



## Agenda Item 8b

November 18, 2014

**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 2014 plan year were sufficient to fund benefits and to maintain adequate reserves.

### **STRATEGIC PLAN**

This agenda item supports Goal A, Improve long-term 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 results for the PPO plans. Actual Reserves, or assets, for the PPO plans are currently \$785.5 million, which is an increase of \$28.0 million from the assets at the end of 2013. Required reserves for the PPO plans are \$470.9 million, which is a small decrease of \$6.4 million over the required reserves at the end of 2013. Actual reserves above the actuarial reserve requirements are \$314.6 million. Overall, the self-funded PPO health plans have a ratio of assets to reserves of 167 percent.

For the first six months of 2014, there was an overall gain of \$34.4 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 medicare plan.

Medical claims costs are currently exhibiting favorable trends. On a year over year basis, for Care, the basic plan is trending very favorably at -3.5% and the Medicare plan is also trending very favorably at 2.8%. Choice basic is trending at 5.4%. Choice and Select Medicare had an extremely favorable trend of 2.2%. The medical costs for Select basic increased significantly at 13.2%. 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.

Pharmacy claims costs continue to experience double-digit trends, except for Care basic, which had a very favorable trend of 1.2%. We will continue to monitor these costs throughout 2014.

Total enrollment across all plans has decreased by three (3) percent in 2014. Enrollment in Care basic doubled, from 9,000 to 19,000, while enrollment in Choice basic and Select basic decreased by 10% and 16%, respectively.

### **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.

### **BENEFITS AND RISKS**

#### **Benefits**

- The current financial status of the PPO plans is stable, with adequate premiums and reserves to fund benefits
- The current medical cost trends are favorable

#### **Risks**

- The double-digit trends in the pharmacy costs could lead to larger than expected premium increases

### **ATTACHMENTS**

Attachment 1 provides key graphical analyses of financial and historical data.

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