

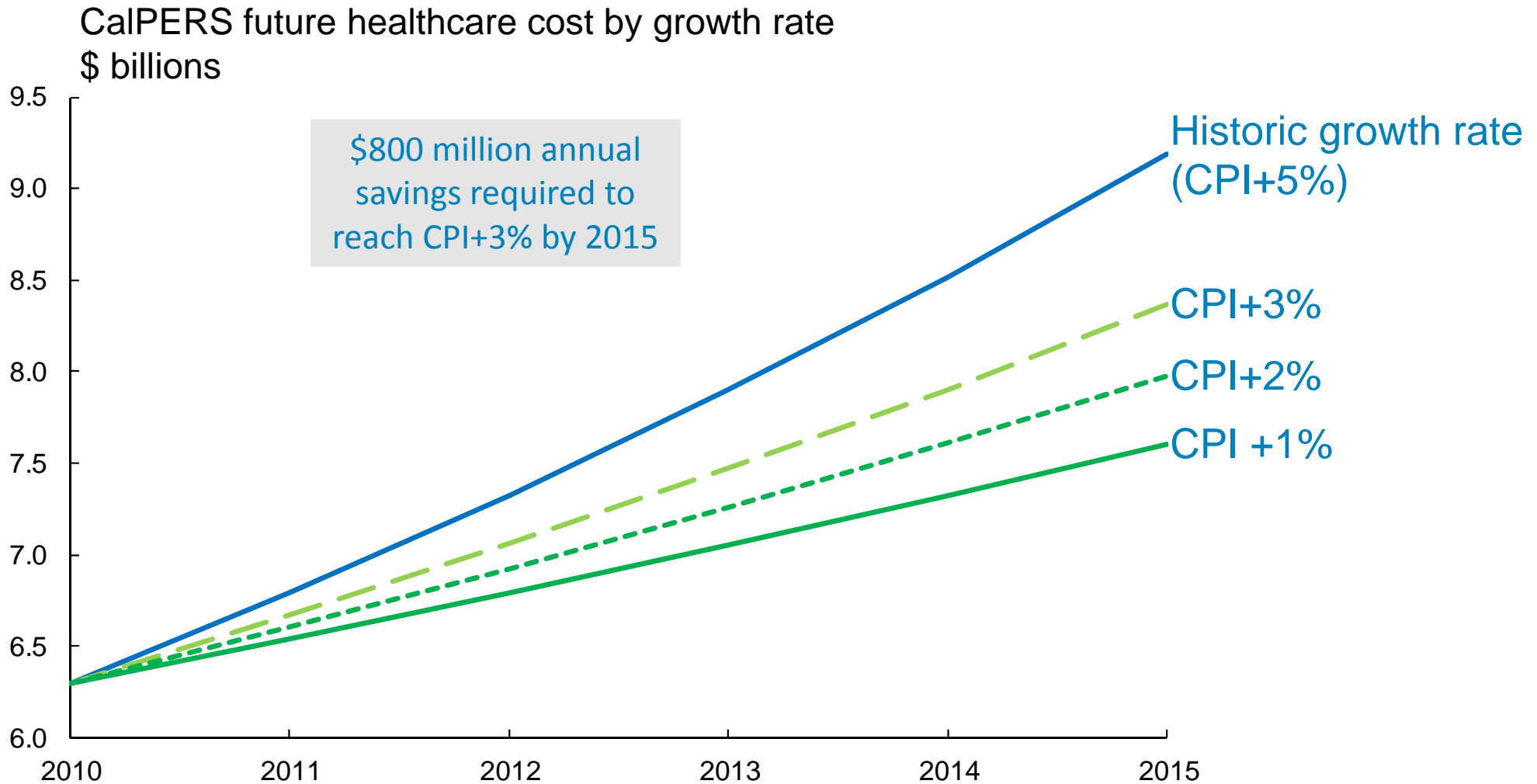
Roles for Government Purchasers in Payment Reform

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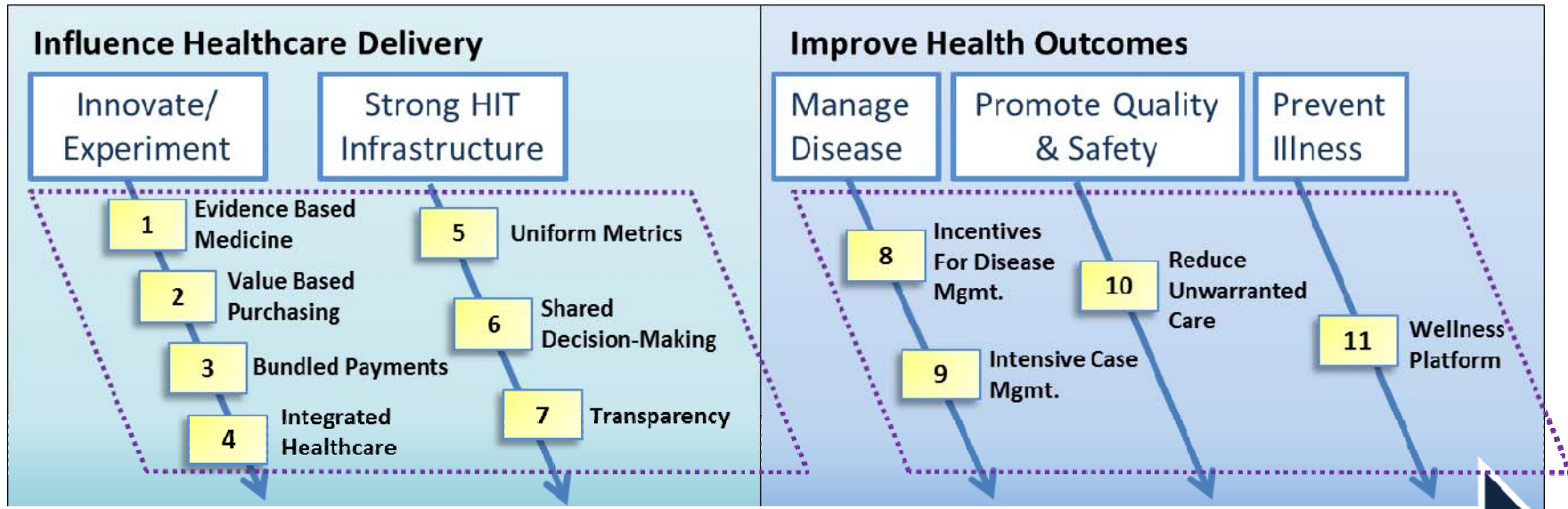
CalPERS Overview

- Nearly 1.4 million members
- More than 1,200 employers
 - State
 - Public agencies
 - Schools
- Will spend approx \$7.7 billion in 2014 to purchase health benefits
- Largest employer health benefits purchaser in California and second largest in the nation

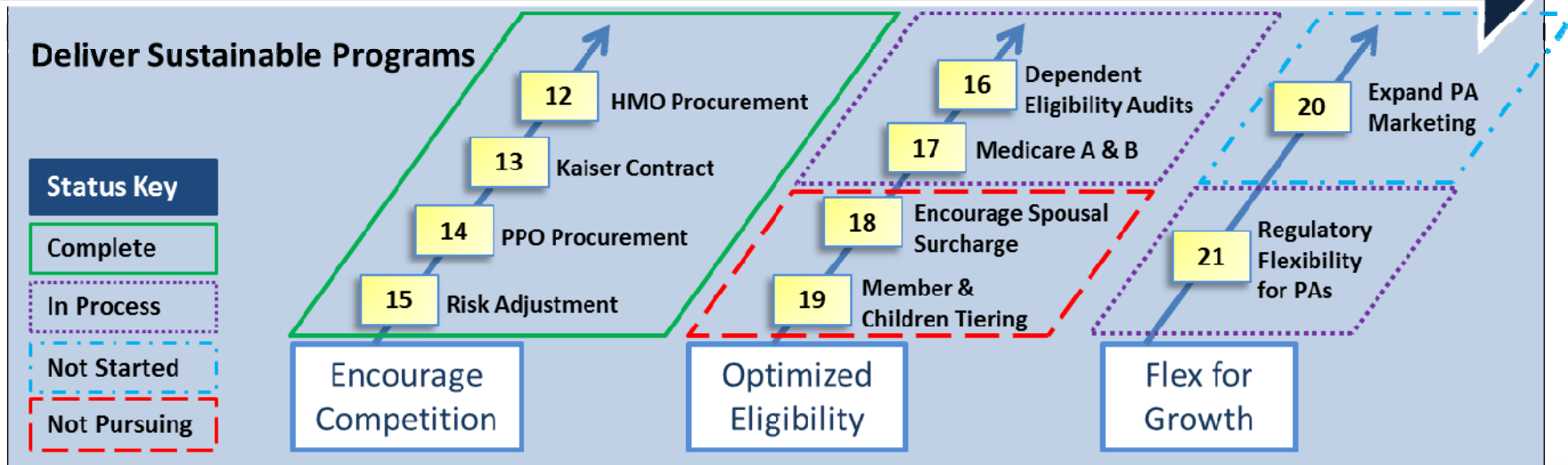
Significant Savings Needed to Bend Trend



Health Benefits Purchasing Strategies & Initiatives



...2012... **CalPERS Health Benefits** ...2015...



Reference Pricing: Hips and Knees

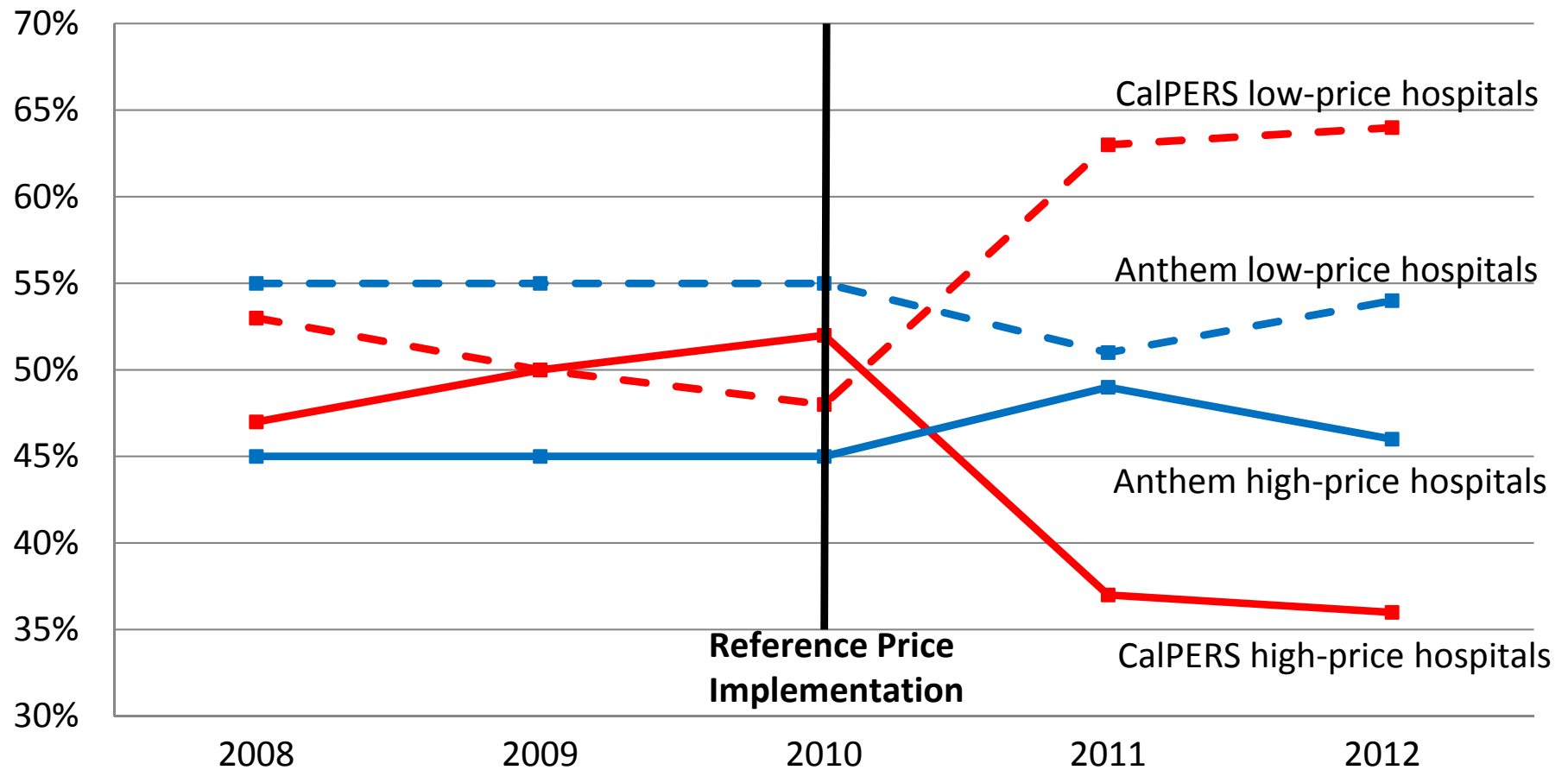
- CalPERS total costs for muscle, bone and joint disorders topped \$540 million in 2008
- Elective knee and hip replacements - \$55 million
 - Hospital costs varied from \$15,000 to \$110,000 with no difference in quality or outcome
- In 2011, for CalPERS self-funded PPO plans, Anthem Blue Cross of California established payment threshold of \$30,000 for routine single knee and hip joint replacement hospital stays

Reference Pricing: Hips and Knee (continued)

- If member does not elect a designated hospital and there are provider charges in excess of the threshold, member pays difference between threshold and hospital charges
- Program promotes access to, and use of, higher value providers, treatments, and services to drive down costs while maintaining quality
- Average hip or knee replacement charge declined by 26 percent, or an average of \$9,000 per procedure

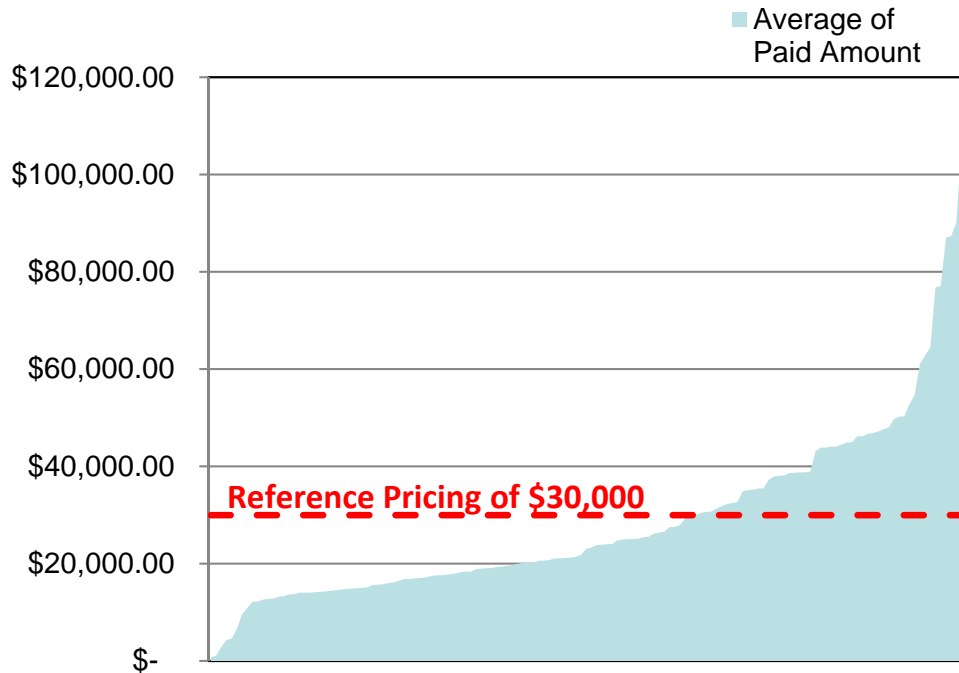
Reference Pricing

Percentage of Surgery Patients Choosing Low-Priced and High-Priced Hospitals before and after the Implementation of Reference Pricing



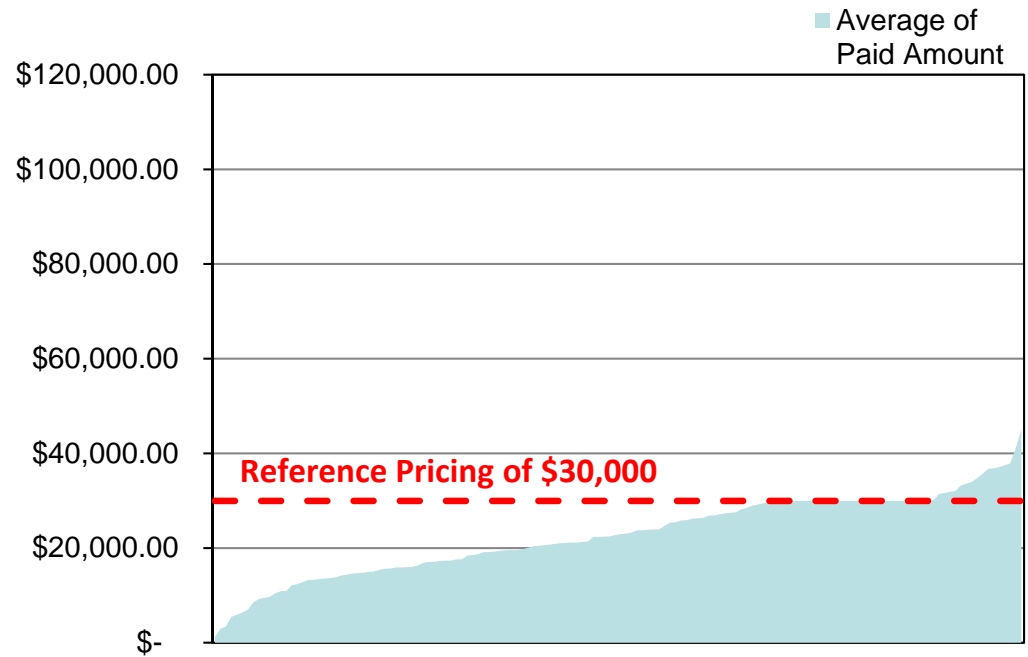
Reference Pricing

2010 Claims – Pre Implementation



Total Avg Paid Amount: \$32,932

2011 Claims – Post Implementation



Total Avg Paid Amount: \$23,112

Reference Pricing

CalPERS savings, compared to what would have been paid without Reference Pricing:

- 2011: -19.6% (\$2.8 million)
- 2012: -18.6% (\$2.7 million)
- Cumulative savings: \$5.5 million

ACO-like Integrated Health Care Model

- Begun as two-year pilot in 2010
 - Blue Shield of California
 - Catholic Healthcare West (Dignity Health)
 - Hill Physicians Medical Group
- First year results:
 - Reduced inpatient utilization
 - \$15.5 million savings
- Continue to expand integration with health plans

Priority Care Project – Humboldt-Del Norte

Goals:

- Increase health care quality and reduce costs
- Improve member safety, quality of life, and health outcomes through coordination of care and high intensity case management
- Align incentives for plans and providers using shared savings model:
 - 50 percent of the savings to CalPERS
 - 45 percent to the physician group
 - 5 percent to Anthem

Priority Care Project – Humboldt-Del Norte

Accomplishments:

- Provider and Member engagement
- Effective enrollment strategies
- Open communication channels for all participants
- Shareable electronic Care Management software in place
- Strong, effective Member-RN relationships established and on-going

Questions

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