



## Pension and Health Benefits Committee Agenda Item 5

September 20, 2016

**Item Name:** Proposed Regulations: Clarification of Combination Enrollments

**Program:** Health Benefits

**Item Type:** Action

### **Recommendation**

Approve staff's recommendation to pursue proposed regulations to clarify the rules regarding family enrollments where some family members may enroll only in basic plans and other members may enroll only in Medicare or supplemental plans. These are otherwise known as "combination enrollments."

### **Executive Summary**

The adoption of the attached regulations would clarify the rules under which members in a combination enrollment enroll in a health plan and when they may enroll in health plans offered by one or more different carriers.

### **Strategic Plan**

This item supports Goal A: Improve long-term pension and health benefit sustainability by ensuring high quality, accessible and affordable health benefits.

### **Background**

In March 2011, the Health Benefits Purchasing Review Project was undertaken to develop three to five-year strategies and initiatives to ensure the California Public Employees' Retirement System (CalPERS) can maintain program sustainability to provide quality affordable health care. As part of this strategy, and as a potential means to reduce premium costs, in February 2013, the CalPERS Board of Administration (Board) adopted regulations that gave it flexibility relative to supplemental health plan options.

When the regulations were adopted in 2013, CalPERS intended to adopt language to allow for members in combination enrollments to enroll in plans provided by different carriers. At the time, it was thought that CalPERS business model and systems could accommodate this type of enrollment, but this has proven not to be the case. Consequently, current regulations need to be clarified to reflect this situation.

### **Analysis**

At present, the Public Employees' Medical and Hospital Care Act (PEMHCA) regulations could be interpreted to allow members in combination enrollments to enroll in plans provided by different carriers. This is inconsistent with CalPERS current business model and system capabilities. CalPERS would like to clarify these regulations to: (1) affirm that members in a

combination enrollment must enroll into one basic plan and one supplemental plan provided by the same carrier at the time of enrollment; and, (2) allow for members in a combination enrollment to enroll into one basic plan and one supplemental plan provided by one or more different carriers contingent upon Board authorization. This contingency language would give the Board the authority to allow for split carrier enrollments should CalPERS change its business model and systems in the future to accommodate such enrollments.

#### Current State Statutes

Government Code (GC) § 20121 permits the Board to make such rules as it deems proper. Additionally, GC § 22796, subdivision (a), paragraph (2), states that the Board, pursuant to the Administrative Procedure Act, shall adopt all necessary rules and regulations to carry out the provisions of PEMHCA.

GC § 22844, subdivision (a), also provides the Board authority to coordinate CalPERS health benefits with the federal Medicare program to achieve both member and employer savings. This statute prohibits employees, annuitants, and family members “who become” eligible to enroll in Parts A and B of Medicare from enrolling in a basic health benefit plan. Furthermore, this statute permits employees, annuitants, and family members enrolled in Parts A and B of Medicare to enroll in a Medicare health plan.

GC § 22850, subdivision (a), permits the Board the authority to enter into contracts with carriers offering health benefit plans or with entities offering services relating to the administration of health benefit plans. GC § 22793 states that the Board must, in conformity with PEMHCA, approve health benefit plans and may contract with carriers offering health benefit plans.

GC § 22860 provides broad authority for the Board to integrate benefits provided by a health benefits plan with the benefits provided by federal or state plans for health care services for the aged in which there is federal or state financial participation. This section also provides the Board authority to adopt rules and regulations necessary for implementation, including enrolling employees and annuitants eligible for benefits provided by a federal or state plan for the aged in separate plans.

#### Current State Regulations

The California Code of Regulations (CCR), Title 2, § 599.502, subdivision (g), paragraph (4) requires employees and annuitants to enroll themselves and family members into one basic or supplemental plan. Where the eligibility rules do not allow for all of the parties to enroll in one basic or one supplemental plan, employees and annuitants are required to enroll themselves and their family members into only one basic plan and into only one supplemental plan offered by one or more different carriers. All enrollments are required to be under the name of one employee or annuitant.

#### Proposed Regulations

##### Amendment to Title 2, CCR § 599.502, subdivision (g), paragraph (4)

Staff recommends amending CCR § 599.502, subdivision (g), paragraph (4) by clarifying that an employee or annuitant shall enroll him or herself and all eligible family members into one basic or one supplemental plan offered by the Board at the time of enrollment. If eligibility rules prescribed by the Board do not allow the employee or annuitant and all eligible family members to enroll in one basic or supplemental plan at the time of enrollment, then the employee or annuitant shall enroll himself or herself and all eligible family members into one basic plan and into one



supplemental plan provided by the same carrier unless the Board authorizes enrollment in one basic or supplemental plan provided by one or more different carriers.

**Budget and Fiscal Impacts**

Proposed regulations will be cost neutral to CalPERS. Any costs associated with implementing proposed regulations will be absorbed by existing CalPERS resources.

**Benefits and Risks**

The proposed regulations do not impact current CalPERS program administrative costs or require CalPERS to change current practice. This change will help CalPERS members better understand their enrollment options. Furthermore, it may decrease CalPERS staff hours spent on responding to inquiries and possible future appeals related to combination enrollments. Without this change, the language is subject to interpretation, and CalPERS may experience an increase in staff hours spent on responding to inquiries and potential appeals.

**Attachments**

Attachment 1 – Proposed Regulations: Clarification of Combination Enrollments

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