

## **INITIAL STATEMENT OF REASONS**

### **PROBLEM STATEMENT**

CalPERS benefit programs and administrative processes are subject to numerous regulatory requirements, several of which have been identified by team members as outdated, subject to confusion among stakeholders, or which otherwise represent an opportunity to realize efficiencies through their modification or clarification. In these cases, the recommended regulatory changes are appropriate for the continued administration and good governance of CalPERS.

CalPERS seeks to make changes to align the regulations with current and best practices. Currently, the Public Employees' Medical and Hospital Care Act (PEMHCA) regulations include outdated provisions and practices.

### **BENEFITS**

Potential benefits associated with approval of this regulatory package are:

- Maintains consistency with business practice and statute
- Minimizes confusion among members, employers and CalPERS staff
- Streamlines and clarifies health program guidelines and operations for employers and members

### **PURPOSE**

The purpose of these proposed regulations is to make non-substantive, technical amendments to California Code of Regulations (CCR) § 599.500 and § 599.508.

1. Section 599.500, subdivision (x): The purpose of this amendment is to update the definition of risk adjustment to reflect current actuarial science. This amendment is a non-substantive technical change.
2. Section 599.508, subdivision (a)(8): The purpose of this amendment is to make non-substantive, technical changes. This amendment is necessary to provide greater system flexibility in managing health risk by deleting outdated references.
3. Section 599.508, subdivision (a)(8)(A): The purpose of this amendment is to make non-substantive, technical changes. The language in subparagraph (A) reflects outdated processes that do not permit the CalPERS Board to effectively mitigate health risk in setting CalPERS health benefit plan premiums.
4. Section 599.508, subdivision (a)(8)(B): The purpose of this amendment is to make non-substantive, technical changes. The language in subparagraph (B) reflects outdated processes that do not permit the

CalPERS Board to effectively mitigate health risk in setting CalPERS health benefit plan premiums.

5. Section 599.508, subdivision (a)(8)(C): The purpose of this amendment is to make non-substantive, technical changes. The language in subparagraph (C) reflects outdated processes that do not permit the CalPERS Board to effectively mitigate health risk in setting CalPERS health benefit plan premiums.
6. Section 599.508, subdivision (a)(8)(D): The purpose of this amendment is to make non-substantive, technical changes. The language in subparagraph (D) reflects outdated processes that do not permit the CalPERS Board to effectively mitigate health risk in setting CalPERS health benefit plan premiums.
7. Section 599.508, subdivision (a)(8)(E): The purpose of this amendment is to delete subparagraph (E). With the proposed deletion of subparagraph (D), it is necessary to re-letter the remaining subparagraphs for accuracy.
8. Section 599.508, subdivision (a)(9): The purpose of this amendment is to delete an outdated monetary reserve requirement for CalPERS health benefit plans.
9. Section 599.508, subdivision (a)(10): The purpose of this amendment is to make a non-substantive, technical change. With the proposed deletion of subdivision (a)(9), it is necessary to re-number the remaining paragraphs for accuracy.

## **NECESSITY**

All amendments are non-substantive, technical changes. Amendments are necessary to:

- Conform language to current and best practices
- Improve clarity and concision
- Update and replace outdated terms
- Re-letter the remaining paragraphs for accuracy

## **TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS**

CalPERS relied upon the 2020 edition of the California Public Employees' Retirement Law (PERL) and the Actuarial Standards Board's Actuarial Standard of Practice (ASOP) No. 45 – The Use of Health Status Based Risk Adjustment Methodologies as the bases for these regulations. There are no other technical, theoretical, and empirical studies, reports, or documents or other material relied upon for these proposed regulations.

## **ECONOMIC IMPACT ASSESSMENT/ANALYSIS**

As a result of the implementation of these proposed regulations, CalPERS does not anticipate an increase in workload or cost for the State. The implementation of proposed regulations will, however, improve service, streamline operations to gain efficiencies, improve productivity, and reduce complexity without an economic impact. In accordance with Government Code (GC) section 11346.3, subdivision (b), CalPERS has made the following assessments regarding the proposed regulation:

### **CREATION OR ELIMINATION OF JOBS WITHIN THE STATE OF CALIFORNIA**

The proposed regulatory action will not create or eliminate jobs within California. The proposed regulations will modify or delete out of date provisions and make other technical changes to align the regulations with current and best practices.

### **CREATION OF NEW BUSINESSES OR ELIMINATION OF EXISTING BUSINESSES WITHIN THE STATE OF CALIFORNIA**

The proposed regulatory action will not create new businesses or eliminate existing businesses within California. The proposed regulations will modify or delete out of date provisions and make other technical changes to align the regulations with current and best practices.

### **EXPANSION OF BUSINESSES WITHIN THE STATE OF CALIFORNIA**

The proposed regulatory action will not affect the expansion of businesses currently doing business within California. The proposed regulations will modify or delete out of date provisions and make other technical changes to align the regulations with current and best practices.

### **BENEFITS OF THE REGULATIONS TO THE HEALTH AND WELFARE OF CALIFORNIA RESIDENTS, WORKER SAFETY, AND THE STATE'S ENVIRONMENT**

The proposed regulatory action will not affect worker safety or the state's environment. The proposed regulations will modify or delete out of date provisions and make other technical changes to align the regulations with current and best practices.

### **EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS**

The proposed regulatory actions have no cost impact on either small businesses or on persons in the private sector and no significant, statewide adverse economic impacts that directly affect business. The proposed regulations will modify or delete out of date provisions and make other technical changes to align the regulations with current and best practices.

**REASONABLE ALTERNATIVES TO THE REGULATION AND THE  
AGENCY'S REASONS FOR REJECTING THOSE ALTERNATIVES**

There are no reasonable alternatives to the regulation and subsequently no reasons for CalPERS rejecting those alternatives.

**DUPLICATION OR CONFLICT WITH FEDERAL REGULATIONS**

None