



Pension & Health Benefits Committee

Agenda Item 5a

June 11, 2024

Item Name: Preferred Provider Organization Third-Party Administrator Solicitation Intent to Award

Program: Health Benefits

Item Type: Action

Recommendation

Approve recommendation of an Intent to Award five-year contracts to Blue Shield of California, as the third-party administrator, and Included Health, as the population health management vendor, for CalPERS PPO plans with an effective date of January 1, 2025. Awards are subject to final negotiations and satisfaction of all requirements, including, but not limited to, implementation activities occurring in 2024.

Executive Summary

This agenda item provides the Pension & Health Benefits Committee (PHBC) with an update on the 2025-29 Preferred Provider Organization (PPO) Third-Party Administrator (TPA) Solicitation (Solicitation). This Solicitation incorporates approaches and potential interventions to address premium affordability, reduce year-over-year volatility, and improve equity and quality of care. This agenda item provides an overview of the proposals, analysis, current standing, and strategic considerations. The agreement(s) will be for five years beginning January 1, 2025, and ending December 31, 2029.

Strategic Plan

This item supports CalPERS 2022-27 Strategic Goal of Exceptional Health Care: Ensure our members have access to equitable, high-quality, affordable health care.

Background

In 2023, CalPERS launched the Solicitation with the objective of implementing changes to foster member choice based on value, quality, and cost-effectiveness. CalPERS sought proposals for self-insured and fully insured arrangements with the consideration of partnering with a new firm to provide population health management (PHM) services, and supplemental virtual health services, as well as proposals with and without integrated pharmacy benefit services for fully insured arrangements.

Analysis

Objectives and Approach

CalPERS included several key innovative factors in the Solicitation to further its strategic goals. In efforts to continuously improve quality and affordability, the Solicitation seeks to align the incentives of the firms with CalPERS strategic goals by asking firms to put a portion of their administrative services fees (ASF) at risk and to meet performance metrics that improve quality of care for members. In addition, firms were asked to incorporate a Total Cost of Care (TCOC) performance guarantee.

Proposals

CalPERS seeks to improve high-quality health care through soliciting proposals to provide population health services, including high-intensity case management, complex case management, care navigation, wellness, member support services, and virtual behavioral health and primary care. CalPERS solicited proposals for multiple contract arrangements, including self-insured and fully insured funding arrangements:

- Self-insured TPA with and without PHM services.
- Fully insured Carrier (Carrier) with and without integrated pharmacy benefits.
- Carve-out PHM services.

Firms were required to include the following:

- A broad statewide network for two plans, PERS Platinum and PERS Gold.
- All aspects of PPO administration under self-insured and fully insured financial models.
- Supplemental virtual primary care and virtual behavioral health services.
- An option to carve out a separate contract for PHM functions, to include high-intensity care management, care navigation, and consumer support services.

CalPERS received proposals from the following firms:

TPA / Carriers

- Anthem Blue Cross
- Blue Shield of California

Population Health Management Vendors

- Accolade, Inc.
- Included Health, Inc.
- Quantum Health and Premise Health (Joint Venture)

Solicitation Activities

CalPERS developed the Solicitation using a three-phased approach that allowed for an iterative and collaborative process. CalPERS conducted Confidential Discussions in January where CalPERS shared additional information about our health plan goals, expectations, and objectives. After these discussions, firms submitted revised proposals in February. In March, CalPERS conducted Finalist Interviews with all firms. Additionally, teams from the health and actuarial offices evaluated and scored the Technical and Fee Proposals. All five firms met the minimum score and advanced to Phase III, Competitive Negotiations, which began in April.

Rate Development Process Submission

As part of the Competitive Negotiations, CalPERS required firms to submit 2025 medical and pharmacy pricing. The CalPERS team reviewed rate submissions and identified areas needing pricing improvements for the new contract and continue to negotiate with the firms during the rate development process. Also, as a part of this process, the team continues to negotiate ASF, services, and performance guarantees with the firms.

Administrative Services Fees (ASF)

The proposed ASF are preliminary, and negotiations continue through the rate development process.

Budget and Fiscal Impacts

The potential new contract(s) and funding arrangement(s) will impact premiums and health plan contracts for plan years 2025-29.

Benefits and Risks

Benefits:

- Secure the most competitive pricing and establish strong financial contract terms
- Implement innovative programs to better serve PPO members
- Improvements in quality by aligning with new HMO quality measures
- Improve sustainability of PPO program

Risks:

- Potential increases in costs associated with PHM services
- Increase in administrative responsibilities of managing multiple contracts
- Member disruption with potential implementation of new firm(s)
- Member abrasion due to potential network and benefit design changes

Attachment

Attachment 1 – Preferred Provider Organization (PPO) Third-Party Administrator (TPA) Solicitation Intent to Award PowerPoint

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