

Health Regions for Public Agencies and Schools Scenarios and Regional Factors

Pension and Health Benefits
Committee

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November 14, 2018

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

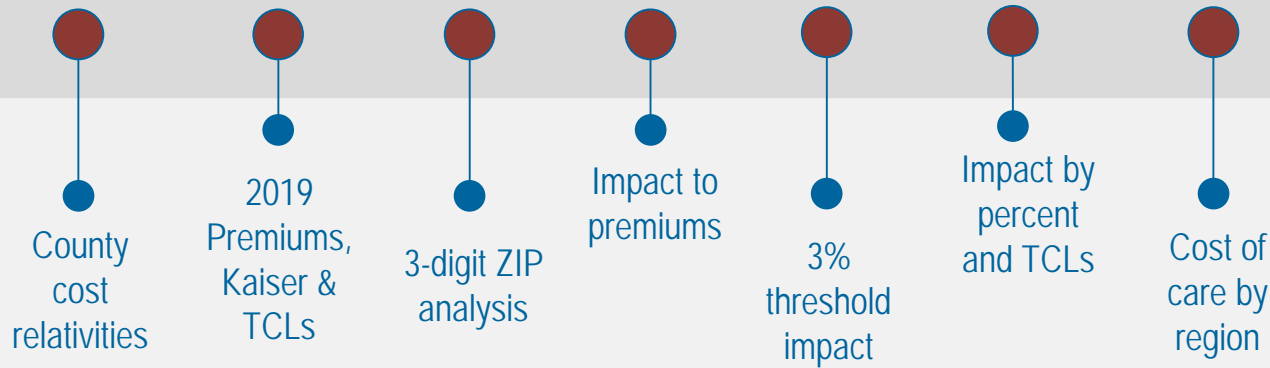
Bay Area, Los Angeles Area, Other Northern,
Other Southern, Sacramento Area



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

Methodology

Data and Analysis to Build the Model



5
scenarios

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

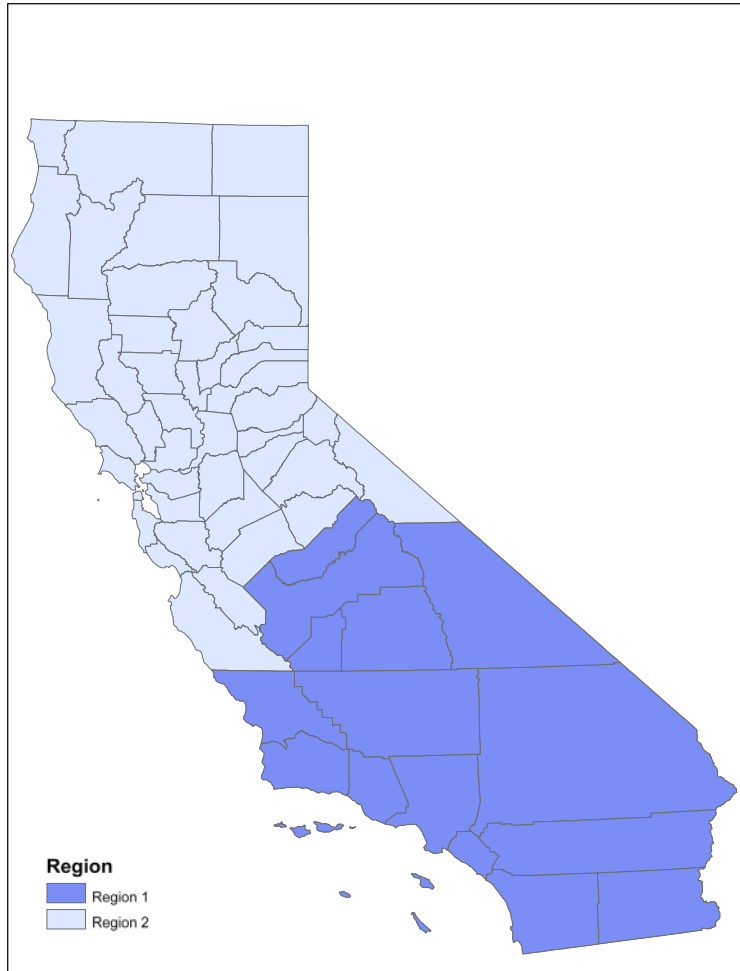
Analyzed based on cost only did not result in premium decreases for more members



Employers/Members

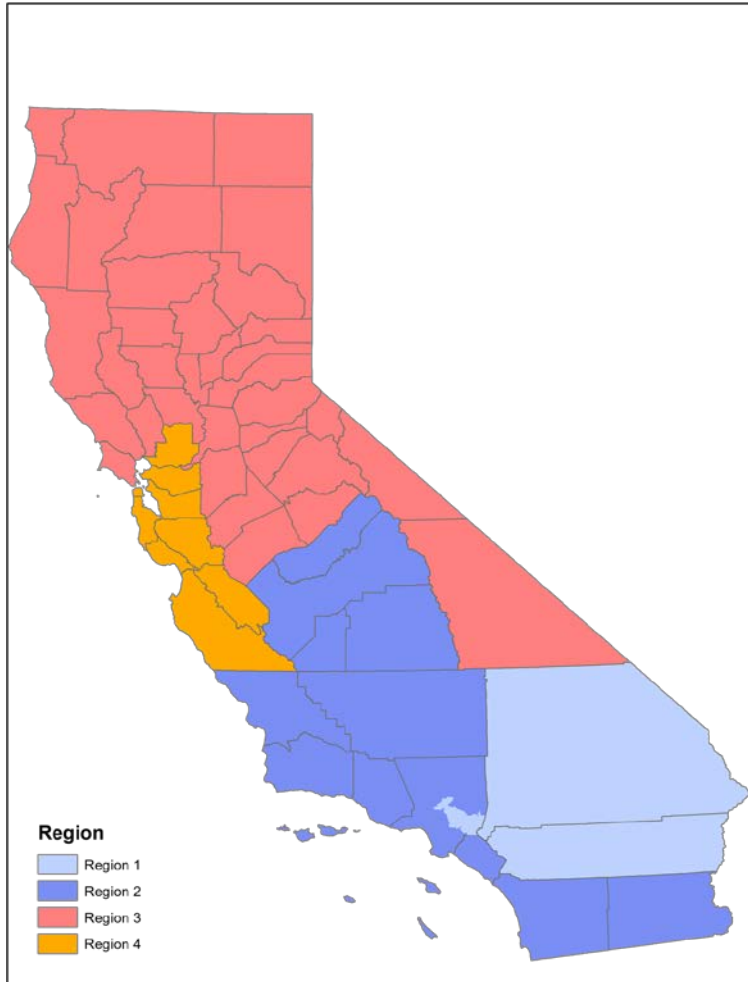
Because of the variety of plans we offer, all employers have at least one member who experiences an increase, a decrease, and within range

Scenario A – Two Rating Regions



Estimated Premium Impact	Total Covered Lives (TCLs)	Percentage of TCLs
Increase more than 3%	154,000	33%
Decrease more than 3%	193,000	41%
Change within 3%	121,000	26%
Cost Relativities		
Region 1 (South)	0.854	
Region 2 (North)	1.166	

Scenario B – Four Rating Regions



Estimated Premium Impact

Increase more than 3%

Decrease more than 3%

Change within 3%

Total Covered
Lives (TCLs)

171,000

187,000

109,000

Percentage
of TCLs

37%

40%

23%

Cost Relativities

Region 1

0.754

Region 2

0.892

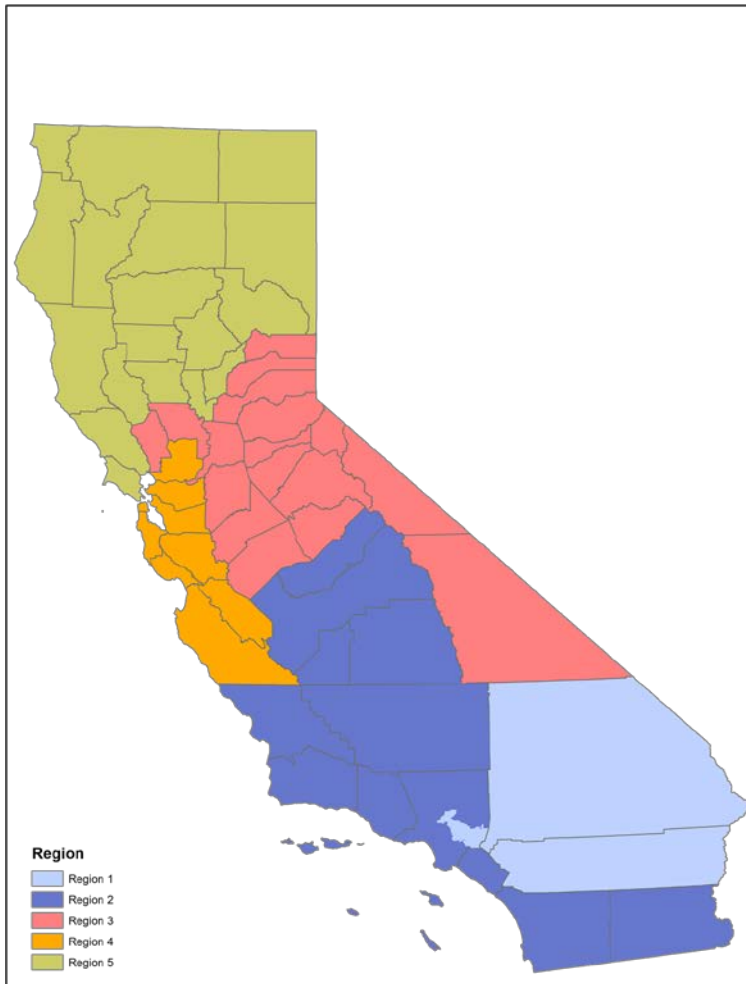
Region 3

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%

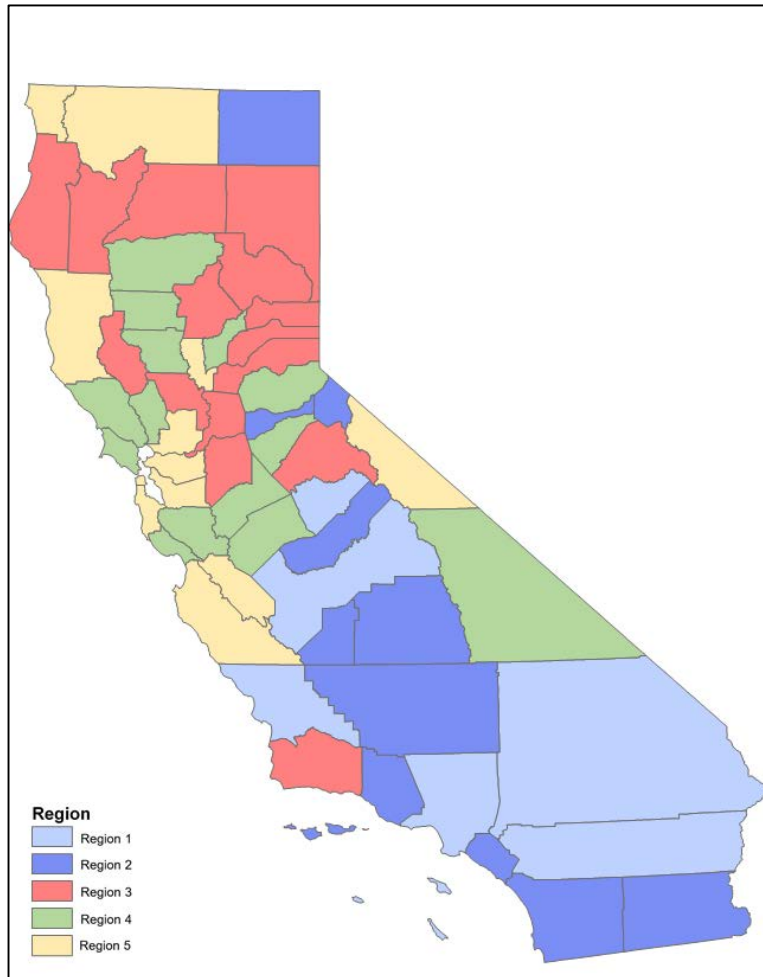
Total Covered Lives (TCLs) Percentage of TCLs

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

Increase more than 3%

Decrease more than 3%

Change within 3%

Total Covered
Lives (TCL)

164,000

158,000

146,000

Percentage
of TCL

35%

34%

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

CalPERS

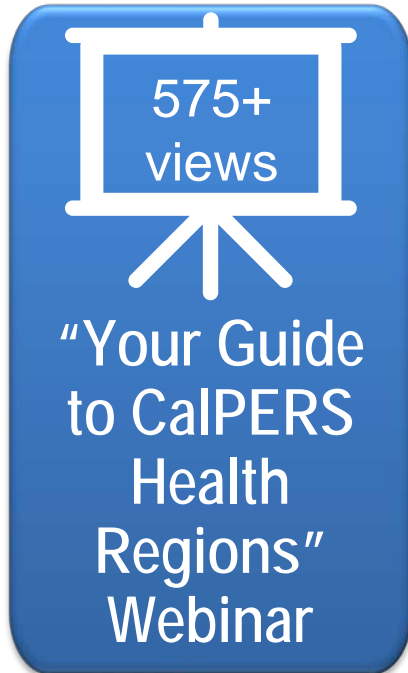
Provides prescriptive
definition to plans for
calculating factors

CalPERS

sets a range for
regional factors for
plans to be within

Third-party validation

Stakeholder Outreach



Contact us at:
Public_Agency_Health_Regions_Evaluation@calpers.ca.gov

Next Steps

