**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
Leemore Dafny
Professor at Harvard University & Academic Affiliate at Bates White Economic Consulting
Health plan competition study

Leemore Dafny, PhD

July 14, 2020
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

DATA:
Historical member enrollment and utilization

STAGE 1:
Model of member plan choice

STAGE 2:
Model of plan premium determination

STAGE 3:
Simulations of effects of changes in plan offerings

POLICY INSIGHTS
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