



Pension & Health Benefits Committee

Agenda Item 5a

June 21, 2023

Item Name: Preliminary 2024 Health Maintenance Organization and Preferred Provider Organization Plan Premiums

Program: Health Benefits

Item Type: Information

Executive Summary

This agenda item provides an update on the Rate Development Process (RDP) and the 2024 preliminary premiums for California Public Employees' Retirement System (CalPERS) health plans. The 2024 proposed premiums will be finalized over the next month. Additionally, this agenda item outlines the next steps between now and July 2023 when the CalPERS Board of Administration (Board) is scheduled to approve the 2024 final premiums.

Strategic Plan

This item supports the CalPERS 2022-2027 Strategic Goal of Exceptional Health Care: Ensure our members have access to equitable, high-quality, and affordable health care.

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 the best price possible. The additions of new health plans, expansions of existing health plans, and benefit design changes are also considered part of the RDP.

2024 Rate Development Process Timeline

In December 2022, the CalPERS team required contracted health plans to provide premium submissions in their HMO Solicitation proposals. The HMO Solicitation proposals included health plan proposed changes to existing products, new Basic and Medicare plan offerings with applicable pricing, and any changes to provider networks or coverage areas.

In February 2023, the team required that each contracted health carrier and Pharmacy Benefit Manager (PBM) submit their initial rates with an actuarial attestation by late March 2023 to reflect the Board approved service area and benefit design changes.

In April 2023, the team prepared baseline premiums for each plan and held discussions with the carriers and PBM about their March RDP submission.

Each contracted health carrier and PBM had another opportunity to submit an updated RDP submission by May 5, 2023.

During RDP, the CalPERS team works closely with the health plans and the PBM to evaluate, reconcile, and negotiate premiums by:

- Testing the submissions for validity, reasonableness, and reliability of historical member experience based on data from the Health Care Decision Support System (CalPERS Data Warehouse) and financial data from the Health Care Fund.
- Assessing additional information from existing and proposed plans as warranted.
- Considering any impacts of regulatory, and provider contractual changes.
- Comparing preliminary results to prior experience for each plan and PBM.
- Understanding and evaluating cost drivers unique to each plan.

Between now and the July Board Offsite, the CalPERS team will continue to verify that all premiums reasonably reflect the cost of the benefits provided.

2024 Program Updates

The 2024 preliminary premiums reflect the below Board approved changes for plan year 2024:

Anthem Blue Cross

Anthem Traditional HMO is exiting Glenn County.

Anthem Medicare Preferred is adding two new supplemental benefits:

- 1) Personal Emergency Response System devices that notify appropriate services during an emergency
- 2) In-Home Support Services to assist individuals with disabilities and medical conditions in performing activities of daily living within the home

Anthem is discontinuing their Health Pantry program for their entire book of business effective January 1, 2024, due to low member participation in the program.

Blue Shield of California

Blue Shield Access+ EPO is expanding to Del Norte and San Benito counties.

Health Net of California

SmartCare is removed from the CalPERS Health Benefits Program.

Kaiser Permanente

Kaiser is expanding their Senior Advantage Summit product into eight out-of-state regions including Colorado, Georgia, Hawaii, Maryland, Oregon, Washington, Washington D.C., and Virginia.

UnitedHealthcare

UnitedHealthcare is expanding their Alliance product into the following 12 counties for Public Agencies and Schools: Alameda, Contra Costa, Marin, Merced, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, and Stanislaus.

UnitedHealthcare is expanding Harmony into Santa Clara and Santa Cruz counties.

The Medicare Advantage Edge plan's \$0 copay for emergency department visits will change to a \$50 copay.

Western Health Advantage

Western Health Advantage is expanding MyCare Select to Humboldt County.

Budget and Fiscal Impacts

Overall, the proposed premiums for the 2024 plan year will increase employee and employer health premium contributions. The actual increase depends on plan specific information.

For the State of California, the increase will be determined in accordance with the Public Employees' Medical and Hospital Care Act. For contracting agencies, the increase 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 and employers. 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 pursue innovations that help to make high-quality health care affordable to our members and employers.

Attachments

Attachments will be provided under separate cover just prior to the PHBC Open session June 21, 2023.

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