



Pension and Health Benefits Committee Agenda Item 9

June 19, 2018

Item Name: State Annuitant Contribution Formulas

Program: Health Benefits

Item Type: Information

Executive Summary

The State Annuitant Contribution amounts, based on proposed 2019 premium rates, are provided in Attachment 1.

Strategic Plan

This item supports Strategic Goal Health Care Affordability "Transform health care purchasing and delivery to achieve affordability."

Background

Government Code Section 22871 specifies the State employer contribution for State annuitants' health benefits shall be calculated based on 100 percent of the weighted average of the premiums of the four largest health benefit plans.

Government Code Sections 22871.3(a) and 22871.3(b) modify the State's Annuitant Contribution Formula for State employees, hired on or after January 1, 2016 and January 1, 2017. The effective date depends on the member's bargaining unit.

Government Code Section 22871.3(a) specifies "the employer contribution for each annuitant enrolled in a basic plan shall be an amount equal to 80 percent of the weighted average of the health benefit plan premiums for an employee or annuitant enrolled for self-alone, during the benefit year to which the formula is applied, for the four health benefit plans that had the largest active state civil service enrollment, excluding family members, during the previous benefit year. For each annuitant with enrolled family members, the employer contribution shall be an amount equal to 80 percent of the weighted average of the additional premiums required for enrollment of those family members, during the benefit year to which the formula is applied, in the four health benefit plans that had the largest active state civil service enrollment, excluding family members, during the previous benefit year."

Government Code Section 22871.3(b) specifies "the employer contribution for each annuitant enrolled in a Medicare health benefit plan in accordance with Section 22844 shall be an amount equal to 80 percent of the weighted average of the health benefit plan premiums for an annuitant enrolled in a Medicare health benefit plan for self-alone, during the benefit year to which the formula is applied, for the four Medicare health benefit plans that had the largest state annuitant enrollment, excluding family members, during the previous benefit year. For each annuitant with enrolled family members, the employer contribution shall be an amount equal to 80 percent of the weighted average of the additional premiums required for enrollment of those family members, during the benefit year to which the formula is applied, in the four Medicare health benefit plans

that had the largest state annuitant enrollment, excluding family members, during the previous benefit year. If the annuitant is eligible for Medicare Part A, with or without cost, and Medicare Part B, regardless of whether the annuitant is actually enrolled in Medicare Part A or Part B, the employer contribution shall not exceed the amount calculated under this subdivision.”

The 80/80 State Annuitant Contribution applies to State employees in Bargaining Unit 9 or 10 that were hired on or after January 1, 2016. For all other bargaining units, the 80/80 State Annuitant Contribution formula applies to State employees hired on or after January 1, 2017.

Analysis

The State contribution rates for each premium tier (one-party, two-party, and family) were calculated based on the weighted average of the four largest health plans. For 2019, the four largest Basic health plans, which were used to calculate the 100/90 contribution and the 80/80 contribution for annuitants enrolled in a Basic plan, are Kaiser Permanente, Blue Shield Access+ Health Maintenance Organization (HMO), PERS Choice, and UnitedHealthcare HMO. The four largest Medicare health plans, which were used to calculate the 80/80 contribution for annuitants enrolled in a Medicare plan, are Kaiser Permanente, UnitedHealthcare Medicare Advantage, PERS Choice and PERSCare.

Budget and Fiscal Impacts

The 2019 health plan premiums are expected to increase the State's contributions for annuitants under the 100/90 State Annuitant Contribution formula. The new 80/80 State Annuitant Contribution formula will have minimal fiscal impact due to the small number of members that are currently impacted.

Benefits and Risks

There are no risks associated with this information item.

Attachments (Attachment will be provided under separate cover)

Attachment 1 – 2019 100/90 and 80/80 State Annuitant Contributions

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