



Pension and Health Benefits Committee Agenda Item 9

February 14, 2017

Item Name: Peace Officers Research Association of California 2018 Regional Rates

Program: Health Benefits

Item Type: Information

Executive Summary

The Peace Officers Research Association of California (PORAC) plans to implement regional rating for its Basic health plan for the 2018 plan year. In order to do so, PORAC will need to secure legislative approval before June 2017.

Strategic Plan

This agenda item supports Strategic Plan Goal A – “Improve long-term pension and health benefit sustainability.”

Background

The California Public Employees’ Retirement System (CalPERS) offers Association health plans in accordance with Government Code (GC) Section 22850(g). Formed in 1953, PORAC is a professional federation of local, state and federal law enforcement agencies that represents over 69,000 public safety members and over 920 associations. PORAC’s Basic health plan is a fully insured Preferred Provider Organization plan underwritten by Anthem Blue Cross (Anthem). As of January 1, 2017, this plan has 24,889 enrolled members; most of whom are contracting agency employees. Attachment 1 provides enrollment information about this plan using CalPERS’ rating regions. Members who are eligible for PORAC’s health plans also have access to enroll in any other health plan offered by CalPERS in their area.

Each year, PORAC and Anthem make decisions on benefit design and rates for PORAC’s Basic health plan based on utilization and current market conditions. The rate renewal timeline for this plan is the same as for CalPERS’ health plans. The CalPERS Board of Administration (Board) reviews, but does not approve, the PORAC rates in June of each year.

Currently, PORAC offers a single statewide rate for its Basic health plan. PORAC proposes to use CalPERS existing regions to regionally rate this plan. PORAC does not intend to regionally rate its Medicare or Out-of-State plans.

Upon PORAC’s request to regionally rate its Basic health plan for 2018, CalPERS’ Health Plan Administration Division (HPAD) advised PORAC and Anthem to research, plan, and coordinate a potential implementation. HPAD coordinated with CalPERS’ Member Account Management Division (MAMD) and its Health Policy Research Division (HPRD) to identify activities, processes, and costs to facilitate this implementation.

Analysis

Health care costs vary geographically throughout California. Regional health care pricing is used in rate development to reflect the actual cost of health care in a specific region.

In 2004, legislation was enacted to give the California Correctional Peace Officer Association the authority to regionally rate its health plan premiums. Based on this legislative history, PORAC must seek legislation to amend GC Section 22850(g) to add itself as an entity that is authorized to do the same. If PORAC wants to implement regional rating for the 2018 plan year, then it will need to pursue urgency legislation to ensure it has this authority before June 2017 when the Board would be informed of the PORAC rates and members could be apprised of them before open enrollment.

Budget and Fiscal Impacts

There are no system changes needed to effectuate PORAC's regional pricing since PORAC will be using CalPERS existing regional pricing structure. Any work required by CalPERS for implementation will be absorbed through existing budget resources as core workload. Program estimates that additional eligibility and enrollment system testing will be needed and cost less than \$5,000.

PORAC and Anthem will assume all other costs including, but not limited to, system modifications, communications to members/employers, ID card distribution, Evidence of Coverage (EOC) distribution, and microsite updates.

Benefits and Risks

To the extent that PORAC wants to implement regional rating for the 2018 plan year, there is a risk that legislation authorizing it to do so will not be enacted before the publication of the 2018 health plan rates in June 2017. If such legislation is not enacted in this timeframe, then PORAC cannot regionally rate its Basic health plan for the 2018 plan year.

Attachments

Attachment 1 – PORAC Members (TCLs) Regional Map

Kathy Donneson, Chief

Health Plan Administration Division

Liana Bailey-Crimmins

Interim Deputy Executive Officer
Benefit Programs Policy and Planning

