



## Pension and Health Benefits Committee

# Agenda Item 7a

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**June 18, 2019**

**Item Name:** State Annuitant Contribution Formulas

**Program:** Health Benefits

**Item Type:** Information

### **Executive Summary**

The State Annuitant Contribution amounts, based on proposed 2020 premium rates, are provided as information in Attachment 1, under separate cover.

### **Strategic Plan**

This item supports CalPERS Health Care Affordability Strategic Goal: "Transform health care purchasing and delivery to achieve affordability."

### **Background**

Government Code Section 22871 specifies the State employer contribution for State annuitants' health benefits shall be calculated based on 100 percent of the weighted average of the premiums of the four largest health benefit plans.

Government Code Sections 22871.3(a) and 22871.3(b) modify the State's Annuitant Contribution Formula for State employees, hired on or after January 1, 2016 and January 1, 2017. The effective date depends on the member's bargaining unit.

Government Code Section 22871.3(a) specifies "the employer contribution for each annuitant enrolled in a basic plan shall be an amount equal to 80 percent of the weighted average of the health benefit plan premiums for an employee or annuitant enrolled for self-alone, during the benefit year to which the formula is applied, for the four health benefit plans that had the largest active state civil service enrollment, excluding family members, during the previous benefit year. For each annuitant with enrolled family members, the employer contribution shall be an amount equal to 80 percent of the weighted average of the additional premiums required for enrollment of those family members, during the benefit year to which the formula is applied, in the four health benefit plans that had the largest active state civil service enrollment, excluding family members, during the previous benefit year."

Government Code Section 22871.3(b) specifies "the employer contribution for each annuitant enrolled in a Medicare health benefit plan in accordance with Section 22844 shall be an amount equal to 80 percent of the weighted average of the health benefit plan premiums for an annuitant enrolled in a Medicare health benefit plan for self-alone, during the benefit year to which the formula is applied, for the four Medicare health benefit plans that had the largest state annuitant

enrollment, excluding family members, during the previous benefit year. For each annuitant with enrolled family members, the employer contribution shall be an amount equal to 80 percent of the weighted average of the additional premiums required for enrollment of those family members, during the benefit year to which the formula is applied, in the four Medicare health benefit plans that had the largest state annuitant enrollment, excluding family members, during the previous benefit year. If the annuitant is eligible for Medicare Part A, with or without cost, and Medicare Part B, regardless of whether the annuitant is actually enrolled in Medicare Part A or Part B, the employer contribution shall not exceed the amount calculated under this subdivision.”

The 80/80 State Annuitant Contribution applies to State employees in Bargaining Unit 9 or 10 that were hired on or after January 1, 2016. For all other bargaining units, the 80/80 State Annuitant Contribution formula applies to State employees hired on or after January 1, 2017.

### **Analysis**

The State contribution rates for each premium tier (one-party, two-party, and family) were calculated based on the weighted average of the four largest health plans. For 2020, the four largest Basic health plans, used to calculate the 100/90 contribution and the 80/80 contribution for annuitants enrolled in a Basic plan are Kaiser Permanente, Blue Shield Access+ Health Maintenance Organization (HMO), PERS Choice, and UnitedHealthcare HMO. The four largest Medicare health plans, used to calculate the 80/80 contribution for annuitants enrolled in a Medicare plan are Kaiser Permanente, UnitedHealthcare Medicare Advantage, PERS Choice Medicare Supplement and PERSCare Medicare Supplement.

### **Budget and Fiscal Impacts**

The 2020 health plan premiums are expected to change the State's contributions for annuitants under the 100/90 State Annuitant Contribution formula. The 80/80 State Annuitant Contribution formula will have minimal fiscal impact due to the small number of members that are currently impacted.

### **Benefits and Risks**

There are no risks associated with this information item.

### **Attachments** (Attachment will be provided under separate cover)

Attachment 1 – 2020 100/90 and 80/80 State Annuitant Contributions

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