



California Public Employees' Retirement System  
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Date: **May 4, 2001**

Reference No:

Circular Letter No: **600-045**

Distribution:

Special:

**TO: HEALTH BENEFIT OFFICERS AND ASSISTANTS OF THE STATE, CALIFORNIA STATE UNIVERSITY AND CONTRACTING PUBLIC AGENCIES**

**SUBJECT: NON-RENEWAL HMOs, PROVIDER DISRUPTION POLICY AND REVISED COBRA RATES**

This letter addresses the following topics:

- Aetna, CIGNA and Lifeguard Non-Renewal in 2002
- CalPERS Provider Disruption Policy
- PERSCare COBRA Rates
- COBRA Premiums

### **Aetna, CIGNA and Lifeguard Termination**

It is CalPERS goal to keep our employers and members informed of health care changes, as well as to provide you with instructions on what your employees should do. The following information will affect your employees who are enrolled in Aetna, CIGNA or Lifeguard.

On March 21, 2001, the CalPERS Board of Administration evaluated newly submitted bids from all current HMOs and decided to select six HMOs that would offer the best value for members in 2002. Aetna, CIGNA and Lifeguard were NOT selected to be renewed in 2002. The decision about Health Net is still pending. The Board eliminated plans with proposed premium rates for 2002 that were too high in relation to their service area, population served, quality and service provided to CalPERS members.

- Current CalPERS contracts with Aetna, CIGNA and Lifeguard remain in effect through December 31, 2001. ***There is no action required by the employer or the employee at this time.*** If your employees need assistance with their current coverage, have them contact their health plan's Member Services Department. These numbers are:

Aetna (800) 756-7039 CIGNA (800) 832-3211

Lifeguard (800) 995-0380

## **HMO TERMINATION, PROVIDER DISRUPTION**

### **POLICY AND REVISED COBRA RATES**

- State law and CalPERS contracts require health plans to provide all covered services as described in their Evidence of Coverage booklets through the end of the contract period, which is December 31, 2001. Plans must continue to comply with all performance standards (such as paying claims on time). Employees should have no difficulty receiving covered services from their plan during the remainder of the contract year. If employees experience problems, both the plan's Member Services Department and CalPERS will be ready to assist them.
- Open Enrollment Packets will be mailed late August 2001 to all health plan enrollees. This packet announces the open enrollment dates. Generally, Open Enrollment is held September 1 through October 15. It is important that employees take time to review all of the information enclosed in the packet because this is the time they will need to select a new health plan. Their request to change health plans must be received by you during the announced Open Enrollment dates. Open Enrollment health plan changes become effective on January 1 of the following year.

**Note:** Please encourage your employees to change their address if they have recently moved. Having a correct address on file ensures that all correspondence mailed by CalPERS or the health plan will be received by the employee.

- It is estimated that 90 percent of those enrolled in Aetna, CIGNA and Lifeguard may be able to retain their primary care physician even though they have to change plans. Employees should start checking with their doctor now to find out if they are available to them through another CalPERS-sponsored health plan.
- Employees who are enrolled in Aetna, CIGNA or Lifeguard and who do not choose a new health plan during the Open Enrollment period or who do not request to cancel their coverage during this time will be enrolled by default in PERS Choice (PPO), effective January 1, 2002.

CalPERS is mailing letters to all members currently enrolled in Aetna, CIGNA and Lifeguard. Copies of these letters are attached (Attachment 1) for your information.

The CalPERS Board of Administration has not made a final decision about benefit changes or premium rates for 2002. Once available, this information will be sent to you in another Circular Letter. Additionally, it will be included in the Open Enrollment material you and the employees will receive in August and on the CalPERS web site at <http://www.calpers.ca.gov>

The three association health plans will continue to be offered to members of CAHP, CCPOA and PORAC in 2002.

## **HMO TERMINATION, PROVIDER DISRUPTION POLICY AND REVISED COBRA RATES**

## **Provider Disruption Policy**

CalPERS provides our members with immediate updates on provider disruptions. Attached is a copy of the CalPERS Policy for provider disruption for HMO and association plans (Attachment 2). This policy and specific provider disruption information is available for employer and employee reference on the CalPERS Health Program web site at <http://www.calpers.ca.gov/health>.

## **PERSCare COBRA Rates**

In the Circular Letter dated December 15, 2000 that announced the premium increase for PERSCare, we failed to include a revised COBRA Rate Sheet. Please see Attachment 3 for the COBRA rate change for PERSCare.

## **COBRA PAYMENTS**

It is not necessary for an employer to collect premiums from COBRA enrollees, or to maintain any records for the health plan. Once the COBRA form (HBD-85) is completed and routed to CalPERS for processing, the COBRA enrollee interacts directly with the health plan. Each health plan maintains its own procedures for collecting COBRA premiums; this procedure is communicated to the enrollee by the health plan once the enrollment form has been processed. Please do not forward any checks for premiums to CalPERS.

If you have any questions about the information contained in this letter, please call (800) 237-3345.

Sincerely,

Tom Fischer, Chief  
Health Benefit Services Division

cc: All Health Plan Representatives

Attachments

Non-Renewed Plan Member Letters

- Aetna Plan Member
- Cigna Plan Member
- Lifeguard Plan Member

Provider Disruption Policy  
Revised COBRA Rate Sheet



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**Executive Office**  
P.O. Box 942701  
Sacramento, CA 94229-2701

Attachment  
1.1

March 2001

Dear CalPERS Aetna Member:

Please read this letter as it provides advance notice of some changes in your CalPERS health plan options for 2002. While you do not have to take any action at this time, we wanted to provide you information and advance notice about upcoming changes and the choice you will be making in the fall.

In an effort to continue to provide lower cost, quality health plan options, CalPERS will be making some changes to the health plan options it makes available to CalPERS members. As an Aetna enrollee you will be impacted.

- Effective January 1, 2002, Aetna will not longer be an option under CalPERS.
- Aetna will continue providing all covered services through December 31, 2001. ***No action by you is required at this time.*** Contact Aetna's Member Services Department at 1-800-756-7039 if you need assistance with your current coverage.
- You will not have to select another plan until the Open Enrollment period that will be held from September 1 through October 15 of this year. (You will receive your Open Enrollment materials by mail in mid-August.) Your coverage with the new plan you select during Open Enrollment will be effective on January 1, 2002.
- You may be able to stay with the same doctor even though you have to change plans. Of the members currently enrolled in Aetna, 97 percent will have access to their current primary care doctors through other plans. During the Open Enrollment period, you will be able to find out if your doctor will be available to you through other plans.
- The CalPERS Board has not yet made a final decision about benefit changes or premium rates for 2002. This information will be available in the Open Enrollment materials, on the CalPERS web site (<http://www.calpers.ca.gov>) and from employers and bargaining units.

We know that these changes are unsettling. We want to assure you that CalPERS is making every effort to keep your healthcare coverage affordable and of the highest quality and that we will continue to keep you informed.

Sincerely,

Allen Feezor  
Assistant Executive Officer  
Health Benefits



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**Executive Office**  
P.O. Box 942701  
Sacramento, CA 94229-2701

Attachment  
1.2

March 2001

Dear CalPERS Cigna Member:

Please read this letter as it provides advance notice of some changes in your CalPERS health plan options for 2002. While you do not have to take any action at this time, we wanted to provide you information and advance notice about upcoming changes and the choice you will be making in the fall.

In an effort to continue to provide lower cost, quality health plan options, CalPERS will be making some changes to the health plan options it makes available to CalPERS members. As a Cigna enrollee you will be impacted.

- Effective January 1, 2002, Cigna will no longer be an option under CalPERS.
- Cigna will continue providing all covered services through December 31, 2001. ***No action by you is required at this time.*** Contact Cigna's Member Services Department at 1-800-832-3211 if you need assistance with your current coverage.
- You will not have to select another plan until the Open Enrollment period that will be held from September 1 through October 15 of this year. (You will receive your Open Enrollment materials by mail in mid-August.) Your coverage with the new plan you select during Open Enrollment will be effective on January 1, 2002.
- You may be able to stay with the same doctor even though you have to change plans. Of the members currently enrolled in Cigna, 96 percent will have access to their current primary care doctors through other plans. During the Open Enrollment period, you will be able to find out if your doctor will be available to you through other plans.
- The CalPERS Board has not yet made a final decision about benefit changes or premium rates for 2002. This information will be available in the Open Enrollment materials, on the CalPERS web site (<http://www.calpers.ca.gov>) and from employers and bargaining units.

We know that these changes are unsettling. We want to assure you that CalPERS is

making every effort to keep your healthcare coverage affordable and of the highest quality and that we will continue to keep you informed.

Sincerely,

Allen Feezor  
Assistant Executive Officer  
Health Benefits



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**Executive Office**  
P.O. Box 942701  
Sacramento, CA 94229-2701

Attachment  
1.3

March 2001

Dear CalPERS Lifeguard Member:

Please read this letter as it provides advance notice of some changes in your CalPERS health plan options for 2002. While you do not have to take any action at this time, we wanted to provide you information and advance notice about upcoming changes and the choice you will be making in the fall.

In an effort to continue to provide lower cost, quality health plan options, CalPERS will be making some changes to the health plan options it makes available to CalPERS members. As a Lifeguard enrollee you will be impacted.

- Effective January 1, 2002, Lifeguard will no longer be an option under CalPERS.
- Lifeguard will continue providing all covered services through December 31, 2001. **No action by you is required at this time.** Contact Lifeguard's Member Services Department at 1-800-995-0380 if you need assistance with your current coverage.
- You will not have to select another plan until the Open Enrollment period that will be held from September 1 through October 15 of this year. (You will receive your Open Enrollment materials by mail in mid-August.) Your coverage with the new plan you select during Open Enrollment will be effective on January 1, 2002.
- You may be able to stay with the same doctor even though you have to change plans. Of the members currently enrolled in Lifeguard, nearly 90 percent will have access to their current primary care doctors through other plans. During the Open Enrollment period, you will be able to find out if your doctor will be available to you through other plans.
- The CalPERS Board has not yet made a final decision about benefit changes or premium rates for 2002. This information will be available in the Open Enrollment

materials, on the CalPERS web site (<http://www.calpers.ca.gov>) and through employers and bargaining units.

We know that these changes are unsettling. We want to assure you that CalPERS is making every effort to keep your healthcare coverage affordable and of the highest quality and that we will continue to keep you informed.

Sincerely,

Allen Feezor  
Assistant Executive Officer  
Health Benefits

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## **Attachment 2.1**

### **CalPERS HEALTH BENEFITS PROGRAM PROVIDER DISRUPTIONS POLICY**

Contract negotiations between health plans and providers are becoming increasingly public. Providers and health plans are mailing letters, placing newspaper advertisements, and issuing press releases to present their side of the negotiations. Negotiations are also becoming increasingly lengthy and often are resolved at the last possible hour before the contract expires. As a result, health plan members are uncertain about their ability to access care and to retain their doctors.

Often, employees, retirees, and employers become aware of these disruptive situations before CalPERS is notified by the health plans. These affected stakeholders expect CalPERS to intervene to resolve the contract dispute, or to allow affected members to select new health plans to ensure their access to health care.

CalPERS believes that it is inappropriate for providers and health plans to involve members in contract disputes. CalPERS' policy on potential provider disruptions is to allow the parties to continue negotiations and work toward resolution, without advantaging one side over the other by intervening, or by allowing members to change plans during the negotiations. To do otherwise might result in a health plan conceding to an unreasonable reimbursement demand that would eventually result in higher premiums for CalPERS members. CalPERS closely follows the progress of negotiations and will act appropriately to protect our members once it is apparent that a contract termination will occur.

In cases when a provider terminates its contract with a health plan or ceases doing business for financial reasons such as insolvency, the health plan will arrange for the member to be assigned to another medical group which the provider is associated with, or will attempt to contract directly with the providers of the terminated medical group.

Sometimes, providers refuse to contract with the health plan and their patients must select new providers. The California Department of Managed Health Care, the state agency that regulates Health Maintenance Organizations (HMOs), requires health plans

to have sufficient providers available in their network at all times to provide services to all members. Should a health plan member be required to select a new provider, state law requires that the health plan, at the request of the member, arrange for the continuation of covered services by the terminated provider if the member is undergoing a course of treatment from the terminated provider for an acute condition, serious chronic condition, or a high risk pregnancy, or for a pregnancy that has reached the second or third trimester.

Should a contracted health plan provider refuse to provide services to a health plan member during the contract negotiation period when the contract remains in force, the member should contact the health plan, or if necessary, the Department of Managed Health Care at 1-800-400-0815.

It is important for members to understand that no purchaser of health care (such as CalPERS) can guarantee that an individual will be able to indefinitely continue a relationship with the provider of their choice, should that provider sever his or her relationship with the individual's health plan. Members who are not satisfied with their access to health care services may appeal in writing to CalPERS, if they believe their situation warrants changing health plans outside of the annual open enrollment period. CalPERS will evaluate each appeal received on a case-by-case basis.

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**"COBRA"**  
**GROUP CONTINUATION COVERAGE**  
**RATES FOR FEBRUARY 1, 2001 TO DECEMBER 31, 2001**

**Rates are calculated at 102%. Not all carriers, however, will require 102%**

PLAN CODE	PLAN NAME	-- BASIC --		
		1 Party	2 Party	3 Party
201	Aetna US HealthCare	\$197.88	\$395.76	\$514.49
288	Aetna of Illinois	209.00	418.00	543.41
251	Aetna NY/NJ	229.70	445.89	634.02
211	Aetna Texas	234.78	483.94	675.08
205	Blue Shield HMO	205.19	410.39	533.50
230	CA Assoc. Hwy. Patrolmen	227.66	451.66	591.19
274	CA Corr. Peace Officers Assoc.	182.70	395.44	549.46
58	CIGNA	189.01	378.01	491.42
86	Health Net	201.21	402.41	523.14
34	Health Plan of the Redwoods	203.15	406.31	528.20
56	Kaiser	206.25	412.51	536.27
**	Kaiser Out-of-State	278.58	557.16	724.31
228	Lifeguard	218.94	437.88	569.24

<b>43</b>	<b>Maxicare</b>	<b>180.59</b>	<b>361.18</b>	<b>469.54</b>
<b>238</b>	<b>Pacificare of California</b>	<b>191.93</b>	<b>383.87</b>	<b>499.02</b>
<b>235</b>	<b>Pacificare of Arizona</b>	<b>332.15</b>	<b>664.32</b>	<b>863.62</b>
<b>217</b>	<b>Pacificare of Nevada</b>	<b>317.51</b>	<b>635.01</b>	<b>825.51</b>
<b>278</b>	<b>PERSCARE</b>	<b>368.22</b>	<b>736.44</b>	<b>957.78</b>
<b>222</b>	<b>PERS Choice</b>	<b>218.28</b>	<b>436.56</b>	<b>567.12</b>
<b>207</b>	<b>PORAC</b>	<b>255.00</b>	<b>469.20</b>	<b>610.98</b>
<b>232</b>	<b>Universal Care</b>	<b>170.32</b>	<b>340.64</b>	<b>442.83</b>

**\*\***            **These premiums cover all Regions of Kaiser Out-of-State.**