

# Health Regions for Public Agencies and Schools Scenarios and Regional Factors

Pension and Health Benefits  
Committee

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# Agenda

- Background
- Scenarios Methodology
- Scenarios
- Regional Factors
- Stakeholder Outreach
- Next Steps



# Regions Journey



# Guiding Principles



We must remain competitive



Greatest good for the greatest number



PEMHCA compliant

# Naming Regions

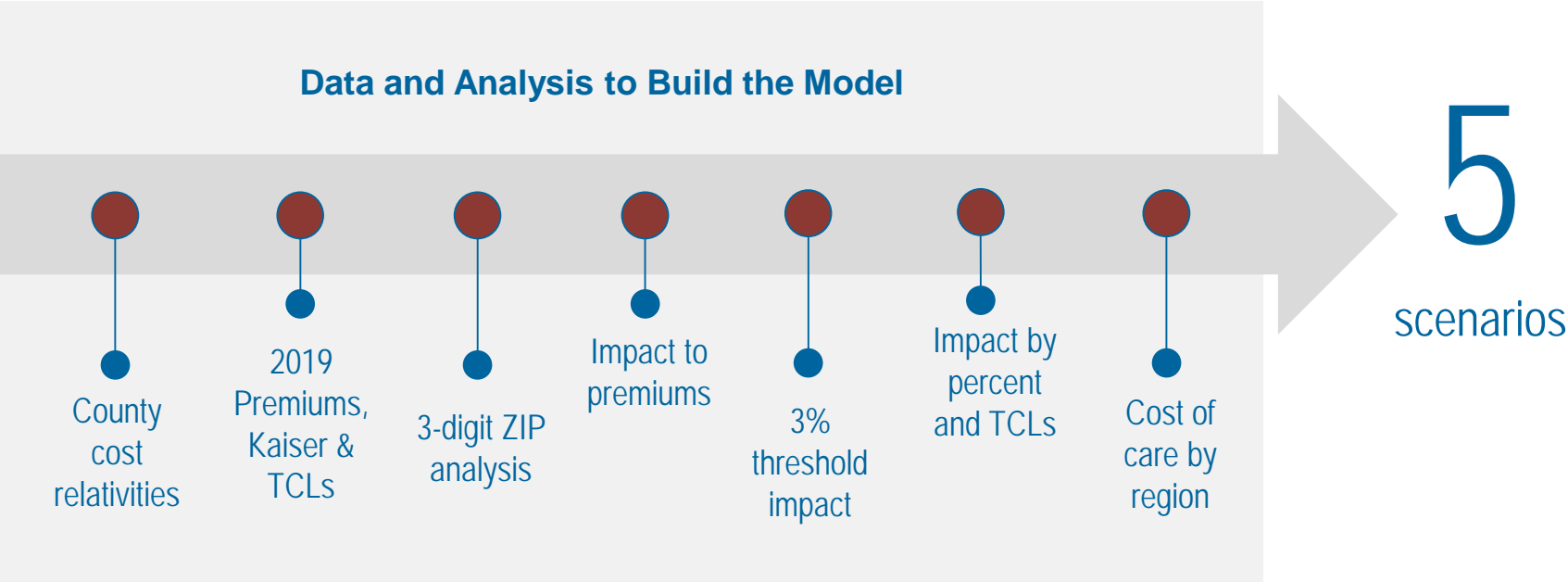
## Geographic nomenclature

Bay Area, Los Angeles Area, Other Northern,  
Other Southern, Sacramento Area



Numerical naming convention  
Rating Region 1, 2, 3, etc.

# Methodology



# About the Data & Scenarios



## ZIP codes

Zip code compared to county data analysis didn't show a significant variation among counties except for Los Angeles



## Principles

Instrumental in communication with stakeholders and scenarios for consideration



## Non-contiguous

Analyzed based on cost only did not result in premium decreases for more members



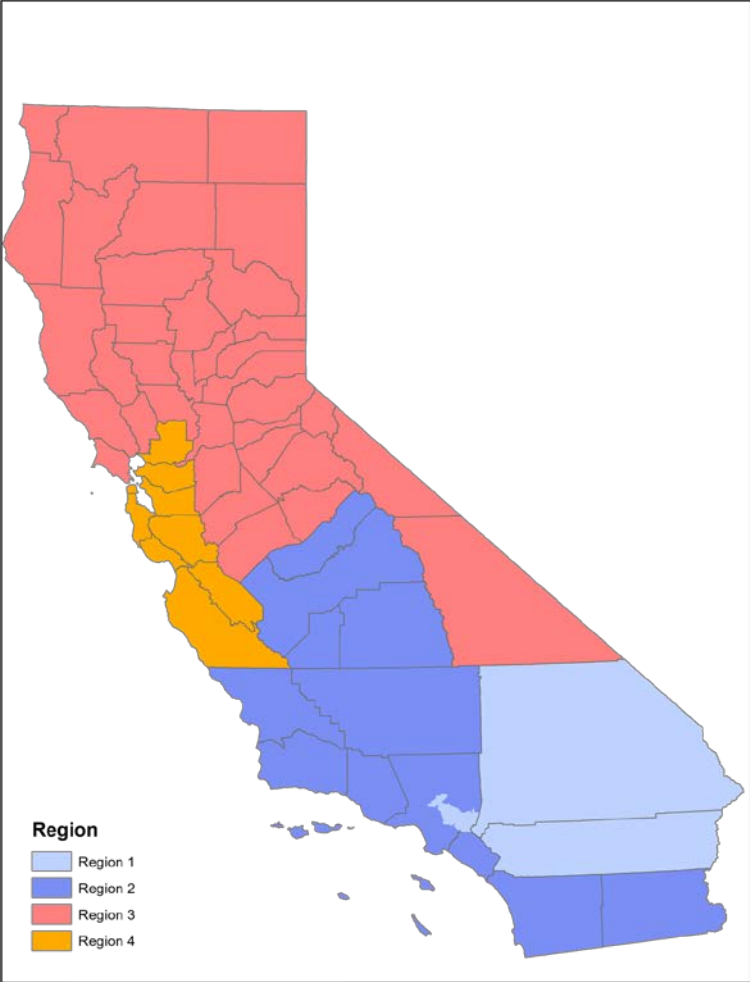
## Employers/Members

Because of the variety of plans we offer, all employers have at least one member who experiences an increase, a decrease, and within range





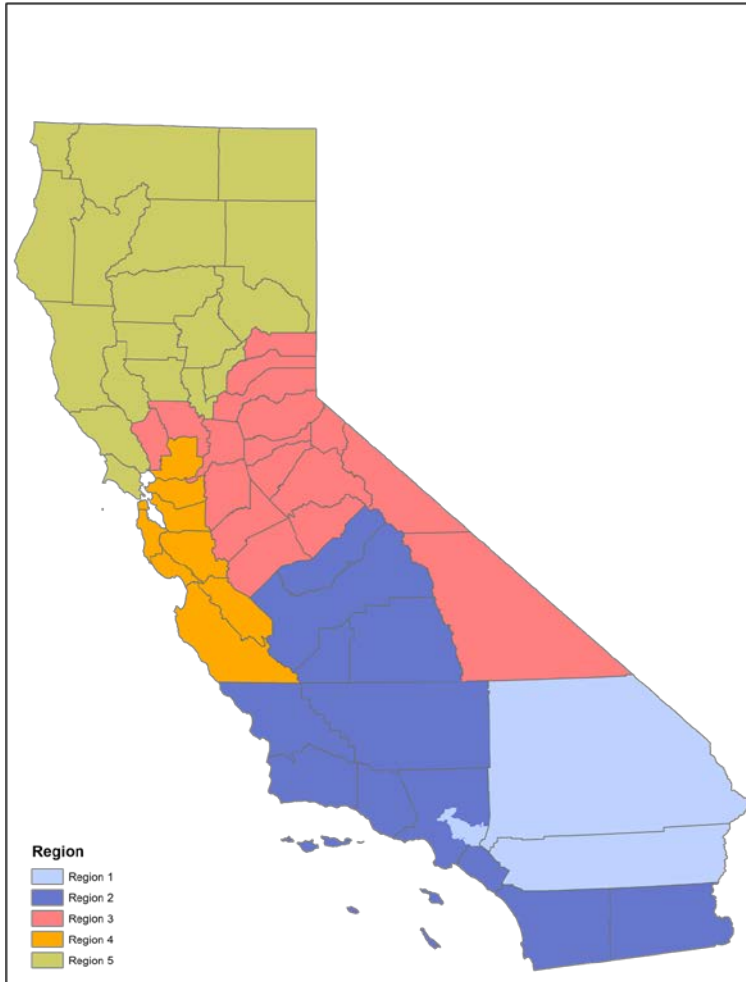
# Scenario B – Four Rating Regions



Estimated Premium Impact	Total Covered Lives (TCLs)	Percentage of TCLs
Increase more than 3%	171,000	37%
Decrease more than 3%	187,000	40%
Change within 3%	109,000	23%

Cost Relativities	
Region 1	0.754
Region 2	0.892
Region 3	1.091
Region 4	1.229

# Scenario C – Five Rating Regions



## Estimated Premium Impact

Increase more than 3%  
 Decrease more than 3%  
 Change within 3%

**Total Covered  
 Lives (TCLs)**

175,000  
 183,000  
 110,000

**Percentage  
 of TCLs**

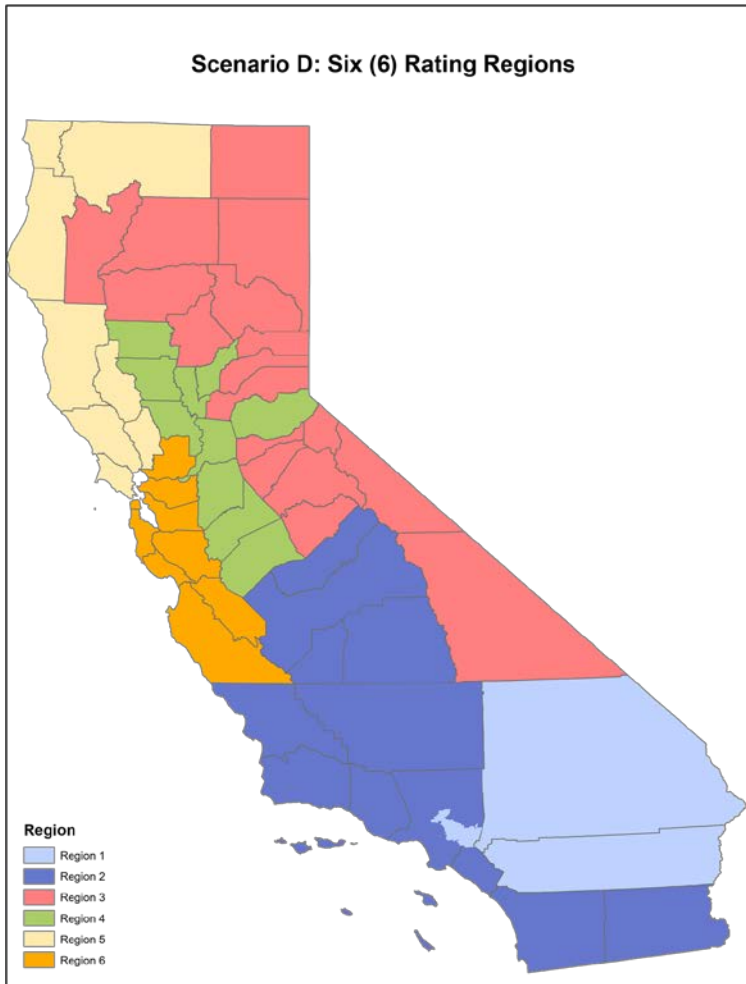
37%  
 39%  
 23%

## Cost Relativities

Region 1  
 Region 2  
 Region 3  
 Region 4  
 Region 5

0.754  
 0.829  
 1.075  
 1.125  
 1.229

# Scenario D – Six Rating Regions



## Estimated Premium Impact

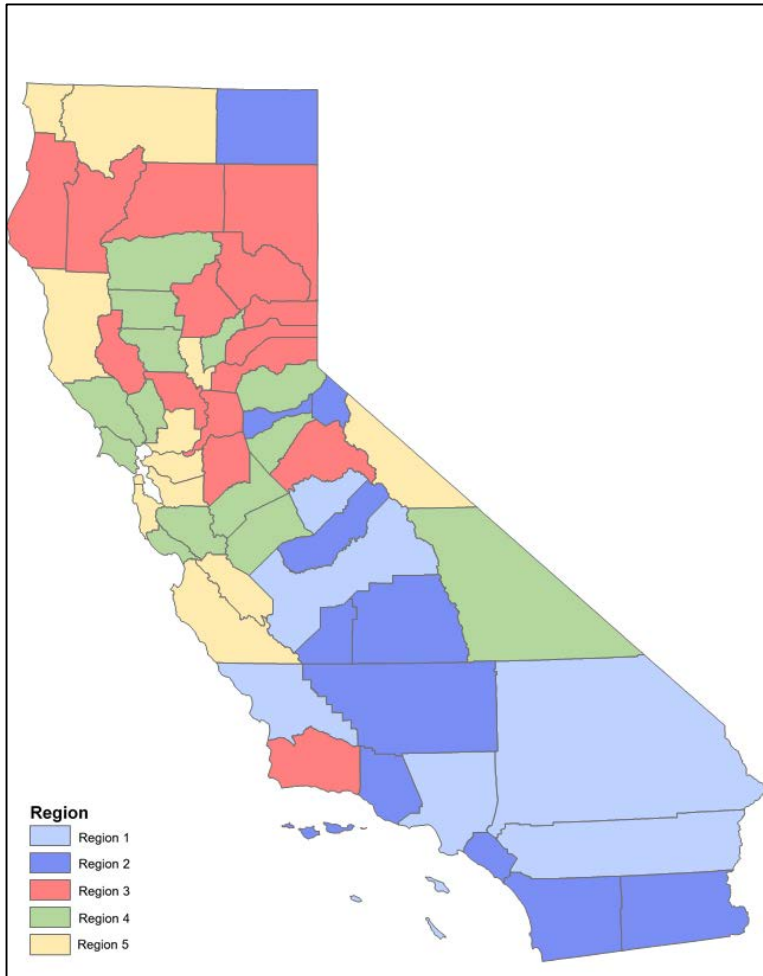
Increase more than 3%  
 Decrease more than 3%  
 Change within 3%

Total Covered Lives (TCLs)	Percentage of TCLs
173,000	37%
183,000	39%
112,000	24%

## Cost Relativities

Region 1	0.754
Region 2	0.892
Region 3	1.057
Region 4	1.093
Region 5	1.172
Region 6	1.229

# Scenario E – Five Rating Regions Based on Cost



Estimated Premium Impact	Total Covered Lives (TCL)	Percentage of TCL
Increase more than 3%	164,000	35%
Decrease more than 3%	158,000	34%
Change within 3%	146,000	31%

Cost Relativities	
Region 1	0.826
Region 2	0.907
Region 3	1.050
Region 4	1.144
Region 5	1.271

# Comparison of Regional Scenarios Impact

	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E
Number of Regions	2	4	5	6	5
Estimated Single Party Premium Equivalent Impact on TCLs					
Increase more than 3%	154,000	171,000	175,000	173,000	164,000
Decrease more than 3%	193,000	187,000	183,000	183,000	158,000
Change within 3%	121,000	109,000	110,000	112,000	146,000
Percentage of Total Covered Lives paying within 97% of the cost of care in their region					
	40%	48%	50%	49%	51%

# Market Comparison – Schools Example

## 2017 Composite Premium Comparison Single Party Premium Weighted Average

Current Region	CalPERS	California's Valued Trust	Self-Insured Schools of California
Bay Area	\$1,258	\$1,198	\$1,268
Sacramento Area	\$1,282	\$1,105	\$1,058
Other Northern CA	\$1,200	\$1,155	\$1,128
Los Angeles Area	\$1,050	\$1,153	\$1,112
Other Southern CA	\$1,289	\$1,312	\$1,210
Statewide	\$1,196	\$1,186	\$1,187

**Source: Milliman.** Each school's composite reflects their own mix of enrollment by dependent tier, benefit plan design, and health plan carrier. In addition, the SISC and CVT premiums also reflect each school's health status and regional costs.

**Limitations**

Milliman's work is prepared solely for the internal business use of CalPERS. Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit any third party recipient of its work product, even if Milliman consents to the release of its work product to such third party. Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. Actual experience is unlikely to conform exactly to the assumptions used in this analysis. Therefore, actual amounts will almost certainly differ from projected amounts.



# HMO Regional Factors

## How Will We Do It?

### Status Quo

Plans interpret directions for calculating factors

### CaIPERS


Provides prescriptive definition to plans for calculating factors

### CaIPERS

sets a range for regional factors for plans to be within

Third-party validation

# Stakeholder Outreach



575+  
views

“Your Guide  
to CalPERS  
Health  
Regions”  
Webinar



Ed Forum  
Stakeholder  
Briefings



Public  
Agency  
Regions  
Email

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# Next Steps

