

PROPOSED REGULATORY ACTION BY CALPERS

**Amend § 599.500, § 599.501, § 599.502, § 599.508 and
Adoption of § 599.502, subdivision (g)(5)
Title 2 of the California Code of Regulations (CCR)**

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

These subdivisions remain unchanged.

Proposed Amendment to CCR § 599.500, subdivision (s)

- (s) “Health benefit(s) plan,” as defined in section 22777 of the Government Code, or “plan” means a health benefits plan contracted for or approved by the Board pursuant to includes any benefit design and premium rate structure offered by the Board to employees, annuitants, and family members through contracts with carriers or self-funded plans administered by the Board pursuant to Sections 22793, 22850 and 22853, of the Government Code. “Health benefit(s) plan” includes basic or supplemental plans.

Note: Authorities cited include: Government Code (GC) § 22777, § 22778, § 22794, and § 22796

Proposed Amendment to CCR § 599.500, subdivision (t)

- (t) “Basic Plan” means a health benefit(s) plan providing benefits for employees, annuitants, and family members not enrolled in a supplemental plan.

Note: Authorities cited include: GC §22760, § 22775, § 22777, § 22778, §22794, § 22796, § 22800, § 22830, and § 22831.

Proposed Amendment to CCR § 599.500, subdivisions (t) through (v)

These subdivisions remain unchanged except for relettering.

- (~~t~~u) “Conversion plan” means a nongroup contract offered by the carrier as its standard individual membership plan.
- (~~u~~v) “Control Period” means a period from January 1 through June 30 or July 1 through December 31.
- (~~v~~w) “Alternative benefit plan” means a health benefits plan approved, or contracted for, by the Board exclusively for employees or annuitants of contracting agencies pursuant to Section 22850(f)(2) of the Government Code.

Proposed Amendment to CCR § 599.501, subdivision (a)

- (a) Each employee or annuitant other than those excluded by subsections (b) or (c) below, is eligible to be enrolled in a health benefits plan at the times and under the conditions prescribed in this subchapter, provided however that no person shall be enrolled in a supplemental plan who at the time of enrollment is not also enrolled under Part A and Part B of Medicare. An eligible employee or annuitant enrolled in both Parts A and B of Medicare, or who has a family member who is so enrolled, may be enrolled in a basic plan contracted for by the Board with respect to persons not enrolled in Parts A and B, and in a supplemental plan ~~provided by the same carrier~~ with respect to all persons enrolled in Parts A and B.

Note: Authorities cited include: GC § 22777, § 22778, § 22794, § 22796, § 22850, and § 22860.

CCR § 599.501, subdivisions (b) through (i)

These subdivisions remain unchanged.

CCR § 599.502, subdivisions (a) through (e)

These subdivisions remain unchanged.

Proposed Amendment to CCR § 599.502, subdivision (f), paragraph (6)(E)

- (f)(6)(E) An employee or annuitant enrolled in a supplemental plan who moves, other than temporarily, out of the United States as defined in the Federal Social Security Act, may change his or her enrollment to ~~the~~ a basic plan provided by the carrier of the supplemental plan that provides coverage outside the United States.

Note: Authorities cited include: GC § 22794, § 22796, § 22834, and § 22857.

Proposed Amendment to CCR § 599.502, subdivision (g), paragraph (4)

- (g)(4) ~~Employees and annuitants may not enroll in more than one plan. For the purposes of this subsection, one plan includes a combination of basic or supplemental plans. Where an employee or annuitant has filed more than one enrollment form, in the absence of specific instruction from the employee or~~

~~annuitant to the contrary, the last enrollment form filed shall be taken as indicating the plan in which the employee desires to enroll.~~

An employee or annuitant shall enroll him or herself and all eligible family members into one basic or supplemental plan. Where an employee or annuitant and all eligible family members may not enroll in one basic or supplemental plan due to eligibility rules prescribed by the board, the employee or annuitant shall enroll him or herself and all eligible family members into only one basic plan and into only one supplemental plan offered by one or more different carriers. All enrollments shall be under the name of only one employee or annuitant.

Note: Authorities cited include: GC § 22760, § 22775, § 22777, § 22794, §22796, §22800, § 22830, § 22831, § 22850, and §22860.

Proposed Addition of CCR § 599.502, new subdivision (g), paragraph (5)

(g)(5) Where an employee or annuitant has filed more than one enrollment form, in the absence of specific instruction from the employee or annuitant to the contrary, the last enrollment form filed shall be taken as indicating the plan in which the employee desires to enroll.

Note: Authorities cited include: GC § 22794, and § 22796.

CCR § 599.502, subdivisions (h) and (i)

These subdivisions remain unchanged.

CCR § 599.508, subdivisions (a), paragraphs (1) through (2)

These paragraphs remain unchanged.

Proposed Amendment to CCR § 599.508, subdivision (a), paragraph (3)

~~(3) Provide for coverage of enrolled employees and annuitants, and covered members of their families.~~

Note: Authorities cited include: GC §22760, § 22775, § 22777, § 22794, § 22796, § 22800, § 22830, § 22831, § 22850, and § 22860.

Proposed Amendment to CCR § 599.508, subdivision (a), paragraphs (4) through (10)

These subdivisions remain unchanged except for renumbering.

- (43) Extend to all employees, annuitants, and family members who are eligible therefor the right, during the time allowed, to convert to a contract for health benefits regularly offered by the carrier, or an appropriate affiliate, for group conversion purposes. Such contract must, at the option of the employee, annuitant, or family member, be continued in effect by the carrier except for fraud or nonpayment of contractual charges.

The contract shall, upon conversion, become effective as of the day following the date of termination of coverage, and the employee or annuitant shall pay the entire cost thereof directly to the carrier. The non-group contract may not deny or delay any benefit that it provides for a person converting from a plan approved under this subchapter, except to the extent that benefits are continued under the health benefits plan from which he or she converts.

The Board may request an extension of time for conversion because of delayed determination of ineligibility for service retirement or disability retirement, in which case conversion must be permitted until the date specified by the Board in its request for extension.

Any such conversion contract may provide for an adjustment of benefits with respect to any covered person at such age as he or she becomes eligible to participate in benefits provided under either Part A or Part B of Title XVIII, Social Security Act.

- (54) (A) Provide that any person, whether employee, annuitant, or family member, whose enrollment terminates other than by voluntary cancellation or termination of the group agreement, and who, on the day of termination is hospitalized, shall be granted a continuation of the benefits of the plan with respect to medical conditions that were present or pre-existing at the time of hospitalization or occurred during the hospitalization and which require continued hospitalization, but not beyond the 91st day following the termination.
- (B) Provide that any person, whether employee, annuitant, or family member, whose enrollment has been changed from one plan to another and who on the effective date of such a change is hospitalized, shall be granted a continuation of the benefits of the prior plan with respect to medical conditions that were present or pre-existing at the time of hospitalization or occurred during the hospitalization and which require continued hospitalization, but not beyond the 91st day following the last day of enrollment in the prior plan. Upon change of enrollment to the plan of a person so hospitalized on the effective date of the change, benefits with respect to the cause of such hospitalization shall not be paid or provided while that person is entitled to continuance of benefits under the prior plan, but all other benefits will be paid during such a period.

- (C) Provide that any person whether employee, annuitant or family member who is totally disabled on the date of termination of the group contract, shall be granted a continuation of the benefits of the plan with respect to the cause of such total disability for up to 12 months after the date of termination, subject to plan maximums and provisions.
- (65) Provide that each employee and annuitant who enrolls in a plan receive evidence of enrollment in a form to be approved by the Board, summarizing the conditions of the plan including but not limited to, those concerning benefits, claims, and payment of claims.
- (76) Provide a standard rate structure which contains one standard individual rate, one standard rate for employees and annuitants with one dependent, and one standard rate for employees and annuitants with two or more dependents, without geographical or other variation. Notwithstanding the foregoing, and subject to the approval of the Board, a health benefits plan may charge contracting agency employees and annuitants rates that are based on regional variations in the costs of health care services.
- (87) 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.
- (98) 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 of incurred benefits paid under the plan, reasonable reserves may be established 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 for 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.

- (409) 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.

CCR § 599.508, subdivision (b)

This subdivision remains unchanged.