



April 21, 2009

Oregon Public Employees' Benefit Board

2010 Medical Plan Renewals
Statewide Self-Insured ASO Proposal
Comparison

Plan for This Afternoon

- Statewide self-insurance ASO proposal comparison
 - Part 1: Review administrative capacity for each proposer
 - System flexibility comparison
 - Plan design flexibility comparison
 - Partnership and collaboration
 - Administrative Questionnaire
 - Claim system
 - Organization and staffing
 - Service measurements and recent results
 - Internal audit program
 - Transition plan

Plan for This Afternoon (continued)

- Part 2: Review aspects of PEBB Vision implementation within each plan
 - Electronic medical record (EMR) adoption
 - Provider measurement and profiling
 - Medical Home development and launch
 - Provider e-visit capability
 - Chronic Disease Management
 - Disease registry implementation
 - Evidence-based plan design details
 - Payment reform

Plan for This Afternoon (continued)

- Part 3: Review Provider networks
 - Network disruption comparison
 - Transition of Care
 - Network discount comparison
- Part 4: Review Administrative Service Organization (ASO) rate proposals for statewide self-insured PPO
 - Best and final rates (one-year and two-year quotes)
 - Components of administrative costs
 - Additional features of ASO proposal
- Discuss additional considerations for PEBB
 - Impact on 2011 RFP

Plan for This Afternoon (continued)

- Summary of ASO comparison
 - Part 1
 - Part 2
 - Part 3
 - Part 4
- Staff and Consultant Recommendations
 - Select ASO provider for PEBB's 2010 self-insured statewide PPO
- Identify next steps for follow-up
 - Follow-up from Today's meeting
 - PEBB 2010 composite rate
 - Portability Options

Statewide self-insurance ASO proposal comparison

Part 1: Providence and Regence Administrative Capacity

- Review administrative capacity for each proposer, including:
 - System flexibility comparison
 - Plan design flexibility comparison
 - Partnership and collaboration
 - Administrative Questionnaire
 - Organization and staffing
 - Service measurements and recent results
 - Claim system
 - Internal audit program
 - Transition plan

Part 1: Providence and Regence ASO Proposals: Administrative Considerations

	Regence	Providence
Plan Design Flexibility	Plan design has been to some degree governed by Regence corporate requirements; prior efforts to revise plan design have been mixed, for example Regence has not committed to implementing carve-outs.	Willing to partner with PEBB on efforts to identify value-based plan design concepts. Committed to implementing mid-year benefit changes, including carve-outs when needed.
Systems Flexibility	Indicates willingness to better integrate information from PEBB systems; currently expects launch is possible in late 2009.	Currently integrates information from PEBB systems to efficiently administer Providence Choice plan.
Partnership & Collaboration	Proposal includes \$1 million annually-partially to fund on-going, multi-year pilots currently in process to implement and evaluate medical home model. Regence has partnered with PEBB on several pilots in support of the PEBB Vision.	Proposal includes \$1.5 million health improvement fund to be used in partnership with PEBB to address significant PEBB priorities; efforts have been made to implement medical home model through the current Providence Choice plan.

Consultant Analysis:



Part 1: Administrator Questionnaire

- Mercer developed a questionnaire to obtain relevant information regarding plan administrative functions.
- Regence and Providence were asked to complete the questionnaire and provide additional and clarifying information as necessary.
- Specific areas addressed in the questionnaire included:
 - Claim system
 - Organization and staffing
 - Service measurements and recent results
 - Internal audit program
 - Transition plan

Part 1: Administrator Questionnaire—Claim System

Regence

- Processes PEBB claims on their CAS – Claim Administration System which was developed in-house in the late 1980s. It is upgraded continuously; last update 4/3/09.
- Operates a FACETS system for other plans. PEBB plan will not be converted to FACETS before 2012.
- Reports auto-adjudication rates for claims as follows:
 - CAS – 26% for PEBB
 - FACETS – 62% for groups with standard benefit designs
 - Advises the low auto-adjudication rate is due to the complex PEBB benefit design and system edits

Providence

- Processes all claims for all groups on the FACETS system which was implemented in 2003. Next version upgrade in 2010.
- Reports auto-adjudication rate of 73%
- Advises PEBB plan programs (e.g., Free & Clear program and worksite flu shots clinics) require manual tracking.

Consultant Analysis

- The CAS system has a significantly low auto-adjudication rate compared to most administrators which has an impact on productivity
- A system upgrade planned by PHP in 2010 normally does not cause a significant service disruption as a system conversion such as CAS to FACETS

Part 1: Administrator Questionnaire—Organization and Staffing

Regence

- Regence will assign a team of 99 employees to PEBB including 60 examiners, 25 customer service representatives and 14 other staff
- Regence will not need to hire and train additional staff to service PEBB

Providence

- Providence will assign a team of 56 employees to PEBB including 24 examiners/customer service representatives, and 32 other staff
- Providence will hire and train additional staff and blend with current staff to service PEBB

Consultant Analysis

- The low Regence auto-adjudication rate (26%) requires a higher staffing level than Providence with a 73% auto-adjudication rate.
 - Auto-adjudication rate for national administrators such as Aetna, CIGNA, UHC, Anthem are 60% or higher
- If transitioning to Providence, it is reasonable to expect an increase in call volume over the historical Regence level during the first few months with approximately the same claim level and a temporary increase in staffing for the first 3 to 6 months is recommended and is addressed in their implementation plan.
- Staffing details can be found in Appendix

Part 1: Administrator Questionnaire—Service Measures

- Both Regence and Providence provided data on customer service and claims processing measures.
 - Regence PEBB-specific results for claim processing and customer service are very high
 - Regence average call time of approximately 6 minutes per call is reasonable
 - Members can access Regence Customer Service through e-mail and review claim status through myRegence.com. An IVR system for obtaining claim information is not in place.
 - PHP PEBB-specific service results for claim processing time is slightly below Regence for claims processed within 10 days but slightly higher for 30 days and 60 days
 - PHP time to answer calls and abandonment rate are higher than Regence but within general industry standards
 - PHP average call time of approximately 3 minutes is slightly better than average
 - Members can access PHP Customer Service through e-mail and review claim status through MyProvidence.org. An IVR system is in place.
- Consultant Analysis
 - Both plans are performing within industry standards on service and claims processing measures
 - Presence of an IVR system provides Providence with additional capability to efficiently provide claims status information to members

Part 1: Administrator Questionnaire—Internal Audit Comments

- Regence and Providence both provided information about their internal audit processes
 - Regence internal audit department responsible for administering program which includes review of approximately 1% of all claims, plus all claims over \$25,000
 - Providence Operations Center administers internal audit program, which includes a random sample plus a percentage of a processor's claims. For recent 3 month period, approximately 1.6% of PEBB claims were randomly selected and audited

Consultant Analysis

- Both organizations have established audit programs with standard measurements and processes; all results are within industry standards.

Part 1: Administrator Questionnaire—Transition Plan

	Work plan that covers all aspects?	Experienced Project Manager Assigned?	Plan covers all major tasks?	Implementation guarantee?
Regence	Yes	Yes	Yes	Yes. \$100,000 for timely Identification Card production and overall PEBB satisfaction.
Providence	Yes	Yes	Yes	Yes. \$60,000 guarantee for timely receipt of 3 deliverables to be developed by PEBB.

Consultant Analysis

- Both transition plans cover the significant tasks for the transition.
- Staffing plan for selected ASO needs to be reviewed by PEBB when developing the implementation plan to validate adequacy of staffing levels in the initial 3-6 months of transition.

Statewide self-insurance ASO proposal comparison

Part 2: PEBB Vision Implementation

- Review aspects of PEBB Vision implementation within each plan. Each plan was asked to provide specific details with regard to the following Vision implementation concepts from PEBB's 2005 RFP process:
 - Electronic medical record (EMR) adoption
 - Provider measurement and profiling
 - Medical Home development and launch
 - Provider e-visit capability
 - Chronic Disease Management
 - Disease registry implementation
 - Evidence-based plan design details
 - Payment reform

Part 2: Vision Implementation

	Regence	Providence
Electronic Medical Record	Clinical Performance Improvement projects support developing registries among 9 medical groups; medical home pilots include data support to populate EMR.	Providence Physician Division using EMR with disease registry. Payment incentives are in place for all physicians to adopt.
Provider Measurement and Profiling	Supports community level reporting, contributes data to Oregon Health Care Quality Corp.	1,100 provider profiles available online for members. All PCPs with 50+ members will have a profile. Focus currently on primary care and chronic conditions.
Medical Home	Engaged in recently launched pilots and are evaluating their ability to improve outcomes and reduce costs.	Providence Physician Division is a fully functional Medical Home, working with Portland IPA to develop a pilot for launch in 2010.
Evidence Based Plan Design	Incorporating value based incentives into their contracting model, with planned launch in the second half of 2009.	Currently has a value based plan design and is working on a preference sensitive plan design to be ready by Jan. 1, 2010.
Essential Benefits Package	After transition to FACETS, would be able to begin work on incorporating the Essential Benefits Package. Anticipated 12-18 months roll-out for 2012 implementation.	Supports Oregon Essential Benefit Package with current system. Recommends using value-based and preference sensitive plan design alternatives.

Part 2: Vision Implementation (continued)

	Regence	Providence
e - Visits	Engaged in a pilot with US DHHS and Providence Health Care System. Pending outcome of demonstration, currently expects to implement payment for e-visits in 2012.	100% of network is currently eligible for e-visit reimbursement. Providence is prepared to administer with all e-visit ready physician groups.
Payment Reform	Committed to reimbursement transformation and innovation. Current focus is on a few foundational concepts.	75% of PEBB claim dollars would be paid to physicians with pay-for-performance contracts today. Estimated 80%-85% by 2011.

Consultant Analysis:



- Regence is within industry average in the implementation of e-visits, medical home, provider profiling and payment reform.
- Regence's programs are just being launched or will be launched soon making them difficult to evaluate.
- Providence's product development and provider tactics demonstrate a strong adherence to the PEBB Vision.
- Providence is ahead of industry average in the implementation of e-visits, medical home, provider profiling and payment reform.

Statewide self-insurance ASO proposal comparison

Part 3: Provider Networks

- Network Disruption Comparison
- Transition of Care
- Network Discount Comparison

Part 3: Network Disruption Comparison

- Currently, 90.9% of Regence members are receiving care in-network and 9.1% are receiving care out-of-network.
 - Of the 9.1%, 2.6% of members would receive in-network care with Providence.
- Out-of state network coverage is available through both plans.
 - Providence provides similar out of state access as compared to Regence’s “Blue Card” out of state network.
 - Boise, ID and Tri-Cities, WA were specifically reviewed and adequate network access was verified.
- International coverage is available through both plans.
- Typical network disruption ranges from 5 – 15% when changing networks. Less than 5% of PEBB members are projected to experience disruption in moving to the Providence statewide PPO.
 - <4% due to Legacy providers. Impact = < 3,900 PEBB members.
 - <1% due to the smaller mental health network; PEBB may chose to expand this network prior to 2010. Impact = < 700 PEBB members.

Part 3: Network Disruption Comparison (continued)

- Distinctions between the Providence and Regence statewide networks include:
 - The Providence network does not include contracts for all services with Legacy Health System. This is a strategic decision by Providence and will not be addressed by the additional volume PEBB brings. However, Providence does contract with Legacy for select services, including a broad range of pediatric services, high-risk obstetrics, burns, and trauma.
 - Klamath Falls currently presents an access issue for the Providence network, however providers in the area have already committed to contracting with Providence based upon their OEBB membership
 - Providence uses a mental health network (PBH) with higher credentialing standard.
 - The network is approximately 14% smaller than the current network. There are 1,350 PBH providers versus 1,577 Regence providers currently utilized by PEBB members. Providence believes this delivers higher quality of care to members without compromising access.
 - Providence will accommodate a broader network if requested by PEBB.
 - Providence is confident and Mercer agrees that any isolated access issues can be addressed given the volume PEBB brings.

Consultant Analysis

- Both networks provide adequate access. Moving to Providence ASO would create a minimal amount of disruption as compared to industry standard network disruption.
- Overall, there is less than a 2.4% gap in network access under worst-case scenario.

Part 3: Transition of Care

- Providence has indicated that transition of care would be provided for members receiving care needing continuation within one month of the transition date.
- Examples are as follows:
 - treatment for acute conditions or trauma,
 - scheduled surgery or hospitalization during the next 90 days,
 - patient involved in a course of chemotherapy, radiation therapy, cancer therapy, end of life care,
 - organ transplant candidates,
 - treatment as a result of major surgery,
 - high risk obstetrics,
 - last trimester of pregnancy, or
 - members currently enrolled in a disease management program.

Part 3: Transition of Care (continued)

- Typically, routine and non-participating provider care will not be transitioned unless it falls under one of the categories above. However, Providence will customize transition rules to meet PEBB's needs.
- A 90 day grace period will be provided for drugs requiring step therapy or prior authorization
- An RN care coordinator will be provided to facilitate needed transitions.

Consultant Analysis

- Providence's proposed plan for transition of care is within industry standard.
- The Board has discretion to modify any aspect of transition plan.

Part 3: Network Discount Comparison

- The proprietary financial information and the financial impacts of our network discount analysis are incorporated in the PPO rates shown later in this presentation.
- To assess discount differences, Mercer utilized several industry standard network discount evaluation methods.
- Mercer also consulted with an independent third party who recently completed an evaluation of the Providence network discounts to validate reasonableness.

Statewide self-insurance ASO proposal comparison

Part 4: Providence and Regence ASO Proposal Comparison

- Review Administrative Service Organization (ASO) proposals for statewide self-insured PPO from Providence Health Plan and Regence BlueCross BlueShield
 - Best and final rates
 - Components of administrative costs
 - Additional features of ASO proposal

Part 4: Statewide Self-Insured PPO Rates

- Mercer developed the following rates based on Regence and Providence proposals for statewide self-insured PPO in 2010. All rates provided are best and final.**

Regence 2010 Full-Time Rate Proposal – Contract (Statewide self-insured, Including VSP)					Providence 2010 Full-Time Rate Proposal – Contract (Statewide self-insured, Including VSP)				
	Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family		Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
2009 Billed Rates – Regence	\$829.20	\$1,111.00	\$953.52	\$1,135.88	2009 Billed Rates – Regence	\$829.20	\$1,111.00	\$953.52	\$1,135.88
2010 Proposed Contract Rates for Regence ASO	\$881.72	\$1,181.38	\$1,013.91	\$1,207.83	2010 Proposed Contract Rates for Providence ASO	\$878.21	\$1,176.67	\$1,009.87	\$1,203.02
% Change	+6.3%	+6.3%	+6.3%	+6.3%	% Change	+5.9%	+5.9%	+5.9%	+5.9%

Medical Rate Development Factors

- Applied 10% medical trend; 8% Rx trend

Part 4: Statewide Self-Insured PPO

Regence as ASO

- Components of Administrative Costs
 - Proposed administrative rates are available on a 1 or 2 year basis.
- Additional features of the Regence proposal
 - \$1 million annual funding to continue medical home pilots
 - Part of the funds will continue to fund the three existing pilots. Potential pilots in Salem and one or two more through 2011 will be added.
 - Regence indicated their administrative fee proposal will produce a loss.
 - Regence reports plans to implement operational efficiencies by 2012.

Note: \$3.9 million potential cost to PEBB for not renewing fully-insured in 2010, regardless of ASO chosen.

Part 4: Statewide Self-Insured PPO Rates

Providence as ASO

- Components of Administrative Costs
 - Proposed administrative rates are available on a 2-year contract only, guaranteed through 2011.
- Additional Features of the Providence Proposal
 - Providence will set aside a \$1.5 million “health fund” to partner with PEBB to advance the Board vision.
 - e.g., hire PEBB-specific medical director, expand medical home, etc.
 - This investment is in addition to current investments to advance the PEBB vision.
 - Existing medical home model will continue to be offered through the Choice plan.

Statewide ASO Additional considerations

- Discuss additional considerations for PEBB
 - Overall medical increase for 2010
 - Impact on 2011 RFP

Overall Medical Increase

- The overall medical increase for 2010 is between 6.4% - 6.8%

Medical increase = \$ 37.17- 39.27 million in total premium over 2009
5% base increase in GRB = \$ 29.06 million in total premium over 2009
\$8.11-10.21 million, depending on ASO

- Statewide Self-insurance requires \$8.11-10.21 million commitment of PEBB stabilization fund reserves to maintain current benefits and financing arrangements with the 5% composite premium base increase in the Governor's Recommended Budget (GRB). This \$8.11-10.21 million breaks down across plans as follows:
 - Kaiser HMO: \$7.17 million, or \$3.09 million above GRB 5% base.
 - Providence Choice: \$0.29 million, or \$0.50 million **below** GRB 5% base.
 - Statewide self-insured PPO:
 - Providence ASO: \$29.71million, or \$5.52 million above GRB 5% base.
 - Regence ASO: \$31.81 million, or \$7.62 million above GRB 5% base.

Additional Considerations for PEBB

- Impact on 2011 RFP
 - Self-insuring in 2010 will require significant Board, staff and consultant energy, effort and time.
 - Responsibility for additional \$515,000,000 in annual premiums, data management, compliance and risk management.
 - PEBB staff and consultants evaluated the feasibility of releasing a comprehensive RFP prior to 2011 regardless of ASO selection.
 - Consideration was given to the following issues:
 - PEBB staff and consultant budget for the RFP will be depleted in responding to the 2010 renewal challenges and move to self-insurance.
 - Data management, compliance and risk mitigation require staff and consultant resources.
 - Self-insured data will not be available due to claims lag, data review and utilization monitoring.
 - Regence 2009 reconciliation will not be completed until 10/2010.
 - Reserve amounts may be insufficient to change vendors in 2011 if costs increase above projections.
 - PEBB capability to best pursue work on the Vision and evidence-based plan design.
 - Potential resource changes due to the current state fiscal crisis
 - Furlough, staffing reductions, etc.
 - Determined that it is not feasible to develop and conduct RFP in 2010 for 2011.

Summary of ASO Comparison

- Part 1 – Administrative Capacity
 - Providence provides PEBB with design flexibility, systems capability/flexibility, and partnership and collaboration.
- Part 2 – PEBB Vision Implementation
 - Providence provides more operational results in achieving the PEBB Vision. Providence has demonstrated the capability to make faster progress in the future due to closer organizational alignment with the PEBB Vision and enhanced system flexibility.
- Part 3 – Provider Networks
 - Regence provides somewhat greater network access.
- Part 4 – ASO Rate Proposals
 - Providence administrative rate provides \$2.1 million annual savings over Regence.
 - Both plans presented two-year quotes that represent savings over two one-year contracts. Regence also offers a one-year contract.

PEBB Staff and Consultant Recommendations

- **Recommendation #1**

- Accept two-year ASO rate guarantee

- **Rationale**

- Locks in administration costs for two years and reduces 2011 costs by more than \$1.2 million.
 - Based on conservative 5% administrative rate increase for year 2 (2011).
- This eliminates one of the three major factors in rate development for 2011.
 - Rate increases will be based on utilization and cost trend only.
- 2011 RFP not feasible given consultant budget and staff resources.
- Currently PEBB has minimum reserve for self-insurance. Locking in a two-year rate will allow PEBB to assess reserves and reconcile with Regence's fully insured 2009 contract in late 2010 and conduct an RFP in 2011 for 2012.

PEBB Staff and Consultant Recommendations (continued)

▪ Recommendation #2

- Accept Providence ASO proposal for 2010 & 2011 PEBB Statewide PPO.

▪ Rationale

- Vision
 - Current implementation for pay-for-performance, medical homes, e-Visit capability, and value-based plan design.
- Administration
 - Administrative performance and flexibility in plan design based on existing FACETS claim platform.
- Value
 - Providence provides the best value for PEBB in 2010 and 2011.
 - The administrative rates represent a \$2.1 million savings over Regence.
 - Greater confidence in 2012 renewal based on existing cost structure supporting the rates.
- Member Impact
 - To realize the Vision, administration and value benefits above, a small percentage of PEBB members will need to change providers to continue to receive in-network benefits. Some members will benefit from the new network by having in-network benefits that are currently considered out of network with Regence.

Next Steps

- May 19, 2009 Board meeting
 - Follow-up from Today's meeting
 - PEBB 2010 composite rate
 - Including all medical, dental, vision rates
 - Portability options

Appendix

Part 1: Administrator Questionnaire—Organization and Staffing

The following summarizes the estimated Regence and PHP organization and staffing for administering the PPO program:

	Regence	PHP
Assumptions		
Monthly Claims	105,500	90,000 ¹
Auto-adjudication Rate ²	26%	73%
Monthly Calls	7,000	17,000
Staffing		
Management/Supervisory	8	3
Examiners	60	24
Data Entry	5	5
Customer Service	25	Included with examiners
Utilization Review	1	15
Technical Staff and other	As needed	9
Total ³	99	56

¹ Behavioral health claims processed by PBH not included - estimated to be approximately 15,000 per month

² Claims processed entirely by system with no manual review or intervention

³ Excludes other functions like audit, finance, marketing, etc.

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