



# Pension and Health Benefits Committee Agenda Item 7

February 13, 2018

**Item Name:** Public Agency Recruitment and Retention for the Health Benefits Program

**Program:** Health Benefits

**Item Type:** Information

## **Executive Summary**

The Committee was last updated on February 18, 2017, regarding our marketing and retention strategies for Public Agencies and School Employers. Public Agencies and School Employers represent approximately 41 percent of the 1.4 million lives covered under the Public Employees' Medical and Hospital Care Act (PEMHCA) program. In 2017, we contracted with ten new agencies, which included 37 employee groups adding 5,296 new Total Covered Lives (TCLs). In August 2017, nine agencies with 22 employee groups totaling 9,226 TCLs terminated their coverage. For the period of February 19, 2017, to the present, there has been an overall net increase of 5,897 TCLs added to the program.

## **Strategic Plan**

This item supports the 2017-22 Strategic Goal of "Health Care Affordability: Transform health care purchasing and delivery to achieve affordability."

## **Background**

The California Public Employees' Retirement System (CalPERS) is the largest purchaser of public employee health benefits in California and the second largest public purchaser in the nation after the federal government. CalPERS Health Benefits program, or the PEMHCA program, provides benefits to more than 1.4 million public employees, retirees, and their families. This item is an annual update from the Health Program Consultation Services Unit providing the status of recruitment and retention efforts over the last year.

## **Analysis**

Our health benefits program remains attractive to public agencies and schools. The Health Program Consultation Services Unit participated in multiple events to support our marketing efforts to grow the program. In Attachment 1, Public Agency and Schools Program Growth and Loss chart displays the growth and loss of TCLs between 2014 and 2018. The following summarizes the results:

- The CalPERS Health Benefits Program retained 99 percent of agency participation.
  - Nine agencies with 22 employee groups terminated in 2017 resulting in a loss of 9,226 TCLs as of January 1, 2018.
  - The program added 10 new agencies with 37 employee groups and added employee groups to nine existing PEMHCA agencies for a total gain of 5,996 TCLs in 2017.
  - This resulted in a net loss of 3,230 TCLs for 2017.

- At the time of this agenda item, the Health Account Management Division has contracted with five new agencies with 23 employee groups adding 9,127 TCLs, effective January 2018, to the CalPERS Health Benefits Program.

The departing agencies cited a variety of reasons for leaving, such as, increases in employer contributions for active and retired members, the desire for a low premium high deductible health plan, as well as, flexibility with contract vesting and future liability concerns. Attachment 2 lists the agencies that terminated from our program effective January 1, 2018. Attachment 3 lists the agencies that joined PEMHCA and agencies who added employee groups in 2017 with their associated TCL counts.

Approximately half of the TCL loss in 2017 (4,737) occurred when The County of San Luis Obispo terminated its contract with CalPERS. On June 21, 2017, after the 2018 rates were released, the County contacted CalPERS stating that, "...while CalPERS may have had the best rate renewal in 20 years, 63% of our employees are seeing a 12.2% rate increase since they are in the narrow network UnitedHealthcare...". This took place after the previous year's increase of 11.29 percent in UnitedHealthcare for the Other Southern Region. The County then submitted a termination resolution to CalPERS expressing their desire for a health plan with more flexibility and a more customizable benefit design.

The process and activities involved in contracting with a new agency can take anywhere from 30 days to three years to complete. Some factors that contribute to an extended timeline include concerns over Other Post Employer Benefits, negotiations with represented groups, current benefits, and contract terms. The Health Program Consultation Services Unit regularly presents to multiple levels within a prospective organization including Human Resources, Risk Management, Benefits Committee, Labor Representation, Controller/Chief Financial Officer, retirees and active members, Administrative staff, and the agency's governing board. The Health Program Consultation Services Unit's role is to clearly understand the agency's current and historical agreements, in addition to obstacles or issues germane to the agency, and provide information and possible solutions.

Throughout 2017, the following entities participated in numerous events contributing to the success of our retention, marketing, and outreach efforts: the Health Program Consultation Services Unit, the CalPERS Regional Offices, the California Employers' Retirement Benefit Trust Fund, the Supplemental Income Plans, the Long-Term Care Unit, and the CalPERS Health Plan Partners. These events included attending 13 conferences, delivering 119 presentations to prospective agencies, presenting eight workshops at Regional Offices, providing assistance in coordinating 1,235 open enrollment health fairs, and presenting at the CalPERS Educational Forum. These events allowed us to raise awareness of the CalPERS Health Benefits Program, attract new Public Agency and School Employers, create new contacts, and maintain existing relationships.

We are pleased with the addition of the new agencies and successful outreach events. In support of our strategic goal of health care affordability, we will continue to offer a high quality, accessible, and affordable program to our employers and members.

Moving forward through 2018 and beyond, we will be inviting all existing, prospective, and terminated agencies to attend one of our workshops in their respective geographic area.



**Budget and Fiscal Impacts**

Not applicable.

**Benefits and Risks**

Not applicable.

**Attachments**

Attachment 1 – CalPERS Health Benefits Program Public Agency Growth and Loss

Attachment 2 – Calendar Year 2017 PEMHCA Terminating Total Covered Lives

Attachment 3 – Calendar Year 2017 PEMHCA New Total Covered Lives

Attachment 4 – CalPERS Health Benefits Program Public Agency Recruitment and Retention Presentation

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**Rob Jarzombek, Chief**

Health Account Management Division

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**Liana Bailey-Crimmins**

Chief Health Director

Health Policy and Benefits Branch