



Finance and Administration Committee

Agenda Item 7a

April 16, 2019

Item Name: Semi-Annual Health Plan Financial Report

Program: Health Policy and Benefits Branch

Item Type: Information

Executive Summary

This report updates the Committee on the financial status as of December 31, 2018 for the six (6) California Public Employees' Retirement System (CalPERS) Self-Funded Preferred Provider Organization (PPO) health plans and the eight (8) Partially Self-Funded (also referred to as Flex-Funded) Health Maintenance Organization (HMO) health plans.

Strategic Plan

This agenda item supports the CalPERS 2017-2022 Strategic Goal: "Transform health care purchasing and delivery to achieve affordability."

Background

Starting in 2014, CalPERS introduced several new Partially Self-Funded HMO health plans. Enrollment in our new Partially Self-funded HMO plans has increased from approximately 22,000 Total Covered Lives in 2014 to 160,000 in 2018. This report summarizes the financial results and enrollment for CalPERS health plans that are entirely or Partially-self-funded.

Analysis

PPO Plans

The financial figures in this report reflect the Reserve Policy approved by the Pension and Health Benefits Committee in September 2018, which lowered actuarial reserve levels. It also reflects that Anthem Select HMO replaced Anthem EPO in Monterey beginning in 2018.

Attachment 1 summarizes the results for the PPO plans. Total assets were \$660 million at the end of 2018, a decrease of \$70 million from 2017. Actuarial reserves for the PPO plans were \$507 million, a decrease of \$93 million from 2017. Overall, the Self-Funded PPO plans have a ratio of assets to actuarial reserves of 130 percent.

Medical and pharmacy claims costs are shown on pages 4 and 7 of attachment 1. On average, medical claims cost increased by less than 2% for Basic plans and 4% for Medicare

Supplement plans from 2017 to 2018. Pharmacy claims cost increased from the mid to high single digits across all plans.

Total PPO enrollment in 2018 has increased by 2.5% over 2017 enrollment. Enrollment in PERS Care Basic continues to increase, from 31,000 to over 40,000, while enrollment in PERS Choice Basic dropped by 8,000 (about 5%) and PERS Select Basic increased by 4,200 (about 9%). Enrollment in the Medicare plans increased by almost 4,600 (about 4%) in 2018.

HMO Plans

CalPERS reimburses the Partially Self-Funded HMO plans for a capitation amount equal to the actual capitation amounts the plans paid to their providers. Capitation is a set amount paid to physicians or medical groups for a defined set of health care services whether those services are provided or not. Once CalPERS receives the invoice for the capitation, and remits payment to the plans, CalPERS retains the remainder for administrative fees and fee-for-service claims.

Attachment 2 summarizes the results for the HMO plans. The asset value for each HMO plan is shown on the first two pages of the attachment.

As of December 31, 2018, the assets for the HMO plans totaled \$233 million; an increase of \$214 million from the end of 2017. Most of the increase was based on the risk adjustment reconciliation results for 2017 and the risk transfers for 2018.

Medical and pharmacy claims costs are shown on pages 3 and 5 of attachment 2. The variation in claims costs reflects the demographics of the population covered and the regions in which they live.

Enrollments for each plan are shown on page 7 of attachment 2. Total enrollment for Basic Partially-Funded HMO health plans has decreased slightly (about 1%) since 2017. However, there are major enrollment changes for some plans. Enrollment in Health Net Smart Care decreased by 19,000 (about 50%) while enrollment in Health Net Salud y Mas continues to increase, from 5,900 to 8,600 (about 46%). Enrollment in Anthem Select decreased by 5,800 (about 20%) and Anthem Traditional remained the same as 2017.

Budget and Fiscal Impacts

This item is for information purposes only and has no impact on the CalPERS budget. Any impact this may have on future health plan premiums will be addressed during the rate development process that generally occurs from April through June in the Pension and Health Benefits Committee.

Benefits and Risks

Benefits

- The current financial status of the PPO plans is stable, with adequate premiums and reserves to fund benefits
- The flex-funding arrangement provides better insight into medical fee-for-service and pharmacy claims in an HMO population.

Risks

- The higher than expected costs in medical and/or pharmacy could lead to larger than expected premiums in 2020.

Attachments

Attachment 1 – Key graphical analyses of financial and historical data for the PPO plans.

Attachment 2 – Key graphical analyses of financial and historical data for the HMO plans.

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