



Consent

Agenda Item 4c

November 14, 2012

ITEM NAME: Self-Funded Health Plans 2012 2nd Quarter Financial Report

PROGRAM: Health Benefits

ITEM TYPE: Information Consent

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 2012 plan year were sufficient to fund benefits and to maintain adequate reserves.

STRATEGIC PLAN

This agenda item supports Goal A, Improve long-term pension and health benefit sustainability by ensuring high quality, accessible and affordable health benefits.

BACKGROUND

This report is to provide the Pension and Health Benefits Committee with a quarterly update on the financial status for the six (6) CalPERS Self-Funded PPO health plans.

ANALYSIS

At the end of the second quarter of 2012, the overall combined loss ratio for the Self-Funded health plans was one (1) percent below break-even. This compares to twelve (12) percent above break-even at the end of calendar year 2011, and five (5) percent above break-even for the first six (6) months of 2011. There was an overall underwriting gain of \$7.4 million for all six (6) self-funded PPO health plans.

The medical claims experience for Choice Basic increased from 5.6% in 2010 to 9.0% in 2011. This increasing trend has turned around in 2012, and is currently at 5.1%. This is good news. The medical claims for Care Basic decreased dramatically from 16.5% in 2010 to 2.7% in 2011. The trend has increased now to 5.0%. Staff will monitor this closely during the next few months. Select Basic continues to experience very favorable medical claims experience. For pharmacy, all 3 plans are experiencing very favorable claims experience during 2012.

Assets for the program are currently \$653.1 million, which is an increase of \$70.9 million from the assets at the end of 2011.

Total reserves for the program are \$445.6 million, which is a decrease of \$25.1 million over the reserves at the end of 2011. Assets above the actuarial reserve requirements are \$207.4 million, which is an increase of \$95.9 million for the first 6 months. Overall, the Self-Funded PPO health plans have a ratio of assets to reserves of 147 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.

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