



Agenda Item 9a

April 14, 2014

ITEM NAME: Self-Funded Health Plans 2013 Year-End Financial 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

Attachment 1 summarizes the assets and reserves for the program. Assets for the program are currently \$757.4 million, which is an increase of \$111.9 million from the assets at the end of 2012. Total reserves for the program are \$477.3 million, which is an increase of \$22.0 million over the reserves at the end of 2012. Assets above the actuarial reserve requirements are \$280.2 million, which is an increase of \$89.9 million for the year. Overall, the Self-Funded PPO health plans have a ratio of assets to reserves of 159 percent.

Attachment 2 shows the gain or loss for each plan. For calendar year 2013, there was an overall gain of \$90 million for all six (6) self-funded PPO health plans. The gain or loss evaluates revenue against claims and expenses. Revenue includes premiums, drug rebates, subsidies from the EGWP program, and investment income. The largest contribution to the gain was from the Choice basic and Select basic plans. Better than expected claims experience was the main source of the gain.

Medical claims costs are shown in attachment 3. For Care, the basic plan is trending at 8.4% and the supplemental plan is trending very favorably at 3.6%. Choice basic, which had a low 4.1% trend in 2012, continued favorably in 2013, with a trend of 5.3%. Choice supplemental had an extremely favorable trend of 0.5%. The medical costs for Select basic increased significantly, 18.5%, in 2013. This is due to the large increase in membership for 2013. Although the trend for Select basic was substantially higher than the trend for Choice basic, the cost per person per month is still significantly lower. The Select supplemental plan experienced the same per person per month costs as the Choice supplemental plan.

Pharmacy claims costs are shown in attachment 4. After two consecutive years of favorable experience in 2011 and 2012, costs in 2013 experienced double-digit increases in every plan except select supplemental. This will be monitored carefully throughout 2014.

Attachment 5 summarizes the enrollment in the Self-Funded plans. Total enrollment increased by one (1) percent in 2013. Care continues to lose enrollment, primarily from the basic plan. Select continues to see enrollment increases, almost doubling in 2013. Choice basic enrollment decreased by ten (10) percent, the majority of the members transferring to the Select plan.

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 5 provide key graphical analyses of financial and historical data.

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