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# **Circular Letter**

**TO: AII PEMHCA CONTRACTING SCHOOL DISTRICTS AND PUBLIC AGENCIES HEALTH BENEFITS OFFICERS AND ASSISTANT HEALTH BENEFITS OFFICERS**

**SUBJECT: CALPERS 2009 PREFERRED PROVIDER ORGANIZATION (PPO) SELF-FUNDED HEALTH PLAN PREMIUM HOLIDAY**

In April 2009, the CalPERS Board of Administration adopted the Health Benefits Committee recommendation to utilize the preferred provider organization (PPO) health plans' excess reserves to provide a premium holiday for Public Agency employers and their members enrolled in the PPO plans for a total of two months. This decision enables CalPERS to provide fiscal relief during this challenging economic period.

The CalPERS Board of Administration intends that both Public Agency employers and members receive this PPO premium holiday. It is estimated that \$110 million will be offset for Public Agency PPO enrollment. Of the \$110 million it is estimated \$91 million would offset employer contributions and \$19 million offset member contributions.

The implementation of the PPO premium holiday was contingent upon legislation enactment. On July 28, 2009, urgency legislation was approved, authorizing the CalPERS Board of Administration statutory authority to merge reserves within the PPO health plans.

CalPERS will provide the PPO premium holiday by reducing the PPO premiums to a one cent contribution per enrollment. The \$.01 contribution per enrollment is necessary to ensure an adequate audit trail. Public Agency employers will receive this two month holiday through the regular monthly Public Agency billing invoices. CALPERS and CalSTRS retirees enrolled in PEMHCA will receive their holiday through their retiree warrants issued in November and December 2009. The PPO premium holiday will also reduce administrative fees accordingly.

If you have any questions or concerns regarding this Circular Letter, please contact the CalPERS Employer Contact Center at **888 CalPERS (888-225-7377)**.

Sincerely,

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