



Pension & Health Benefits Committee

California Public Employees' Retirement System

Agenda Item 5a

June 17, 2014

ITEM NAME: Approval of 2015 Health Maintenance Organization Plans Benefits and Rates

PROGRAM: Health Benefits

ITEM TYPE: Action

RECOMMENDATION

Staff recommends the Pension & Health Benefits Committee approve the proposed 2015 Health Maintenance Organization (HMO) risk adjusted premium rates for Anthem Blue Cross, Blue Shield of California, Health Net, Kaiser Permanente, Sharp, and United Healthcare, inclusive of the benefit changes as contained in this agenda item.

EXECUTIVE SUMMARY

Proposed HMO benefits and premium rates for 2015 are provided in Attachments 1 and 2.

BACKGROUND

Anthem Blue Cross, Blue Shield of California, Health Net, Kaiser Permanente, Sharp, and United Healthcare submitted initial 2015 HMO rates in April 2014. CalPERS staff conducted an analysis of each rate proposal and met numerous times with each health plan to review its rate development methodology and underwriting documentation. Staff also used the Health Care Decision Support System (HCDSS) to validate and question each plan's utilization experience and projected trends.

CalPERS also employed Mercer Human Resource Consulting to provide independent health actuarial consultation and to conduct an independent assessment of each health plan's rate proposal, provide input on market trends, and assist staff in rate negotiations.

The premiums submitted by the health plans include the benefit design changes described within this agenda, as well as, additional costs attributed to the Affordable Care Act.

ANALYSIS

Blue Shield's NetValue plan is exiting from Humboldt county and removing Sharp from the network for 2015.

United Healthcare is expanding its service area to include San Joaquin and Solano counties.

Benefit Changes for 2015

The benefit changes for 2015 include the following:

- Blue Shield no longer requires the use of Centers of Excellence for knee/hip replacements
- Removal of Blue Shield's \$250 outpatient hospital copay for upper endoscopies, colonoscopies, cataract surgery, and knee injections
- Addition of Acupuncture and Chiropractic benefits
- Adoption of High Performance Generic Step Therapy (HPGST)
- Implementation of Affordable Care Act Maximum Out of Pocket (MOOP) requirements

Acupuncture and Chiropractic benefits

Plans that don't currently cover Acupuncture or Chiropractic services will provide 20 annual visits for (combined) acupuncture and chiropractic services, without regard to medical necessity, at the standard office visit copay level (\$15).

High Performance Generic Step Therapy (HPGST)

High Performance Generic Step Therapy encourages clinically appropriate prescribing at the lowest cost, without sacrificing clinical outcomes, by steering members to more cost effective first-line generics, and provides coverage for one preferred select brand in some classes. The preferred select brand is determined by clinical effectiveness based on FDA approved indications, lowest net cost and/or shortest remaining patent life. It is important to note that the targeted brands in HPGST have generic alternatives within therapeutic classes and the dispensing of generic alternative requires a new prescription from the prescriber.

Maximum Out of Pocket limits

For 2015, the Affordable Care Act (ACA) limits maximum out-of-pocket (MOOP) amounts for health plans to \$6,600/\$13,200 for individuals/families, for both medical and pharmacy benefits combined. The HMO plans currently have a \$1,500/\$3,000 MOOP for medical benefits, and no MOOP for pharmacy benefits. The addition of a \$5,100/\$10,200 MOOP for pharmacy benefits will allow our HMO plans to meet the law's requirement with no impact on premiums. This is a benefit enhancement for our members, who currently have no limit on the cost sharing they are subject to for pharmacy benefits.

BENEFITS/RISKS

Staff recommend approval of the proposed HMO benefit and premiums so that work can begin on systems changes and member communications for the 2015 Open

Enrollment period, and so that 2015 premiums can be communicated on a timely basis to the State's Department of Finance and our contracting public agencies.

ATTACHMENTS

Attachment 1 – State 2015 Health Premiums

Attachment 2 – Contracting Agencies 2015 Health Premiums

DOUG P. McKEEVER, Chief
Health Policy Research Division

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning

CalPERS 2015 State Health Premiums HMOs' Only

June PHBC Proposed Premiums

Basic	2014			2015			Percent Change (+/-)
	Single	2-Party	Family	Single	2-Party	Family	
Anthem HMO Select	\$622.53	\$1,245.06	\$1,618.58	\$639.45	\$1,278.90	\$1,662.57	2.72%
Anthem HMO Traditional	670.36	1,340.72	1,742.94	727.34	1,454.68	1,891.08	8.50%
BSC Access+	655.02	1,310.04	1,703.05	718.16	1,436.32	1,867.22	9.64%
BSC NetValue	575.78	1,151.56	1,497.03	670.36	1,340.72	1,742.94	16.43%
Health Net Salud y Más	515.87	1,031.74	1,341.26	535.97	1,071.94	1,393.52	3.90%
Health Net SmartCare	632.38	1,264.76	1,644.19	671.47	1,342.94	1,745.82	6.18%
Kaiser	661.61	1,323.22	1,720.19	633.04	1,266.08	1,645.90	-4.32%
Kaiser Out of State	917.20	1,834.40	2,384.72	922.78	1,845.56	2,399.23	0.61%
Sharp	562.14	1,124.28	1,461.56	586.38	1,172.76	1,524.59	4.31%
UnitedHealthcare	652.08	1,304.16	1,695.41	642.40	1,284.80	1,670.24	-1.48%

Total HMO Basic Change ^{a/} 3.88%

Medicare	2014			2015			Percent Change (+/-)
	Single	2-Party	Family	Single	2-Party	Family	
Anthem Blue Cross	\$341.12	\$682.24	\$1,023.36	\$445.38	\$890.76	\$1,336.14	30.56%
Blue Shield	298.21	596.42	894.63	352.63	705.26	1,057.89	18.25%
Health Net	261.24	522.48	783.72	276.85	553.70	830.55	5.98%
Kaiser CA	294.97	589.94	884.91	295.51	591.02	886.53	0.18%
Kaiser Out of State	388.65	777.30	1,165.95	390.47	780.94	1,171.41	0.47%
Sharp	306.51	613.02	919.53	327.66	655.32	982.98	6.90%
UnitedHealthcare	193.33	386.66	579.99	267.41	534.82	802.23	38.32%

Total Medicare Change ^{a/} 5.92%

a/ Percent change is a weighted average difference between 2014 & 2015 premiums with January 2014 enrollment data.

CalPERS 2015 Health Premiums - Regional Contracting Agencies Only - HMOs' Only June PHBC Proposed Premiums

Basic	2014			2015			Percent Chg (+/-)
	Single	2-Party	Family	Single	2-Party	Family	
Basic Premium Rates - Bay Area							
Alameda, Amador, Contra Costa, Marin, Napa, Nevada, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, Sutter, and Yuba							
Anthem HMO Select	\$657.33	\$1,314.66	\$1,709.06	\$662.41	\$1,324.82	\$1,722.27	0.77%
Anthem HMO Traditional	728.41	1,456.82	1,893.87	827.57	1,655.14	2,151.68	13.61%
Blue Shield Access+	836.59	1,673.18	2,175.13	928.87	1,857.74	2,415.06	11.03%
Blue Shield NetValue	704.01	1,408.02	1,830.43	870.60	1,741.20	2,263.56	23.66%
Kaiser CA	742.72	1,485.44	1,931.07	714.45	1,428.90	1,857.57	-3.81%
UnitedHealthcare	764.24	1,528.48	1,987.02	850.67	1,701.34	2,211.74	11.31%
Basic Premium Rates - Sacramento Area							
El Dorado, Placer, Sacramento, and Yolo							
Anthem HMO Select	\$750.27	\$1,500.54	\$1,950.70	\$811.14	\$1,622.28	\$2,108.96	8.11%
Anthem HMO Traditional	840.43	1,680.86	2,185.12	940.16	1,880.32	2,444.42	11.87%
Blue Shield Access+	734.87	1,469.74	1,910.66	809.22	1,618.44	2,103.97	10.12%
Blue Shield NetValue	618.39	1,236.78	1,607.81	758.45	1,516.90	1,971.97	22.65%
Kaiser CA	681.59	1,363.18	1,772.13	660.96	1,321.92	1,718.50	-3.03%
UnitedHealthcare	643.34	1,286.68	1,672.68	623.45	1,246.90	1,620.97	-3.09%
Basic Premium Rates - Los Angeles Area							
Los Angeles, San Bernardino, and Ventura							
Anthem HMO Select	\$475.86	\$951.72	\$1,237.24	\$493.40	\$986.80	\$1,282.84	3.69%
Anthem HMO Traditional	549.76	1,099.52	1,429.38	631.62	1,263.24	1,642.21	14.89%
Blue Shield Access+	469.91	939.82	1,221.77	517.87	1,035.74	1,346.46	10.21%
Blue Shield NetValue	395.50	791.00	1,028.30	485.41	970.82	1,262.07	22.73%
Health Net Salud y Más	425.44	850.88	1,106.14	430.71	861.42	1,119.85	1.24%
Health Net SmartCare	542.71	1,085.42	1,411.05	568.47	1,136.94	1,478.02	4.75%
Kaiser CA	541.79	1,083.58	1,408.65	521.18	1,042.36	1,355.07	-3.80%
United Healthcare	487.76	975.52	1,268.18	458.74	917.48	1,192.72	-5.95%
Basic Premium Rates - Other Southern California							
Fresno, Imperial, Inyo, Kern, Kings, Madera, Riverside, Orange, San Diego, San Luis Obispo, Santa Barbara, and Tulare							
Anthem HMO Select	\$536.99	\$1,073.98	\$1,396.17	\$653.97	\$1,307.94	\$1,700.32	21.78%
Anthem HMO Traditional	592.20	1,184.40	1,539.72	743.12	1,486.24	1,932.11	25.48%
Blue Shield Access+	543.21	1,086.42	1,412.35	598.66	1,197.32	1,556.52	10.21%
Blue Shield NetValue	457.17	914.34	1,188.64	561.09	1,122.18	1,458.83	22.73%
Health Net Salud y Más	489.82	979.64	1,273.53	520.59	1,041.18	1,353.53	6.28%
Health Net SmartCare	568.51	1,137.02	1,478.13	579.88	1,159.76	1,507.69	2.00%
Kaiser CA	602.79	1,205.58	1,567.25	579.80	1,159.60	1,507.48	-3.81%
Sharp	538.59	1,077.18	1,400.33	564.57	1,129.14	1,467.88	4.82%
UnitedHealthcare	521.01	1,042.02	1,354.63	449.10	898.20	1,167.66	-13.80%

CalPERS 2015 Health Premiums - Regional Contracting Agencies Only - HMOs' Only June PHBC Proposed Premiums

Basic	2014			2015			Percent Chg (+/-)
	Single	2-Party	Family	Single	2-Party	Family	
Basic Premium Rates - Other Northern California							
Alpine, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Plumas, San Benito, Shasta, Sierra, Siskiyou, Stanislaus, Tehama, Trinity, and Tuolumne							
Anthem HMO Select	\$706.20	\$1,412.40	\$1,836.12	\$728.65	\$1,457.30	\$1,894.49	3.18%
Anthem HMO Traditional	767.36	1,534.72	1,995.14	838.48	1,676.96	2,180.05	9.27%
Blue Shield Access+	729.76	1,459.52	1,897.38	804.34	1,608.68	2,091.28	10.22%
Blue Shield NetValue	614.13	1,228.26	1,596.74	753.82	1,507.64	1,959.93	22.75%
Kaiser CA	745.30	1,490.60	1,937.78	716.98	1,433.96	1,864.15	-3.80%
UnitedHealthcare	659.06	1,318.12	1,713.56	677.35	1,354.70	1,761.11	2.78%
Basic Premium Rates - Out of State							
Kaiser/Out of State	\$917.20	\$1,834.40	\$2,384.72	\$922.78	\$1,845.56	\$2,399.23	0.61%

Medicare	2014			2015			Percent Chg (+/-)
	Single	2-Party	Family	Single	2-Party	Family	
Medicare Premium Rates - All Regions							
Anthem Blue Cross	\$341.12	\$682.24	\$1,023.36	\$445.38	\$890.76	\$1,336.14	30.56%
Blue Shield	298.21	596.42	894.63	352.63	705.26	1,057.89	18.25%
Health Net	261.24	522.48	783.72	276.85	553.70	830.55	5.98%
Kaiser CA	294.97	589.94	884.91	295.51	591.02	886.53	0.18%
Kaiser Out of State	388.65	777.30	1,165.95	390.47	780.94	1,171.41	0.47%
Sharp	306.51	613.02	919.53	327.66	655.32	982.98	6.90%
UnitedHealthcare	193.33	386.66	579.99	267.41	534.82	802.23	38.32%