



P.O. Box 942714
Sacramento, CA 94229-2714
(888) CalPERS (888-225-7377)
TDD – (916) 795-3240
www.calpers.ca.gov

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Circular Letter

**TO: ALL PEMHCA CONTRACTING AGENCIES FINANCE DIRECTORS,
HUMAN RESOURCES DIRECTORS, EXECUTIVE STAFF, HEALTH
BENEFITS OFFICERS AND HEALTH ASSISTANT BENEFITS OFFICERS
AND MEMBERS OF THE CONSTITUENT WORKGROUP**

**SUBJECT: CONTRACTING AGENCIES - EARLY RETIREE REINSURANCE
PROGRAM COMPARISON**

BACKGROUND

Contracting agencies and constituent groups have expressed an interest in the value of the Early Retiree Reinsurance Program. This circular letter provides that comparison information in the attachment.

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 \$5 billion for this temporary and one time 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 for plan participants and sponsors so that health benefits are accessible to more Americans.

As plan sponsor, CalPERS intends to submit an application to the Federal government for all State and public agencies in order to help offset costs related to health care for retirees and their families. As a State or PEMHCA contracting public agency, you do not need to do anything. CalPERS will apply and collect the reimbursement. Unlike Medicare Part D, the Early Retiree Reinsurance program has specific requirements on how the sponsor, CalPERS, must use proceeds under this program, so it cannot be distributed directly to our contracting agencies for their own use.

Interim Final Regulations relating to Early Retiree Reinsurance Program were released by the U.S. Department of Health and Human Services (HHS) on May 5, 2010. CalPERS staff have analyzed these regulations.

CURRENT STATUS

CalPERS completed the application and submitted it to the U.S. Department of Health and Human Services on June 29, 2010, the same day as its release.

The application requires CalPERS to identify how we will use the reinsurance monies in order to meet the requirements specified in the federal regulations. As you may know, on June 16, 2010, the CalPERS Board of Administration approved using the reinsurance monies to offset the 2011 health care premiums. This approach lowers the cost of health care to our members and employers. Given the reinsurance monies are a one time allocation, premium reductions in future years are uncertain.

The attached document provides specific information, by Region, on what the costs for health care will be with the reinsurance applied versus what they would have been without applying the reinsurance. To estimate total dollar savings, agencies should multiply their projected 2011 enrollment (by region, plan, and tier) by their anticipated employer contribution under each of the two alternatives, then compare the difference.

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 CalPERS Employer Contact Center at **888-CalPERS** (or **888-225-7377**).

Sincerely,

KIMBERLY A. MALM
Interim Assistant Executive Officer
Health Benefits Branch

Attachment