



## Agenda Item 7

February 18, 2015

**ITEM NAME:** Adoption of Regulations: Parent-Child Relationship

**PROGRAM:** Health Benefits

**ITEM TYPE:** Action

### **RECOMMENDATION**

Approve staff's recommendation to adopt the proposed regulations that clarify health enrollment eligibility standards for a Parent-Child Relationship (PCR).

### **EXECUTIVE SUMMARY**

Staff recommends the California Public Employees' Retirement System (CalPERS) Board of Administration (Board) adopt the proposed regulations that clarify health enrollment eligibility standards for a PCR by requiring health plan subscribers to submit specific documents, in addition to the Parent-Child Affidavit, that will clearly substantiate the parental role within that PCR.

### **STRATEGIC PLAN**

The adoption of the proposed PCR regulations supports CalPERS Strategic Goal A: Improve long-term pension and health benefit sustainability by implementing new approaches and expanding efforts already proven to reduce health care costs and improve health outcomes.

### **BACKGROUND**

In September 2014, the Board approved initiation of the regulatory process to clarify health enrollment standards for a PCR. At that time, staff presented to the Pension and Health Benefits Committee information supporting the necessity of implementing a more cohesive and consistent business practice regarding enrollment eligibility standards for a PCR. This information included the fact that during the amnesty phase of the Dependent Eligibility Verification (DEV) project, over 50 percent of the more than 6,700 dependents voluntarily removed were PCR dependents.

Throughout the DEV project, employers have continued to seek clarification on how to validate new PCR enrollments and questioned what constituted acceptable documentation needed to prove eligibility. Implementing these regulations would allow staff to create clear rules for employers and subscribers to follow to prove the existence of a parental role in the PCR, and support the CalPERS mission to maintain health costs by ensuring only eligible dependents remain enrolled in our health plans.

#### Public Comment Period

The 45-day written comment period for the proposed regulatory action began on November 7, 2014, and ended at 5:00 p.m. on December 22, 2014. CalPERS did not receive any written comments.

#### Public Hearing

Pursuant to Government Code § 11346.8, subdivision (a), CalPERS provided notice in the regulations package that any interested person could submit a written request for a public hearing, to the CalPERS Regulation Coordinator, no later than 15 days prior to the close of the written comment period, or by December 7, 2014. CalPERS did not receive any requests for a public hearing; therefore, one was not scheduled.

#### Next Steps

Should the Board adopt the proposed regulations the CalPERS Regulation Coordinator will forward the final rulemaking file to the Office of Administrative Law (OAL) for review and approval. If OAL approves the regulations, the rulemaking file will be forwarded to the Secretary of State (SOS) for filing and publication in the California Code of Regulations. Staff will request that the regulations become effective immediately upon filing with the SOS.

### **BUDGET AND FISCAL IMPACTS**

Implementing these regulatory changes can result in significant ongoing savings in health care costs and contributions by the State and contracting agency employers. There is minimal impact on CalPERS budget as a result of this proposal.

### **BENEFITS/RISKS**

The potential benefits of adopting regulatory changes that clarify health enrollment eligibility standards for a PCR are:

- Possible reduction in employer share for health premium contributions (State and contracting agencies) for ineligible dependents;
- More streamlined, accurate, and clear guidelines for health plan operations and PCR criteria for both employers and members;
- Reduced incidence of ineligible dependent enrollment;
- Support of CalPERS fiduciary responsibility to its members in managing overall health costs for employers, members, and the General Fund; and,
- Elimination of ambiguity for both members and employers as to who is eligible and who is not eligible for coverage under a PCR.

There is minimal risk to CalPERS for implementing language to clarify health enrollment eligibility standards for a PCR. Currently, there is a lack of direction for CalPERS 1,200+ contracting agencies and State departments. The intent of the proposed regulations is to create clear rules for employers and subscribers to follow

regarding the specific types of documentation required to prove the existence of a parental role in the PCR.

**ATTACHMENT**

Attachment 1 – Parent-Child Relationship Regulations

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