

**California Public Employees' Retirement System
Proposed Regulatory Action:
Risk Adjustment for Health Premiums**

Notice published January 1, 2021

**NOTICE OF MODIFICATIONS TO TEXT OF
PROPOSED REGULATIONS**

Please take notice that the California Public Employees' Retirement System is proposing changes to the regulations that are the subject of this rulemaking action. The California Public Employees' Retirement System is proposing amendments to the proposed regulation text.

Pursuant to the requirements of Government Code section 11346.8(c), and section 44 of Title 1 of the California Code of Regulations, the California Public Employees' Retirement System is providing notice of additional proposed changes to sections 599.500 and 599.508 of Title 2 of the California Code of Regulations covering the Public Employees' Medical and Hospital Care Act. These further changes are attached and made in response to comments received from the Office of Administrative Law regarding the proposed regulations received after the 45-day public comment period that ended February 15, 2021. The initial public notice was published by the Office of Administrative Law in Notice Register 2021, number 1-Z, entitled as "Public Employees Retirement System Risk Adjustment for Health Premiums" (Notice File Number Z2020-1221-02).

California Public Employees' Retirement System has made the following changes to the proposed regulation:

- Deleted language in section 599.500(a)(8)(A) requiring that the risk assessment method selected by California Public Employees' Retirement System be consistent with industry best practices and reinserted the original regulatory language that the risk adjustment methodology selected by California Public Employees' Retirement System be consistent with industry best practices and similar to risk adjustment methodologies used by the U.S. Department of Health and Human Services and other state and federal agencies. The reinsertion is now in section 599.508(a)(8).
- Reinserted in section 599.508(a)(8) the original regulatory language requiring California Public Employees' Retirement System to provide health benefit plans its risk adjustment methodology at least 90 days prior to the public announcement of the following year health benefit plan premiums.
- Deleted the provision in section 599.508(a)(8)(B) permitting the California Public Employees' Retirement System Board to exclude certain health benefit plans from having their premiums risk adjusted.
- Clarified and added criteria to the provision in section 599.508(a)(8)(C) permitting the Board to phase-in a risk adjustment calculation to all or specific health benefit plans over a period as determined by the Board. Due to other deletions, this revised provision is now in section 599.508(a)(8)(B).

- Specified in section 599.508(a)(8)(D) that risk adjustment does not apply to California Public Employees' Retirement System Medicare health benefit plans. Due to other deletions, this revised provision is now in section 599.508(a)(8)(C).

Text proposed to be added for this 15-day comment period is displayed in double underline type. Text proposed to be deleted for this 15-day comment period is displayed in double strikethrough type. In some instances, the text currently under consideration may be both single stricken and double underlined, which means it is text that was previously proposed to be deleted from an existing regulation, which the California Public Employees' Retirement System has restored and is no longer proposing to delete. Similarly, text that is both single underlined and double stricken means that the text was previously proposed to be added, but the California Public Employees' Retirement System subsequently decided to remove it.

The amended proposed regulation text is enclosed with this notice, along with an addendum to the Initial Statement of Reasons, and is available for public inspection during the dates of the public comment period, described below, excluding weekend and holidays, from 8:00 a.m. through 5:00 p.m. The rulemaking file is maintained at the following address:

California Public Employees' Retirement System
Legislative Affairs Division
400 Q Street, Building North, Floor 5,
Sacramento, CA 95811

Due to restrictions related to COVID-19, the Legislative Affairs Division's public counter is not open to the public. Please contact the contact person below to arrange for public inspection of the rulemaking documents. Options for public inspection during COVID-19 may include having the rulemaking documents emailed to you or scheduling an in-person review.

PUBLIC COMMENT PERIOD

If you have any comments regarding the changes to the proposed regulations made after the close of the 45-day comment period on February 15, 2021, the California Public Employees' Retirement System will accept written comments from August 19, 2021, through September 3, 2021. **All written comments must be submitted no later than 5 p.m. on September 3, 2021.** Comments may be submitted via email at Regulation_Coordinator@calpers.ca.gov or mailed to the following address:

Andrew White, Regulation Coordinator
California Public Employees' Retirement System
P.O. Box 942720
Sacramento, California 94229-2720
Phone: (916) 795-3038

All written comments received by September 3, 2021, which pertain to the indicated changes, will be reviewed and responded to by the California Public Employees' Retirement System Board as part of the compilation of the rulemaking file. Please limit your comments to the

modifications to the text made after the close of the 45-day comment period on February 15, 2021 (i.e. the text that is double-underlined or in double-strikethrough).

AVAILABILITY OF DOCUMENTS ON THE INTERNET

Copies of the January 1, 2021, Notice of Proposed Rulemaking, Initial Statement of Reasons, original proposed text, and the attached modified text are available on the California Public Employees' Retirement System's webpage at:

<https://www.calpers.ca.gov/page/about/laws-legislation-regulations/regulatory-actions>