



Agenda Item 11

June 18, 2013

ITEM NAME: Self-Funded Health Plans 2012 4th Quarter Report

PROGRAM: Health Benefits

ITEM TYPE: Information

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 2012, the overall combined loss ratio for the Self-Funded health plans was five (5) percent above break-even. This compares to twelve (12) percent above break-even at the end of calendar year 2011. The loss ratio evaluates premium revenue against claims and expenses. The 2011 PPO plan rates were adjusted downward to reflect anticipated reimbursements from the Early Retiree Reinsurance Program (ERRP), and we received \$75.3 million in reimbursements from the ERRP in 2011. If the ERRP funds are included in loss ratio calculation (because they reimbursed the premium reduction), the 2011 loss ratio would be seven (7) percent above break-even, much closer to the 2012 figure.

There was an overall underwriting loss of \$89.6 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. The trend for 2012 is 4.3%, a significant decrease. This is good news. The medical claims for Care Basic decreased dramatically from 16.5% in 2010 to 2.5% in 2011. The trend has increased now to 7.5%. Select Basic continues to experience very favorable medical claims experience. For pharmacy, all 3 plans experienced very favorable claims experience during 2012.

Assets for the program are currently \$645.6 million, which is an increase of \$63.4 million from the assets at the end of 2011.

Total reserves for the program are \$455.3 million, which is a decrease of \$15.3 million over the reserves at the end of 2011. Assets above the actuarial reserve requirements are \$190.3 million, which is an increase of \$78.8 million for the year. Overall, the Self-Funded PPO health plans have a ratio of assets to reserves of 142 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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