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California's Health Care Markets and CalPERS

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National Health Policy Forum

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California Health Care 2002

The Prediction (circa 1990):



MCO A

MCO B

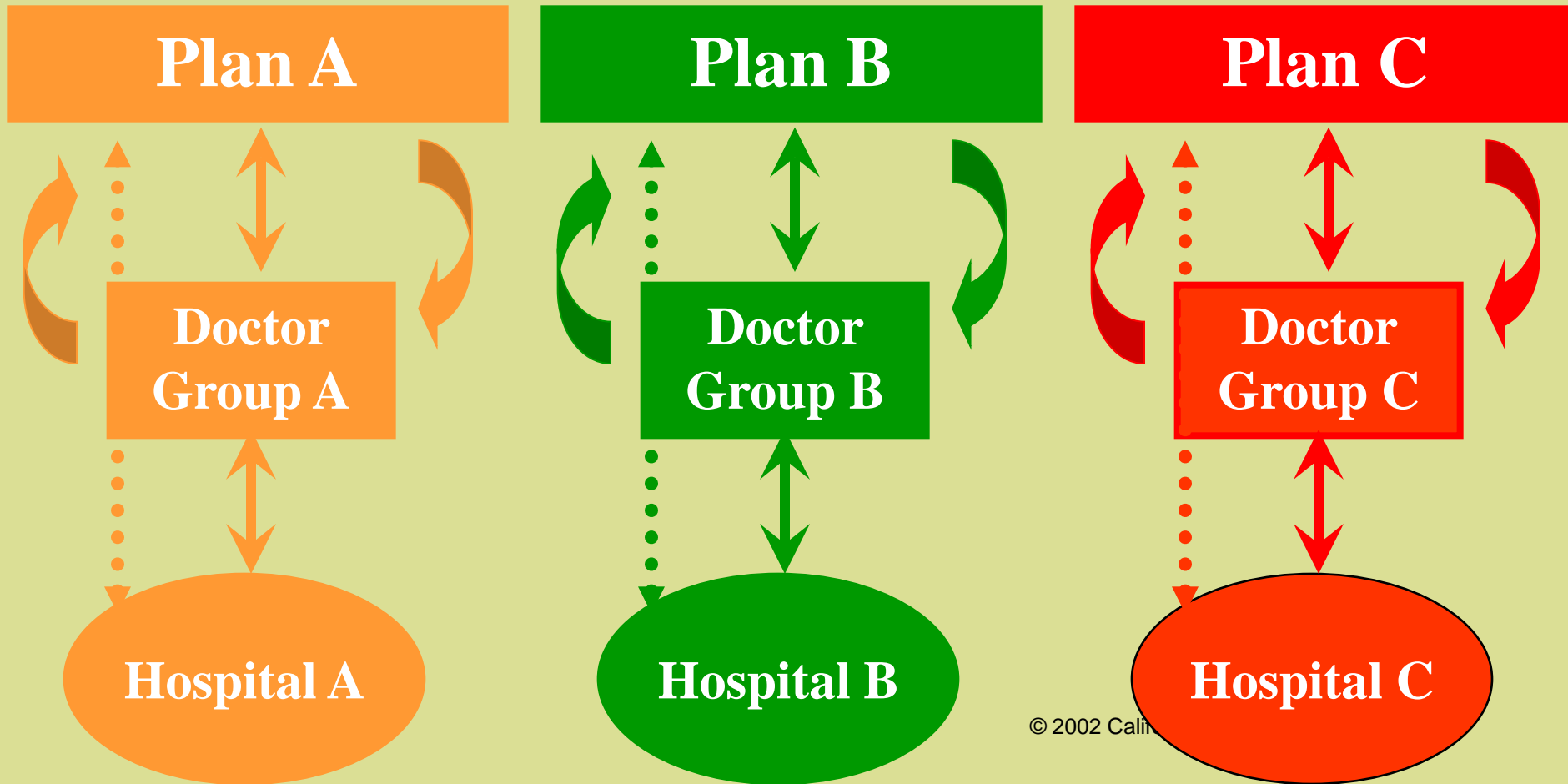
MCO C

“Competing on cost and quality”

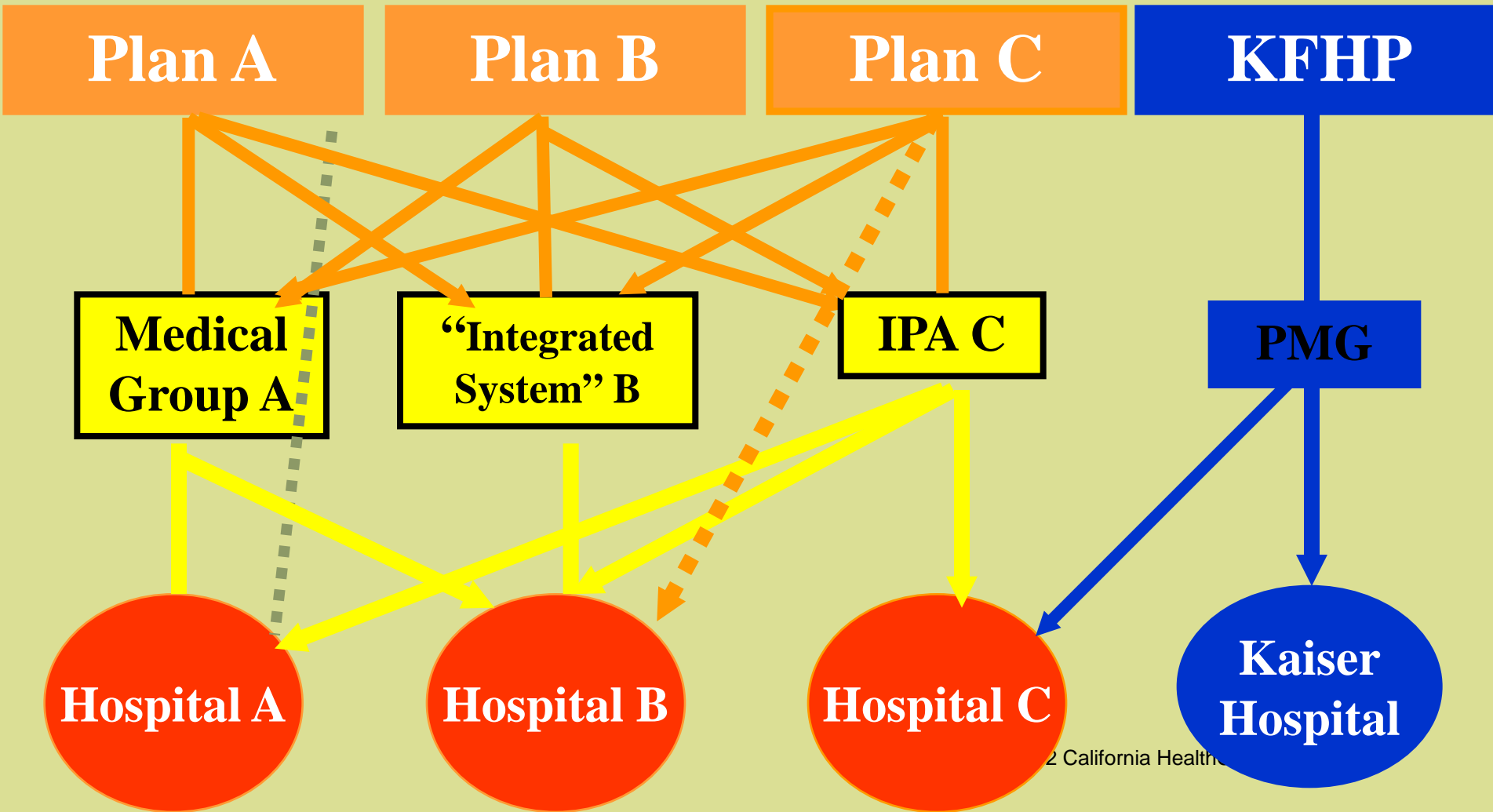


California Health Care 2002

The Prediction (circa 1990):



California Health Care 2002: *The Reality*





California Health Care 2002

The Reality:

Plan A

Plan B

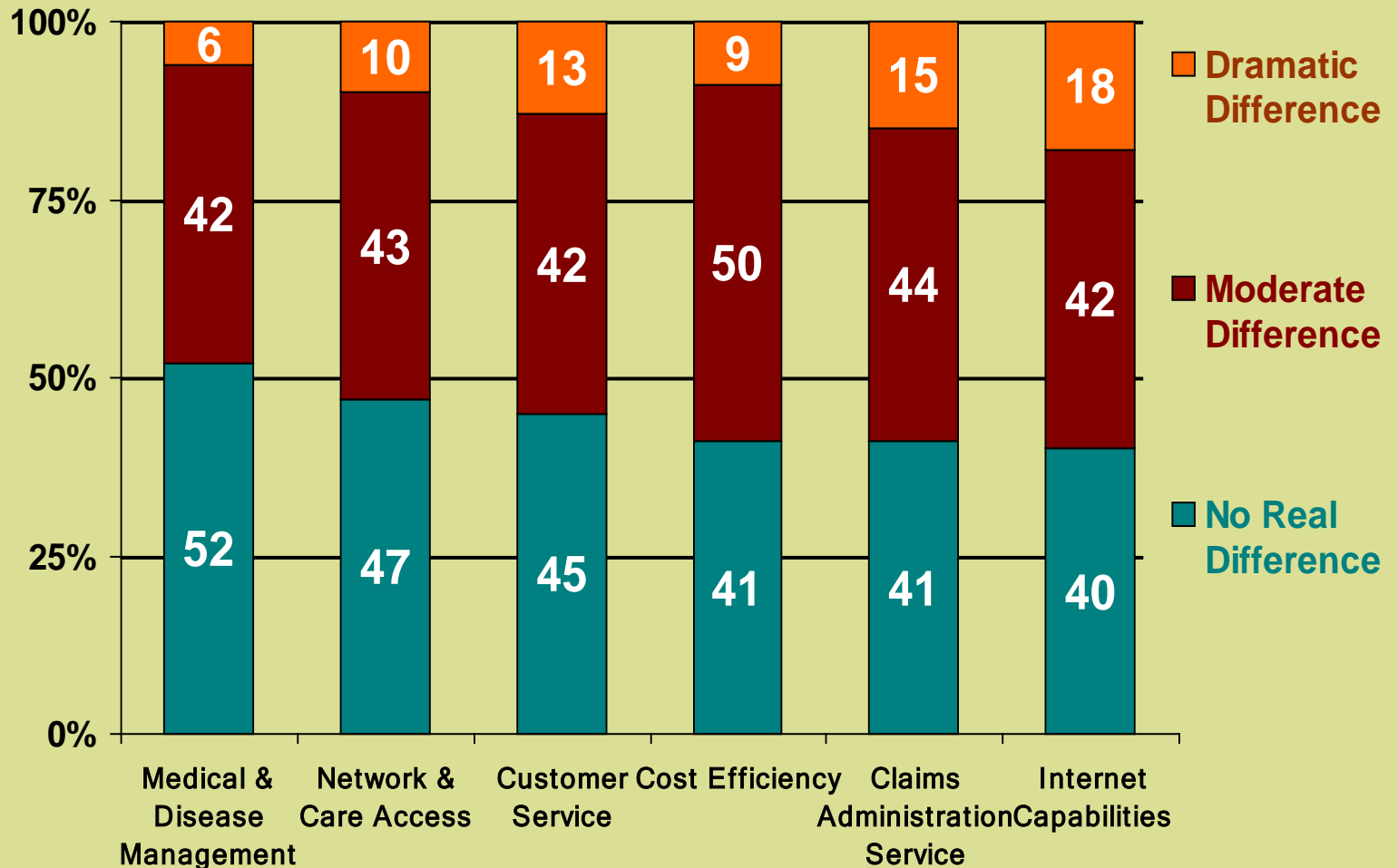
Plan C

KFHP

Health Plans are essentially commodity products, each struggling to differentiate itself from its competition



Percent of Employers Reporting Differentiators Between Health Plans



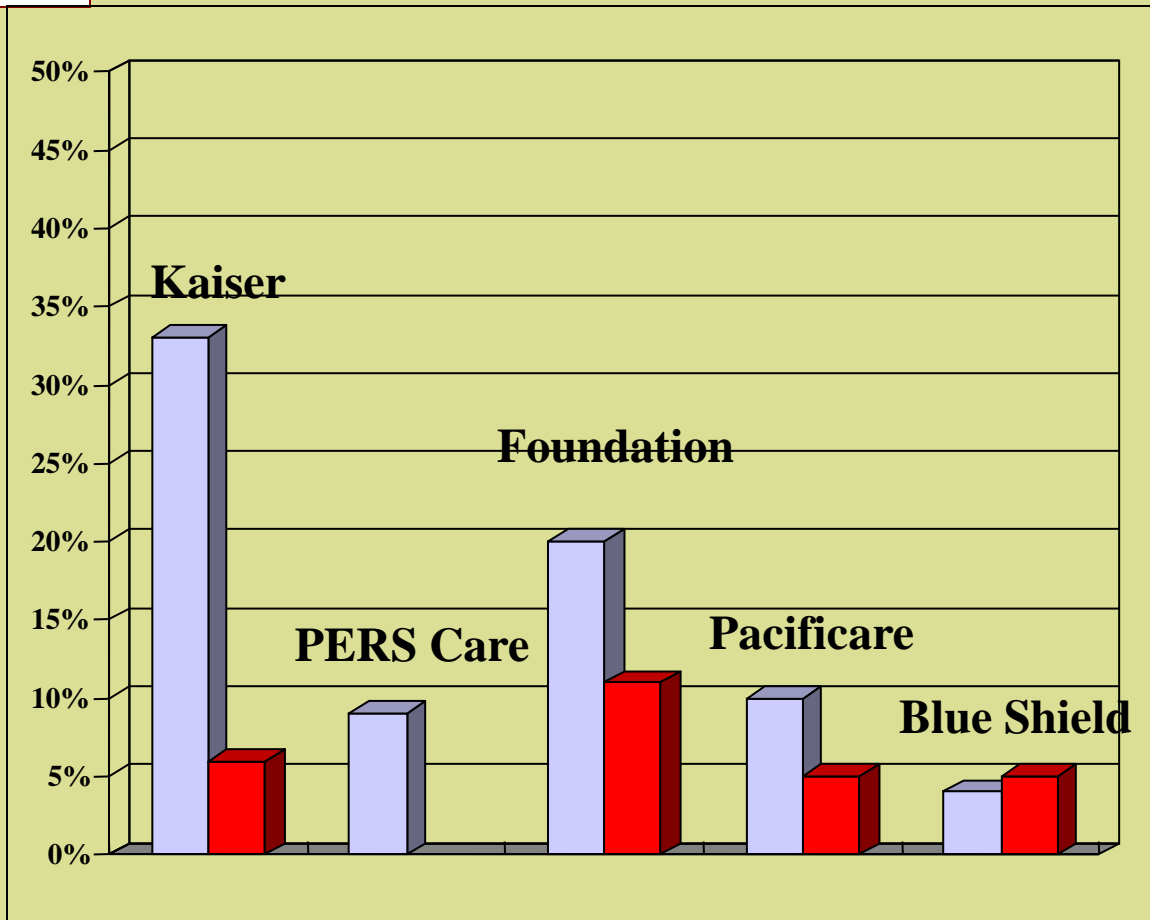
Source: Hewitt Associates survey of 600 major employers, 2001

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How Important Are They to You, How Important Are You to Them?



■ Percent of Total PERS Lives in the Plan

■ Percent of the Plan's Total California Enrollment Due to PERS Enrollment

Sources: CalPERS enrollment data: CalPERS; Total CA enrollment data: InterStudy, 2000.

Note: Total enrollment figures do not include PPO lives.



The “Delegated Model”

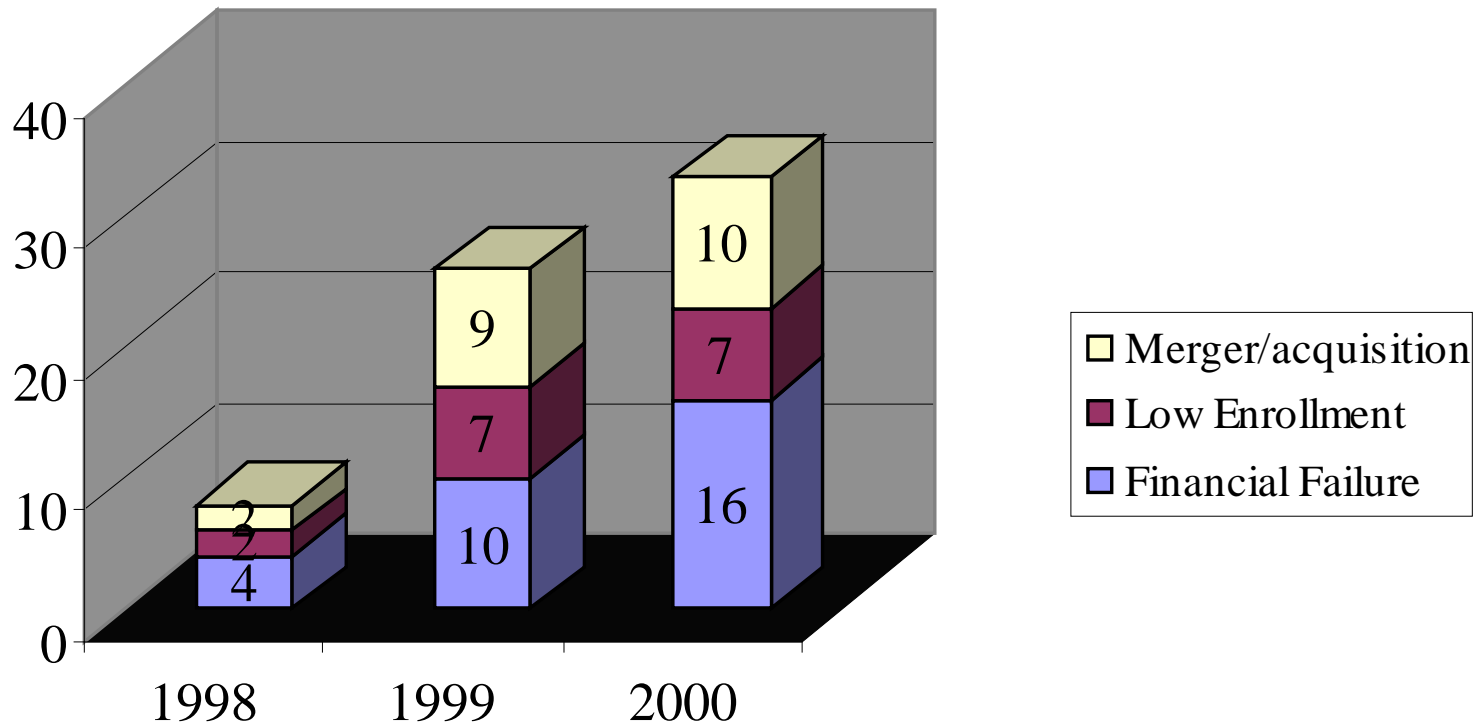
- 16 million (about half of) Californians receive their care under the delegated model
 - Kaiser Permanente : 6 million
 - Capitated medical groups: 10 million
- All Federal and state payors rely on it: Medicare, Medi-Cal, Healthy Families, CalPERS



More Groups Have Closed

Closed Groups

(excluding MedPartners and FPA, Source: Cattaneo & Stroud)



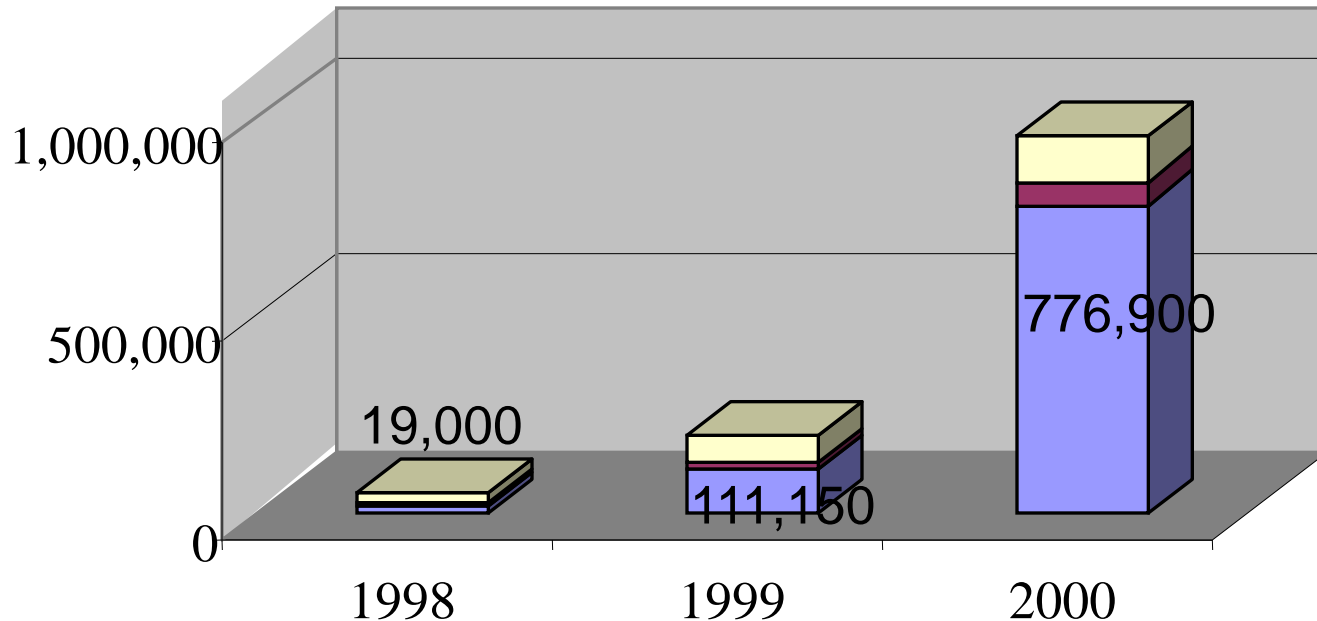


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More Members Have Been Affected

Members Affected by Closed Groups

(excluding MedPartners and FPA, Source: Cattaneo & Stroud)



■ Financial Failure ■ Low Enrollment □ Merger/acquisition



Purchasers Get Tough in the Early 1990s: the context

- Sharply rising costs
- Growing body of health services research showing irrationality and inefficiency in delivery system
- Development of theoretical framework for change: “managed competition”
- Emergence of agents to manage change: health plans



Cost Control: Underlying Enabling Factors

That was then:

- Oversupply and fragmentation of providers
- The underwriting cycle
- Wall street: concerned with *top line* growth
- Politicians and media supportive of cost control



Cost Control: Underlying Enabling Factors

This is now:

- Consolidation of providers
- The underwriting cycle
- Wall street: concerned with *bottom line* growth
- Politicians and media hostile to managed care



California's special opportunities

- Disease management
- “Pay for performance”
- Public reporting on quality
- Provider price transparency
- E-health
- Premium adjustment
- ? “Direct contracting” ?