



Agenda Item 6a

November 19, 2013

ITEM NAME: Semi-Annual Self-Funded Health Plans Report

PROGRAM: Health Policy Research Division

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 2013 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 Committee with an update on the financial status for the six (6) CalPERS Self-Funded PPO health plans.

ANALYSIS

First the first half of 2013, the overall combined loss ratio for the Self-Funded health plans was one (1) percent above break-even. This compares to two (2) percent above break-even at the end of the second quarter of 2012 and five (5) percent above break-even at the end of calendar year 2012. The loss ratio evaluates premium revenue against claims and expenses.

There was an overall underwriting loss of \$12.1 million for all six (6) self-funded PPO health plans.

The medical claims trend experience for the basic plans is similar to the trends at 2012 year-end, with the exception of Select. Care is up from 6% to 8.9% while Choice decreased from 3.9% to 3.4%. Select has increased significantly from -1.1% to 10.4%. This is probably due to the large increase in membership for 2013. For pharmacy, all 3 plans continue to experience very favorable claims experience.

For the 3 supplemental plans, both the medical and the pharmacy continue to experience very low trends.

Assets for the program are currently \$672.3 million, which is an increase of \$26.7 million from the assets at the end of 2012. Total reserves for the program are \$432.2 million, which is a decrease of \$23.1 million over the reserves at the end of 2012. Assets above the actuarial reserve requirements are \$240.1 million, which is an increase of \$49.8 million for the year. Overall, the Self-Funded PPO health plans have a ratio of assets to reserves of 156 percent.

BUDGET AND FISCAL IMPACTS

This item is for information purposes only, and has no impact on the CalPERS budget. Any impact this may have on future health plan premiums will be addressed during the rate development process that generally occurs from April through June in the Pension and Health Benefits Committee.

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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