



Pension and Health Benefits Committee Agenda Item 8

February 14, 2017

Item Name: Approval of Final Proposed Regulation on Clarification of Combination Enrollments and Public Hearing

Program: Health Benefits

Item Type: Action

Recommendation

The Health Policy Research Division recommends the Pension and Health Benefits Committee (PHBC) approve for submission to the Office of Administrative Law (OAL) the proposed regulation clarifying the rules governing family health benefit plan 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 proposed regulation would (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 carriers contingent upon the California Public Employees’ Retirement System (CalPERS) Board of Administration’s (Board) authorization.

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

At the September 2016 Board meeting, the Board approved initiation of the rulemaking process for the proposed regulation. CalPERS subsequently filed a Notice of Proposed Rulemaking with OAL to initiate the rulemaking process and begin the 45-day written comment period during which interested persons could submit comments regarding the proposed regulation.

The proposed regulation (Attachment 1) amends an existing regulation to clarify the rules for members in combination enrollments. As currently written, this regulation could be interpreted as allowing members in combination enrollments to enroll in plans provided by different carriers, which is inconsistent with CalPERS current business model and system capabilities. This causes member confusion, increased member inquiries, and could lead to member appeals.

The proposed regulation affirms 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. In addition, the proposed regulation allows for members in a combination enrollment to enroll into one basic plan and one supplemental plan provided by one or more 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.

Analysis

The Notice of Proposed Regulatory Action was published in the California Regulatory Notice Register 2016, No. 52-Z, File No. Z2016-1213-03, on December 23, 2016 (Attachment 2). The 45-day comment period commenced on December 23, 2016 and closed on February 6, 2017. Two requests for a public hearing were received during the comment period (Attachment 3).

The public hearing was appropriately noticed for February 14, 2016. Interested parties may present testimony and comments regarding the proposed regulatory action. The Committee and CalPERS are not required to respond to public comments during the hearing; however, all submissions will ultimately receive a written response from CalPERS that will be included as part of the final rulemaking file.

If the PHBC and Board approve submission of the proposed regulation, the rulemaking file will be prepared and submitted to OAL for its review. OAL has 30 days to review the rulemaking file. Assuming they approve the proposed regulation, OAL will then file the regulation with the Secretary of State for official publication in the California Code of Regulations and the regulation will be effective in mid-2017.

Budget and Fiscal Impacts

The proposed regulation 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 regulation does not impact current CalPERS program administrative costs or require CalPERS to change current practices. This regulatory change will help CalPERS' members better understand their enrollment options. Furthermore, it may decrease CalPERS' hours spent 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 resource time spent responding to inquiries and potential appeals.

Attachment

- Attachment 1 – Text of Proposed Regulation
- Attachment 2 – Notice of Proposed Rulemaking
- Attachment 3 – Public Hearing Requests

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