



Pension & Health Benefits Committee

Agenda Item 6a

June 16, 2026

Item Name: 2027 Preliminary 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' 2027 Rate Development Process (RDP) and the preliminary Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) premiums. This agenda item also outlines the activities the CalPERS team will engage in with the health plans between now and July when the Board of Administration (Board) is scheduled to adopt the 2027 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.

2027 Rate Development Process Timeline

In November 2025, the Board approved service area expansions and a product change for the 2027 plan year. CalPERS required health plans to submit their initial rates with an actuarial attestation in March 2026 to reflect these changes.

In April 2026, 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 May 2026, the plans had another opportunity to submit updated premium proposals to revise data, assumptions, and models that could lead to improvements to their mid-March 2026 submissions. The 2027 preliminary premiums reflect updates from the plans after the May 2026 PHBC meeting.

During the RDP, the CalPERS team works closely with the plans by:

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

Between now and the July meeting, the CalPERS team will continue the data reconciliation and negotiation process with the health plans. The team will present the 2027 final premiums at the July Board Offsite meeting.

2027 Health Benefits Program Updates

The 2027 preliminary premiums reflect the following changes:

Quality Alignment Measure Set Penalties

In 2024, CalPERS adopted the Quality Alignment Measure Set (QAMS) and incentive structure for the Basic HMOs plans. For plan year 2024, 1% of each HMO's total gross premium per product is at risk for performance on the QAMS. The total amount at risk for the QAMS will increase by 1% per year up to 4% in 2027. The 2024 penalty dollars have been used to reduce the 2027 preliminary Basic HMO premiums.

Service Area Changes

- 1) Blue Shield EPO expansion to all remaining California ZIP codes that lack an HMO or EPO option. Expansion counties are Alpine, Amador, El Dorado, Nevada, Placer, San Bernardino, Sutter, and Yuba.
- 2) Kaiser Basic and Medicare expansions into northwestern Nevada. Expansion counties are Carson City, Douglas, Lyon, Storey, and Washoe. The Kaiser Nevada plan will have its own premium for 2027, which is different from the Kaiser Basic in-state and out-of-state premiums. All premiums are listed in the materials.

Product Change for Blue Shield Medicare Advantage (MA) Plan

Currently, Blue Shield combines their MA medical and pharmacy benefits within the MA plan. Beginning in 2027, Blue Shield will separate the medical and pharmacy prescription drug benefits to receive a higher reimbursement amount from CMS which will reduce premiums.

Budget and Fiscal Impacts

Overall, the 2027 preliminary premiums will increase employee and employer health premium contributions. The actual increase depends on information specific to each plan, employer, and member. 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 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 on June 16, 2026.

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