronger in larger, populated markets
- Weaker in rural counties
- Too many insurers lower bargaining power and result in higher prices

Price variation exists across California in part due to the lack of competition among providers



Source: CalPERS Evaluation of Health Regions, September 2018. Uses Non-Kaiser HMO and PPO Data

Lack of provider competition

- Areas with fewer hospitals and medical groups have higher premiums
- Consolidations & mergers result in less competition and higher prices
- Prices highest in areas with limited hospital competition
- Physicians in hospital or system owned practices grew 75% from 2010 to 2018

Strategies to address lack of provider competition

Centers of Excellence

Move from high cost to high value facilities

Telemedicine

Rural areas, mental health services

Move services outside of hospital setting

Urgent care, clinics, ambulatory surgery centers

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Health plan competition study

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Background and team

- CalPERS is seeking cutting-edge academic insights to guide its long-term strategy vis a vis health insurance plans

- The right mix of plans and employee premiums can maximize the value to enrollees/CalPERS by heightening insurer and provider competition

- Care must be taken to minimize administrative burdens and avoid adverse selection

- Bates White team:
  - Leemore Dafny, Harvard University
  - Robin Lee, Harvard University
  - Zenon Zabinski, Bates White

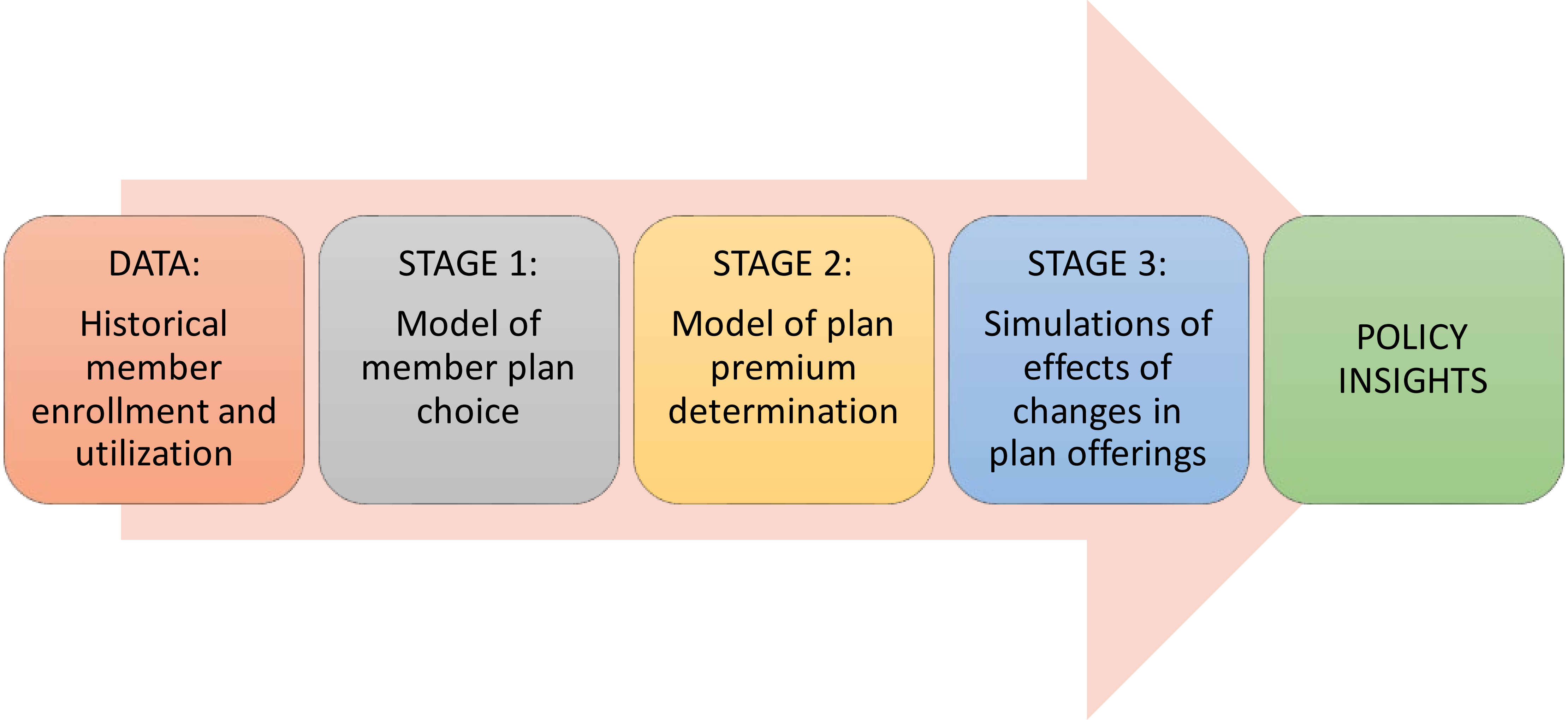
Goals

- Help CalPERS to assess the effects of changing the set of plans offered members on enrollment, premiums, and value provided to members

- Offer recommendations regarding key changes to consider and prioritization of those changes based on CalPERS' objectives

- Assess the impact of regional premium adjustments

Study design



Study limitations

- Data limitations may make certain predictions less accurate
- The model's predictions regarding plan performance will be focused on carriers and plans that have previously been offered to members
  - The model is calibrated using historical data
  - We can still investigate how similar plans would perform in different service areas
- The study will likely assume the same negotiation process with insurers
- Analysis limited to commercial plans; Medicare plans are outside the scope of this project