

Preferred Provider Organization (PPO) Strategic Alignment

Don Moulds, Chief Health Director

Julia Logan, MD, MPH, Chief Clinical Director

Rob Jarzombek, Chief, Health Plan Research & Administration

September 21, 2022

Agenda

- Background
- Initial Data Analysis
- Industry Engagement
- Assessment of Interventions
- Timeline

Ensure our
members have
access to equitable,
high-quality,
affordable health
care

PPO Background

Ongoing need to address higher costs in PPO and recent volatility

PERS Gold premium in line with low-cost HMOs

Near-term and longer-term interventions to curb cost growth

Assure alignment of PPO with strategic goals

Approach

- Engage Milliman, Peter Lee, and industry subject matter experts
- Explore near and long-term potential initiatives with Anthem
- Analyze current and historical trends in Basic plans
- Identify menu of intervention options
- Bring options for adoption for 2024 in November
- Inform 2025-29 PPO procurement

Industry Engagement



Anthem Blue Cross

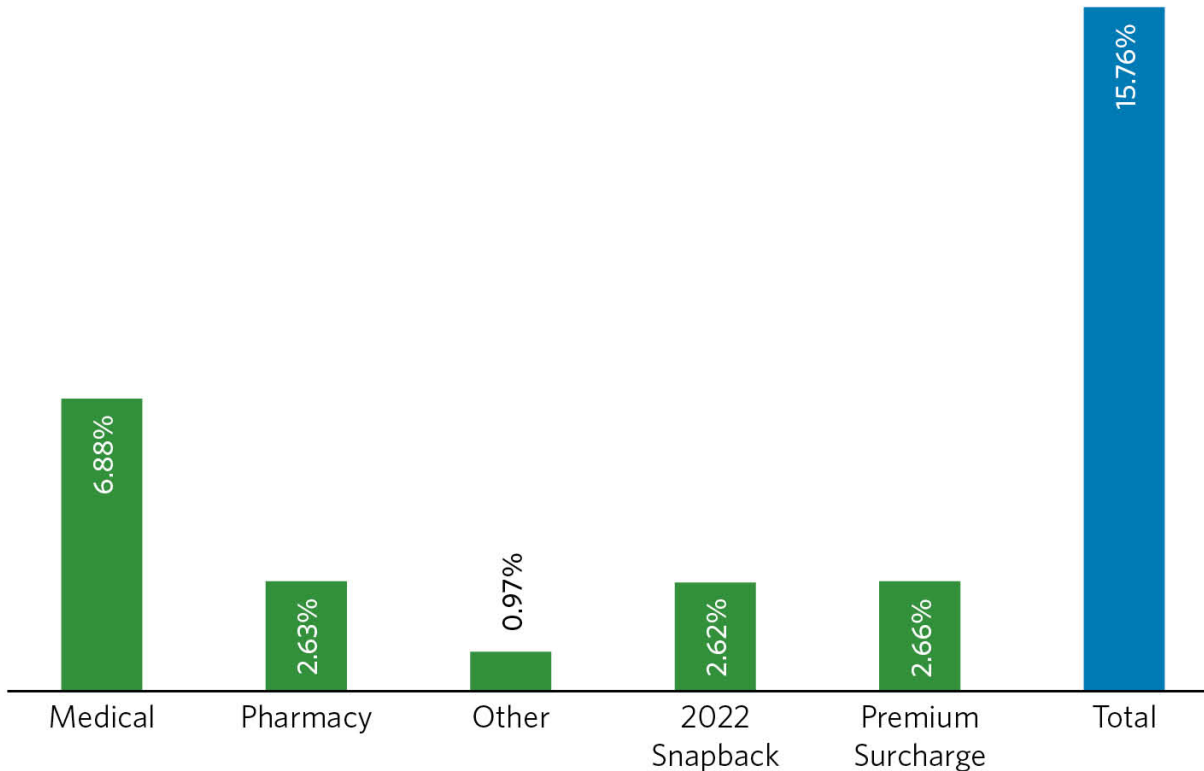


Health Solution Providers



Unions/Trusts/
Employer Groups

Basic PPO Cost Drivers 2022-23



Components of 2023 Cost Trends

Health Care Increases – 8.5%

- 4.9% Medical
- 2.6% Pharmacy
- 1.0% Other

Under-Projection for 2022 – 2%

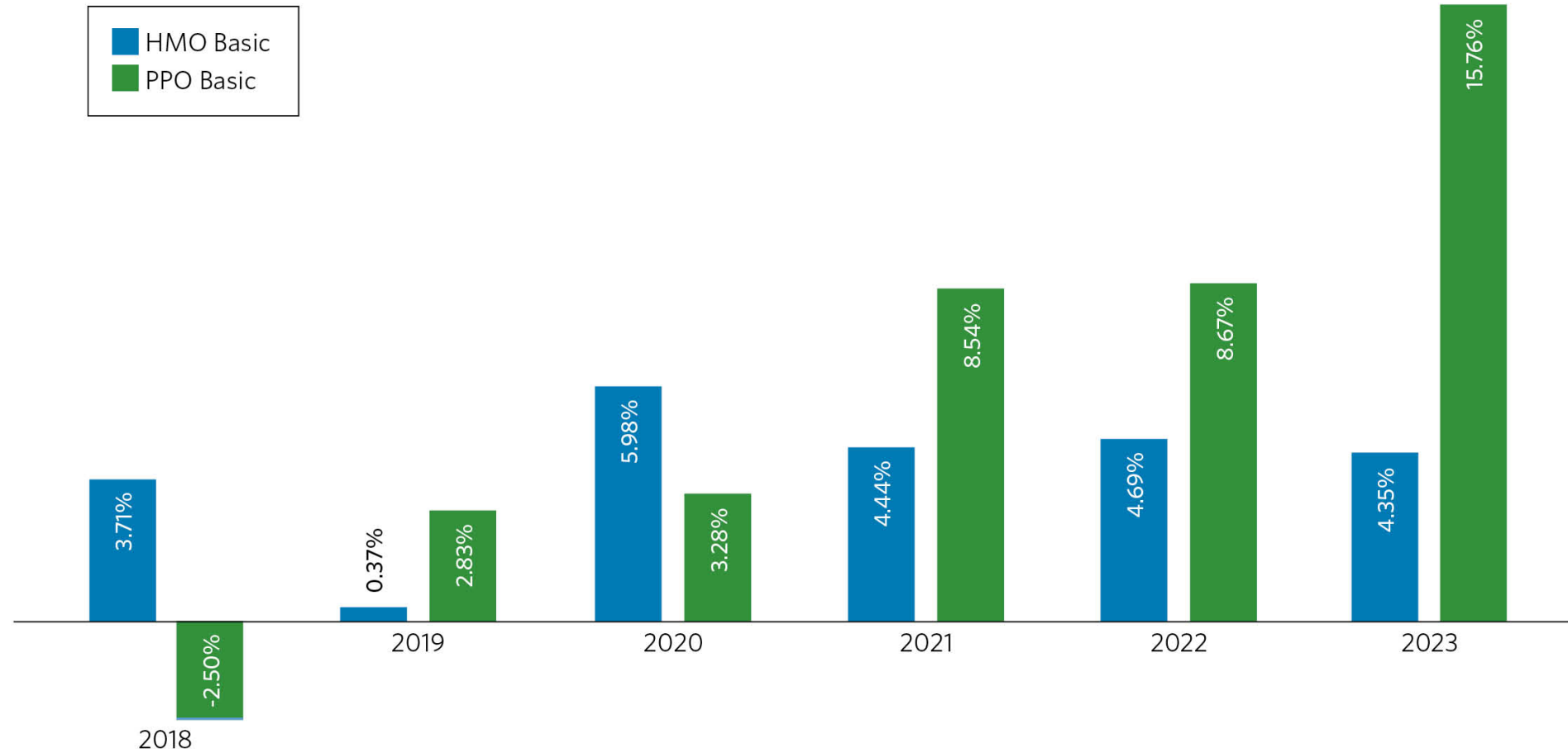
- 2% (of Medical)

Structural Adjustments – 5.3%

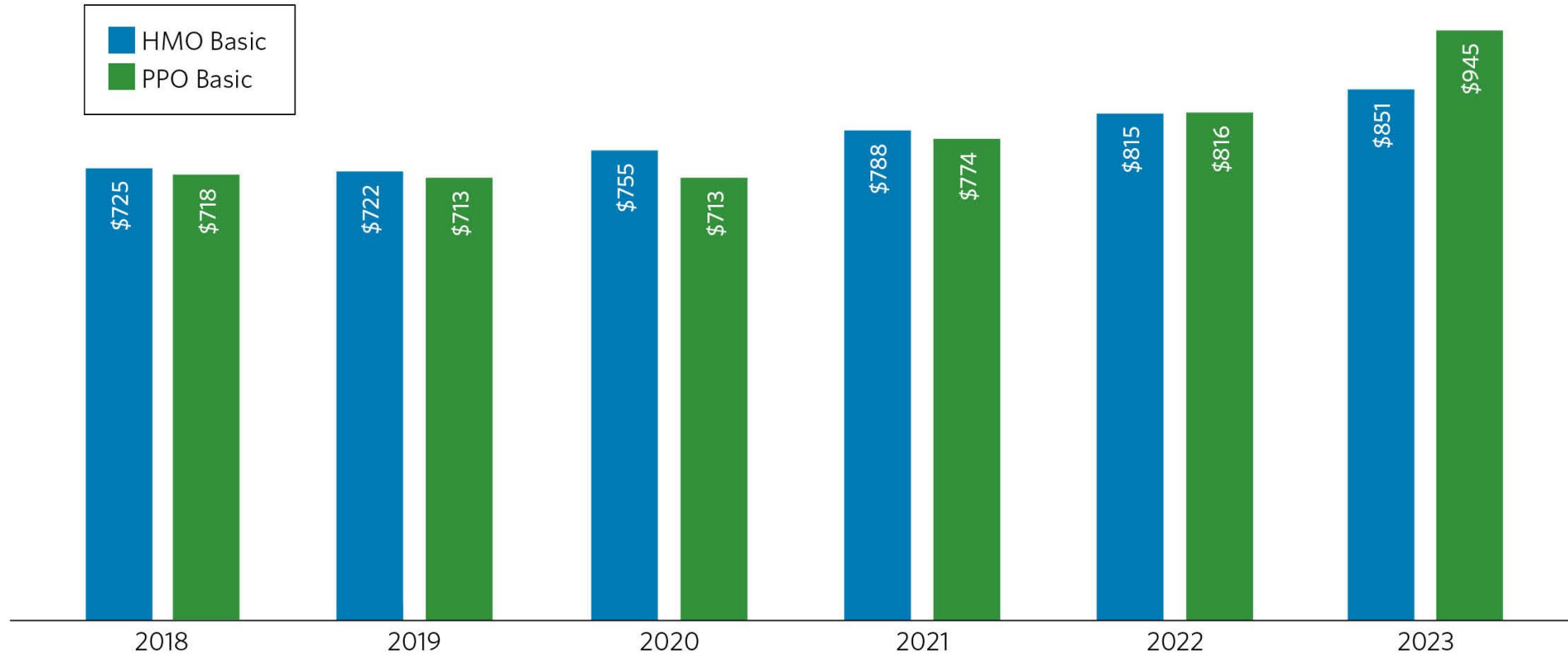
- 2.6% Snapback from 2022 premium buydown
- 2.7% Rebuild reserves

2022 Total Covered Lives:
PERS Gold: 124,111
PERS Platinum: 153,356

HMO & PPO Basic Premium Increases 2018 to 2023



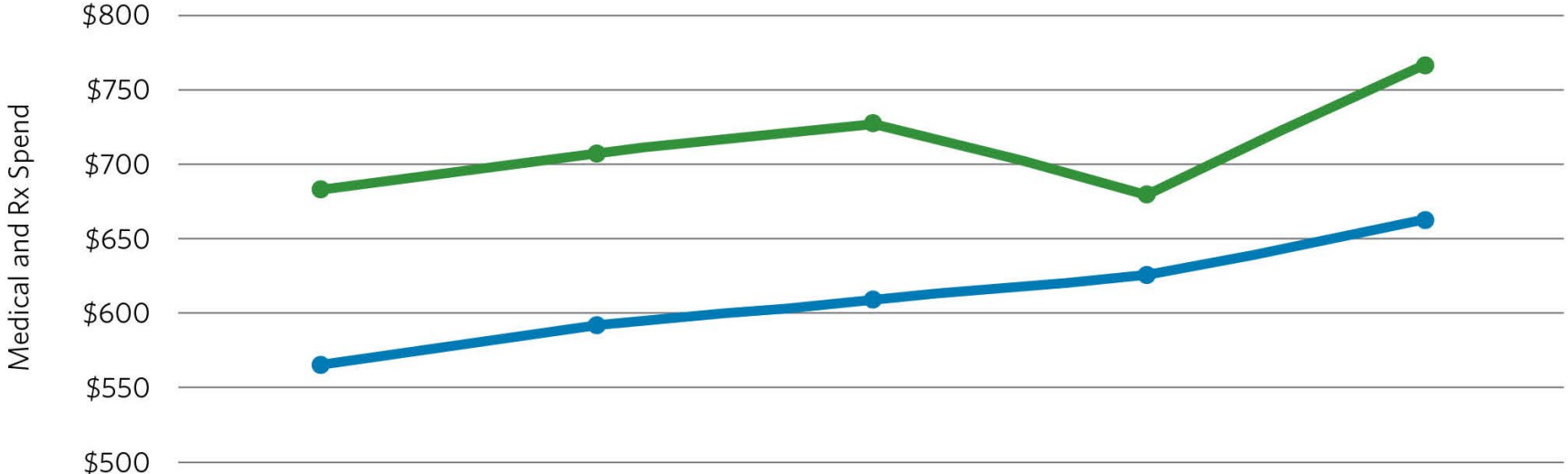
HMO & PPO Basic Weighted Average Premiums 2018 to 2023



Initial Data Analysis Highlights

- PPO costs trend is in line with HMOs past five years
- Major driver of higher costs for PPO program are higher unit prices, not utilization
- Top contributors to increased unit costs are hospital outpatient services, oncology, specialist care, outpatient labs, and imaging
- High-cost members look similar overall between HMO and PPO in annual cost and risk score

HMO vs. PPO Cost Trend



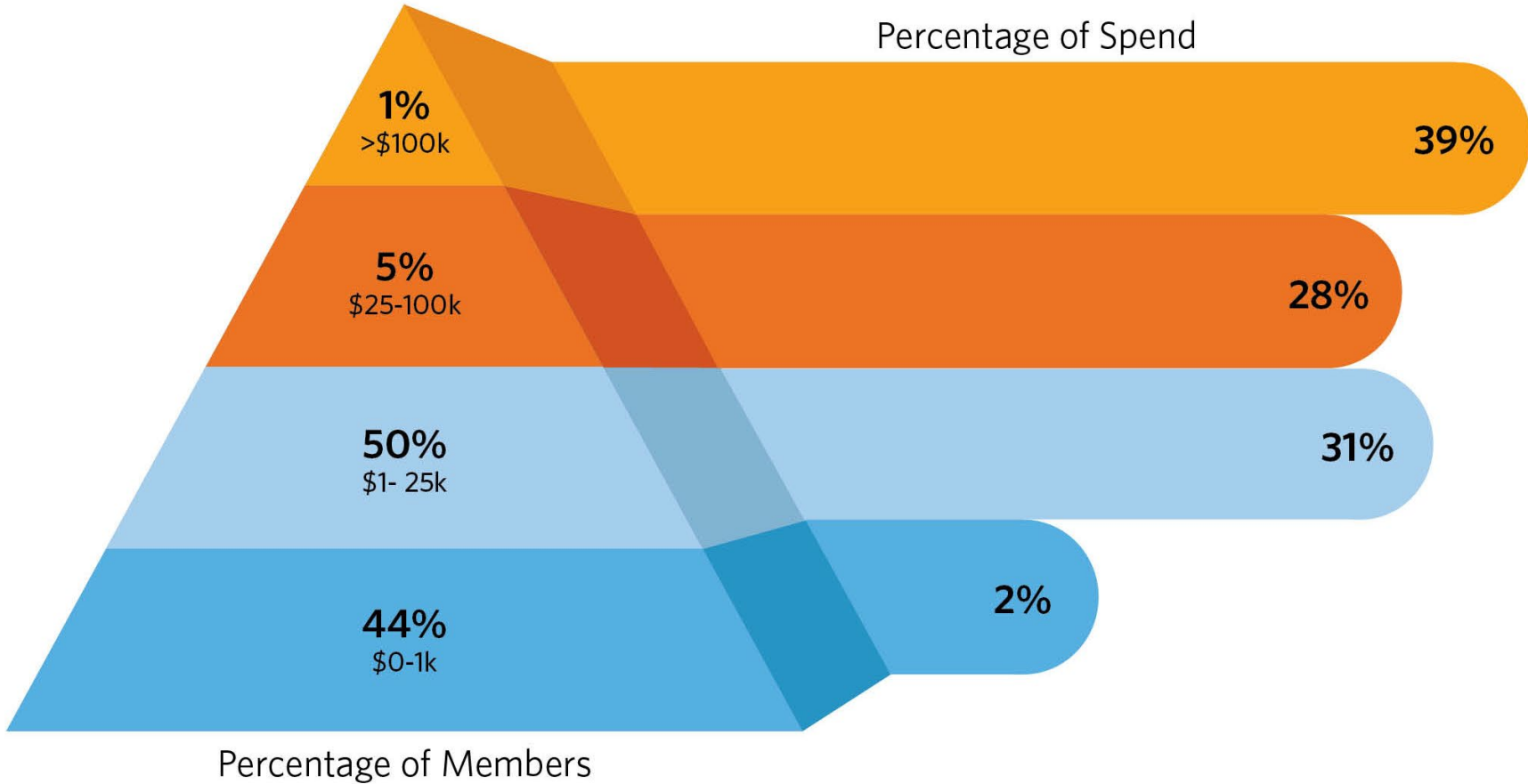
	2017	2018	2019	2020	2021	Change from 2017 to 2021
PPO	\$684	\$709	\$728	\$680	\$766	\$82
HMO	\$566	\$591	\$609	\$627	\$664	\$97
Difference \$	\$118	\$118	\$118	\$53	\$103	\$(15)
Difference %	21%	20%	19%	8%	15%	-5%

Top Contributors to Per Member Per Month (PMPM) between Basic PPO and HMO, 2021

Category	Medical or Rx	Difference	Utilization Driven	Unit Cost Driven
Prescription Drugs - Specialty	Rx	\$16.78	\$5.75	\$11.03
Surgery - Hospital Outpatient	Medical	\$9.37	-\$9.88	\$19.25
Chemotherapy	Medical	\$7.71	\$2.40	\$5.30
Outpatient Pathology/Lab	Medical	\$7.52	\$4.83	\$2.68
Outpatient Psychiatric	Medical	\$6.00	\$7.65	-\$1.65
Inpatient Surgical	Medical	\$5.78	-\$1.35	\$7.12
Office/Home Visits - Specialist	Medical	\$4.66	-\$0.05	\$4.70
Radiology General - Therapeutic	Medical	\$4.19	\$1.05	\$3.14
All Other Categories	Both	\$57.24	-\$34.23	\$91.47
Total		\$102.46	-\$29.56	\$132.01

Source: Milliman, 2022

% of Members vs. % of Spend - PPO



2021 High-Cost Members with High-Cost Conditions

High-Cost Conditions: Cancer	Plan	Members with Diagnosis	% of Population with Diagnosis	Average Cost of Member with Diagnosis	Total Cost
Cancer - Breast	PPO	2,619	0.8%	\$22,249	\$58,271,018
	HMO	2,314	0.7%	\$17,841	\$41,283,278
Cancer - Leukemia	PPO	474	0.2%	\$79,174	\$37,528,448
	HMO	412	0.1%	\$71,350	\$29,396,004
Tumors - Central Nervous System	PPO	541	0.2%	\$55,798	\$30,186,791
	HMO	516	0.2%	\$22,942	\$11,838,021
Cancer - Lung	PPO	312	0.1%	\$84,138	\$26,251,162
	HMO	227	0.1%	\$50,820	\$11,536,041
Cancer - Colon	PPO	522	0.2%	\$39,986	\$20,872,468
	HMO	459	0.1%	\$25,253	\$11,590,957

2021 High-Cost Members with High-Cost Conditions, continued

High-Cost Conditions: Chronic & Behavioral Health	Plan	Members with Diagnosis	% of Population with Diagnosis	Average Cost of Member with Diagnosis	Total Cost
Diabetes	PPO	19,493	6.3%	\$4,765	\$92,890,102
	HMO	21,944	7.0%	\$5,033	\$110,441,297
Osteoarthritis	PPO	13,605	4.4%	\$5,014	\$68,220,301
	HMO	12,819	4.1%	\$4,303	\$55,162,552
Hypertension	PPO	31,631	10.2%	\$1,301	\$41,142,537
	HMO	29,967	9.5%	\$1,224	\$36,680,603
Coronary Artery Disease	PPO	4,781	1.5%	\$8,127	\$38,854,361
	HMO	3,822	1.2%	\$10,024	\$38,312,338
Depression	PPO	22,322	7.2%	\$2,870	\$64,061,806
	HMO	16,768	5.3%	\$2,101	\$35,224,345
Substance Use Disorder	PPO	2,826	0.9%	\$13,977	\$39,499,284
	HMO	2,555	0.8%	\$8,144	\$20,808,808

Health Care Delivery & Consumer Intervention Options



Network Design,
Composition,
& Structure



Behavioral Health
Benefit Design &
Network Updates



Pharmaceutical
Strategies



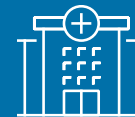
Reference-Based
Pricing



Member
Navigation
Programs



Condition-
Specific Care
Management



Site of Care
Management



Advanced
Primary Care

Project Timeline

