



Agenda Item 9

December 17, 2013

ITEM NAME: Revised Regions for Health Benefits for Public Agencies and Schools

PROGRAM: Health Benefits

ITEM TYPE: Information

EXECUTIVE SUMMARY

Staff is analyzing relative healthcare costs by county to determine if changes to the regions for contracting agency premiums should be considered. Staff will present findings from that analysis and recommendations in February 2014.

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

Prior to the 2005 adoption of regional pricing for contracting ("public") agency Basic premiums, the California Public Employees' Retirement System (CalPERS) single statewide premium offered by each carrier did not permit them to establish competitive rates in areas with lower healthcare costs. In 2004 the health program lost approximately 37,000 public agency members, with continued losses projected. Potential risk pool changes threatened to increase overall premium costs. Regional pricing helped avert these threats, stabilizing public agency membership.

To establish the pricing regions, CalPERS worked with an actuarial consultant to group counties with similar healthcare costs. Carriers were instructed to develop premiums for these regions that averaged to their State member premium, so State premiums would not subsidize public agency premiums. The original regions were Sacramento/Bay Area, Los Angeles Area, Other Northern, Other Southern, and Out-of-State.

Since 2005 the only change to the regions occurred in 2010, when Blue Shield began an Integrated Health Model pilot program in collaboration with Dignity Health and Hill Physicians in El Dorado, Sacramento and Placer counties. To accommodate the pilot, the Bay Area/Sacramento region was split into a separate "Sacramento" region for these three counties, with the remaining counties forming a "Bay Area" region.

Staff has periodically examined county relative healthcare costs to monitor circumstances that might warrant changes to the regions. In 2008 staff worked with an actuarial consultant to perform an in-depth analysis, including refining the criteria

by which changes might be considered. The consultant recommended that CalPERS not make any region changes until completion of the health carrier Request for Proposal (RFP) process, as those results could significantly impact region composition decisions.

ANALYSIS

With the completion of the RFP process, CalPERS health program and actuarial staff are conducting an analysis of county relative healthcare costs to determine if the number of public agency pricing regions, or their composition, should change. Criteria to be included in the analysis include county healthcare costs, variation in costs over the past five years, enrollment, health carrier coverage areas, and geography. Staff will present findings and recommendations from this analysis in February 2014.

BUDGET AND FISCAL IMPACTS

Not Applicable.

ATTACHMENTS

Attachment 1 – CalPERS Contracting Agency Pricing Regions

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