



Board of Administration Offsite

Approval of 2021 HMO and PPO Rates

July 14, 2020

Item Name: Approval of 2021 Health Maintenance Organization Rates and Approval of Preferred Provider Organization Rates

Program: Health Benefits

Item Type: Action

Recommendation

The California Public Employees' Retirement System (CalPERS) rates team recommends the Board of Administration (Board) approve the final proposed 2021 Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) premiums.

Executive Summary

This agenda item provides the Board the final proposed 2021 Basic and Medicare premiums for the CalPERS HMO and PPO plans.

For the 2021 plan year, CalPERS contracts with the following carriers for Basic HMO and PPO plans: Anthem Blue Cross, Blue Shield of California, Health Net of California, Kaiser Permanente, Sharp Health Plan, UnitedHealthcare, Western Health Advantage

CalPERS contracts with the following carriers for Medicare Advantage Plans: Anthem Blue Cross, Kaiser Permanente, Sharp Health Plan, UnitedHealthcare. CalPERS contracts with Anthem Blue Cross to administer Medicare supplement plans.

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 Rate Development Process (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.

At the June 2020 Pension and Health Benefits Committee (PHBC), the committee approved the service area expansions for Blue Shield Trio HMO; the addition of supplemental benefits to the Kaiser Permanente Senior Advantage and UnitedHealthcare Group Medicare Advantage; addition of the Sharp Medicare Advantage; and allowing Anthem subscribers who are enrolled in a combination plan an option to choose either Anthem Blue Cross Select HMO or Anthem Blue Cross Traditional HMO to remain in the Anthem network for the 2021 plan year.

Preliminary 2021 premiums were provided to the PHBC on June 16, 2020. Since then, the CalPERS rates team continued to monitor claims and finalize administrative service fee negotiations with health plan carriers due to the Governor's proposal to reduce state workers' pay.

Budget and Fiscal Impacts

In general, the aggregate increase to premiums would result in moderate increases to costs for members and employers. Specific increases and decreases to individual members are dependent upon the member's plan selection and employer contribution levels.

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 health plan carriers.

Handouts:

Handouts will be provided under separate cover just prior to the Board Offsite meeting on July 14, 2020.

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