



## Board of Administration Offsite

# Approval of 2023 HMO and PPO Premiums

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**July 12, 2022**

**Item Name:** Approval of 2023 Health Maintenance Organization Premiums and Approval of 2023 Preferred Provider Organization Premiums

**Program:** Health Benefits

**Item Type:** Action

### **Recommendation**

The CalPERS rates team recommends the Board of Administration (Board) approve the final proposed 2023 Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) premiums.

### **Executive Summary**

This agenda item provides the Board the final proposed 2023 health premiums for the CalPERS HMO and PPO plans.

For the 2023 plan year, CalPERS contracts with the following carriers for Basic HMO and PPO plans: Anthem Blue Cross, Blue Shield of California, Health Net of California, Kaiser Foundation Health Plan, Sharp Health Plan, UnitedHealthcare of California, and Western Health Advantage. CalPERS contracts with Anthem Blue Cross to administer Basic PPO plans.

In addition, CalPERS contracts with the following carriers for Medicare Advantage Plans: Anthem Blue Cross, Blue Shield of California, Kaiser Foundation Health Plan, Sharp Health Plan, UnitedHealthcare of California, and Western Health Advantage. CalPERS contracts with Anthem Blue Cross to administer Medicare Supplement PPO plans.

### **Strategic Plan**

This item supports the CalPERS 2017-2022 Strategic Goal “High-Quality Affordable Health Care.”

### **Background**

Pursuant to Government Code Section 22864(a), which requires that premiums shall reasonably reflect the cost of benefits provided, CalPERS engages each year in the Rate Development Process (RDP). The goal of the RDP is to ensure that CalPERS members receive high-quality health care at the best price possible. The CalPERS rates team is comprised of individuals from the Health Plan Research and Administration Division, Actuarial Office, Legal Office, as well as

consulting actuaries. Additionally, pursuant to Government Code Section 22850, additions of new health plans are considered part of the RDP at the discretion of the Board.

During November 2021, the Pension & Health Benefits Committee (PHBC) approved new service area expansions, a new Medicare Advantage plan, and benefit design changes including:

- Service area expansions for Blue Shield Access+ EPO and Blue Shield Trio HMO Basic plans
- The addition of the new Kaiser Medicare Advantage \$0 copay plan (Kaiser Senior Advantage Summit)
- Anthem Medicare Preferred copay reduction (from \$15 to \$10) for both acupuncture and chiropractic services
- Blue Shield Trio Basic Pharmacy Shared Patient Savings Program
- Kaiser Permanente Senior Advantage \$70 Quarterly Over the Counter (OTC) Allowance (applicable to both Kaiser Permanente Senior Advantage and Summit plans)
- Western Health Advantage MyCare Select HMO Medicare Advantage post-discharge meal benefit
- Basic plans benefit design language changes that make reproductive health and fertility benefits more equitable, enhance coverage for hearing aids for members age 26 and under, and add a primary care physician match for PPO members

The preliminary 2023 premiums were provided to the PHBC on June 14, 2022. Since then, the CalPERS rates team has continued negotiations with the plans, verified that the premiums reasonably reflect the cost of benefits and finalized the premiums.

### **Budget and Fiscal Impacts**

Overall, the proposed final premiums for the 2023 plan year will increase employee and employer health premium contributions. The actual increase or decrease depend on plan specific information.

For the State of California, the increase or decrease will be determined in accordance with Public Employees' Medical and Hospital Care Act. For contracting agencies, the increase or decrease will be determined based on each agency's negotiated health premium contribution amount.

### **Benefits and Risks**

The increasing cost of health care is a burden to CalPERS and our members. CalPERS, like many purchasers of health benefits, continues to face the challenge of adequately covering the cost of health care while remaining competitive. CalPERS aggressively works to keep costs and premiums as low as possible and continues to pursue innovations that help to keep high-quality health care affordable to our employer partners and members.

### **Materials:**

Materials will be provided under separate cover just prior to the Board Offsite meeting on July 12, 2022.

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