

PROPOSED REGULATORY ACTION BY CALPERS

Amendment of § 599.500 and § 599.508
Title 2 of the California Code of Regulations

CCR § 599.500

Subdivisions (a) through (v) remain unchanged

Proposed Addition of CCR § 599.500, new subdivisions (w) through (y)

- (w) “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.
- (x) “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.
- (y) “Risk Adjusted Premium,” means the actuarially calculated premium utilizing risk adjustment.

Note: Authority cited: Sections 22794, 22796, 22800, 22830, 22831, 22846(a), 22860, 22864, and 22911, Government Code. Reference: Sections 22750-22944, 22864 and 22911, Government Code.

CCR § 599.508

Subdivision (a), paragraphs (1) through (7) remain unchanged.

Proposed Amendment to CCR § 599.508, subdivision (a), paragraph (8)

- (8) 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 by the system 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) This paragraph shall not apply to an employee association health benefit plan subject to Board approval pursuant to Section 22850 of the Government Code.

- (89) 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.

(910) Provide for payment to a special reserve, as of the end of any contract period, of so much of the contributions and other income attributable to the plan as exceeds the sum incurred for benefit payments, administrative expenses, premium and other taxes, risk charges, and other retention charges. Upon the request of the Board, made after a public hearing on the question, contribution rates must be reduced and/or benefits increased, whichever is appropriate in judgment of the Board, whenever the special reserve exceeds the latest three calendar months' contributions paid under the plan. In determining the amount for pending claims and incurred but unreported claims. All such claim reserves, and the special reserves, must be accounted for separately from reserves maintained by the carrier for other plans. Income derived from the investment of the special reserves shall be credited to the reserves at 100% of the plan's annual corporate rate of interest. Income reasonably attributable to investment of claim reserves shall be taken into account in determining the amount of retention charges. In the event the contract is terminated, the underwriting or obligation under the plan is assumed by a different carrier, or approval of the plan is withdrawn, the special reserve and such portion of any claim reserves as are not finally utilized in the payment of benefits under the plan shall be paid into the Public Employees' Contingency Reserve Fund for the benefit of the plan, and the Board may then transfer such reserves to successor plans and/or carriers on such basis as it determines to be equitable after a public hearing held within 18 months following the effective date of the plan's termination, withdrawal of approval, or transfer to a different carrier. For a carrier providing service benefits, the Board may approve the use of other equitable and practical financial procedures. For plans that are community-rated, the carrier shall, in lieu of being subject to the foregoing provisions of this paragraph, agree to furnish such financial and accounting reports and to follow such recording procedures as may be requested by the Board and that are consistent with the normal operations of the plan.

(4011) Provide that in the event an employee or annuitant is dissatisfied with the amount paid or service rendered pursuant to his or her claim on his or her behalf or on behalf of a family member and so requests, representatives of the parties including a representative of the Board will confer in an effort to reach a settlement, provided that no agreement reached by such conferees shall bind the employee, annuitant, or carrier without each party's consent or bar any remedy otherwise available.

Note: Authority cited: Sections 22794, 22796, 22864, 22911, Government Code.
Reference: Sections 22796, 22850, 22864, and 22911, Government Code.

CCR § 599.508

Subdivision (b) remains unchanged.