



Pension & Health Benefits Committee

Agenda Item 7a

June 16, 2020

Item Name: Preliminary 2021 Health Maintenance Organization and Preferred Provider Organization Plan Rates

Program: Health Benefits

Item Type: Information

Executive Summary

This agenda item provides an update to the Rate Development Process (RDP) timeline and the preliminary 2021 premiums with COVID-19 impact for California Public Employees' Retirement (CalPERS) health plans. The CalPERS Board of Administration (Board) is scheduled to approve the 2021 premiums in July 2020.

Strategic Plan

This item supports CalPERS Health Care Affordability Strategic Goal: "Transform Health Care Purchasing and Delivery to Achieve Affordability."

Background

Pursuant to Government Code Section 22864(a), which requires that premiums shall reasonably reflect the cost of benefits provided, CalPERS engages each year in the RDP. The goal of the RDP is to ensure that CalPERS members receive high-quality health care at an affordable price. The CalPERS rates team is comprised of individuals from the Health Plan Research and Administration Division, the Actuarial Office, and the Legal Office, as well as consulting actuaries and external legal counsel. Additionally, pursuant to Government Code Section 22850, additions of new health plans are considered part of the RDP at the discretion of the Board.

Initial 2021 premiums were provided to the Pension and Health Benefits Committee (PHBC) in April during closed session. Since then, the rates team has continued to analyze and validate plan submitted claims experience against our financial reports and data warehouse. In addition, the rates team continues to engage internal and third-party actuaries to provide independent health actuarial consultation, assess the proposals from the carriers, and provide market trend analysis.

Updates to the Rate Development Process Timeline

Many health plans opted not to submit revised rates in April 2020. During this time, many health plans were in the initial stages of developing methodologies to project potential COVID-19 impacts on 2021 rates. CalPERS requested health plans to submit estimated 2021 rates reflecting COVID-19 impacts in May.

The CalPERS rates team continues to analyze preliminary rates and the estimated COVID-19 impacts submitted by the health plans to ensure accuracy and affordability, as it prepares final rates for approval by the Board in July.

Individual Plan Information

Plan-specific information on preliminary 2021 premiums is available in handouts and will be discussed in detail during the June 2020 PHBC meeting.

Budget and Fiscal Impacts

The proposed premiums for the 2021 plan year will either increase or decrease employee and employer health premium contributions.

For the State of California, the increase or decrease will be determined in accordance with the Public Employees' Medical and Hospital Care Act. For contracting agencies, the increase or decrease will be determined based on each agency's negotiated health premium contribution amount.

Benefits and Risks

The increasing cost of health care is a burden to CalPERS and our members. CalPERS, like many purchasers of health benefits, continues to face the challenge of adequately covering the cost of health care while remaining competitive. CalPERS aggressively works to keep costs and premiums as low as possible and continues to explore innovations and programs to provide high quality affordable health care to our members.

This year brings a new potential risk related to the unknown impact of the COVID-19 pandemic on the CalPERS Health Care Fund and CalPERS 2021 health plan rates.

Handouts:

Handouts will be provided under separate cover just prior to the PHBC meeting on June 16, 2020.

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