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Circular Letter

TO: ALL PEMHCA HEALTH BENEFITS OFFICERS AND ASSISTANT BENEFITS OFFICERS

SUBJECT: CALPERS & HEALTH CARE REFORM

BACKGROUND

The Patient Protection and Affordable Care Act (Act), as amended by the Health Care and Education Affordability Reconciliation Act of 2010, expands health coverage for various groups and provides mechanisms to lower costs and increase benefits for Americans with health insurance. In April 2010, CalPERS established a formal national Health Care Reform project team to implement the various components of the Act. This circular letter provides information and instructions on the implementation of the Act.

Some measures of the law go into effect earlier than others. The most significant provisions with near-term impacts to CalPERS employers and members are:

- Extension of Dependent Coverage until age 26
- Early Retirees Reinsurance Program

Interim Final Regulations relating to Extension of Dependent Coverage were released by HHS on May 10, 2010. Interim Final Regulations relating to Early Retiree Reinsurance were released by the U.S. Department of Health and Human Services (HHS) on May 5, 2010.

CalPERS is diligently analyzing the impacts of the Act on the CalPERS health benefits program and our members and employers. Based on this analysis, staff will present recommendations on implementation of these provisions to the Health Benefits Committee on June 15, 2010.

EXTENSION OF DEPENDENT COVERAGE

Under federal law, these provisions are effective for plan years on or after September 23, 2010. For CalPERS the new plan year is January 1, 2011. Children of CalPERS health benefit subscribers, whether previously on their parent's plan or not, are eligible for health

coverage up to age 26. They are eligible even if they are married, do not live with their parent, or are not a student. The spouse or children of the child are not eligible.

The Act is very clear that qualified individuals cannot be required to pay more for coverage than similarly covered individuals who did not lose coverage due to the loss of dependent status. This means whatever the employer contribution is for other dependents, the same contributions are applicable for dependents up to age 26.

The CalPERS Health Benefits Committee will meet on June 15, 2010, to discuss implementation alternatives and will provide direction as to how CalPERS will proceed. A communication plan has been developed to ensure members and employers are provided ample time to receive instructions regarding the enrollment of dependents up to age 26.

EARLY RETIREE REINSURANCE PROGRAM

The Early Retiree Reinsurance Program provides reimbursement to participating employment-based plans for a portion of the cost of health benefits for early retirees and their spouses, surviving spouses, and dependents. Congress appropriated funding of \$5 billion for the temporary program, which is effective June 1, 2010, and ends no later than January 1, 2014. The purpose of the reimbursement is to make health benefits more affordable by lowering premiums or providing reductions in costs for plan participants.

The Early Retiree Reinsurance program has specific requirements on how the sponsor, CalPERS, must use the proceeds under this program. As plan sponsor, CalPERS will submit an application to the Federal government for all State and public agencies. State and public agencies **do not need to do anything**. CalPERS will apply for and collect the reimbursement monies, and use funds received through the program to reduce health care costs.

SOCIAL SECURITY NUMBERS

Your assistance is needed to collect Social Security Numbers for all dependents of your active members and adding that information into the Automated Communication Exchange System (ACES). The Act and existing Federal regulations, such as the Medicare Part D Retiree Drug Subsidy and the Medicare Mandatory Insurer Reporting Law, require CalPERS and Health Partners to report the Social Security Numbers for subscribers and all dependents. The Federal government uses the Social Security Number for various purposes, such as to verify eligibility for reimbursement for Medicare Part D Retiree Drug Subsidy and potentially the Early Retiree Reinsurance Program. We plan to issue further guidance in an upcoming circular letter.

QUESTIONS

For up-to-date information about CalPERS and Health Care Reform please refer to the Health Care Reform page on CalPERS On-Line at www.calpers.ca.gov.

If you need further assistance, please contact the Employer Contact Center at **888 CalPERS** (or **888-225-7377**).

Sincerely,

HOLLY A. FONG, Chief
Office of Employer and Member Health Services