

PROPOSED REGULATORY ACTION BY CALPERS

Adoption of § 599.500 subdivision (x) through (z), § 599.508 subdivision (a),
paragraph (7) and
Amend § 599.508 subdivision (a), paragraphs (7) through (9)
Title 2 of the California Code of Regulations

CCR § 599.500, subdivisions (a) through (w)

These subdivisions remain unchanged

Proposed Adoption of CCR § 599.500, new subdivisions (x) through (z)

- (x) “Risk adjustment” means an actuarial tool used to calibrate premiums paid to health benefits plans or carriers based on geographical differences in the cost of health care and the relative differences in the health risk characteristics of employees, annuitants and family members enrolled in each plan. Risk adjustment establishes premiums, in part, by assuming an equal distribution of health risk among health benefits plans in order to avoid penalizing employees, annuitants and family members for enrolling in a health benefits plan with higher than average health risk characteristics.
- (y) “Risk assessment” means an objective determination of whether an individual employee, annuitant or family member or group of employees, annuitants, and family members represents a health risk that is reasonably close to the population average and, if not, of quantifying the relative deviation from the average.
- (z) “Risk Adjusted Premium,” means the actuarially calculated premium utilizing risk adjustment.

CCR § 599.508, subdivision (a), paragraphs (1) through (6)

These paragraphs remain unchanged

Proposed Amendment to CCR § 599.508, subdivision (a), paragraph (7)

- (7) ~~Maintain statistical records regarding the plan as are agreed to by the Board, separately from those of any other activities or benefits conducted or offered by the carrier administering the plan, so as to reveal the utilization of benefits under the plan, the gross and net cost of such benefits, and the administrative cost experienced under the plan as it pertains to employees and annuitants enrolled under this subchapter.~~

(7) Participate in the following risk adjustment procedures Subject to the Board's authority to risk adjust premiums, and upon its approval to exercise this authority, participate in the following risk adjustment procedures.

(A) The system will notify plans annually of what risk assessment method is being used and provide summary information upon which the risk assessment is based. As provided by the system, each plan may validate what it receives from the system relating to enrollment counts, geographic distribution, and risk scores pursuant to the risk assessment method used. The annual premiums adopted by the Board for the next plan year will be risk adjusted utilizing the risk assessment method selected by the system.

(B) The risk adjusted annual premiums adopted by the Board for the next plan year shall be subject to a calculation prior to the beginning of the plan year. This calculation may result in requiring a plan to reimburse the system at the beginning of the plan year and continue to do so each month thereafter. Any reimbursements from plans to the system shall be deposited into an account established for this purpose pursuant to Section 22911 of the Government Code, within specified timeframes. In addition, this calculation may result in requiring the system to reimburse plans after the beginning of the plan year and continue to do so each month thereafter. Any reimbursements from the system to plans shall be paid from the funds received from plans deposited into the aforementioned account, within specified timeframes.

(C) During the plan year, a plan's enrollment and risk scores of employees, annuitants, and family members will be measured to see if its risk adjusted premium needs to be re-calculated. This re-calculation may result in requiring a plan to reimburse the system. Any reimbursements from plans to the system shall be deposited into an account established for this purpose pursuant to Section 22911 of the Government Code, within specified timeframes. In addition, this re-calculation may result in requiring the system to reimburse plans. Any reimbursements from the system to plans shall be paid from the funds received from plans deposited into the aforementioned account, within specified timeframes.

(D) A final reconciliation will be performed in the subsequent plan year and may result in additional reimbursements. Any additional reimbursements shall follow the reimbursement process outlined in paragraphs (B) and (C).

~~(E) Risk adjustment of premiums will begin in 2013 for the 2014 plan year.~~

Proposed Amendments to CCR § 599.508, subdivision (a), paragraphs (7) through (9)

These technical amendments are for renumbering purposes to move current paragraphs (7) through (9) to paragraphs (8) through (10).

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