



Consent

Agenda Item 4c

May 15, 2012

ITEM NAME: Self-Funded Health Plans 2011 4th Quarter Financial Report

PROGRAM: Health Benefits

ITEM TYPE: Consent Information

EXECUTIVE SUMMARY

The overall financial position of the Self-Funded Preferred Provider Organization (PPO) health plans remains stable. The ongoing financial results for the program assets are positive, providing assurance that the rates approved by the Board for the 2011 plan year were sufficient to fund benefits and to maintain adequate reserves.

BACKGROUND

This report is to provide the Pension and Health Benefits Committee with a quarterly update on the financial status for the six CalPERS Self-Funded PPO health plans.

ANALYSIS

At the end of 2011, the overall combined loss ratio for the Self-Funded health plans was 11 percent above break-even. This compares to 8 percent above break-even at the end of calendar year 2010, and 7 percent above break-even for the first 9 months of 2011. There was an overall underwriting loss of \$202.7 million for all 6 self-funded PPO health plans.

The medical claims experience for Choice Basic and Care Basic has been increasing during 2011. In particular, Choice Basic increased significantly during the last three months of 2011. Staff will monitor this closely during the next few months.

The loss ratio, which is claims and expenses divided by premium, does not take into account funds received from the Early Retiree Reinsurance Program (ERRP). Throughout 2011, the PPO health plans received \$75.3 million in ERRP reimbursements. If the ERRP funds are included in the premium totals, the loss ratio would be 107 percent.

Assets for the program are currently \$583.2 million, which is an increase of \$30.4 million from the assets at the end of 2010.

Total reserves for the program are \$470.7 million, which is an increase of \$64.9 million over the reserves at the end of 2010. Assets above the actuarial reserve

requirements are \$112.5 million, which is a decrease of \$34.5 million for the year. Overall, the Self-Funded PPO health plans have a ratio of assets to reserves of 124 percent.

ATTACHMENTS

Attachments 1 through 7 provide key graphical analyses of financial and historical data. Appendices A, B, C, D, and E display background data used to generate the analyses in Attachments 1 through 7.

GARY MCCOLLUM
Senior Life Actuary
Actuarial Office

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning