



Pension & Health Benefits Committee

Agenda Item 5a

June 14, 2022

Item Name: Preliminary 2023 Health Maintenance Organization and Preferred Provider Organization Plan Premiums

Program: Health Benefits

Item Type: Information

Executive Summary

This agenda item provides an update on the Rate Development Process (RDP) and the 2023 preliminary proposed premiums for California Public Employees' Retirement System (CalPERS) health plans. The 2023 preliminary proposed premiums will be finalized over the next month. Additionally, this agenda item outlines the next steps between now and July 2022 when the CalPERS Board of Administration (Board) is scheduled to approve the 2023 final premiums.

Strategic Plan

This item supports the CalPERS 2017-2022 Strategic Goal "High-Quality Affordable Health Care".

Background

Pursuant to Government Code Section 22864(a), which requires that premiums shall reasonably reflect the cost of benefits provided, CalPERS engages each year in the RDP. The goal of the RDP is to ensure that CalPERS members receive high-quality health care at the best price possible. The CalPERS rates team is comprised of individuals from the Health Plan Research and Administration Division, the Actuarial Office, and the Legal Office, as well as consulting actuaries. Additionally, pursuant to Government Code Section 22850, additions of new health plans, expansions of existing health plans, and benefit design changes are considered part of the RDP at the discretion of the Board.

2023 Rate Development Process Timeline

The CalPERS team began preparations for the 2023 RDP cycle in August 2021 with a request to our contracted health carriers to submit proposals for changes to existing plan products and new plan products (Basic and Medicare) with applicable pricing, provider network and coverage areas, as well as benefit design information. In November 2021, the CalPERS Board approved several new service area expansions, a new Medicare Advantage plan, and benefit design changes including supplemental benefits, a reproductive health equity language change, fertility care health equity language change, adjustments to the hearing aids benefit, and Primary Care Provider match for Preferred Provider Organization (PPO) plan members.

In February 2022, the team requested that each contracted health carrier submit their initial premiums to CalPERS by mid-March 2022 with an actuarial attestation, which is new for the 2023 RDP process.

The CalPERS rates team met and negotiated with contracted health carriers to discuss their data, assumptions, models used to calculate their proposed premiums, and to provide feedback from the Board.

The health carriers submitted revised premiums in May. The CalPERS rates team and its health carriers evaluate and negotiate premiums by:

- Testing the carrier submissions for validity, reasonableness, and reliability of historical member experience based on data from the Health Care Decision Support System (CalPERS Data Warehouse) and financial data from the Health Care Fund.
- Assessing additional information from existing and proposed plans as warranted.
- Considering any impacts of COVID-19 and provider contractual changes.
- Comparing initial results to prior experiences for each plan.

Between now and the July Board Offsite meeting, the CalPERS rates team will continue to verify that all premiums reasonably reflect the cost of the benefits provided. The team will present the final 2023 premiums at the July Board Offsite.

2023 Service Area and Benefit Design Changes

Below are the Board approved proposals for new health plan offerings, changes in coverage area, and changes in benefit design for plan year 2023.

Plan Specific Modifications:

Anthem Medicare Preferred Benefit Design Changes

Anthem is reducing copays for both acupuncture and chiropractic services from \$15 down to \$10 to match the current Medicare-covered copays for these services.

Blue Shield Access+ EPO Basic Service Area Expansion

Blue Shield has received Department of Managed Health Care (DMHC) approval for expanding its Access+ EPO product into 11 rural counties currently without an alternative to the PPO plan (Alpine, Calaveras, Inyo, Lake, Modoc, Mono, Plumas, Siskiyou, Tehama, Trinity, and Tuolumne).

Blue Shield Trio Service Area Expansion

Blue Shield is expanding its Trio product into seven counties that have varying levels of plan concentration (Butte, Kern, Kings, Monterey, Riverside, San Bernardino, and Tulare). Blue Shield has received DMHC approval for expansion into these counties, except for Butte County. They expect to receive DMHC approval for Butte before Open Enrollment begins.

Blue Shield Trio Basic Shared Patient Savings Program

Blue Shield is adding a Pharmacy Shared Patient Savings program for its Trio members only. It offers a one-time per drug class per lifetime incentive (Visa gift card) if they switch to a clinically equivalent lower-cost drug alternative.

Kaiser Permanente Senior Advantage Summit Plan

Kaiser will offer Senior Advantage Summit, a new \$0 copay plan in California. It will be offered alongside its existing \$10 copay Senior Advantage plan. This new plan will offer \$0 copay for most services; however, copays for emergency room visits, pharmacy benefits, acupuncture, and chiropractic will remain.

Kaiser Permanente Senior Advantage \$70 Quarterly Over the Counter (OTC) Allowance

Kaiser is adding a quarterly \$70 OTC allowance for both their existing Senior Advantage plan and the new Senior Advantage Summit plan. The benefit allows members to purchase certain OTC items in the categories of medication, mobility, first aid, home diagnostics, respiratory, incontinence, personal care, and vitamins/supplements. The OTC allowance is through Kaiser's website or mail order catalog only, not at the Kaiser pharmacy.

Western Health Advantage MyCare Select HMO Medicare Advantage Post-Discharge Meal Benefit

Western Health Advantage is adding a post-discharge benefit following a hospital stay benefit. The benefit includes up to 56 meals, four times per year.

All Plan Modifications:

Reproductive Health Equity Language Change:

New benefit language providing all persons' access to reproductive health benefits regardless of sex, sexual orientation, or gender identity.

Fertility Care Language Change:

New benefit language updating the definition of infertility to provide access to infertility treatment to members regardless of age, sexual orientation, gender identity, or marital status.

Hearing Aids Benefit Adjustment:

New benefit for members under the age of 26 providing medically necessary and clinically appropriate hearing aids in both ears at 100% coverage every 36 months.

PPO Modification:

Match PPO Members with Primary Care Providers:

New match to a Primary Care Provider (PCP) for PPO members. Members would be free to choose a different PCP and it would not change the ability to see a specialist anytime.

Individual Plan Information

Plan-specific information on 2023 preliminary proposed premiums will be discussed during the June 2022 PHBC meeting.

Materials will be provided under separate cover and posted to the CalPERS website prior to the PHBC Open session on June 14, 2022.

Budget and Fiscal Impacts

Overall, the proposed premiums for the 2023 plan year will increase employee and employer health premium contributions. The actual increase or decrease depends on plan specific information.

For the State of California, the increase or decrease will be determined in accordance with the Public Employees' Medical and Hospital Care Act. For contracting agencies, the increase or decrease will be determined based on each agency's negotiated health premium contribution amount.

Benefits and Risks

The increasing cost of health care is a burden to CalPERS and our members. CalPERS, like many purchasers of health benefits, continues to face the challenge of adequately covering the cost of health care while remaining competitive. CalPERS aggressively works to keep costs and premiums as low as possible and continues to pursue innovations that help to make high-quality health care affordable to our employers and members.

Attachments:

Attachments 1a, 1b, 2a, 2b, and 3 will be provided under separate cover just prior to the PHBC Open session on June 14, 2022.

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