

Preferred Provider Organization (PPO) Third-Party Administrator (TPA) Solicitation Intent to Award

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Agenda

- Timeline and Objectives
- Firms
- Recommendation
- Transformative Performance Guarantees
- Continuity and Access Strategies
- Questions and Discussion



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

CalPERS PPO Solicitation Timeline



CalPERS PPO Solicitation Objectives

Create Value and Financial Alignment

- Ensure long-term PPO sustainability
- Financial alignment of PPO with CalPERS
- Continue to offer PPO products that are price-competitive with HMO products

Align Quality and Equity Goals

- Migrate PPO to be as quality- and equity-centered as our HMOs
- Align Quality Alignment Measure Set (QAMS) with HMOs
- Contract requirements for Alternative Payment Models and Advanced Primary Care

Population Health Management Approach

- Integrated approach to support members
- Targeted outreach to high-cost high-needs members
- Help members find high-quality clinicians
- Improved ability to address cost drivers

Population Health Management Services

Administrative



Member trying to find and understand health benefits



Parent looking for urgent care options for sick child

Continuum of Care



Member looking for easy access to a Primary Care Provider



Member looking for a knowledgeable therapist

Care Management



Spouse trying to navigate a rare diagnosis for partner

Assistance

Personal Advocate
Claims and Billing
Coverage & Plan Design
Spending and Cost of Care

Improve Access

Guidance to Relevant Benefits
Provider Matching
Condition and Treatment Options
Expert Opinions

Care Delivery

Primary Care,
Routine and Urgent Care
Behavioral Health Therapy and
Psychiatry
Complex Case Management

Firms in Competitive Negotiations

Third Party Administrators (TPAs) / Carriers

- Anthem Blue Cross
- Blue Shield of California

Population Health Management (PHM) Vendors

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

Recommendation: Blue Shield Self-Insured with Included Health

Option #1 (Recommended)

- 2025 Blue Shield and Included Health

Option #2

- 2025 Anthem and Included Health
- 2026 Blue Shield and Included Health

Why Blue Shield?

Alignment, Partnership, and Long-Term Cost Control

- Strong alignment with CalPERS' strategic plan
- Alignment on cost and quality targets
- Provider network structure allows for ongoing quality improvement and cost containment

Network Adequacy and Continuity

- Goal of near universal continuity for all Platinum members, and for Gold members in 22 rural counties
- High degree of continuity for remaining Gold members
- Targeted strategies to address member disruption
- Ongoing commitment and plan to ensure network adequacy

Why Included Health for Population Health?

Alignment and Partnership

- Strong alignment with CalPERS' strategic plan
- Total alignment with CalPERS and Blue Shield on cost and quality targets
- Open to exploring options to support Medicare Supplement members

Services for Basic Members

- Point of contact for member service functions
- Strong navigation to best care
- Advocacy and care management of high-cost and high-needs members
- Supplemental Virtual Health Network

Medicare Supplement Members

- Access to providers is not impacted by TPA change
- Care coordination will continue to be covered by CMS and provided by clinicians as is done today
- Administrative services would be provided by new TPA

Transformative Performance Guarantees

- Shared accountability on aligned financial objectives for Blue Shield and Included Health
 - 75 percent of fees at risk for controlling cost and improving quality
 - \$464 million at risk over five-year contract with upside for exceptional performance
- Total Cost of Care target aligns with Office of Health Care Affordability's benchmarks in 2029
- Quality measurement using identical Quality Alignment Measure Set (QAMS) in HMO contracts
- Firms being financially responsible for cost and quality in self-insured arrangements is not standard

Blue Shield Networks Compared to Anthem

PERS Platinum: 110,000 members

	Anthem	Blue Shield
Hospital and facilities	245	279
Clinicians: Primary Care	29,666	27,690
Clinicians: Specialists	37,346	33,512
Clinicians: Behavioral Health	11,735	11,026

Takeaways:

- Proposed Platinum network has the same significant hospitals, facilities, and systems
- Though both networks are large, they do not overlap perfectly
- Blue Shield has agreed to implementing targeted strategies to achieve near universal continuity

PERS Platinum: Ensuring Continuity

Estimated Member Continuity with Provider				
	Estimated Initial Status (June 2024)		Estimated Status after addition of providers (Jan 2025)	
Provider type	Member continuity with provider %	Count of potentially disrupted members	Member continuity with provider %	Count of potentially disrupted members
PCP & Specialists	87%	11,786	97%	2,947
Behavioral Health	84%	2,465	92%	1,233

For the estimated 4,180 members potentially without an existing in-network provider in 2025:

- Those eligible for Continuity of Care under DMHC / Federal regulations may have care continued with existing providers for up to one year
- For remaining members, Blue Shield committed to providing a one-year out-of-network exception program for office visits (treating their care/services as if in-network)

Blue Shield Networks Compared to Anthem

PERS Gold: 135,000 members

	Anthem	Blue Shield
Hospital and facilities	245	263
Clinicians: Primary Care	20,772	14,513
Clinicians: Specialists	26,984	20,850
Clinicians: Behavioral Health	9,912	8,188

Takeaways:

- Blue Shield has the same significant hospitals, facilities, and systems
- Blue Shield's proposed Gold network is not as large as Anthem's, with potential disruption for about 10 percent of members in 2025
- Blue Shield has agreed to targeted strategies to minimize disruption and ensure ongoing adequacy and quality of networks serving our members

PERS Gold: Promoting Continuity and Managing Potential Disruption

Estimated Member Continuity with Provider				
	Estimated Initial Status (June 2024)		Estimated Status after Addition of Providers (Jan 2025)	
Provider type	Member continuity with provider %	Count of potentially disrupted members	Member continuity with provider %	Count of potentially disrupted members
PCP & Specialists	85%	13,107	90%	8,318
Behavioral Health	84%	2,070	92%	1,035

For the estimated 9,353 members potentially without an existing in-network provider in 2025:

- Members in the 22 rural counties will have the same continuity strategy as Platinum
- Those eligible for Continuity of Care under DMHC / Federal regulations may have care continued with existing providers for up to one year
- Remaining members can obtain personalized support to understand their options by:
 - switching to similarly priced HMO to keep current provider,
 - switching to Platinum to keep current provider, or
 - receiving help to find a new provider.

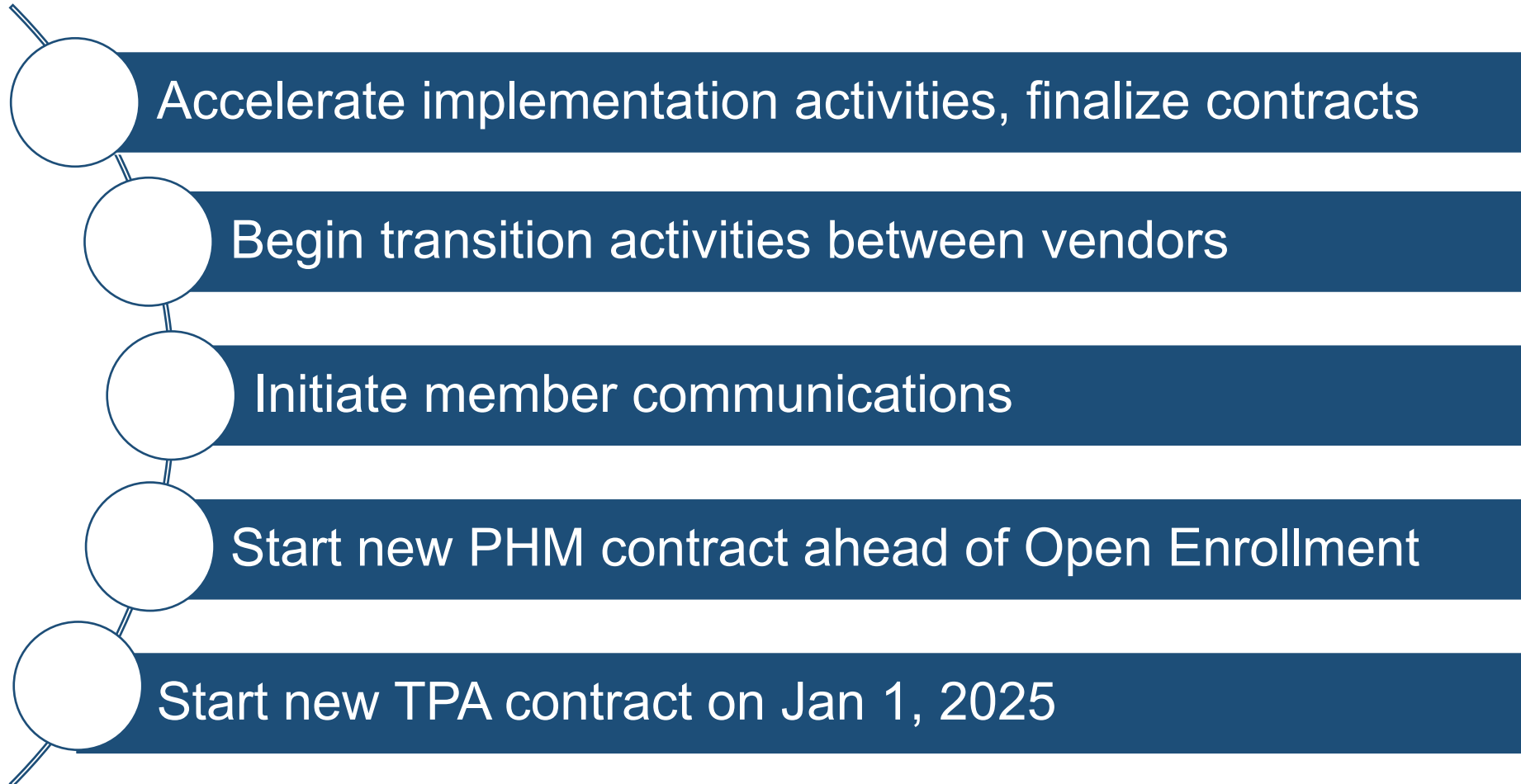
Beyond Continuity – Ensuring Adequacy, Access and Quality

- Included Health will help members find high-quality clinicians to address potential gaps in care
- Supplemental Virtual Primary Care and Behavioral Health provides safety valve
- New contract language to ensure network quality and adequacy
- CalPERS will conduct independent secret shopper surveys to ensure access

Starting with Blue Shield in 2025 versus 2026

	Option 1: 2025 Blue Shield / Included Health (Recommendation)	Option 2: 2025 Anthem / Included Health 2026 Blue Shield / Included Health
Pros	<ul style="list-style-type: none"> • Excellent contract terms now • Commence delivery system change • Aligned partnerships for quality and long-term sustainability • Does not jeopardize potential Pharmacy Benefit Manager (PBM) transition in 2026 	<ul style="list-style-type: none"> • Included Health would have more time to develop relationships with members
Cons	<ul style="list-style-type: none"> • Less time to mitigate member disruption 	<ul style="list-style-type: none"> • Duplicative PHM implementations • Member impact during extended implementation period

Proposed Next Steps



Questions & Discussion

Appendix: 22 Rural Counties without a Lower Cost HMO

- Alpine
- Amador
- Calaveras
- Del Norte
- Glenn
- Imperial
- Inyo
- Lassen
- Mariposa
- Mendocino
- Modoc
- Mono
- Plumas
- San Benito
- Shasta
- Sierra
- Siskiyou
- Sutter
- Tehama
- Trinity
- Tuolumne
- Yuba