



Agenda Item 10

February 20, 2013

ITEM NAME: Adoption of Regulations: Options for Medicare Supplement Plans

PROGRAM: Health Benefits

ITEM TYPE: Action

RECOMMENDATION

Approve staff's recommendation to adopt proposed regulations to provide the California Public Employees' Retirement System (CalPERS) Board of Administration (Board) flexibility to offer Medicare supplemental health plans from the same or different carriers that provide basic coverage.

EXECUTIVE SUMMARY

In August 2012, the Board approved these proposed regulations. The proposed regulations have been through the required public comment period and are before the Committee for adoption. These regulations provide flexibility to allow CalPERS Medicare eligible retirees the ability to enroll in more diverse plan options that best meet their needs. These regulations will help CalPERS reduce premium costs by leveraging opportunities to be part of a larger pool of enrollees and by reducing administrative costs associated with maintaining a supplemental equivalent for each basic plan option. Nothing in the regulations requires the Board to change current practice.

STRATEGIC PLAN

The adoption of the proposed regulations, Options for Medicare Supplement Plans, supports CalPERS Strategic Goal A: Improve long-term health benefit sustainability by implementing new approaches and expanding efforts already proven to reduce health care costs and improve health outcomes, including changing how we contract with health plans.

BACKGROUND

At the May 15, 2012, Pension and Health Benefits Committee Meeting, staff presented an Options for Medicare Supplement Plans emergency regulations package for approval. The Committee approved staff's recommendation, with the exception that approval of the regulations did not constitute approval of any health plan pilot program or program change. Since staff did not plan to pursue the Medicare Pilot Project at that time, the regulation package no longer qualified as an emergency and was, therefore, taken out of the emergency process.

Staff revised those initial emergency proposed regulations to clarify rules regarding enrollments in basic and supplemental plans and specify that supplemental plans can be offered by the same or different carriers than what is offered for a basic plan. The revisions also delete a requirement in provisions governing minimum standards for health benefit plans in order to accommodate CalPERS ability to contract with supplemental plans not affiliated with a basic plan. The Board approved the updated proposed regulations August 15, 2012.

CalPERS staff submitted the Board-approved regulations package to the Office of Administrative Law (OAL) on October 23, 2012. A Notice of Proposed Regulatory Action was published in the California Regulatory Notice Register 2012, Notice File Number Z-2012-1023-06, on November 2, 2012. CalPERS also posted the regulations package on its website on November 2, 2012.

Public Comment Period

The 45-day written comment period for the proposed regulatory action began on November 2, 2012, and ended at 5:00 p.m. on December 17, 2012. CalPERS did not receive any written comments.

Public Hearing

Pursuant to Government Code § 11346.8, subdivision (a), CalPERS provided notice in the regulations package that any interested person could submit a written request for a public hearing, to the CalPERS Regulations Coordinator, no later than 15 days prior to the close of the written comment period, or by December 3, 2012. CalPERS did not receive any requests for a public hearing; therefore, one was not scheduled.

Next Steps

Should the Board adopt the proposed regulations, the CalPERS Regulations Coordinator will forward the final rulemaking file to OAL for review and approval. If OAL approves the proposed regulations, the rulemaking file will be forwarded to the Secretary of State (SOS) for filing and publication in the California Code of Regulations. Staff will request that the regulations become effective immediately upon filing with the SOS.

BENEFITS/RISKS

Currently, CalPERS achieves member and employer savings by moving members from a basic benefit plan to a Medicare supplemental plan. The strategic initiatives for encouraging competition also pertain to the provision of benefits under supplemental plans. Additional flexibility to offer health plans under more flexible plan designs, it will allow CalPERS to:

- Seek administrators with a larger pool that can leverage their size to get better prices;

- Reduce administrative costs associated with offering many small plans with low enrollment due to carrier requirements that all plans must provide a Medicare supplement plan;
- Extend the ability to offer more innovative and differentiated plan offerings that best meet Medicare enrollees' needs; and,
- Offer Medicare plans to out-of-state members at a lower cost.

Potential negative impacts to providing more flexible plan designs may include:

- Revisions are necessary to my|CalPERS, to accommodate some family situations; and,
- Confusion among members.

ATTACHMENT

Options for Medicare Supplemental Plans Regulations

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