SHBP PDC RESOLUTION # 2024-7

RESOLUTION OF THE STATE HEALTH BENEFITS PLAN DESIGN COMMITTEE TO CREATE A CENTERS OF EXCELLENCE PILOT PROGRAM

WHEREAS, pursuant to N.J.S.A. 52:14-17.25 to -17.46a, the State Health Benefits Program (SHBP) provides health coverage to qualified employees and retirees of the State of New Jersey (State) and participating local employers; and

WHEREAS, the SHBP was created in 1961 to provide affordable health care coverage for public employees on a cost-effective basis; and

WHEREAS, all SHBP plans, with the exception of Medicare Advantage plans, are self-funded, which means the money paid out for benefits comes directly from a SHBP fund supplied by the State, participating local employers, and member premiums; and

WHEREAS, the State Health Benefits Commission (SHBC) contracts with third-party claims administrator (TPA) to administer the claims for the SHBP's plans; and

WHEREAS, with the exception of the Medicare Advantage plans, the SHBP's current TPAs are Horizon Blue Cross Blue Shield of New Jersey (Horizon) and Aetna Life Insurance Company ("Aetna");

WHEREAS, the SHBP currently offers the following preferred provider organization (PPO) plans (herein the SHBP PPO Plans) administered by Horizon and Aetna: (a) NJ Direct 10 and Freedom 10; (b) NJ Direct 15 and Freedom 15; (c) NJ Direct 1525 and Freedom 1525 (d) NJ Direct 2030 and Freedom 2030; (e) NJ Direct 2035 and Freedom 2035; (f) CWA Unity DIRECT and CWA Unity Freedom; (g) CWA Unity DIRECT2019 and CWA Unity Freedom 2019; (h) NJ DIRECT and Freedom; and (i) NJ DIRECT2019 and Freedom 2019; and

WHEREAS, the costs for health and prescription drug benefits continue to increase significantly, which has strained the budgets of the State and local employers and caused increased costs to members; and

WHEREAS, the SHBP Plan Design Committee formed a subgroup more than two years ago to research and evaluate the benefits and feasibility of reference-based pricing (RBP) program concepts, with the goal of developing an RBP pilot program for the SHBP; and

WHEREAS, the major objectives of the SHBP Plan Design Committee in considering a RBP pilot program for the SHBP were to 1) contain costs for the Plan and its members, while also 2) minimizing significant member disruption; and 3) enhance the quality of care and improve the medical outcomes.

WHEREAS, the RBP subgroup examined RBP and other, more targeted programmatic approaches that may achieve the SHBP Plan Design Committee's objectives for the pilot program; and as a result of the subgroup's work, the SHBP Plan Design Committee now believes that a Centers of Excellence (COE) model, will help to contain rising healthcare costs of certain costly, non-emergent procedures, with the least possible disruption to members, all without posing undue implementation challenges within the current SHBP structure; and

WHEREAS, a COE is defined as a group of healthcare providers who practice high-quality, efficient care for reasonable and predictable prices, leading to demonstrable reduction in the cost of care and leading to documented best-in-class clinical outcomes; and

WHEREAS, while the SHBP Plan Design Committee does not have authority to set or approve plan rates, the SHBP Plan Design Committee believes a COE pilot program will help to contain the annual rate increases; and

WHEREAS, pursuant to N.J.S.A. 52:14-17.29(D), the SHBP Plan Design Committee finds it in the best interest of the State, local employers, and employees, to consider and where feasible, adopt a COE pilot program for the SHBP to determine the impact on SHBP costs and members' access to the highest quality providers for certain medical procedures; and to gather multiple years' of claims and members experience data regarding costs and health outcomes for the medical services included in the pilot program; and

WHEREAS, where appropriate and verifiable by the SHBP actuaries, report the impact of the COE program on the annual rate renewals for the SHBP commencing with the first plan year that the program takes effect and in each subsequent plan year that the pilot program is in effect; and

WHEREAS, the COE pilot program includes plan design changes to the out-of-network reimbursement rate from a percentile of FAIR Health to a percentage of CMS for COE eligible services which will likely result in savings with respect to out-of-network Covered Procedures after implementation of the COE program regardless of the utilization rate of COE providers; and

WHEREAS, the Plan Design Committee urges the SHBC and the Division of Pensions and Benefits to undertake all necessary steps to launch a COE pilot program as quickly as possible, and to consider all legally available procurement processes that will result in the most expeditious, successful, and cost-effective procurement.

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

The SHBP Plan Design Committee establishes a Centers of Excellence pilot program.

1. This Resolution shall apply to the SHBP PPO Plans.
2. This Resolution shall not apply to Medicare eligible retirees.
3. The COE pilot program established herein shall last five years from the date of the program's launch, which is later than the date of this Resolution.
4. The COE pilot program will include these features at a minimum:
    a. Bundled pricing - a single, fully comprehensive and capped price for services included in the episode of care for the procedure. The bundled price includes, but is not limited to: initial consultation; facility, surgeon, anesthesia and intra-operative supplies; and follow-up care if complications arise;
    b. Transparent and predictable pricing, including detailed breakdown of the bundled pricing set out in Paragraph 4.a of this Resolution; and
    c. Demonstrated superior clinical outcomes versus national averages and versus the TPA's in-network providers – includes metrics such as, but not limited to, readmission rates and complication rates.
5. The non-emergent procedures subject to the pilot program (the "Covered Procedures") are as follows:

a. Bariatric surgery (examples include but are not limited to procedures such as gastric bypass surgery, gastric banding, duodenal switch and sleeve gastrectomy);
b. Knee replacement surgery (examples include but are not limited to procedures such as total knee arthroplasty, partial knee arthroplasty and patellofemoral arthroplasty);
c. Hip replacement surgery (examples include but are not limited to procedures such as total hip arthroplasty, partial hip arthroplasty and hip resurfacing);
d. Spine surgery (examples include but are not limited to procedures such as discectomy, laminectomy and spinal fusion); and
e. Heart surgery (examples include but are not limited to procedures such as coronary artery bypass and heart valve surgery).

6. When a Member[1] has a Covered Procedure, the Member shall have three options: (1) the Member can go to a provider in the COE network, (2) the Member can go to a provider in the TPA's network, or (3) the Member can go to an out-of-network provider.

7. When a Member completes a Covered Procedure with a provider in the COE network, they shall have no cost-sharing (i.e., copayments). Additionally, during the first two years of this pilot program, the COE administrator shall provide an incentive to the member in the form of a gift card(s) in the amount of $150 where one option shall be a bank gift card. The COE administrator may also offer, at its discretion, one or more merchant gift cards in the amount $150, for the member to choose between the bank gift card or merchant gift card(s).

8. When a Member has a procedure subject to the pilot program with a provider in the TPA's network, the following cost-sharing (i.e., copayments, deductibles, or coinsurance) shall apply:

Pilot Program Year	Cost-Sharing
1	copayment equal to the plan's emergency room copayment
2	$400 copayment
3	$600 copayment
4	$800 copayment
5	$1000 copayment

For the avoidance of doubt, the cost-sharing for the first year of the pilot program shall be a $150 copayment for all Members enrolled in the CWA Unity DIRECT, the CWA Unity DIRECT2019, the NJ DIRECT, and the NJ DIRECT2019 plans regardless of age.

9. When a Member has a Covered Procedure with an out-of-network provider, the plan's normal out-of-network cost-sharing (i.e., copayments, deductibles, and/or coinsurance) shall apply.

10. If not otherwise applicable, the out-of-network allowance for Covered Procedures shall be 175% of the Centers for Medicare and Medicaid Services ("CMS") allowance for all PPO plans.

[1] "'Member' means any individual covered under the SHBP, regardless of whether the person is a subscriber or a dependent." N.J.A.C. 17:9-1.8.

11. All Members who are seeking to undergo a Covered Procedure must first consult with the administrator of the COE pilot program.
12. If the COE administrator determines the Member resides more than 50 miles from a provider in the COE network, then the Member shall not be subject to the cost-sharing set out in Paragraph 8. For the avoidance of doubt, this does not impose a requirement on the Member to have a consultation with a provider in the COE network, only the COE administrator.
13. If a Member has a Covered Procedure with an out-of-network provider, then the Member is responsible for any amount above the reasonable and customary allowance (175% of CMS allowance). Expenses for ineligible services, charges in excess of the reasonable and customary allowance, and unauthorized services do not count toward the out-of-pocket maximum. For the avoidance of doubt, this applies even if the Member resides more than 50 miles from a provider in the COE network.
14. The annual in-network coinsurance limit shall not apply to the COE pilot program.
15. Subject to out-of-pocket limits imposed by the federal Patient Protection and Affordable Care Act, for Members enrolled in NJ Direct 10 and Freedom 10, the copayment cost-sharing set forth in paragraph 8, applicable when a Member has a COE eligible Procedure, and only a COE eligible Procedure, with a provider in the TPA's network, shall not apply towards the Member's normal annual in-network out-of-pocket maximum. For the avoidance of doubt, for example, if a Member enrolled in NJ Direct 10 or Freedom 10 undergoes a Covered Procedure in year 5 of the pilot program using an in-network, non-COE provider, the Member's $1000 co-payment does not count toward the Member's out-of-pocket maximum for that plan year.
16. Upon the launch of the COE pilot program, the Division of Pensions and Benefits will provide quarterly verbal reports to the SHBP Plan Design Committee regarding COE pilot program utilization, costs, and performance.
17. By approval of this Resolution, the superconciliation demand pursuant to the unapproved Resolution #2022-9 (regarding RBP) is hereby resolved.

DATED: July 24, 2024