Circular Letter

TO: STATE AND CALIFORNIA STATE UNIVERSITY HEALTH BENEFITS OFFICERS AND ASSISTANTS

SUBJECT: HEALTH BENEFITS INFORMATION AND THE 2006 OPEN ENROLLMENT PERIOD

This letter addresses the following topics:

PART I
— Open Enrollment Period
— Renewal of Health Plan Contracts
— Health Plan Contract Year
— Determining your employees’ health plan eligibility
— 2007 Health Plan Coverage Changes
— Assisting Employees with Finding a Physician or Other Provider

PART II
— The Annual Health Plan Statement
— Returned Health Plan Statements
— The 2006 Health Plan Statement Employer Reports
— Open Enrollment Packets and Other Useful Booklets
— The Health Plan Chooser Tool
— Retiree Health Plan Changes

PART III
— Open Enrollment Procedures
— 2007 State Annuitant Contribution Formula (100/90 formula)
— Health Plan Search by ZIP Code Web Site Service
— Health Fairs
PART I

Open Enrollment Period  The Open Enrollment period begins September 1, and ends on September 29, 2006.

Renewal of Health Plan Contracts  The CalPERS Board of Administration approved the health plan premium and benefit structure for the 2007 contract year as follows:

- CalPERS retained the same HMO plans for 2007 as were available for 2006: Blue Shield of California, Kaiser Permanente, and Western Health Advantage.

- CalPERS will continue to offer two PPO plans: PERSCare and PERS Choice; and three Association plans: Peace Officers Research Association of California (PORAC), California Association of Highway Patrolmen (CAHP), and California Correctional Peace Officers’ Association (CCPOA). Members must belong to, and pay dues to, that association to enroll in this plan.

- Basic HMO plans overall will increase an average of 11.60 percent, and Medicare plans will increase an average of 24.98 percent.

- PERSCare and PERS Choice Basic premiums will increase an average of 12.61 percent and Medicare plans will increase by 6.77 percent.

- Association Basic plan premium will increase an average of 12.76 percent and Medicare plans will increase by 0.23 percent.

NOTE: See Attachment 1 for CalPERS 2007 Health Premium Rates.

Health Plan Contract Year  The contract year for all CalPERS health plans is January 1, 2007, through December 31, 2007.

Determining your employees’ health plan eligibility  ZIP codes are used to determine the health plans in which your employees are eligible to enroll. Employees may choose either their home or current work address ZIP code to establish their eligibility. Retirees cannot use the address of the agency they retired from to establish eligibility. Members and employers may use the on-line service, Health Plan Search by ZIP Code Web Site Tool to find out which health plans are available based on ZIP code. See page 11, of this document for more information about this on-line service.
2007 Health Plan Coverage Changes

Benefit Changes Effective January 1, 2007

PPO Basic Plan Changes

— Preauthorization of imaging services

— Enhances use of urgent care network

Assisting Employees with Finding a Physician or Other Provider

If your employees need help finding a new primary care physician (PCP) or identifying hospitals in their health plan’s network, please direct them to the health plan’s on-line physician directory or the plan’s Member Services Department for assistance. Members can change their primary care physician any time during the year. The effective date of the change will be the first of the following month.

— Employees who are enrolling in Blue Shield, Western Health Advantage or CCPOA should indicate their choice of PCP when completing the Health Benefits Plan Enrollment form (HBD-12). Blue Shield and Western Health Advantage also offer an on-line CalPERS Personal Physician Selection form.

— Employees enrolling in Kaiser Permanente, PERS Choice, PERSCare, CAHP or PORAC do not need to choose a PCP, nor do Blue Shield members in EPO counties (Colusa, portions of El Dorado, Lake, Mendocino, Plumas and Sierra).

Please encourage employees who are choosing a PCP to call the provider’s office to verify they are accepting new patients. All provider changes are effective the first day of the following month. Blue Shield, Western Health Advantage and CCPOA will issue new member ID cards whenever members change their PCP.
PART II

The 2006 Health Plan Statements

Enrolled members were mailed their 2006 Health Plan Statement from July 31, through Aug 4, 2006. The 2006 Health Plan Statement includes the following information:

— Enrolled member’s current health plan
— Family members enrolled in this plan
— ZIP code (home or current work) used to determine health plan eligibility.

NOTE:

— Members enrolled in a CalPERS health plan after July 1, 2006, will not receive a Health Plan Statement.

— New hires or members who did not receive a Health Plan Statement may obtain an Open Enrollment Packet from their personnel office.

Returned Health Plan Statements

Active Employees

— Statements returned to CalPERS because of an incorrect address will be forwarded to the employee’s Health Benefits Officer/Assistants to be distributed to the employee.

— Health Benefit Officers/Assistants are asked to have these employees complete a change of address form to ensure future mailings reach the employee in a timely manner.

— Statements that cannot be distributed to the employee (e.g., member has since permanently separated and did not leave a forwarding address) must be forwarded to CalPERS to be destroyed. You may mail these undeliverable statements to:

    CalPERS
    Office of Employer and Member Health Services
    Attn: Returned Health Plan Statements
    P.O. Box 942714
    Sacramento, CA 94229-2714

Retired Members

— Statements returned to CalPERS because of an incorrect address will be destroyed.

— Retirees who did not receive their Health Plan Statement, may call CalPERS at **888 CalPERS** (or **888-225-7377**) to update their address and request a 2006 Health Plan Statement.
2006 Health Plan Statement Employer Reports

CalPERS mailed the Employer Reports to employers on July 30, 2006. The reports list all active employees who were mailed a 2006 Health Plan Statement. The reports contain the following information:

— Agency’s employer code and unit code.
— Employee’s first name, middle initial and last name.
— Employee’s address (CalPERS records).
— Employee’s current health plan and eligibility ZIP code.

NOTE:

— Any address changes submitted after July 1, 2006, will not be reflected on this report.
— If an employee needs to update their address, have the employee submit your agency’s change of address form.

Open Enrollment Packets and Other Useful Booklets for Members

Enrolled members will be mailed Open Enrollment packets. The 2006 Open Enrollment Packet contains the following:

— Personalized 2006 Health Plan Statement
— Premium Rate Sheet and Return Postcard
— Open Enrollment News publication (Attachment 4)

Members may request other Open Enrollment related booklets by using the prepaid postcard included with their 2006 Health Plan Statement and rate information. It will take approximately 10 to 12 business days for the requested materials to be received. Please note the prepaid postcard expires on September 9, 2006.

Booklets which members must individually request with the postcard are:

— Health Program Guide and Health Benefits Summary
— Quality Report

NOTE: All Open Enrollment booklets will be available on the CalPERS Web site the week of August 7, 2006, at www.calpers.ca.gov.
Open Enrollment

Packets and Other Useful Booklets for Employers

CalPERS will mail Open Enrollment packets equivalent to two percent of each agency’s enrolled employees. Please use these packets for the following groups:

— Employees who are eligible for health benefits, and are looking to enroll this year.
— New hires
— Employees who are enrolled in health benefits, but did not receive an Open Enrollment packet.

To order additional Open Enrollment materials, contact:

CalPERS Agency Request Unit
Phone: (916) 795-1493
FAX: (916) 795-3281
Email address: Public_Agency_Requests@calpers.ca.gov

Be sure to include your agency’s:
— Name and address,
— A contact person,
— Telephone number, and
— The quantity of each item ordered.

NOTE: Additional supplies of Open Enrollment packets will be available on August 21, 2006.

The Health Plan Chooser Tool

CalPERS has a web-based tool, the Health Plan Chooser, that allows members to determine which CalPERS health plan best suits their needs. Members can access the Health Plan Chooser tool at www.calpers.ca.gov. The tool provides members with a means to compare health plans using:
— Plan costs,
— Plan rules,
— Quality,
— Available doctors by plan, and
— Covered services.
Retirees can make health plan changes using one of the following options:

- The on-line service, **Retiree Health Plan Change**, available on the CalPERS web site only during the Open Enrollment period.

- The telephone automated system, **Interactive Voice Response System (IVR)** by calling CalPERS at **888 CalPERS** (or **888-225-7377**).

- Submission of the **Open Enrollment Change Request Form for Retirees** (HBD-30) which is available in the **Health Program Guide** or on the CalPERS web site.
  - Return by FAX (916) 795-3935, or
  - Mail directly to:
    
    CalPERS  
    Office of Employer and Member Health Services  
    P.O. Box 942714  
    Sacramento, CA 94229-2714
PART III

Open Enrollment Procedures

<table>
<thead>
<tr>
<th>Box 11</th>
<th>Primary Care Physician (HMO Only)</th>
<th>Providing this information will assist in the timely issuance of identification cards.</th>
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<tbody>
<tr>
<td>Box 14</td>
<td>Reason Code</td>
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<tr>
<td>104</td>
<td></td>
<td>New Enrollment during Open Enrollment</td>
</tr>
<tr>
<td>206</td>
<td></td>
<td>Adding Dependent during Open Enrollment</td>
</tr>
<tr>
<td>320</td>
<td></td>
<td>Open Enrollment Delete Dependent</td>
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<tr>
<td>400</td>
<td></td>
<td>Changing Plans during Open Enrollment</td>
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<tr>
<td>530</td>
<td></td>
<td>Open Enrollment Cancel Coverage</td>
</tr>
<tr>
<td>Box 15</td>
<td>Permitting Event Date</td>
<td>September 1 – September 29, 2006</td>
</tr>
<tr>
<td>Box 16</td>
<td>Effective Date</td>
<td>January 1, 2007</td>
</tr>
<tr>
<td>Box 21</td>
<td>Employee Sign Date</td>
<td>September 1 – September 29, 2006</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Please include employee’s daytime phone number.</td>
</tr>
<tr>
<td>Box 33</td>
<td>HBO Received Date</td>
<td>September 1 – September 29, 2006</td>
</tr>
</tbody>
</table>

NOTE: The chart may also be used by ACES users.

Employees on Leave of Absence (LOA) Employees on a LOA during Open Enrollment may change plans and/or add dependents. Employees who do not change plans or add dependents during Open Enrollment may do so within 60 days from the date they return to regular pay status.

— LOA and paying direct:
  o You must complete a Health Benefits Plan Enrollment form (HBD-12) and Direct Payment Authorization (HBD-21) form.
  o For dependent changes with no change in plan code or party rate, use the HBD-12 form only.

— LOA not paying direct:
  o You must complete an HBD-12 form to make a plan or dependent change.
Open Enrollment Procedures, Continued

COBRA Enrollees

Enrollees who are eligible for health coverage through COBRA may change health plans and/or add eligible dependents during Open Enrollment.

— Enrollment changes are completed on a COBRA (HBD-85) form.

— The effective date rules for completion of the HBD-85 form are the same as those for the HBD-12 form.

— COBRA rates are calculated at no more than 102 percent of the health plan’s premium rate. Please see Attachment 2 for 2007 COBRA Rates.

Submitting Enrollment Transactions

Submit your Open Enrollment transactions as they are completed. Early submission into the Automated Communication Exchange Systems (ACES) will insure timely issuance of identification cards and ensure that proper payroll deductions will be made. If you have any questions about ACES, contact CalPERS at 888 CalPERS (or 888-225-7377).

If you are not on the ACES electronic enrollment program, you may mail your enrollment forms to:

<table>
<thead>
<tr>
<th>FOR DELIVERY BY U.S. POSTAL SERVICE</th>
<th>FOR DELIVERY BY EXPRESS SERVICE/DIRECT DELIVERY</th>
</tr>
</thead>
</table>
| CalPERS Office of Employer and Member Health Services  
P.O. Box 942714  
Sacramento, CA 94229-2714 | CalPERS Central Mailroom  
400 Q Street  
Sacramento, CA 95814  
(916) 795-3043 |

NOTE: All forms submitted to CalPERS for Open Enrollment updates must be received before October 6, 2006, to ensure proper update into the system for the beginning of the 2007 benefit year.

Automated Communications Exchange Users (ACES)

All Automated Communications Exchange Users (ACES) transactions must be keyed and submitted for update based on the Open Enrollment dates of September 1, through September 29, 2006. Users will have additional time after the close of the Open Enrollment period for transaction input. All Open Enrollment ACES transactions must be completed by October 6, 2006.
Open Enrollment Procedures, Continued

Rescissions

Employees may request to have an Open Enrollment change rescinded through December 31, 2006. However, CalPERS must receive the rescinding HBD-12 form by December 1, 2006, to avoid payroll deduction errors.

Premium Adjustments

Despite everyone’s best efforts, the January 1, 2007, pay warrants for some members may not reflect the proper premium payment due to unavoidable processing delays during Open Enrollment. If this happens, the premium payment will be adjusted during a subsequent pay period. Be sure the system reflects the appropriate enrollment, and advise the member that the payroll discrepancy will be resolved by the first of the next month.

Health Plan Identification Cards

Health plans will make every effort to ensure members who changed health plans receive their new identification cards prior to January 1, 2007. Members who have not received identification cards for their new plan, should not continue to use their prior plan after January 1, 2007. Members should first contact the new health plan for assistance in getting new I.D. cards. If unresolved, members may then contact the CalPERS Customer Service and Education Division at 888 CalPERS (or 888-225-7377) for assistance.

Sequencing Transactions

If you are an ACES user, it is important to key in your transaction based on the earliest effective date.

Example:
You have an employee who wants to add a newborn child effective November 1, 2006, and also make an Open Enrollment change effective January 1, 2007.

1. You must key in the newborn child first, and
2. Key in the Open Enrollment transaction the following day.
3. If you key in the Open Enrollment transaction first,
4. You will not be able to add the dependent, and
5. Will need to call our ACES Hotline at 888 CalPERS (or 888-225-7377) for assistance.

Continued on next page
Open Enrollment Procedures, Continued

Sequencing Transactions (continued)

If you are not an ACES user, please submit the following:

— Two HBD-12 forms to CalPERS for processing;
  o One HBD-12 form to add the newborn child, and
  o One HBD-12 form for the Open Enrollment change.

Staple both forms together, and in the “remarks section” number the forms as “1 of 2” and “2 of 2”.

2007 State Annuitant Contribution Formula (100/90 Formula)

The 2007 State contributions for annuitants shown below are calculated based on the weighted average of the premiums for an employee or annuitant enrolled for self-alone in the Basic plan offering of the four health plans with the largest state enrollment excluding family members for the previous year. For comparison, the 2006 state contributions are also shown.

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
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<tbody>
<tr>
<td>One Party</td>
<td>$394</td>
<td>$439</td>
</tr>
<tr>
<td>Two Party</td>
<td>$738</td>
<td>$823</td>
</tr>
<tr>
<td>Family</td>
<td>$933</td>
<td>$1,042</td>
</tr>
</tbody>
</table>

NOTE: The 100/90 Formula shown above is for entities that have adopted the “State Vesting Formula”.

Health Plan Search by ZIP Code – Web Site Tool

The service area chart in the Health Program Guide indicates each health plan’s general service area by county. To be eligible to enroll in a specific health plan, the employee or annuitant must live or currently work in the health plan’s service area as specified in the service area chart.

By mid-August, the Health Plan Search by ZIP Code Web Site Tool will be available at www.calpers.ca.gov. Employers with Internet access will be able to assist their employees by inputting the employee’s work or home address ZIP code and retrieving a list of health plans from which the employee can choose.

Agencies that do not have Internet access may call CalPERS at 888 CalPERS (or 888-225-7377) to determine whether a particular ZIP code is included in a plan’s service area or to order a hard copy of the State plans associated ZIP code listing.

Continued on next page
NOTE: Health plans are available to employees based on their eligibility ZIP code.

— Active employees may use either their home or current work address ZIP code to establish eligibility.

— Retirees cannot use the address of the agency from which they retired to establish eligibility.

Health Fairs

CalPERS introduced its new on-line Health Fair registration service in June allowing HBOs to schedule a Health Fair for employees during the 2006 Open Enrollment period. Our health plan partners offer this consolidated, one-stop scheduling service. The service coordinates the various health providers' calendars, making it easier for you to plan your event. A listing for each health plan's representative is provided on Attachment 3 for agencies that do not have Internet access.

If you have any questions about the information provided in this Circular Letter, please contact the CalPERS Employer Contact Center at 888 CalPERS (or 888-225-7377).

Sincerely,

Holly A. Fong, Chief
Office of Employer & Member Health Services

Attachments