

HMO and PPO Risk Mitigation Strategies

Pension & Health Benefits Committee

Agenda Item 7a

Marta Green

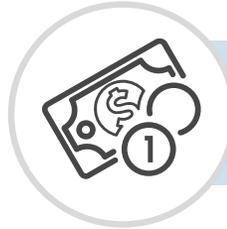
Chief, Health Plan Research and Administration Division

September 15, 2020

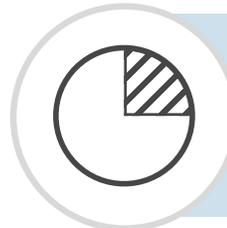
Agenda

- Background
 - Status Quo
 - Reinsurance/Stop Loss
 - Plan Eliminations or Mergers
 - Portfolio Rating
 - PPO vs. HMO Portfolio
 - Portfolio Rating the PPO/Portfolio Design Alternatives
 - Portfolio Rating the HMO
 - Next Steps
-

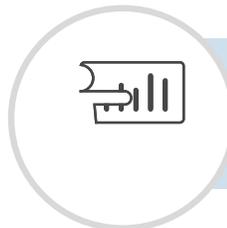
Background



Risk Adjustment ended in 2019



Current Challenges in
Basic Plan Portfolio



PPO Health Plan Assessment



Risk Mitigation Strategies

Options & Modeling



Status Quo



**Reinsurance/
Stop Loss**



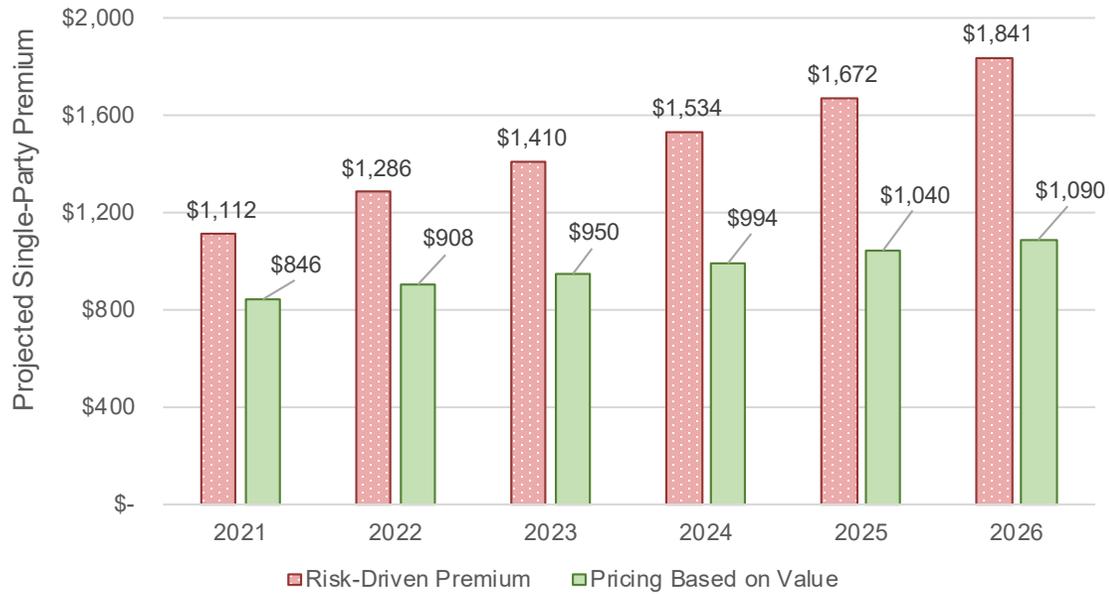
**Plan Eliminations
or Mergers**



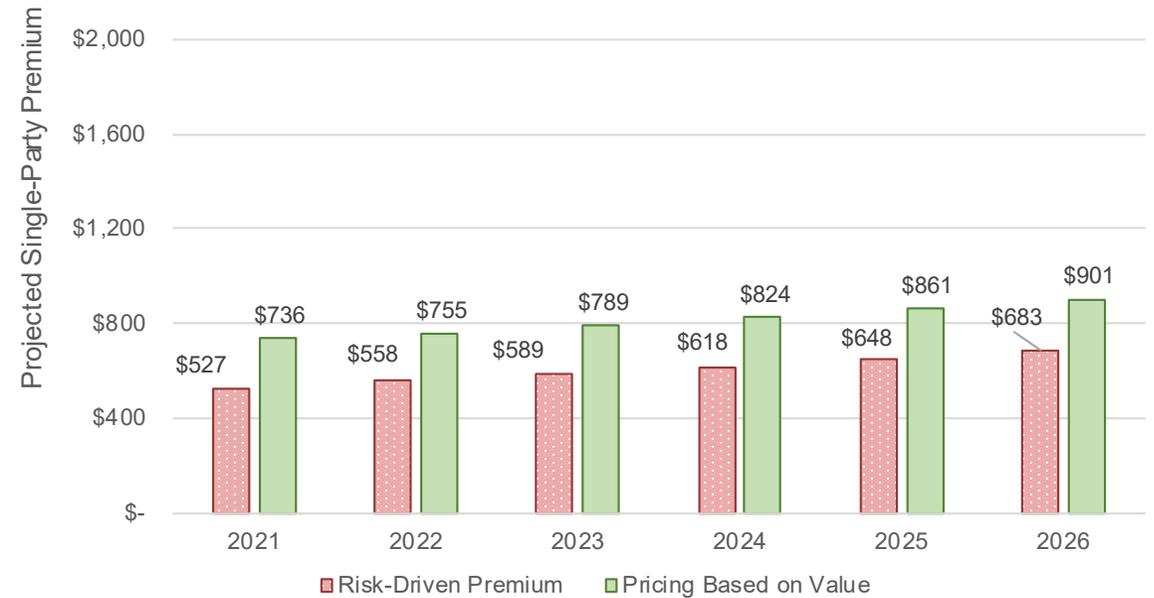
Portfolio Rating

Status Quo: Premium Projections for PPO Basic Plans

PERSCare Premium Pricing Based on Risk vs. Value

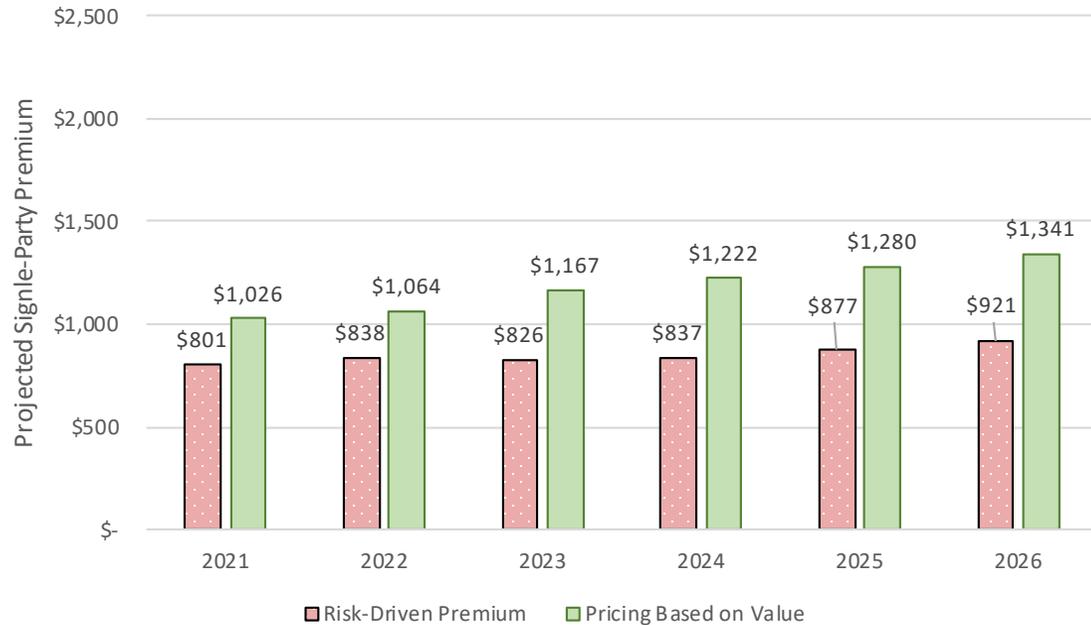


PERS Select Premium Pricing Based on Risk vs. Value

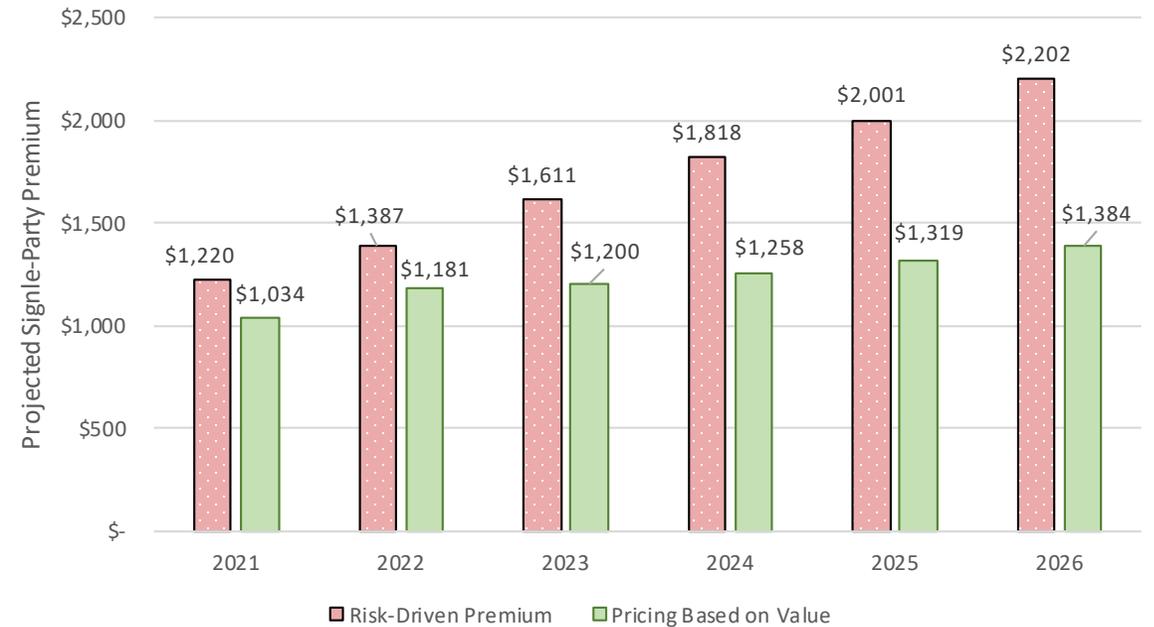


Status Quo: Premium Projections for HMO Basic Plans

Anthem Select Premium Pricing Based on Risk vs. Value

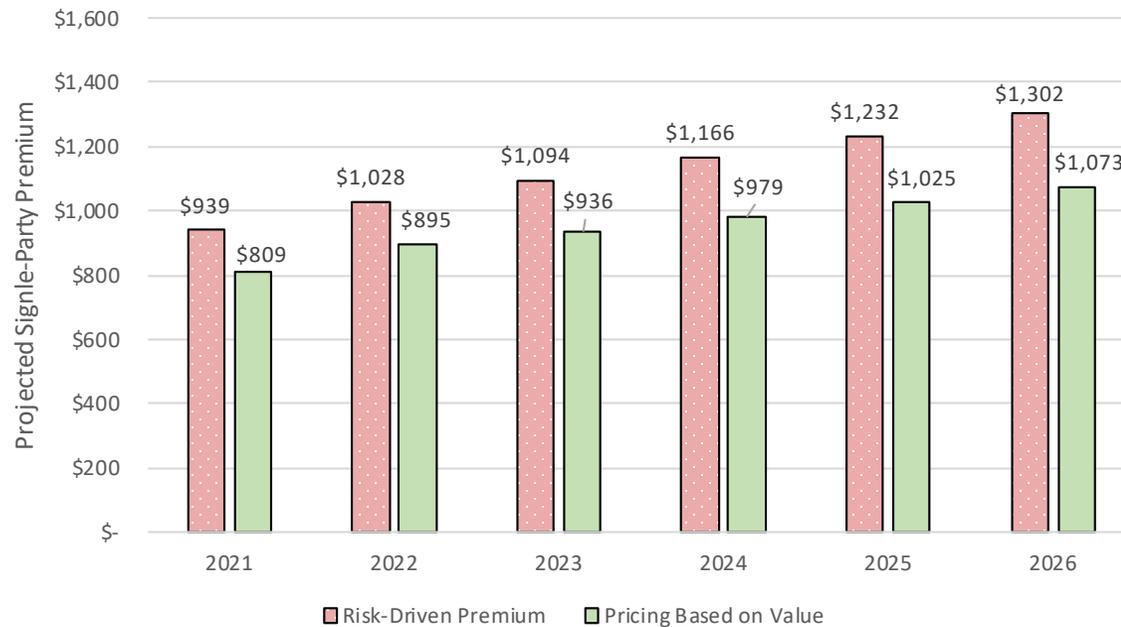


Anthem Traditional Premium Pricing Based on Risk vs. Value

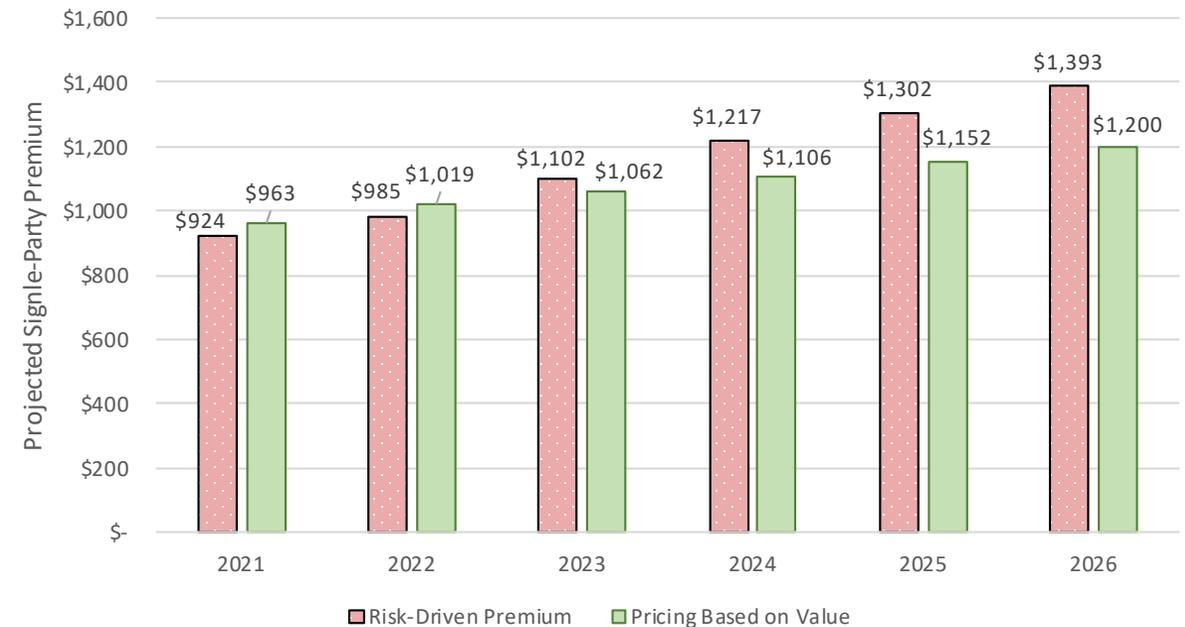


Status Quo: Premium Projections for HMO Basic Plans

Blue Shield Access+ Premium Pricing Based on Risk vs. Value

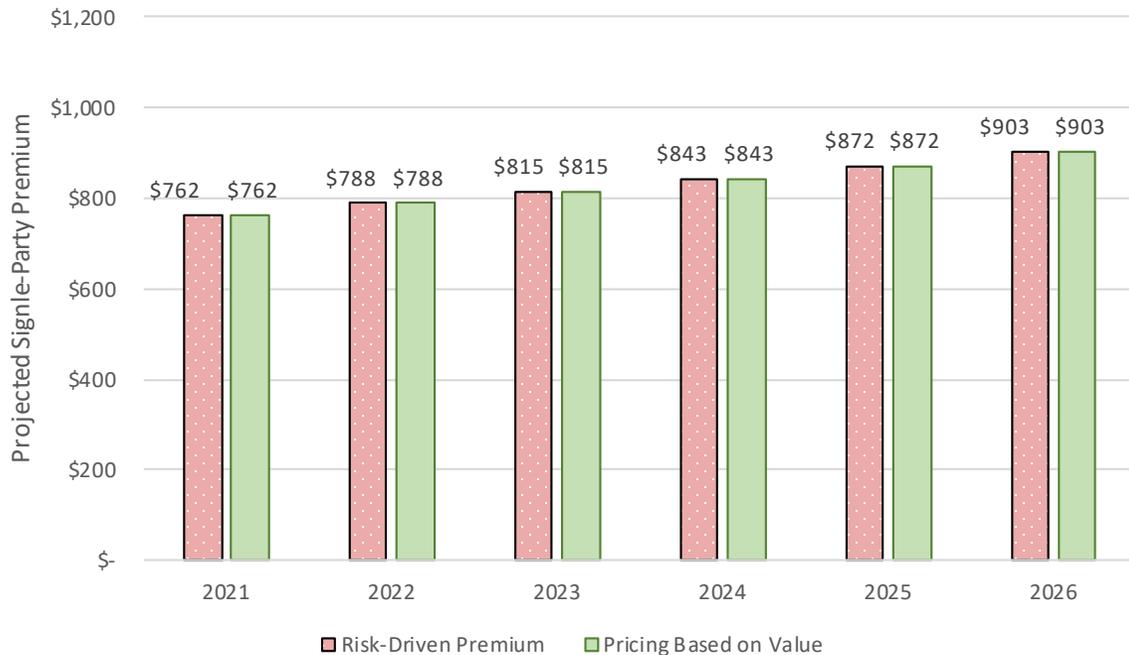


Health Net SmartCare Premium Pricing Based on Risk vs. Value

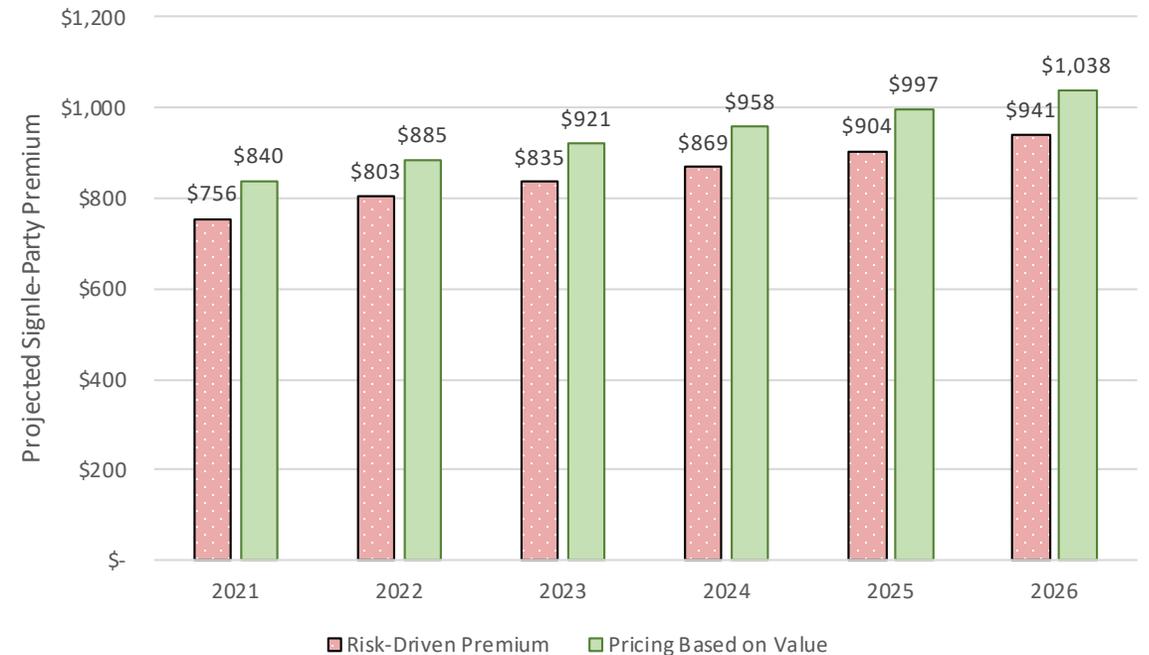


Status Quo: Premium Projections for HMO Basic Plans

Kaiser Premium Pricing Based on Risk vs. Value



UnitedHealthcare Premium Pricing Based on Risk vs. Value

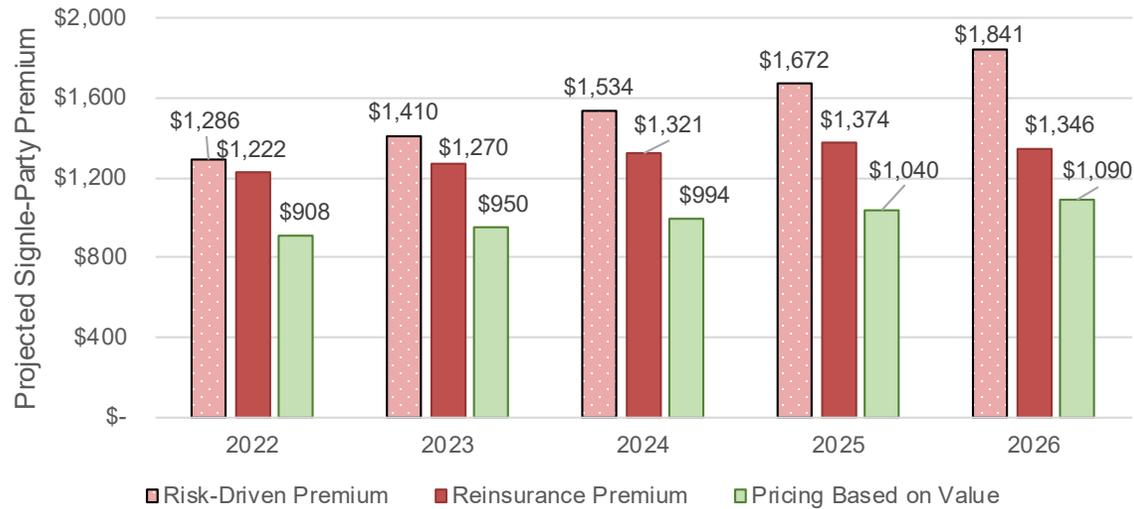


Reinsurance/Stop Loss

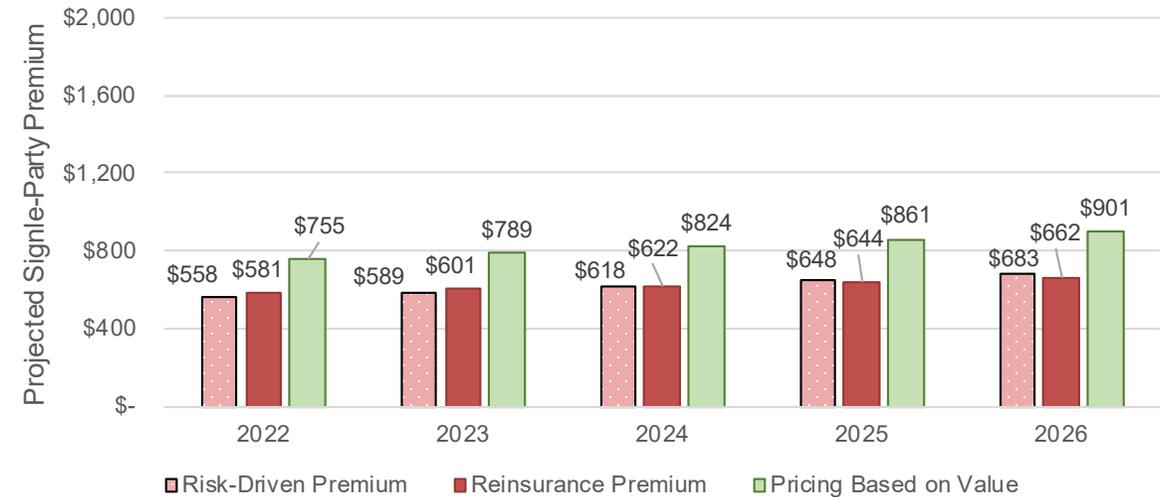
- Premium adjustment using principle of stop loss reinsurance
 - Reduce premium impacts of claim outliers in the experience
 - Modeled \$250,000 stop loss based on per member per year total health care costs
 - Doesn't incentivize management of claims above attachment point
 - Doesn't result in price based on value
-

Reinsurance/Stop Loss: Premium Projections for PPO Basic Plans

PERSCare Premium Pricing Based on Risk vs. Value
Reinsurance Premium

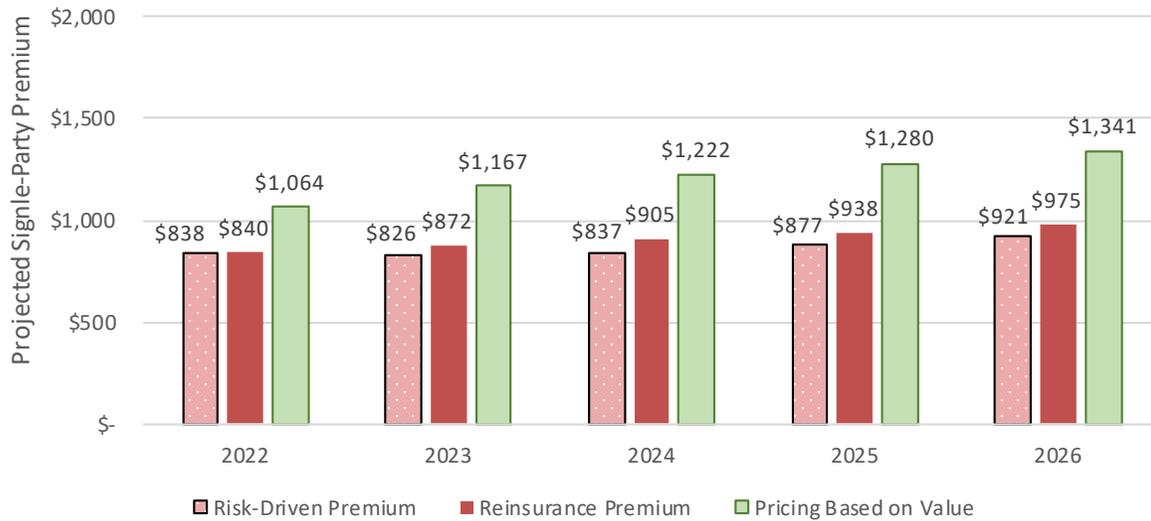


PERS Select Premium Pricing Based on Risk vs. Value
Reinsurance Premium

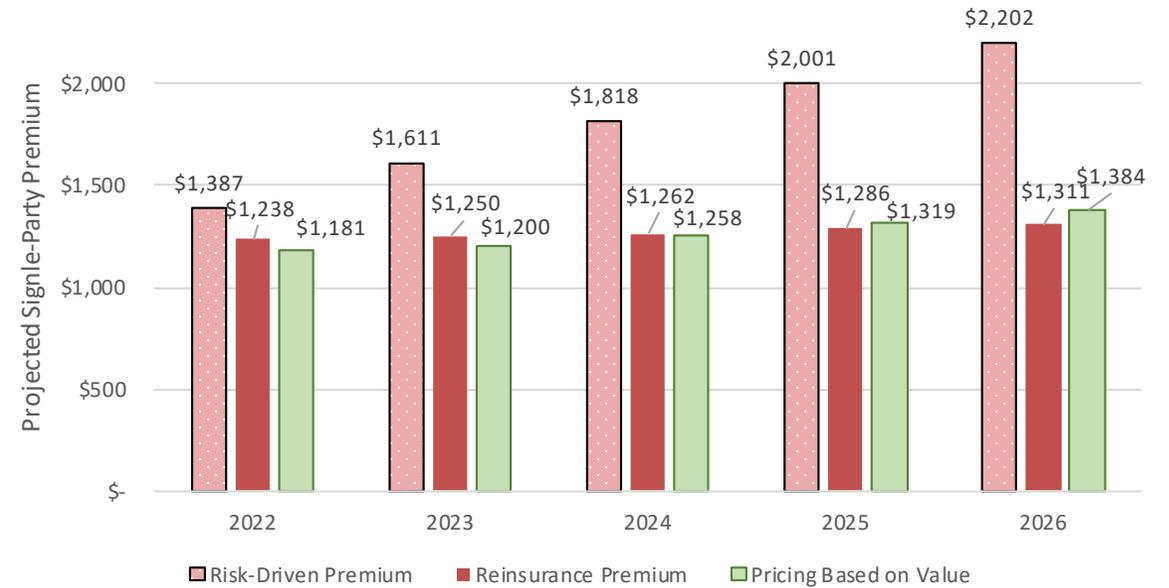


Reinsurance/Stop Loss: Premium Projections for HMO Basic Plans

Anthem Select Premium Pricing Based on Risk vs. Value
Reinsurance Premium

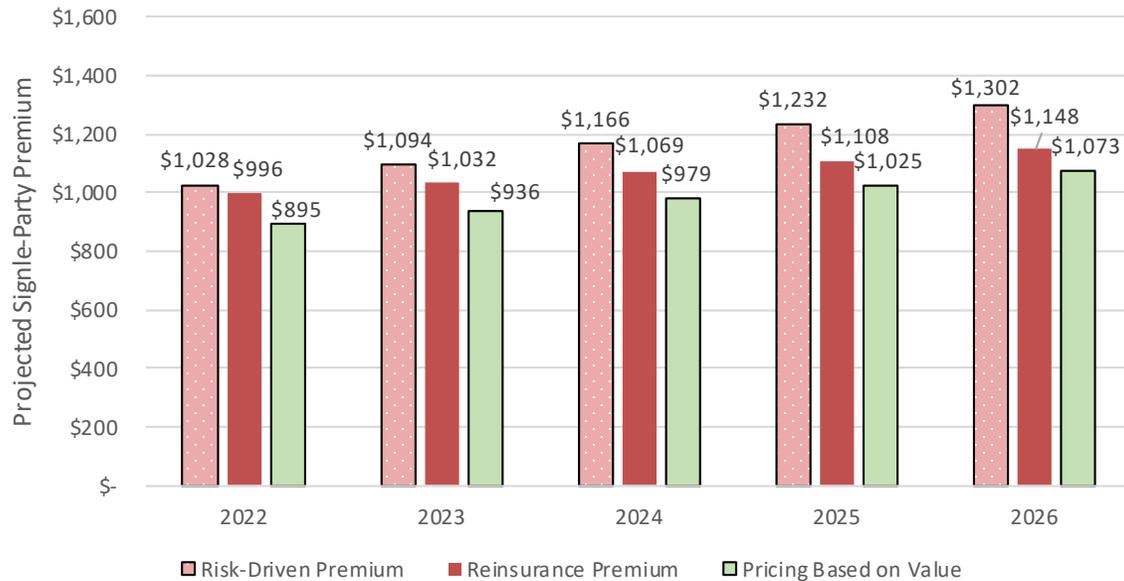


Anthem Traditional Premium Pricing Based on Risk vs. Value
Reinsurance Premium

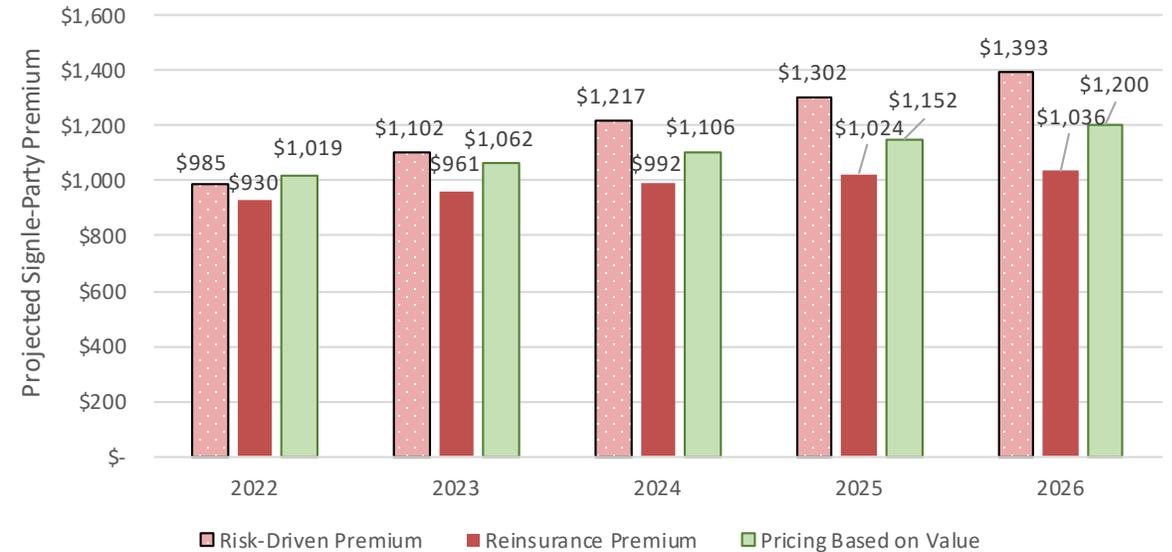


Reinsurance/Stop Loss: Premium Projections for HMO Basic Plans

Blue Shield Access+ Premium Pricing Based on Risk vs. Value
Reinsurance Premium



Health Net SmartCare Premium Pricing Based on Risk vs. Value
Reinsurance Premium

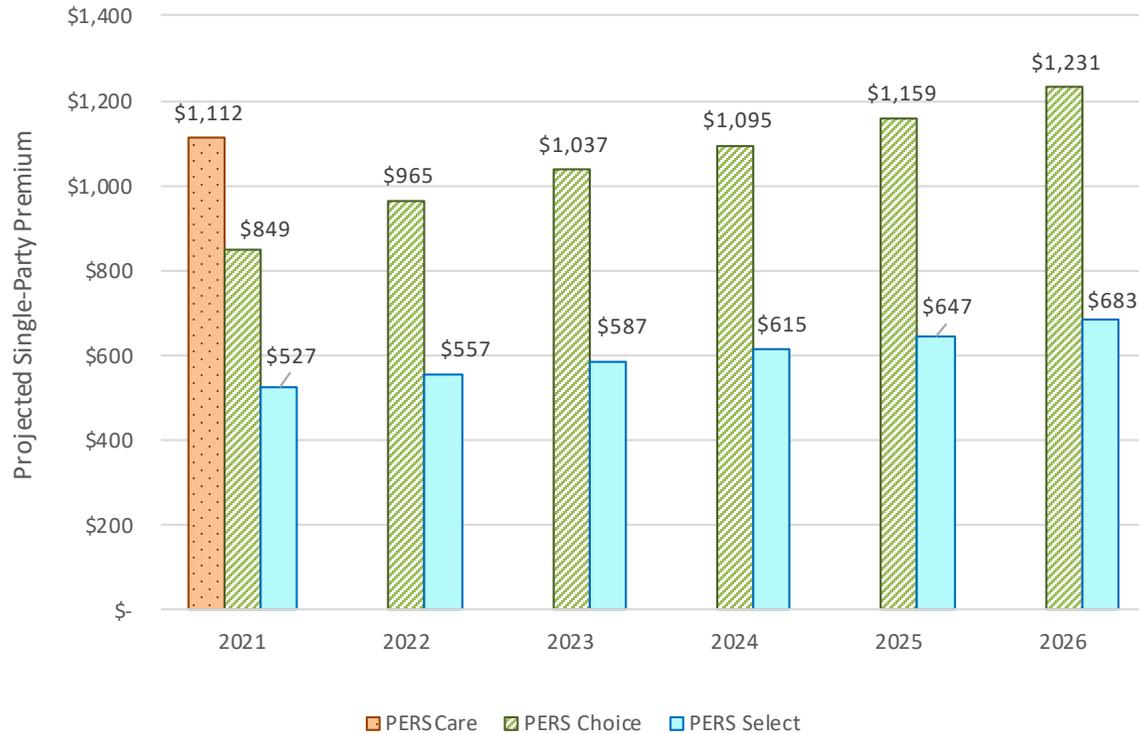


Plan Eliminations or Mergers

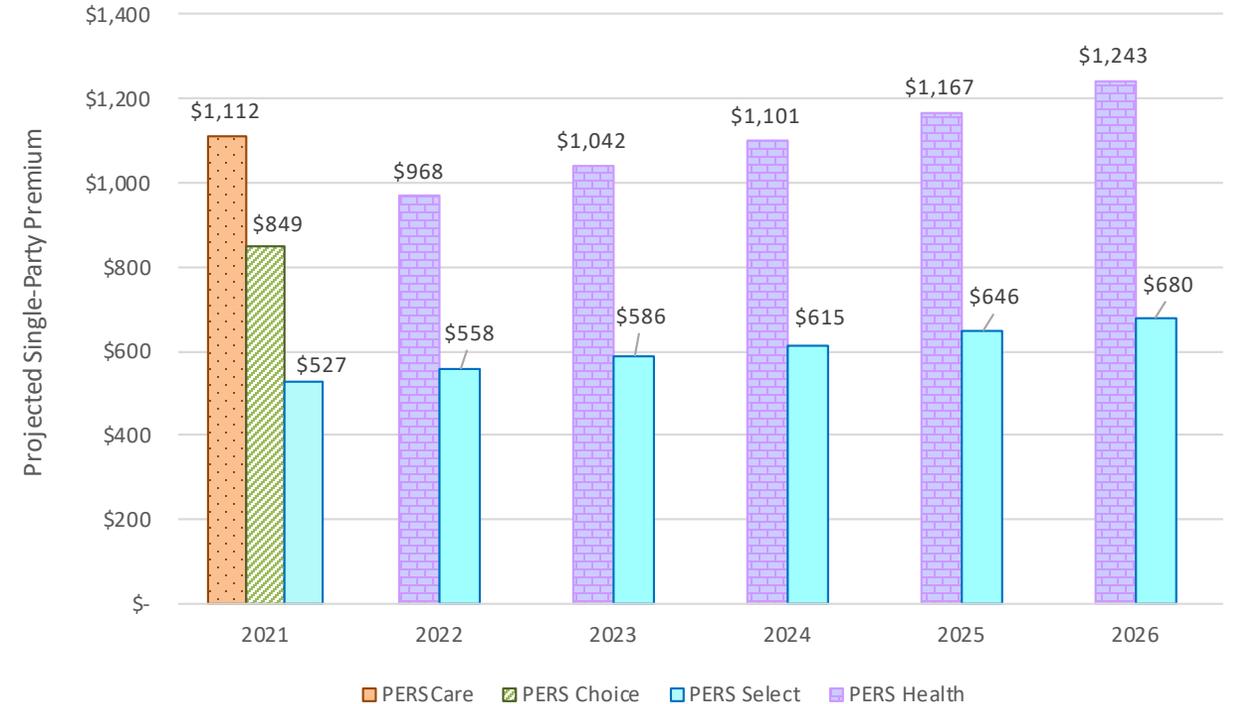
- PPO:
 - Remove PERSCare
 - Merge PERSCare and PERS Choice
- HMO:
 - Remove Anthem Traditional and Blue Shield Access+

Plan Eliminations/Mergers: PPO: Remove PERSCare, Merge PERSCare and PERS Choice

PPO Basic Premium Priced Based on Risk
Remove PERSCare

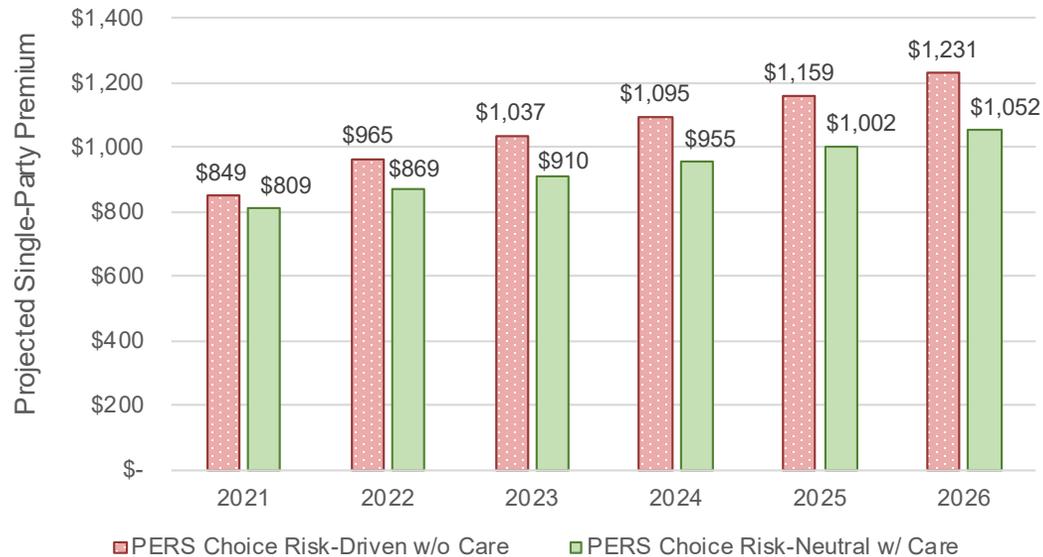


PPO Basic Premium Pricing Based on Risk
PERS Health

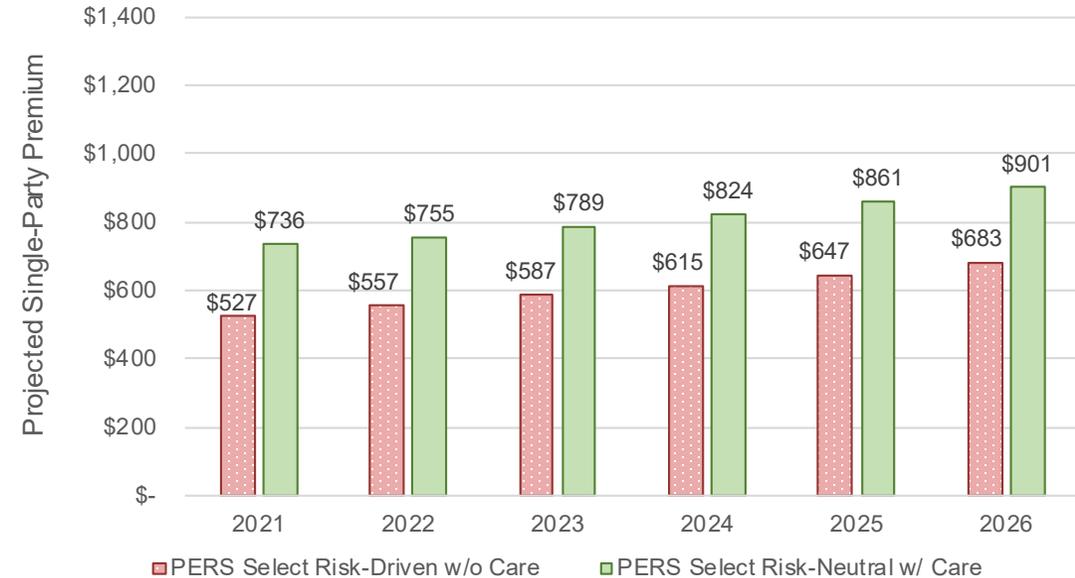


Plan Eliminations/Mergers: PPO: Remove PERSCare, Merge PERSCare and PERS Choice

PERS Choice Priced Based on Risk vs. Value



PERS Select Priced Based on Risk vs. Value

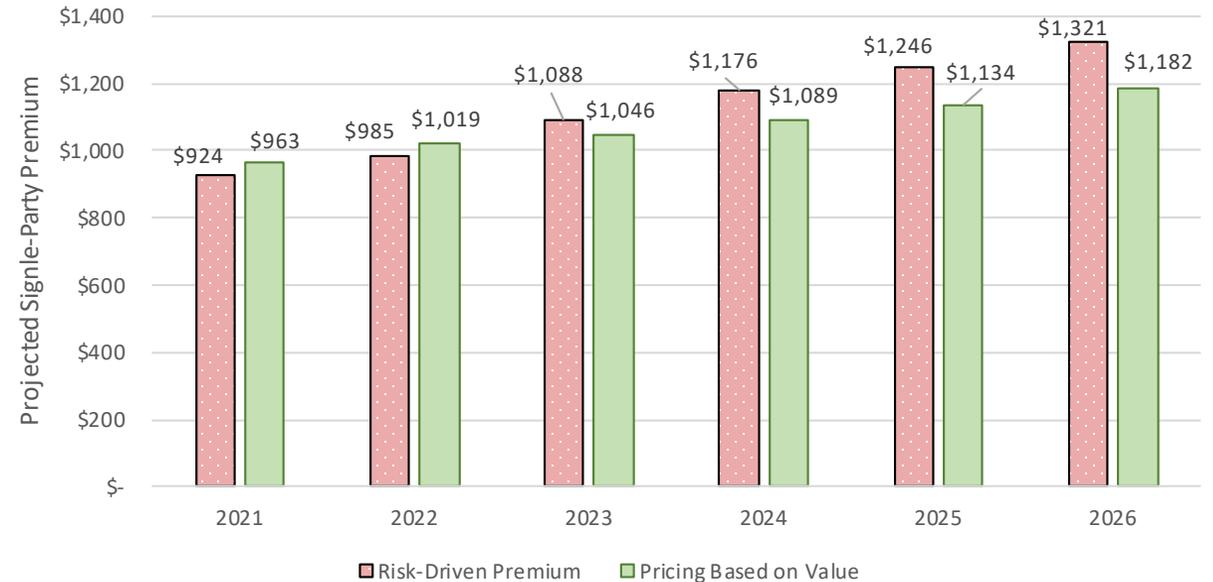


Plan Eliminations/Mergers: HMO: Remove Anthem Traditional and Blue Shield Access+

Anthem Select Premium Pricing Based on Risk vs. Value
Remove Anthem Traditional and Blue Shield Access+



Health Net SmartCare Premium Pricing Based on Risk vs. Value
Remove Anthem Traditional and Blue Shield Access+



Portfolio Rating

- PPO vs. HMO Basic Portfolio
 - Portfolio Rating PPO
 - Implement in 2022
 - Two-year phase-in
 - PERS Select “Silver 70”
 - Two-plan model: PERS Platinum and PERS Gold
 - Portfolio Rating HMO
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Portfolio Rating: HMO vs. PPO Basic Portfolio

HMO
Utilize Risk Adjuster Tool

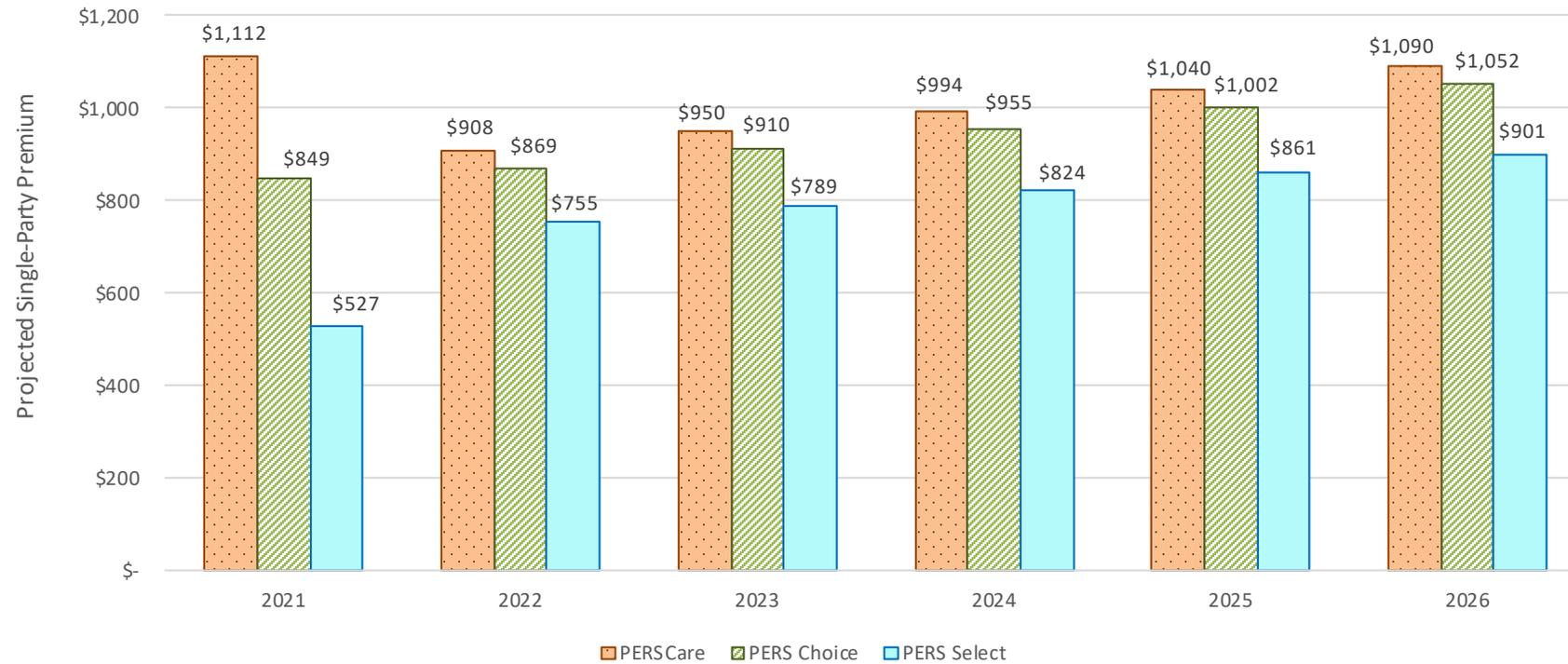
Carrier
Business Model
Care Management
Contract Nature
Provider/Carrier Leverage
Geographic Coverage
Provider Network
Health Benefits

PPO
Based on Network and Benefits

Carrier
Business Model
Care Management
Contract Nature
Provider/Carrier Leverage
Geographic Coverage
Provider Network
Health Benefits

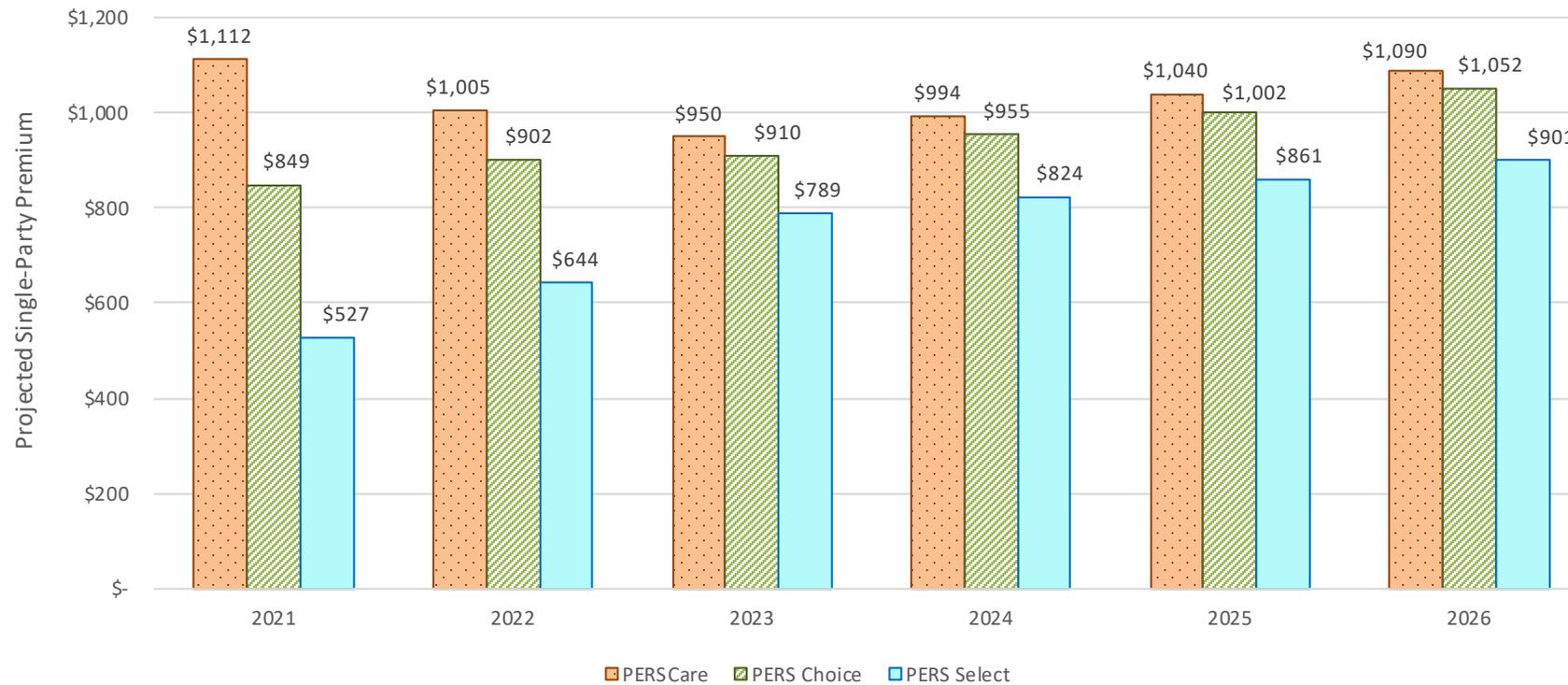
PPO Portfolio Rating: Implement in 2022

PPO Basic Premium Pricing Based on Value
Implement in 2022



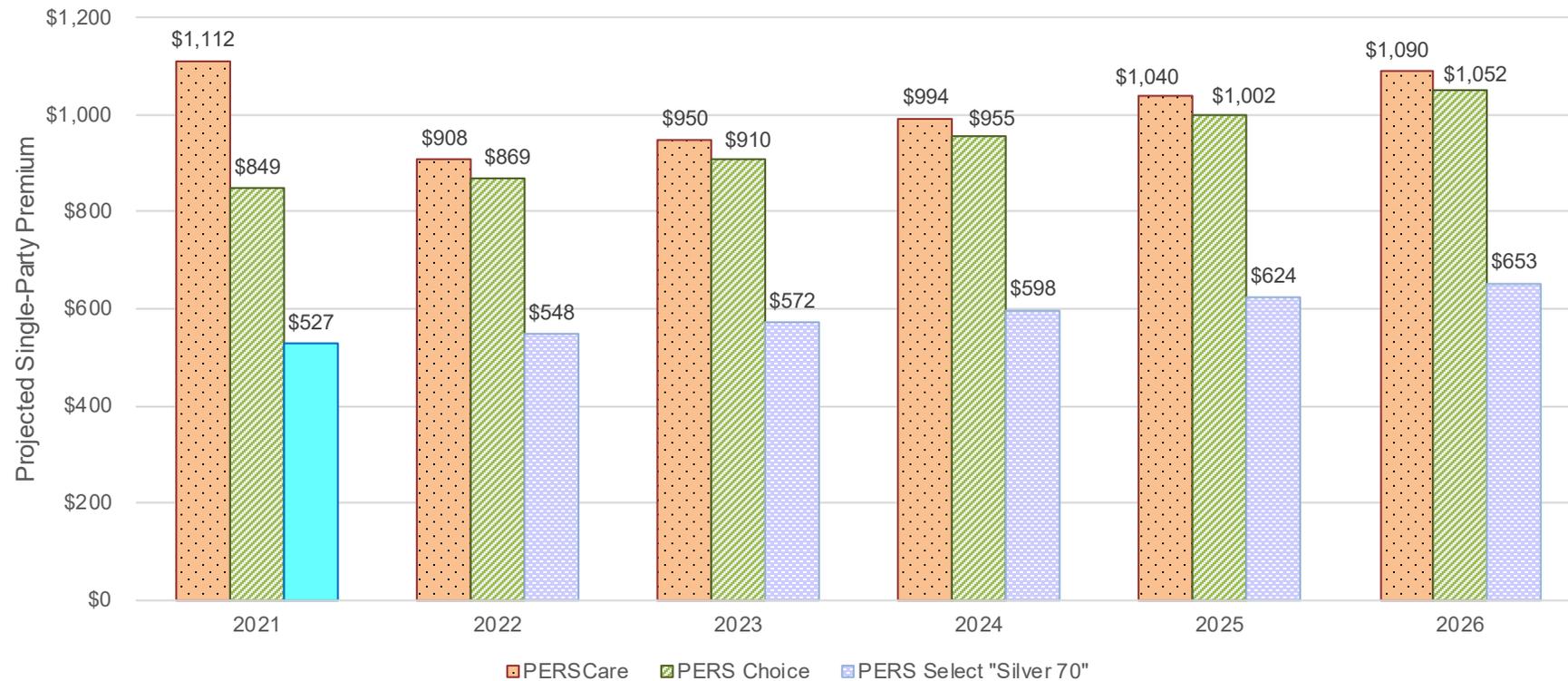
PPO Portfolio Rating: Two-Year Phase-In

PPO Basic Premium Pricing Based on Value
Two-Year Phase-In



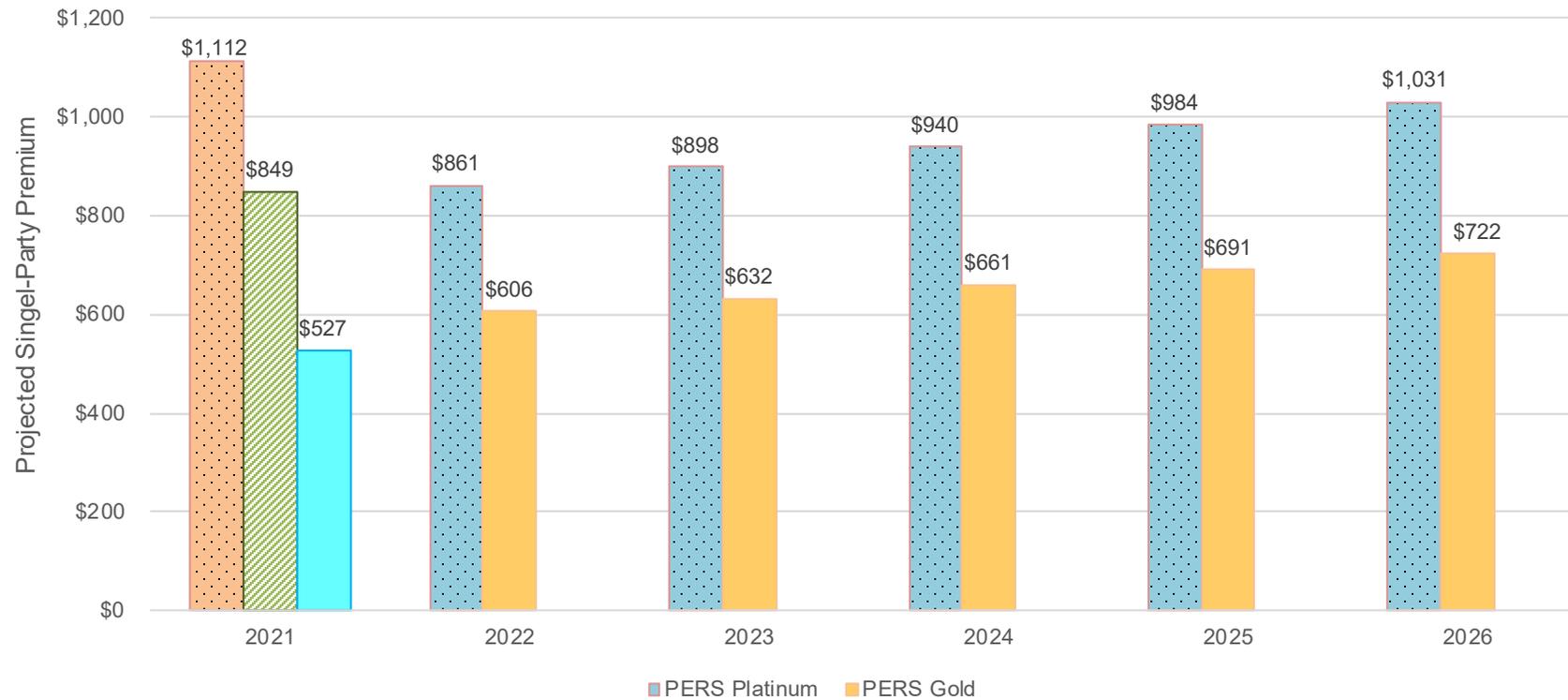
PPO Portfolio Rating: PERS Select "Silver 70"

PPO Basic Premium Pricing Based on Value
PERS Select "Silver 70"



PPO Portfolio Rating: PERS Platinum and PERS Gold

PPO Basic Premium Pricing Based on Value
PERS Platinum & PERS Gold

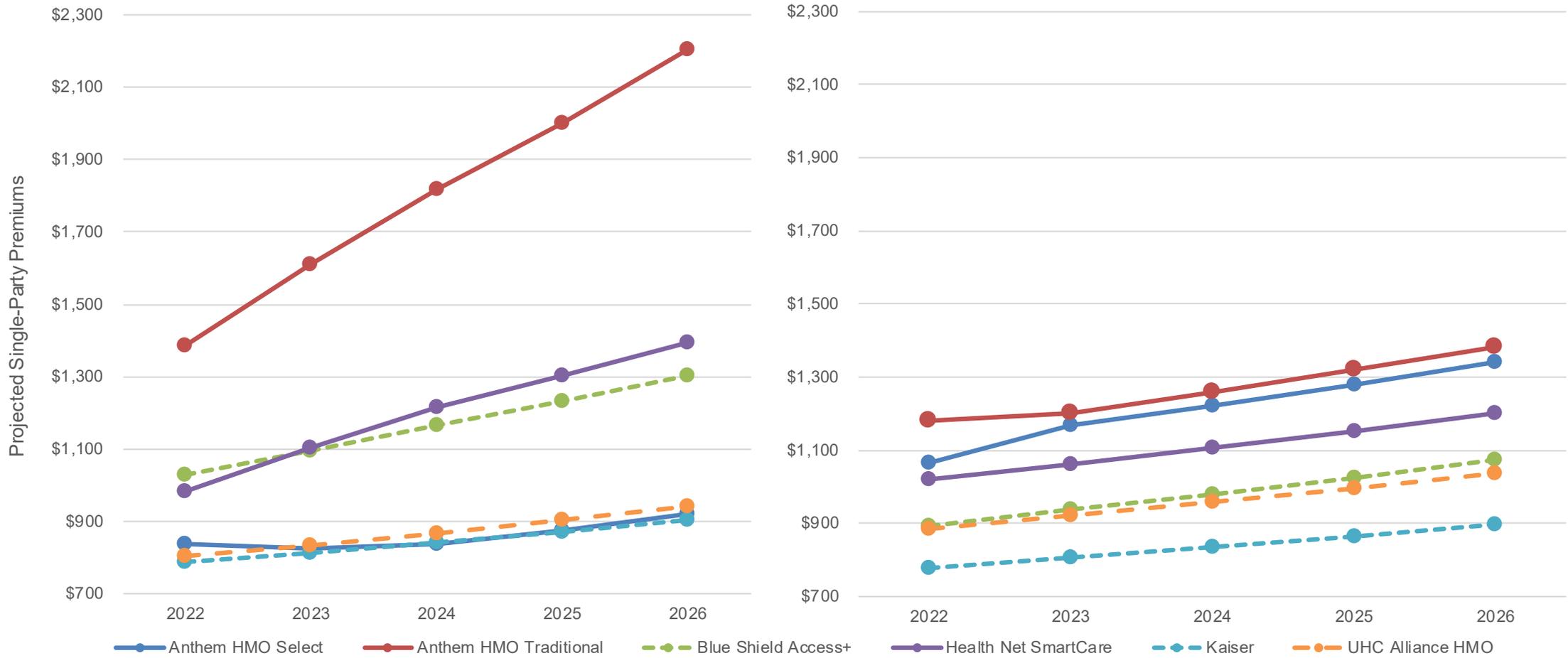


PPO Next Steps

Multi-phase Stakeholder Process:

- Model different Platinum (90/10) and Gold (80/20) benefit designs including network and cost-sharing
 - Opportunity for stakeholders to discuss their preferences
 - Present final benefit design options in November
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HMO Portfolio Rating: Risk Mitigation Projections Before/After

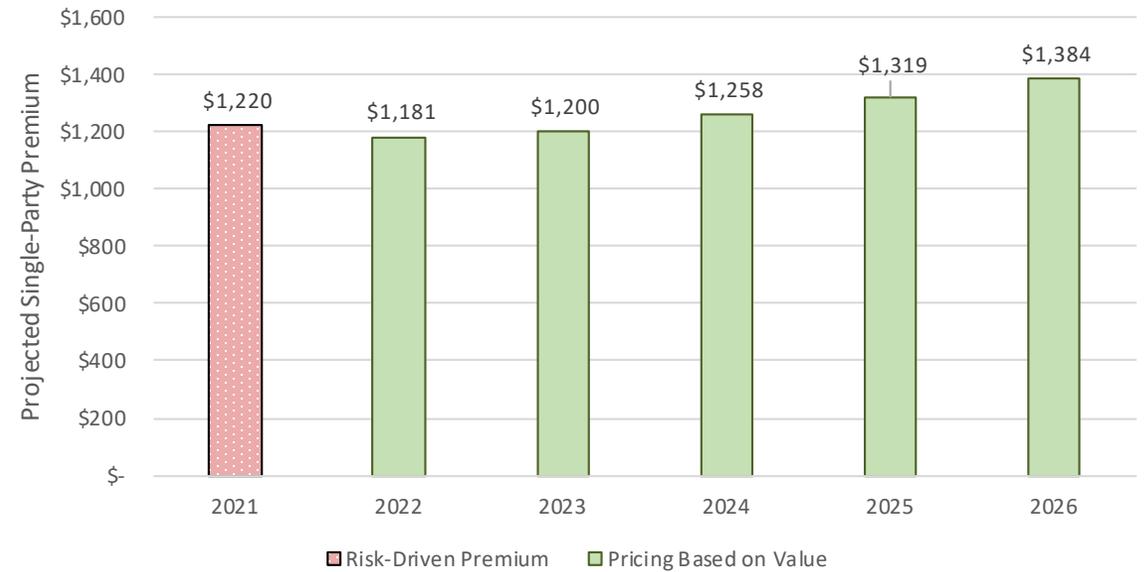


HMO Portfolio Rating: Implement in 2022

Anthem Select Premium Pricing Based on Value
Implement in 2022



Anthem Traditional Premium Pricing Based on Value
Implement in 2022



HMO Portfolio Rating: Implement in 2022

Blue Shield Access+ Premium Pricing Based on Value
Implement in 2022



Health Net SmartCare Premium Pricing Based on Value
Implement in 2022



HMO Portfolio Rating: Implement in 2022

Kaiser Premium Pricing Based on Value
Implement in 2022



UnitedHealthcare Premium Pricing Based on Value
Implement in 2022



HMO Next Steps

- Select the risk adjustment tool
 - Transparent, known model; focus on HHS-HCC with consideration for other tools
 - Calibrate/normalize to the CalPERS population as necessary
 - Address volatility of regional and small plan offerings
 - Validate risk scores with the carriers
 - Discuss with stakeholders
 - Present final risk mitigation strategies in November
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Overall Next Steps



Stakeholder engagement



Refine portfolio rating methodology



Determining benefit design changes



Board action in November