



Pension and Health Benefits Committee Agenda Item 5b

June 20, 2017

Item Name: Approval of the 2018 Preferred Provider Organization Plan Rates

Program: Health Benefits

Item Type: Action

Recommendation

The rates team recommends the Pension and Health Benefits Committee (PHBC) approve the proposed 2018 Preferred Provider Organization (PPO) rates for Anthem Exclusive Provider Organization, PERS Choice, PERS Select, and PERSCare as contained in this agenda item.

Executive Summary

This agenda item provides the PHBC the proposed 2018 Basic and Medicare premiums from our PPO health plans for the California Public Employees' Retirement System (CalPERS).

Strategic Plan

This item supports Strategic Goal Plan A "Improve long-term pension and health benefit sustainability."

Background

The CalPERS rates team worked with actuaries from Mercer and actuarial and underwriting staff from Anthem Blue Cross and OptumRx to develop the 2018 PPO health plan rates. The review examined current utilization and cost trends and the need to maintain appropriate reserves under the Risk Based Capital methodology.

An aspect of the analysis and assessment used for setting rates for the upcoming 2018 plan year includes the review of prior year medical and pharmacy trends. This review provides insight into the potential costs for future years.

The implementation of OptumRx as the Pharmacy Benefits Manager began in January 2017. Since implementation, the rates team and consulting actuaries have been evaluating emerging claims experience for 2017. The information from those claims is incorporated into these rates.

Analysis

For the 2018 plan year, the proposed rates will change the amount employees and employers contribute. For the State of California, the change will be determined in accordance with Government Code section 22871 et seq, of the Public Employees' Medical and Hospital Care Act.

For contracting agencies, the change will be determined based on each agency's negotiated contribution amount.

Budget and Fiscal Impacts

Not Applicable

Benefits and Risks

The rates team recommends approval of the proposed PPO premiums so that work can begin on systems changes and member communications for the 2018 Open Enrollment period, and so that 2018 premiums can be communicated on a timely basis to the State's Department of Finance and our contracting public agencies.

Attachments (Attachment 1 will be provided under separate cover)

Attachment 1 – 2018 State and Contracting Agencies Health Premiums

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