



Pension & Health Benefits Committee

Agenda Item 6a

June 17, 2025

Item Name: Preliminary 2026 Health Maintenance Organization and Preferred Provider Organization Plan Premiums

Program: Health Benefits

Item Type: Information

Executive Summary

This agenda item provides an update on the California Public Employees' Retirement System (CalPERS) health plans' 2026 Rate Development Process (RDP) and the proposed preliminary Basic Health Maintenance (HMO) and Preferred Provider Organization (PPO) plan premiums with the Board of Administration (Board) approved service area expansions. This agenda item also outlines the activities the CalPERS team will engage in with the health plans between now and July 2025, when the Board is scheduled to adopt the 2026 premiums.

Strategic Plan

This item supports the CalPERS 2022-2027 Strategic Goal of Exceptional Health Care: Ensure our members have access to equitable, high-quality, and 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 RDP. The goal of the RDP is to ensure that CalPERS members receive high-quality health care at the best price possible. The additions of new health plans, expansions of existing health plans, and benefit design changes are also considered part of the RDP.

2026 Rate Development Process Timeline

In November 2024, the Board approved service area expansion proposals for the 2026 plan year. The team required the health plans to submit their initial rates with an actuarial attestation by mid-March 2025 to reflect these changes.

In April 2025, the team prepared baseline premiums for each plan and held discussions with the plans about their data, assumptions, and models used to calculate their initial premiums.

In the first week of May 2025, the plans had another opportunity to submit updated RDP submissions to revise any data, assumptions, and models that could lead to improvements to their mid-March 2025 submissions. The 2026 proposed preliminary premiums reflect updates from the plans after the May 2025 PHBC meeting.

During the RDP, the CalPERS team works closely with the health plans to reconcile and negotiate premiums by:

- Testing the submissions for validity, reasonableness, and reliability of historical member experience based on data from the Health Care Decision Support System (CalPERS Data Warehouse) and financial data from the Health Care Fund.
- Assessing additional information from existing and proposed plans as warranted.
- Considering any impacts of regulatory and provider contractual changes.
- Comparing initial results to prior experience for each plan and PBM.
- Understanding and evaluating cost drivers unique to each plan.

Between now and the July meeting, the CalPERS team will continue data reconciliation and negotiation process with the health plans. The team will present the 2026 proposed final premiums at the July Board Offsite meeting.

2026 Program Updates

The 2026 proposed preliminary premiums reflect the following service area changes:

Service Area Expansions

- 1) Kaiser Permanente service area expansion into Monterey County (*pending Kaiser's successful completion of provider contracting efforts and DMHC approval*).
 - a. Following Kaiser's Basic plan expansion into 12 ZIP codes in Monterey County in 2025, they propose to expand their Basic plan to the remainder of the county.
 - b. Kaiser Senior Advantage and Summit Medicare Advantage expanding to all of Monterey County
- 2) Blue Shield of California proposes to replace the Trio plan in Monterey County with Access+ to ensure the long-term sustainability of the Trio product in the CalPERS portfolio.

Budget and Fiscal Impacts

Overall, the 2026 proposed preliminary premiums for will increase employee and employer health premium contributions. The actual increase depends on plan specific information. For the State of California, the increase will be determined in accordance with the Public Employees' Medical and Hospital Care Act. For contracting agencies, the increase 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 and employers. 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 make high-quality health care affordable to our members and employers.

Attachments

Attachments will be provided under separate cover just prior to the PHBC Open Session June 17, 2025.

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