

Risk Mitigation Strategies: Health Maintenance Organization and Preferred Provider Organization

Pension & Health Benefits Committee
Agenda Item 6b

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Agenda

- Background
 - Portfolio Rating
 - Portfolio Rating Final Methodology
 - HMO Modeling Results
 - PPO Modeling Results
 - Recommendation
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Risk Mitigation - Price Plans on Value, Not Risk



Reduce premium volatility & large increases



Remove adverse selection member migration patterns

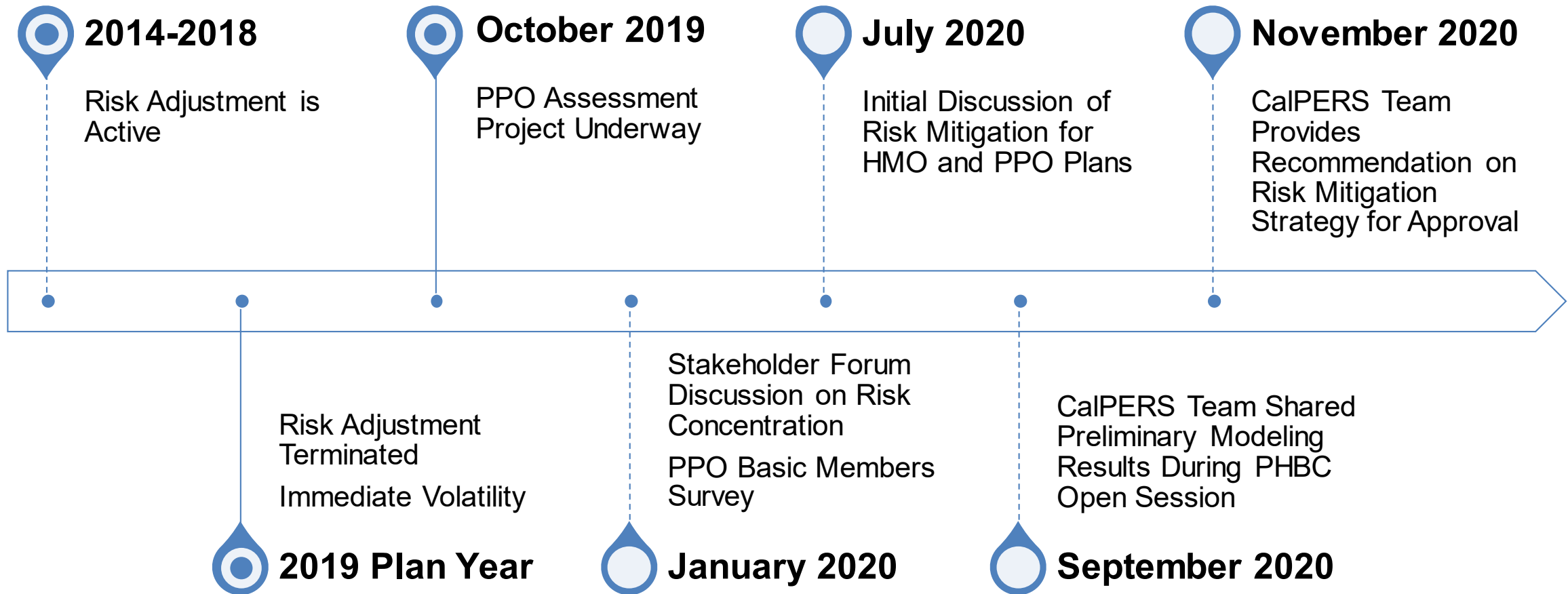


Price plans based on value of network, and benefit design



Stabilize Basic Plan portfolio & implement cost saving programs

Timeline

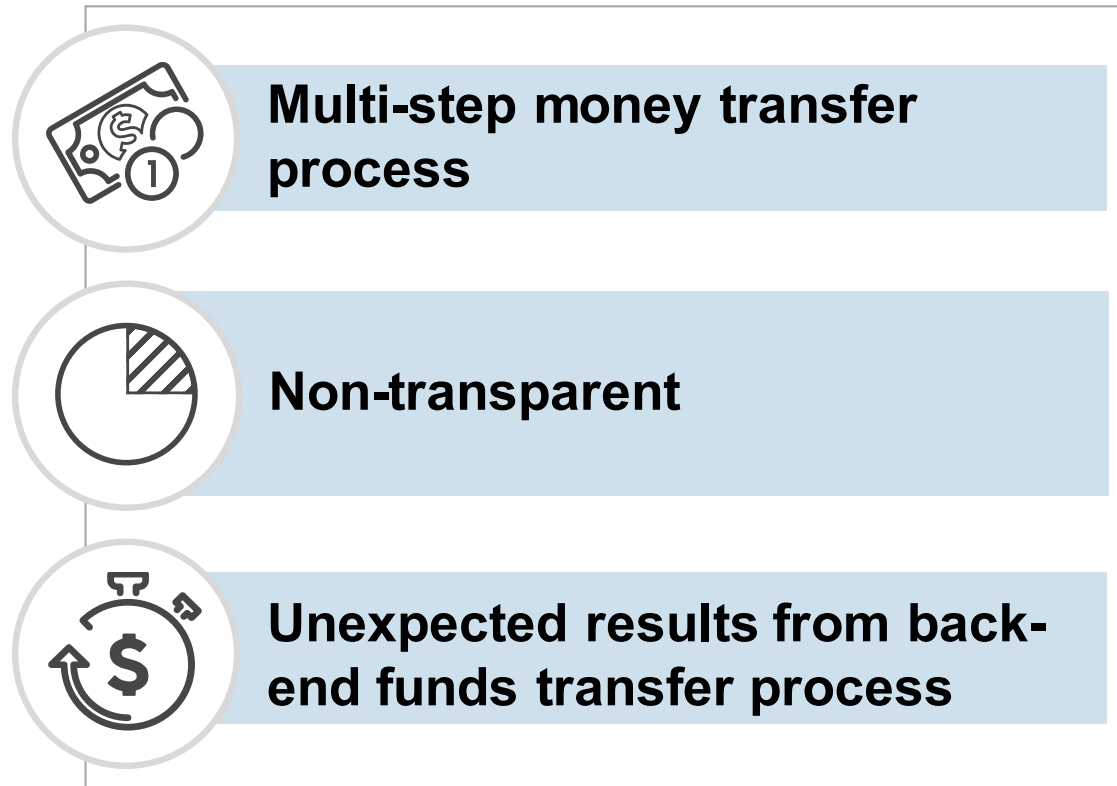


Portfolio Rating

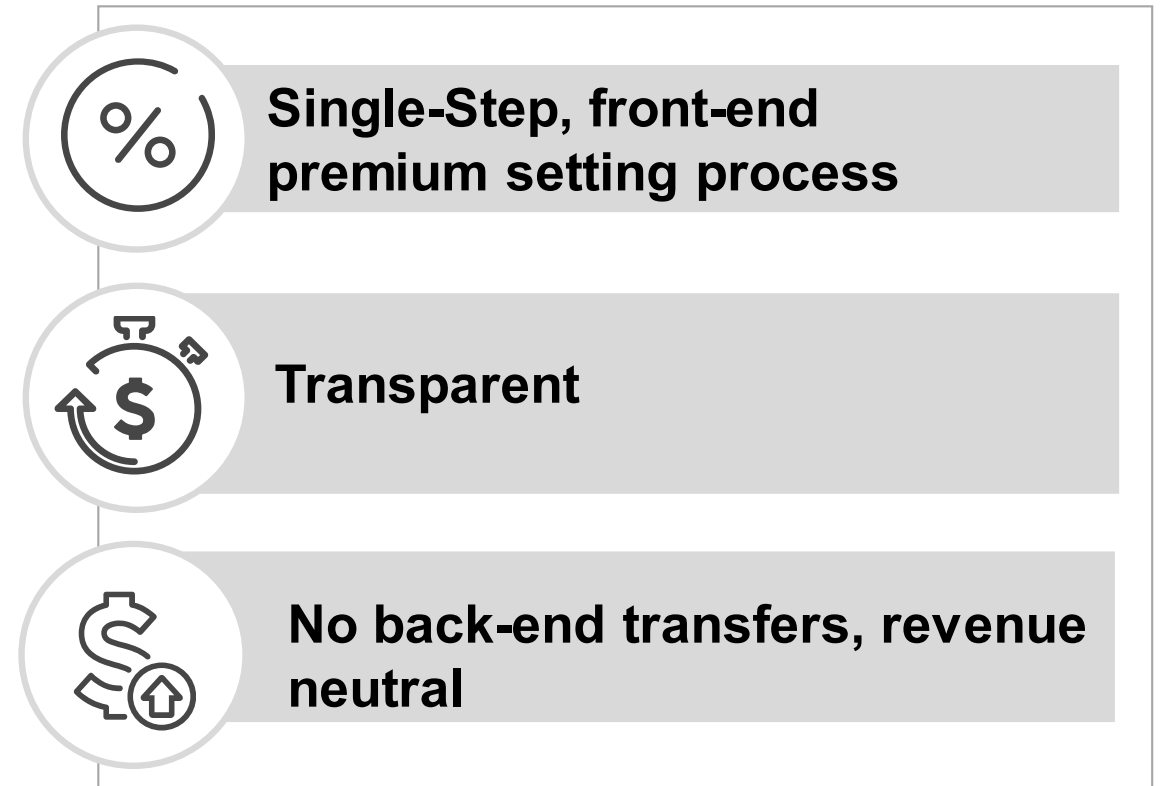
- Transparent front-end pricing model
 - Prices plans based on their true value, not risk
 - A simplified approach similar to that taken by the State of Washington
 - Consistent with rating approaches in the large group commercial market
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Previous Risk Mitigation Approach vs. Proposed Methodology

2014-2018 Risk Adjustment Methodology



Proposed Portfolio Rating Methodology

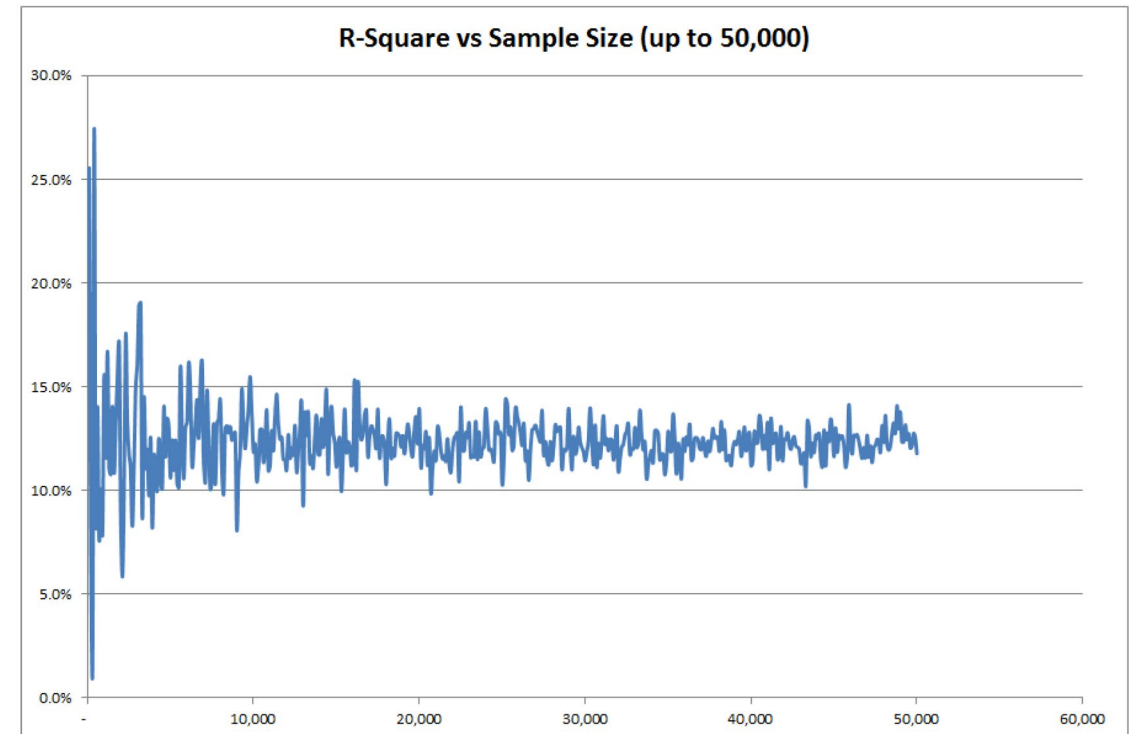


Portfolio Rating Final Methodology

- MARA Prospective Risk Scoring Tool
 - Credibility Adjusted Risk Scores for Plans with Small Enrollment
 - Two Year Phase-In
 - Two Risk Pools, Long-Term Goal of One Risk Pool
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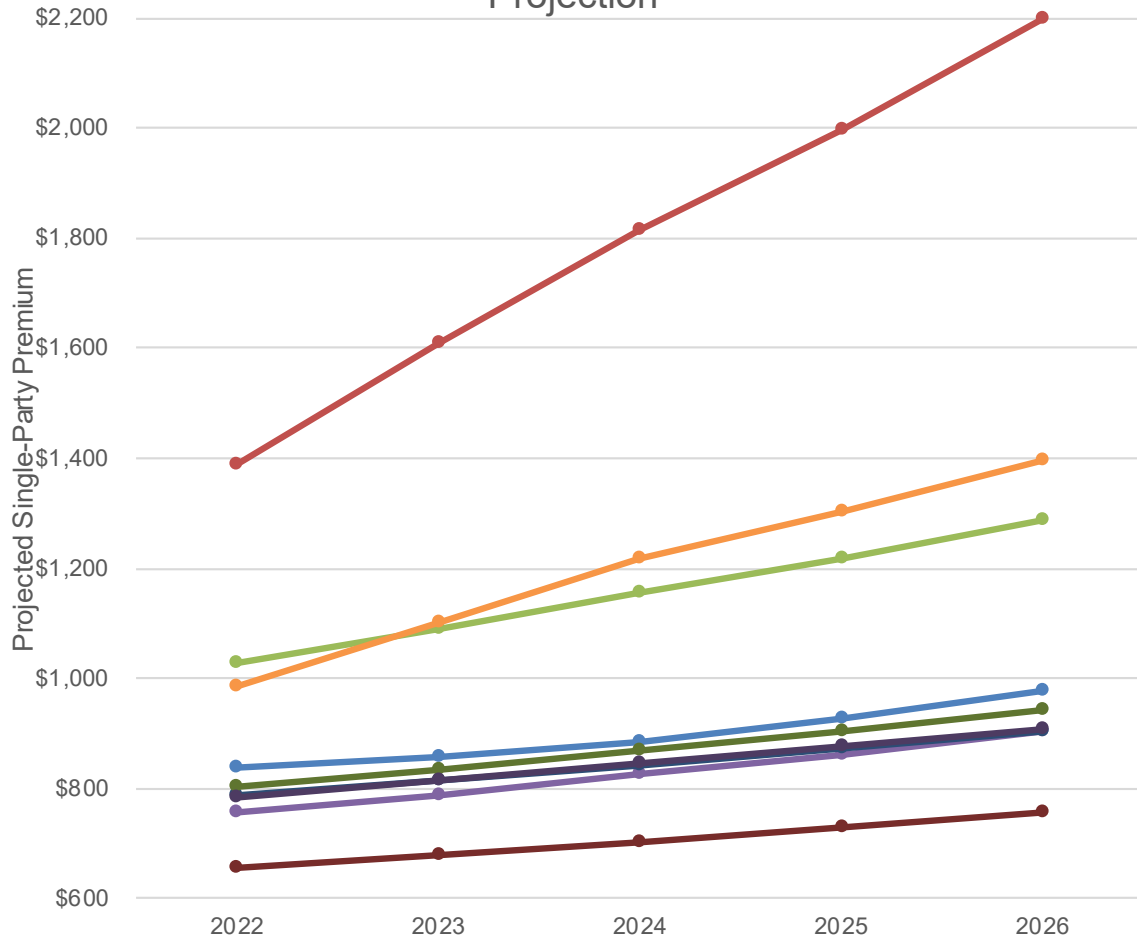
Risk Score Credibility

- After a group gets to 25,000 members, the “accuracy” of the risk score is not increased significantly when adding additional members
- Assumption: Plans with 25,000+ members are 100% credible

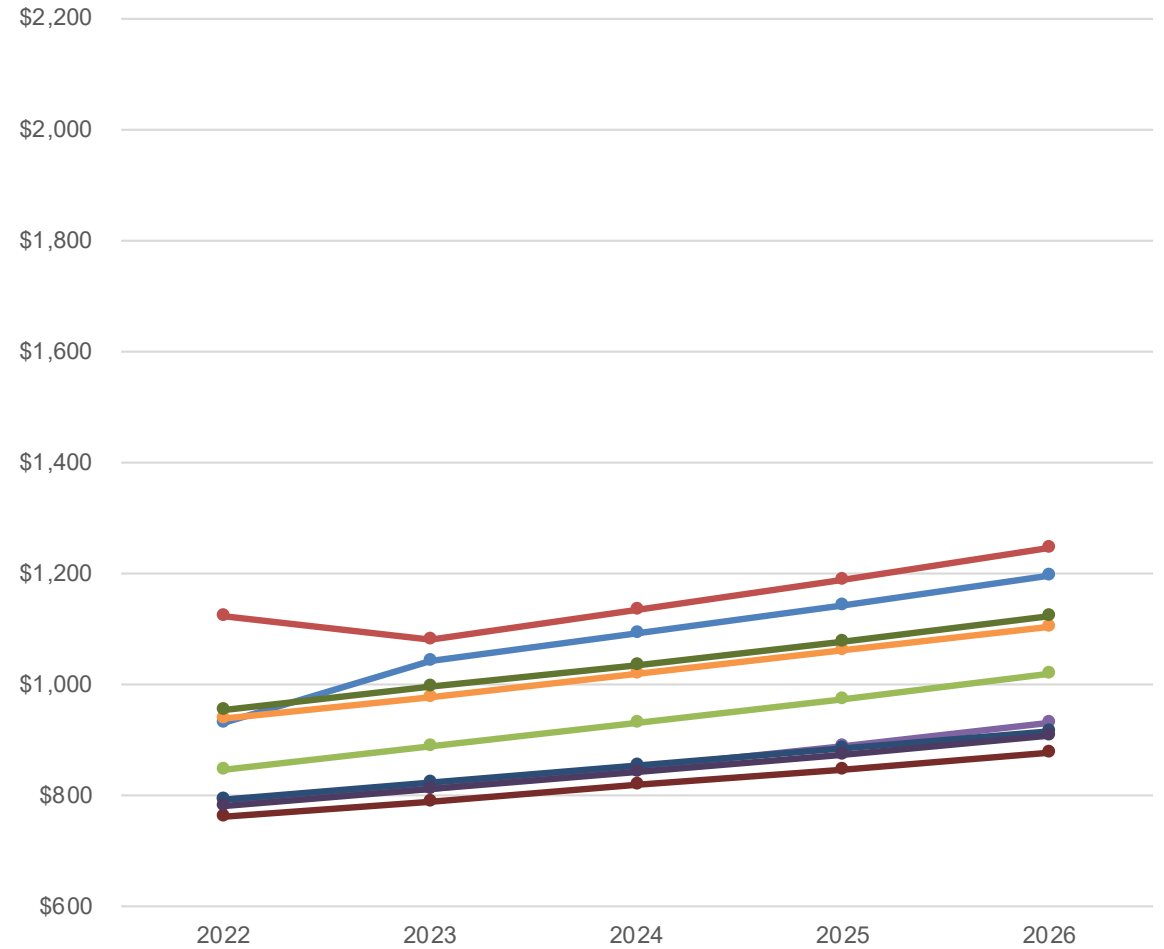


HMO Modeling Results

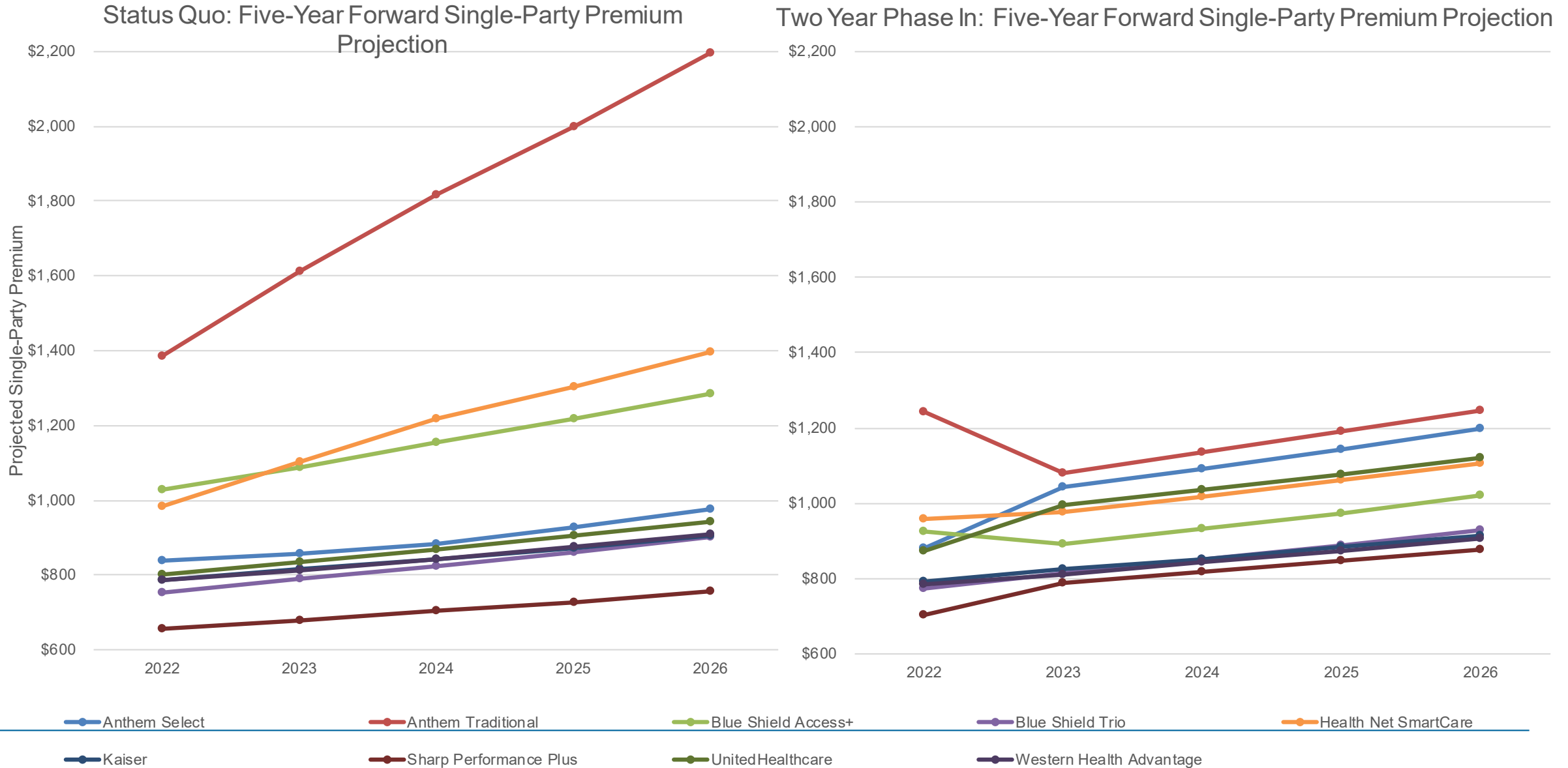
Status Quo: Five-Year Forward Single-Party Premium Projection



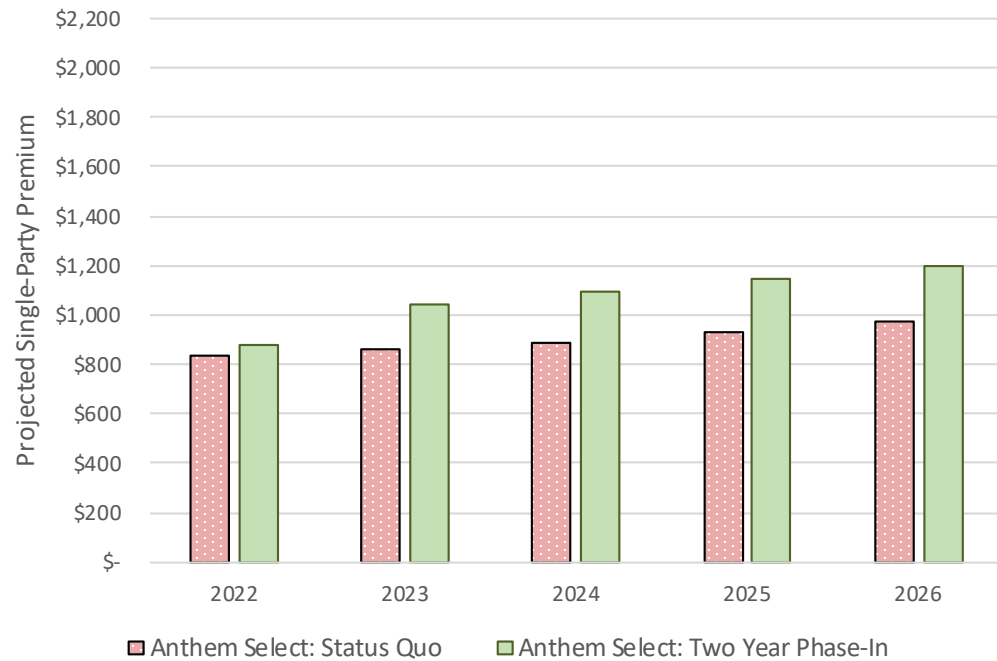
Implement in 2022: Five-Year Forward Single-Party Premium Projection



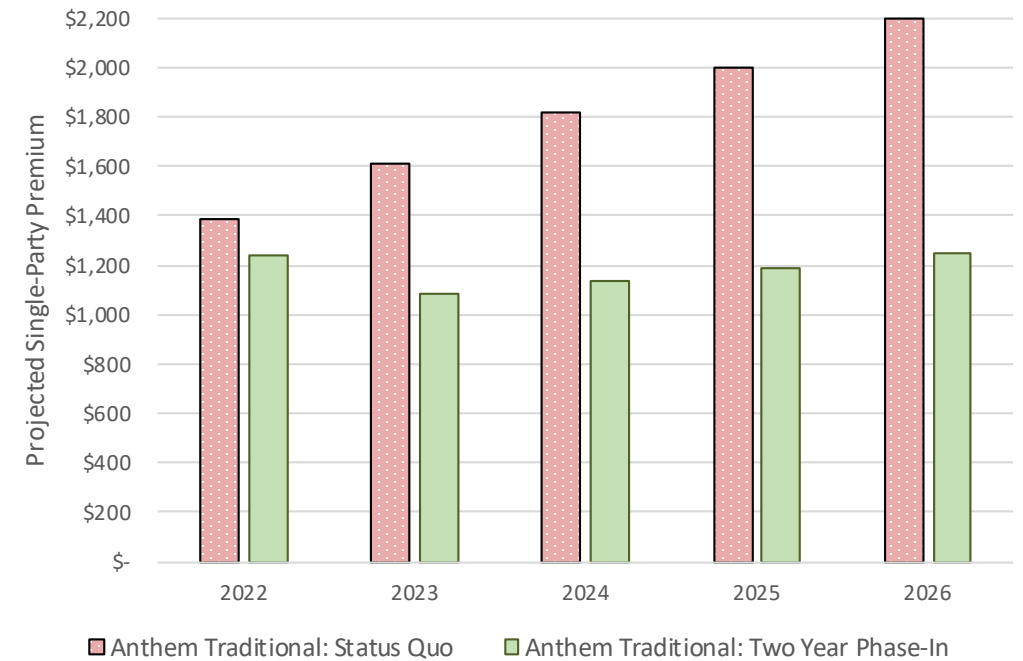
- Anthem Select
- Anthem Traditional
- Blue Shield Access+
- Blue Shield Trio
- Health Net SmartCare
- Kaiser
- Sharp Performance Plus
- UnitedHealthcare
- Western Health Advantage



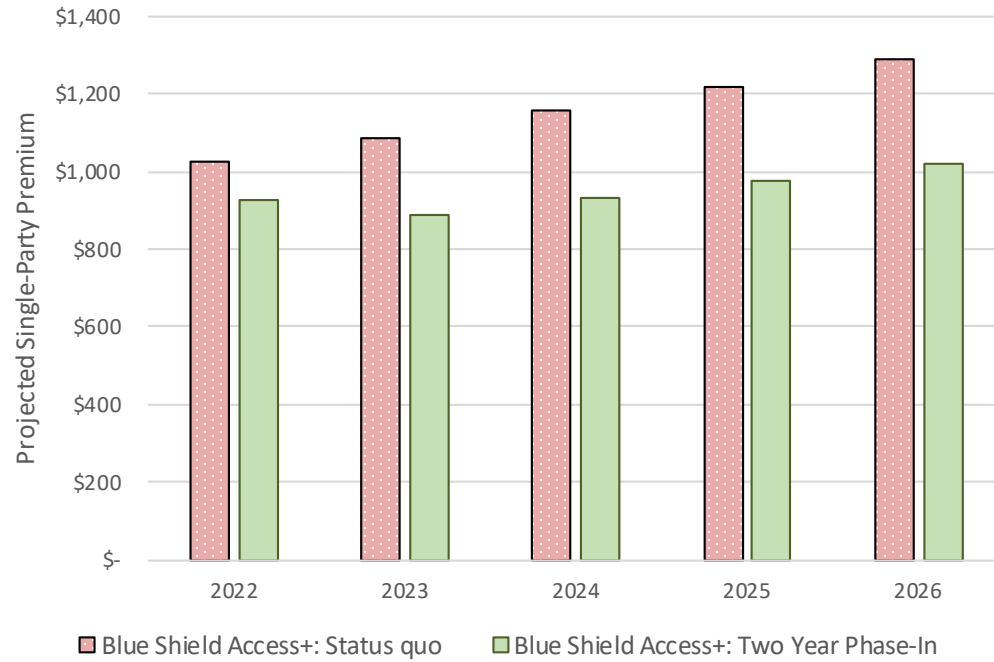
Anthem Select: Risk-Based Pricing Versus Portfolio Rating with Two Year Phase In



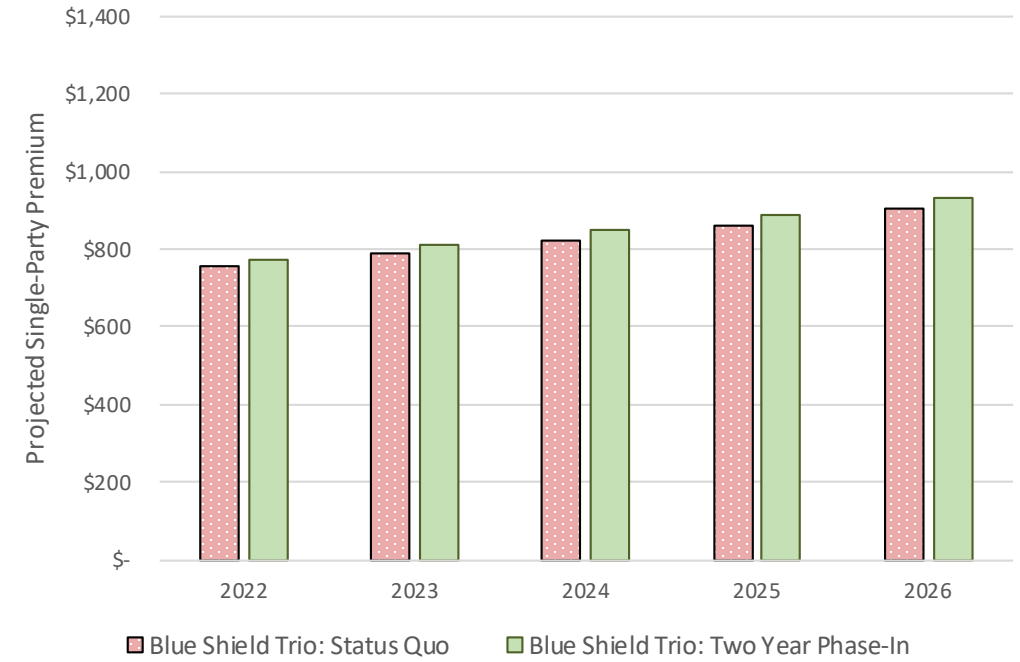
Anthem Traditional: Risk-Based Pricing Versus Portfolio Rating with Two Year Phase In



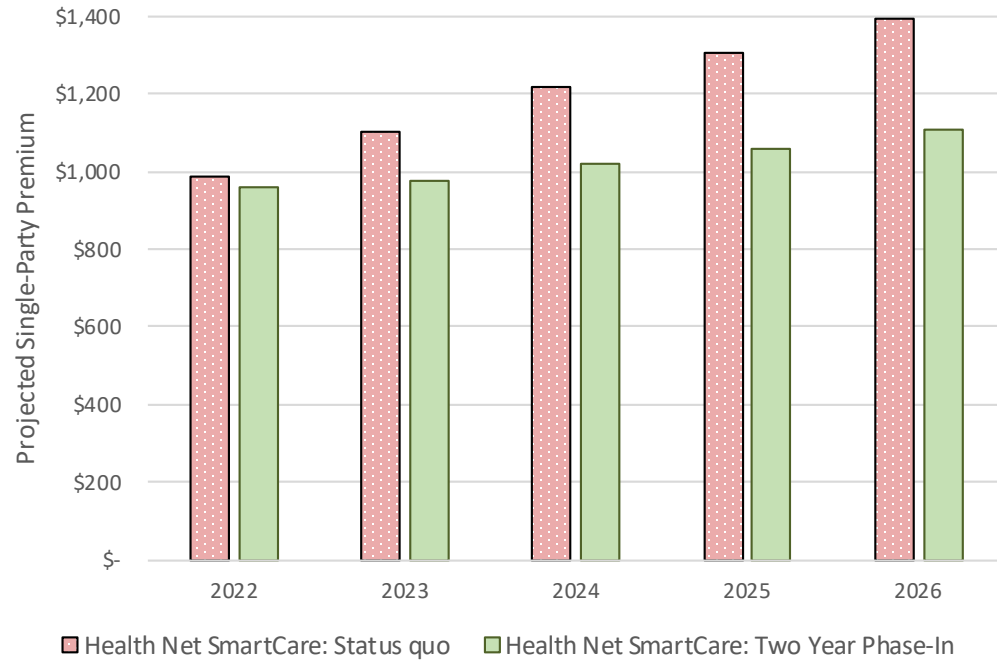
Blue Shield Access+: Risk-Based Pricing Versus Portfolio Rating with Two Year Phase In



Blue Shield Trio: Risk-Based Pricing Versus Portfolio Rating with Two Year Phase In



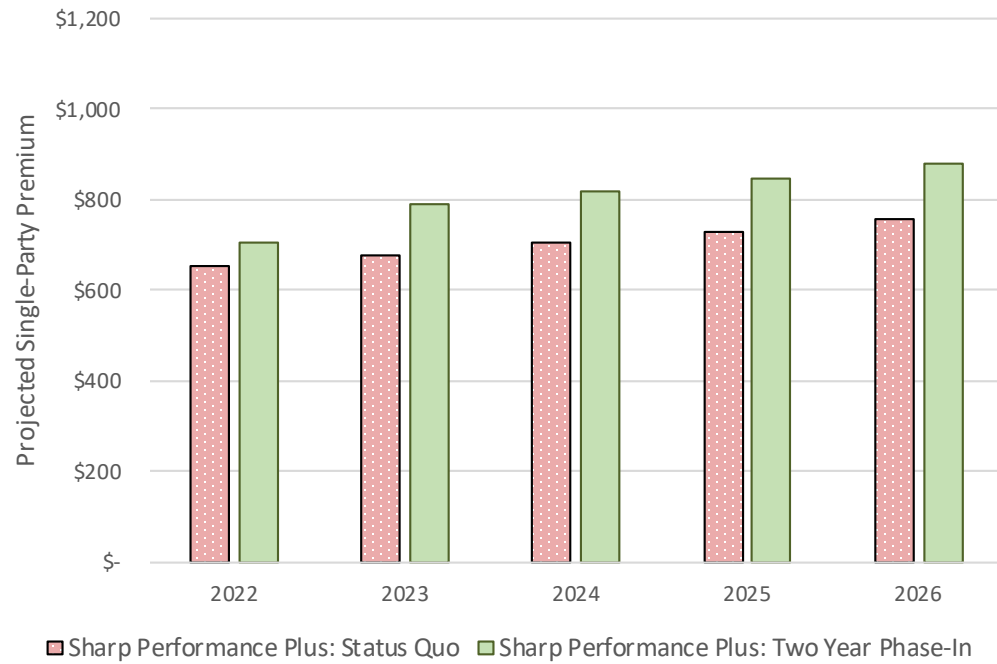
Health Net SmartCare: Risk-Based Pricing Versus Portfolio Rating with Two Year Phase In



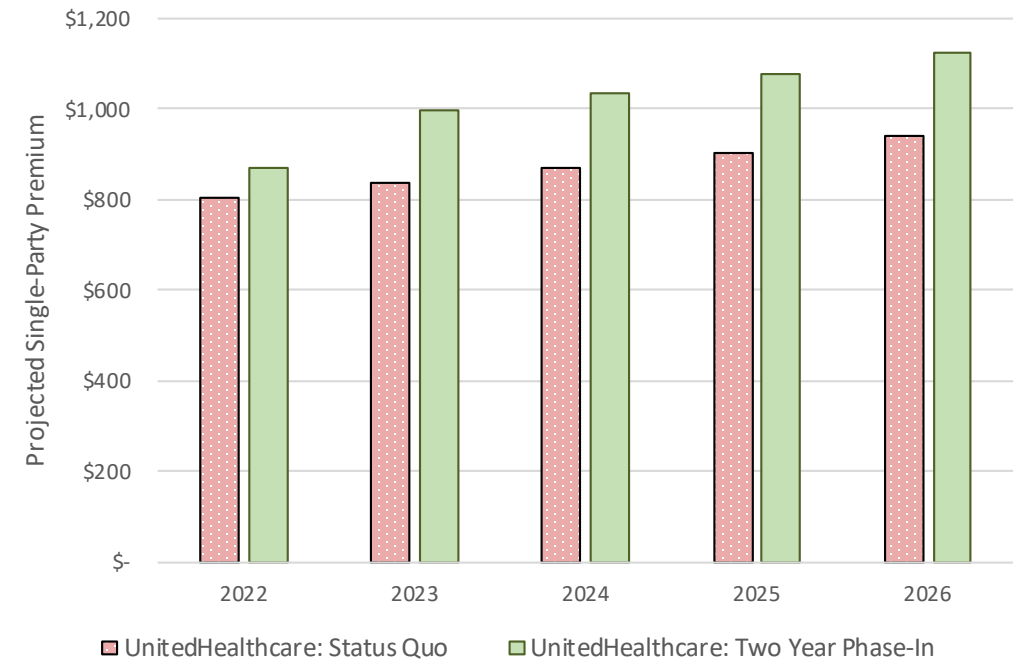
Kaiser: Risk-Based Pricing Versus Portfolio Rating with Two Year Phase In



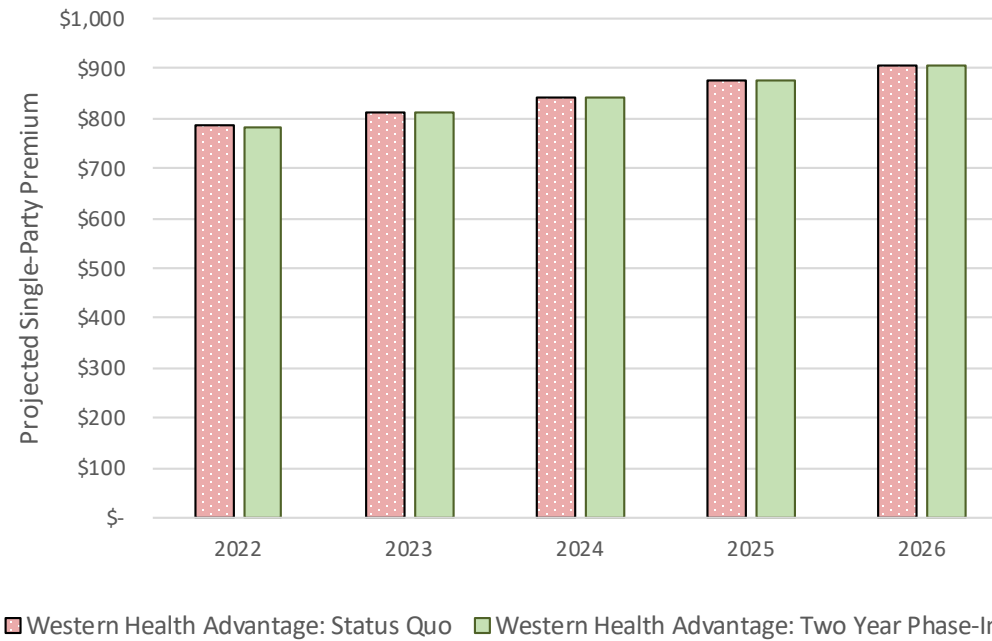
Sharp Performance Plus: Risk-Based Pricing Versus Portfolio Rating with Two Year Phase In



UnitedHealthcare Alliance: Risk-Based Pricing Versus Portfolio Rating with Two Year Phase In



Western Health Advantage: Risk-Based Pricing Versus Portfolio Rating with Two Year Phase In

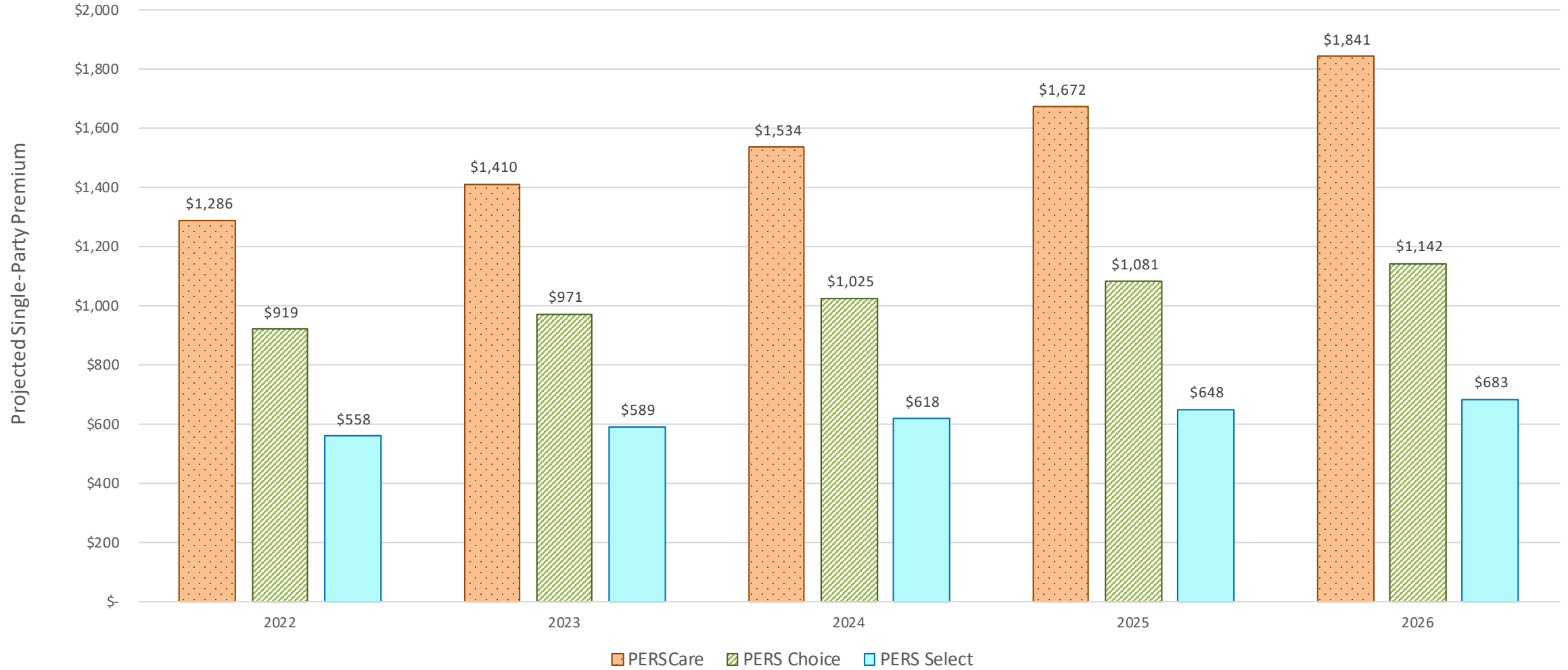


PPO Modeling Results

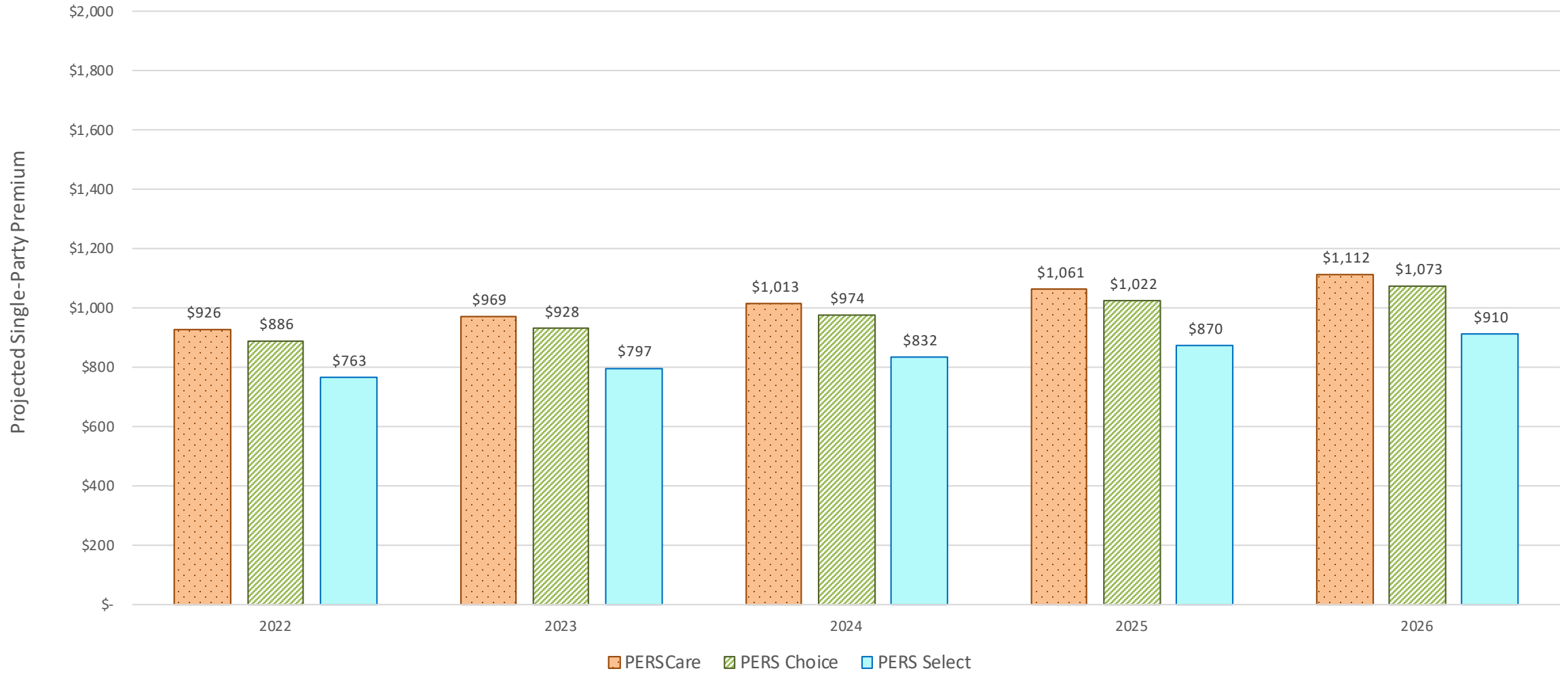
Pricing PPO Portfolio

- Priced as single plan (different from HMO)
- Individual products priced based on known benefit and network relativity

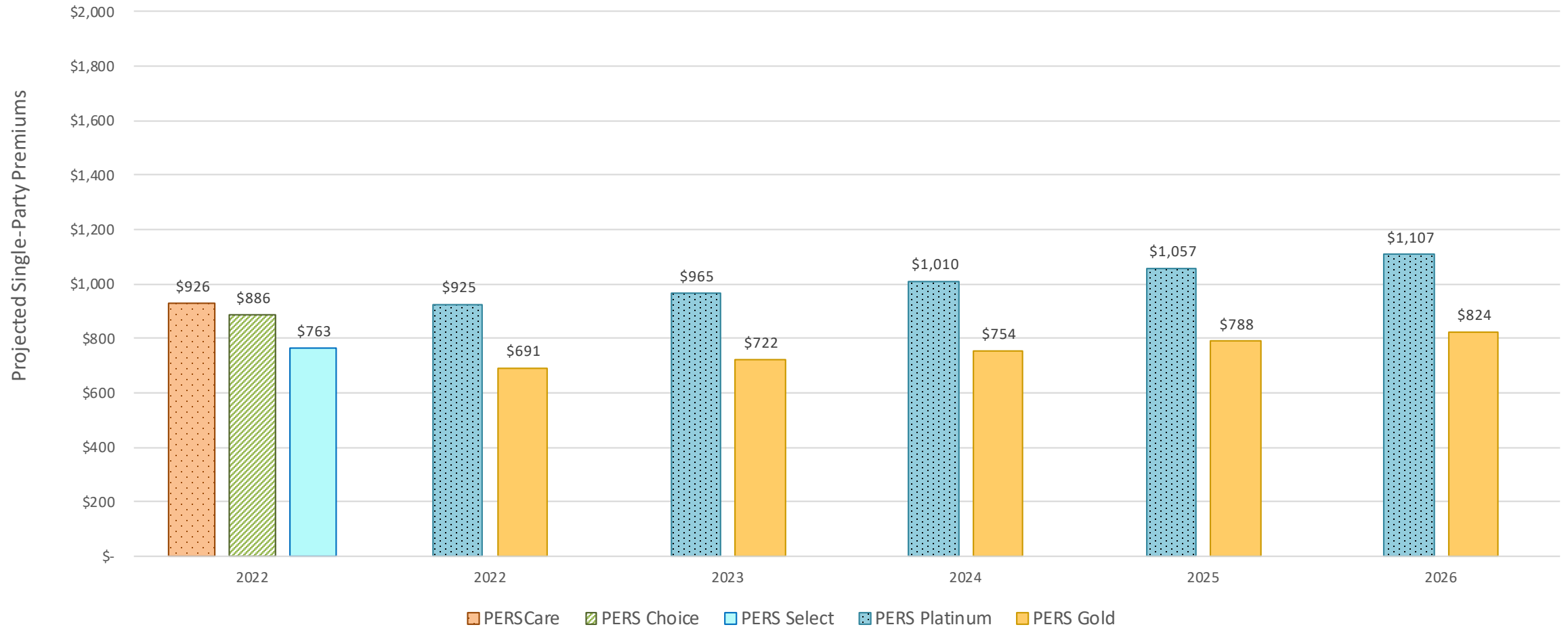
Status Quo Current Portfolio: Five-Year-Forward Premium Projections



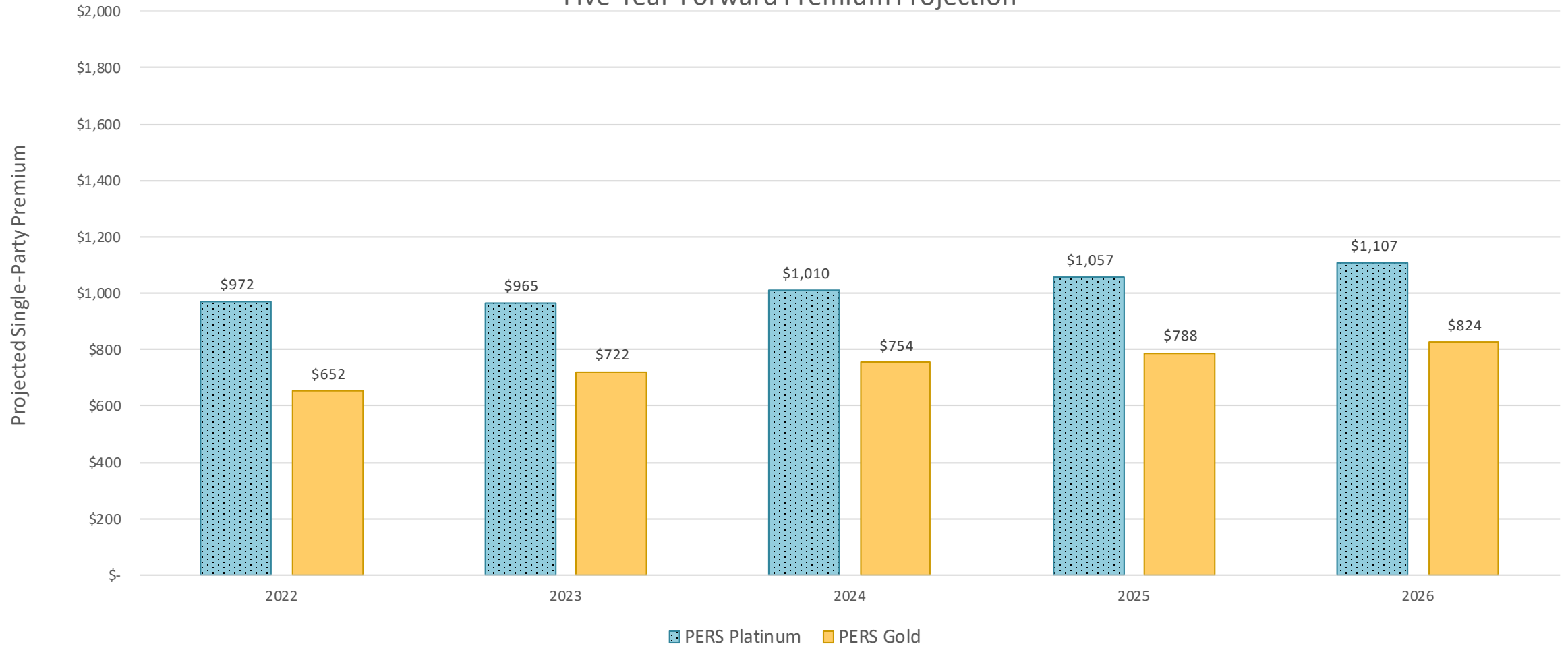
Portfolio Rating Current Portfolio, Implement in 2022: Five-Year-Forward Premium Projections



Portfolio Rating with PERS Platinum & PERS Gold, Implement in 2022: Five-Year-Forward Premium Projection

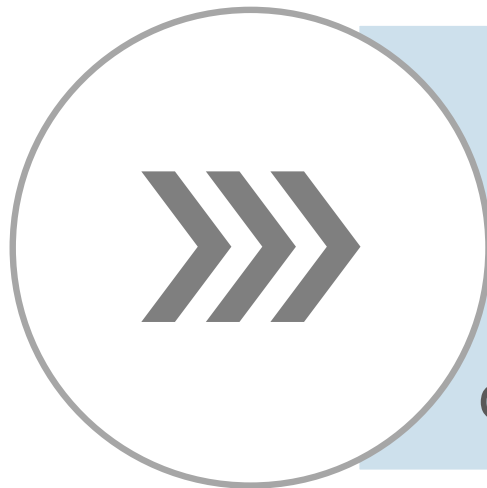


Portfolio Rating New Portfolio, Two-Year Phase In, Benefit Design Changes Beginning 2023:
Five-Year-Forward Premium Projection



Recommendation

Recommendation



Adopt Portfolio Rating for the Basic Portfolio using the MARA Prospective Risk Scoring Tool with a Two-Year Phase In.

Replace the current PERS Basic PPO Plans with the Proposed PERS Platinum and PERS Gold plans; benefit design changes to be considered/adopted in November 2021.