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Circular Letter

TO: Contracting Agency Health Benefit Officers and Assistants

SUBJECT: Health Benefits Information and the 2004 Open Enrollment Period

This letter addresses the following topics:

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- Open Enrollment Period
- Renewal of Health Plan Contracts
- Regional Pricing
- Health Plan Contract Year
- 2005 Benefit Changes

PART II

- The Annual Health Plan Statement
- Health Plan Statement Employer Reports
- Open Enrollment Packets and Other Useful Booklets
- The Health Plan Chooser
- Retiree Health Plan Changes

PART III

- Open Enrollment Procedures
- 2005 State Annuitant Contribution Formula (100/90 formula)
- Health Plan Search by ZIP code Web Site Tool
- Health Fairs

PART I

Open Enrollment Period

The Open Enrollment period begins September 15, and ends October 15, 2004.

Renewal of Health Plan Contracts

The CalPERS Board of Administration approved the health plan premiums and benefit structure for the 2005 contract year as follows:

- Basic plans will increase an average of 11.38 percent, with an average decrease of 10.74 percent for Medicare plans.
- PERSCare and PERS Choice premiums will increase an average of 6.40 percent for the Basic and Medicare plans will decrease by 12.52 percent.
- The Association plan premium will increase an average of 6.75 percent for the Basic and 0.53 percent for the Medicare.
- CalPERS retained the same HMO plans for 2005 as were available for 2004: Blue Shield Access + HMO and EPO, Kaiser Permanente, and Western Health Advantage.

CalPERS will continue to offer two PPO plans: PERSCare and PERS Choice; and one Association plan: Research Association of California (PORAC). Members must belong to, and pay dues to, this association to enroll in this plan.

Regional Pricing

CalPERS will also implement regional pricing for contracting agencies in 2005. Regional pricing adjusts health premiums to reflect the actual cost of health care for each region. Under regional pricing, CalPERS has developed five (5) geographic regions. The five regions are:

- *Bay Area/Sacramento* region which includes: Alameda, Amador, Contra Costa, El Dorado, Marin, Napa, Nevada, Placer, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, Sutter, Yolo, Yuba counties;
- *Los Angeles* region which includes: Los Angeles, San Bernardino and Ventura counties;
- *Southern California* region which includes: Fresno, Imperial, Inyo, Kern, Kings, Madera, Riverside, Orange, San Diego, San Luis Obispo, Santa Barbara, and Tulare counties;

Regional Pricing (continued)

- *Other Northern California* region which includes: Alpine, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Plumas, San Benito, Shasta, Sierra, Siskiyou, Stanislaus, Tehama, Trinity, and Tuolumne counties;
- *Out-of-State* region

Who is affected by Regional Pricing?

The new health premiums affect only contracting agency active employees and retirees who are in the Basic health plans. Pricing varies among the five geographic regions. If members want to retain their current health plan coverage, no action on their part is required. CalPERS will automatically enroll the member in the current plan within the appropriate region.

Determining your employees' health plan eligibility

ZIP codes are used to determine the health plans and regions in which your employees are eligible to enroll. Employees may choose either their home or current work address ZIP code to establish their eligibility. Retirees cannot use the address of the agency they retired from to establish eligibility. See the *Health Plan Search by ZIP code Web Site Tool* on Page 11 of this letter for more information.

Health Plan Contract Year

The contract year for all CalPERS health plans is January 1, 2005, through December 31, 2005.

2005 Benefit Changes

- CalPERS HMO plans (Blue Shield, Kaiser and Western Health Advantage) have no benefit changes in 2005.
- Effective January 1, 2005, PERS Choice and PERSCare members who do not use mail order for maintenance medication after the second fill will pay the higher mail service copayment but receive only a one-month supply rather than the customary 90-day supply of medication. These members will pay \$10 for generic drugs, \$25 for preferred brand-name drugs, and \$75 for non-preferred brand name drugs. PERS Choice members will receive a 30-day supply of medication, and PERSCare members will receive a 34-day supply. Members affected by this change will receive more detailed information from Caremark, the pharmacy benefit manager for PERS Choice and PERSCare.

2005 Benefit Changes (continued)

- As approved by the CalPERS Board of Administration and Department of Managed Health Care, up to 24 hospitals will be excluded from the 2005 Blue Shield/CalPERS provider network. As a result, some members will have to change providers to remain with Blue Shield or may retain their provider by signing up for a PPO health plan. Affected members will receive more information from Blue Shield and CalPERS regarding this change prior to the start of Open Enrollment.

PART II

The Annual Health Plan Statement

All contracting agency health plan enrollees will receive a Health Plan Statement along with their Open Enrollment Packet. The 2004 Health Plan Statement will include the following information for each member:

- Member's current health plan
- Dependents enrolled in this plan
- ZIP code (home or current work) used to determine health plan eligibility
- Health plan premium rates
- Benefit changes for 2005
- Pre-paid postcard for ordering Open Enrollment Packets and other useful booklets.

NOTE:

Members whose enrollments were recorded on or prior to **July 2, 2004**, will receive a Health Plan Statement. Any new hires or members who did not receive a Health Plan Statement may obtain an Open Enrollment Packet from their personnel office. We will begin shipping supplies of Open Enrollment Packets beginning **August 18, 2004**. Please allow 4 to 5 business days for mailing time.

Returned Health Plan Statements

Active Employees – Statements returned to CalPERS because of an incorrect address will be sent to the employee's Health Benefits Officer/Assistant to be distributed to the employee. Health Benefit Officers/Assistants are asked to have these employees complete a change of address form to insure future mailings reach the employee in a timely manner. Statements that cannot be distributed to the employee (e.g., member has since permanently separated and did not leave a forwarding address) must be forwarded to CalPERS to be destroyed. You may mail these undeliverable statements to:

CalPERS
Office of Employer and Member Health Services
Attn: Returned Health Plan Statements
P.O. Box 942714
Sacramento, CA 94229-9901

The Annual Health Plan Statement (continued)

Retired members – Statements returned to CalPERS because of an incorrect address will be destroyed. Members who did not receive their health plan statement, may call CalPERS at (888) CalPERS (225-7377) to update their address and request a duplicate Annual Health Plan Statement be mailed to them.

Health Plan Statement Employer Reports

New for 2004 are the Health Plan Statement Employer Reports. CalPERS will mail these reports directly to your agency beginning **August 17, 2004**. The reports will provide a list of all active employees who were mailed a Health Plan Statement and contain the following information:

- Agency's employer code and unit code
- Member's first name, middle initial and last name
- Member's address (CalPERS records)
- Member's Social Security Number
- Member's current health plan and eligibility Zip code

These reports will identify the addresses used to mail your employees' Health Plan Statements. Any address changes submitted after **July 1, 2004**, will not be reflected on this report. If an employee needs to update their address, have the employee submit your agency's change of address form.

Open Enrollment Packets and Other Useful Booklets

Contracting Agency members

CalPERS will automatically mail 2004 Open Enrollment Packets to all contracting agency members along with their Health Plan Statements, beginning **August 17, 2004**. It will take approximately 10 to 12 business days for members to receive requested materials. Members may request other booklets by using the pre-paid postcard included with their Health Plan Statement. Please note the postcard to order other booklets expires on **September 1, 2004**.

The Open Enrollment Packet contains the following booklets:

- *Health Plan Decision Guide*
- *Health Benefit Summary*

Open Enrollment Packets and Other Useful Booklets (continued)

Other booklets which members must individually request are:

- *Health Program Handbook*
- *Understanding Medicare and Your CalPERS Health Benefits*
- *Quality Report*

NOTE:

All Open Enrollment booklets will be available on the CalPERS Web site effective **September 1, 2004.**

Contracting Agencies

Beginning **August 18, 2004**, we will send each contracting agency a supply of Open Enrollment Packets equivalent to two percent of each agency's enrolled employees. You should use these packets for the following groups:

- Those eligible for health benefits, but not currently enrolled
- Newly-hired employees
- Any members whose health enrollment or changes of address were recorded after July 1, 2004

To order additional open enrollment materials, contact:

CalPERS Agency Request Unit
Phone: (916) 795-1493
Fax: (916) 795-3281
Web Site: www.calpers.ca.gov
E-mail: Public_Agency_Requests@calpers.ca.gov

Be sure to include your agency's name and address, a contact person, telephone number and the quantity of each item ordered.

NOTE:

Additional supplies of Open Enrollment Packets will not be available to order until **August 30, 2004.**

The Health Plan Chooser

CalPERS has a Web-based tool, the ***Health Plan Chooser***, which allows members to determine which CalPERS health plan best suits their needs. The ***Health Plan Chooser*** will be available beginning **September 15, 2004**. Members can access the ***Health Plan Chooser*** tool at **www.calpers.ca.gov**. The tool provides members with a means to compare health plans using:

- Plan costs
- Quality
- Covered services
- Plan rules
- Available doctors, by plan

Retiree Health Plan Changes

Retirees can make health plan changes using one of the following options:

- Call (888) CalPERS (225-7377)
- Complete the Retiree Request to Change Plans (HBD-30) form located in the *Health Plan Decision Guide* in the Open Enrollment Packet and mail or fax this form to:

CalPERS
Office of Employer and Member health Services
P.O. Box 942714
Sacramento, CA 94229-2714
Fax: (916) 795-3935

NOTE:

The ***Retiree Health Plan Change Tool***, which allowed retirees to submit health plan changes through the CalPERS Web site, will not be available this year.

PART III

Open Enrollment Procedures

Health Benefit Enrollment Form (HBD-12) completion

Please complete Open Enrollment HBD-12 forms as follows:

Box 11	Primary Care Physician (HMO Only)	Providing this information will assist in the timely issuance of identification cards.
Box 14	Reason Code	
	104	New Enrollment during Open Enrollment
	206	Adding Dependent during Open Enrollment
	320	Open Enrollment Delete Dependent
	400	Changing Plans during Open Enrollment
	530	Open Enrollment Cancel Coverage
Box 15	Permitting Event Date	September 15 - October 15, 2004
Box 16	Effective Date	January 1, 2005
Box 21	Employee Sign Date	September 15 - October 15, 2004. Please include employee's daytime phone number
Box 33	HBO Received Date	September 15 - October 15, 2004

NOTE: This chart may also be used by ACES users. Please also see Attachment 8 for additional information on Reason Codes.

Employees on Leave of Absence (LOA)

Employees on a LOA during Open Enrollment may change plans and/or add dependents. Employees who do not change plans or add dependents during Open Enrollment may do so within 60 days from the date they return to regular pay status.

- LOA and paying direct – You must complete a Health Benefit Enrollment (HBD-12) form and Direct Payment Authorization (HBD-21) form. For dependent changes with no change in plan code or party rate, use the HBD-12 only.
- LOA not paying direct – You must complete an HBD-12 to make a plan or dependent change.

Cobra Enrollees

Enrollees who are eligible for health coverage through COBRA may change health plans and/or add eligible dependents during Open Enrollment. Enrollment changes are completed on a COBRA Form (HBD-85). The effective date rules for completion of the HBD-85 are the same as those for the HBD-12. COBRA rates are calculated at no more than 102 percent of the health plan's premium rate. Please see Attachment 6 for COBRA Rates.

Submitting Enrollment Transactions

Submit your Open Enrollment transactions as they are completed. Early submission into the ACES system assists in the timely issuance of identification cards and ensures that proper payroll deductions will be made.

If you are not on the ACES electronic enrollment program, you may mail your enrollment forms to:

FOR DELIVERY BY U.S. POSTAL SERVICE	FOR DELIVERY BY EXPRESS SERVICE/ DIRECT DELIVERY
CalPERS Office of Employer and Member Health Services P.O. Box 942714 Sacramento, CA 94229-2714	CalPERS Central Mail Room 400 P Street, Room 2220 Sacramento, CA 95814 (916) 795-3043

All forms submitted to CalPERS for Open Enrollment updates must be received before October 22, 2004, to ensure proper update into the system for the beginning of the 2005 benefit year.

Automated Communications Exchange Users (ACES)

All ACES transactions must be keyed and submitted for update based on the Open Enrollment dates of **September 15 through October 15**. Users will have additional time after the close of the Open Enrollment period for transaction input. All Open Enrollment ACES transactions must be completed by **October 29, 2004**.

Rescissions

Employees may request to have an Open Enrollment change rescinded through December 31, 2004. However, CalPERS must receive the rescinding HBD-12 form by December 1, 2004, to avoid payroll deduction errors.

Premium Adjustments

Despite everyone's best efforts, the January 1, 2005, pay warrants for some members may not reflect the proper premium payment due to unavoidable processing delays during Open Enrollment. If this happens, the premium payment will be adjusted during a subsequent pay period. Be sure the system reflects the appropriate enrollment, and advise the member that the payroll discrepancy will be resolved by the first of the next month.

Health Plan Identification Cards

Health plans will make every effort to ensure members who changed health plans receive their new identification cards prior to January 1, 2005. Members who have not received identification cards for their new plan, should **not** continue to use their prior plan after January 1, 2005. Members should first contact the new health plan for assistance in getting new I.D. cards. If unresolved, the member may then contact the CalPERS Customer Contact Center at (888) CalPERS (225-7377) for assistance.

Sequencing Transactions

If you are an ACES user, it is important to key in your transaction based on the earliest effective date.

Example:

You have a member who wants to add a newborn child effective 11/1/04 and also make an Open Enrollment change effective 1/1/05. You must key in the newborn child first and then key in the Open Enrollment transaction the following day. If you key in the Open Enrollment transaction first, you will not be able to add the dependent and will have to call our ACES Hotline at (888) CalPERS (225-7377) for assistance.

If you are not an ACES user, please submit the following:

- Two HBD-12 forms to CalPERS for processing; one form to add the newborn and another form for the Open Enrollment change.
- Staple both forms together, and in the “remarks section” number the forms as “1 of 2” and “2 of 2.”

2005 State Annuitant Contribution Formula (100/90 Formula)

The 2005 State contributions for annuitants shown below are calculated based on the weighted average of the premiums for the four health plans with the largest enrollment of active and retired members in the Basic plan. For comparison, the 2004 state contributions are also shown.

	2005	2004
One Party	\$362	\$331
Two Party	\$679	\$621
Family	\$858	\$780

NOTE:

The 100/90 Formula shown above is for agencies that have adopted the “State Vesting Formula.”

Health Plan Search by ZIP code Web Site Tool

The service area chart in the *Health Plan Decision Guide* indicates each health plan's general service area by county. To be eligible to enroll in a specific health plan, the employee or annuitant must live or currently work in the health plan's service area as specified in the service area chart. You can find out what plans are available in each ZIP code by using the *Health Plan Search by ZIP Code Web Site Tool* at www.calpers.ca.gov, beginning **September 15, 2004**. The member must input their Social Security Number to retrieve a list of health plans from which they can choose.

Agencies that do not have Internet access may call CalPERS at (888) CalPERS (225-7377) to determine whether a particular ZIP code is included in a plan's service area or order a hard copy of the State or Regional Plans' associated ZIP code listing.

NOTE:

Health plans are available to members based on their eligibility ZIP code. Members may use either their home or current work address ZIP code to establish eligibility. Retirees cannot use the address of the agency from which they retired to establish eligibility.

Health Fairs

To schedule a Health Fair for your agency, contact each health plan's representative directly. Attachment 7 provides a listing of representatives, including telephone numbers. The representatives' telephone numbers are to be used **ONLY** to schedule Health Fairs. We recommend that you contact the health plan's representative as soon as possible to determine their availability.

If you have any questions about the information provided in this Circular Letter, please contact the CalPERS Employer Contact Center at (888) CalPERS (225-7377).

Sincerely,

Curtis Howard, Chief
Office of Employer & Member Health Services

Attachments (8)
CalPERS Map of California Regions for Contracting Agencies
2005 Premium Rates
2005 PERS Choice & PERSCare Benefit Changes – Outpatient Prescription Drug Program
Sample of the Annual Health Plan Statement
Sample of the Contracting Agency Health Plan Statement Employer Reports
COBRA Rates
List of Health Plan Representatives
Reason Codes Chart