Board of Administration Offsite

Approval of New Health Plan Contract

July 14, 2026

Item Name: Approval of New Health Plan Contract

Program: Health Benefits

Item Type: Action

Recommendation

Approve a new health plan contract with Sutter Health Plan starting January 1, 2027 to December 31, 2028.

Executive Summary

This agenda item provides the California Public Employees' Retirement System's (CalPERS) Board of Administration with a health plan contract recommendation to add the Sutter Health Plan to the CalPERS Health Benefits Program starting January 1, 2027. The recommendation ensures CalPERS members in the greater Sacramento area maintain access to the Sutter Health System with the removal of UnitedHealthcare's SignatureValue Alliance and Harmony Basic plans from the CalPERS portfolio.

Strategic Plan

This item supports the CalPERS 2022-2027 Strategic Goal: Ensure our members have access to equitable, high-quality, affordable health care.

Background

UHC's Alliance Basic plan joined the CalPERS Health Program in 2014, and UHC Harmony joined in 2022. Both served our members well. Unfortunately, UHC proposed extremely high and unsubstantiated rate increases for both Basic plans for 2027. Despite negotiation, UHC was unwilling to bring rates down sufficiently.

UHC's final rate submissions were not reasonable, and were not at all close to our projections. The proposed increases would have equated to an additional $167M that CalPERS members and employers would have had to pay in premiums in 2027.

Given the unsubstantiated premium increases on UHC's Basic plans, we considered viable options to remove them from our program while ensuring our members still have access to the providers they are seeing today. Given over half of all UHC Alliance members receive services through the Sutter Health System, we pursued a contract with the Sutter Health Plan to assure continued access to the providers our members are seeing today.

Analysis

The Sutter Health Plan is a fully integrated health plan that started in 2014. It operates in a coordinated way across its clinicians and hospitals, similar to other integrated plans in our program, like Kaiser Permanente and Sharp. Plans with this kind of integrated structure often achieve stronger clinical outcomes because care is better coordinated. In addition, Sutter Health Plan receives high ratings on quality and service through the National Committee for Quality Assurance.

The Sutter Health Plan currently serves about 115,000 enrollees across 16 counties and has a network of 8,000 clinicians and 33 hospitals. For CalPERS, we are recommending a six-county service area, as this largely matches the service area that UHC Alliance has with the Sutter Health System. These counties are Placer, Sacramento, San Joaquin, Stanislaus, Solano, and Yolo.

We recommend entering a 2-year contract with Sutter Health Plan, as this will align with the end dates our other HMO contracts. The contract with Sutter Health Plan contains the same strong terms and conditions that we have in all other HMO contracts. Also, for this arrangement, members will continue to have their outpatient pharmacy benefits provided by CVS through the CalPERS contract, which is how Alliance and Harmony members receive pharmacy benefits today.

Budget and Fiscal Impacts

CalPERS approval of a contract with Sutter Health Plan helps protect members and employers from paying an additional $167M in premiums in 2027.

Benefits and Risks

Benefits:

- Secure the most competitive HMO pricing while ensuring provider continuity for members.

Risks:

- Member abrasion due to program changes.
- Families in a combination plan (i.e. one member in a Basic plan and another in a Medicare plan) will have to change plans as the Sutter Health Plan will not have a corresponding Medicare plan in 2027 for CalPERS members.
- Sutter Health Plan uses a different behavioral health network than UHC which could cause member disruption.

Attachments

Attachment 1 – Recommendation of New Health Plan Contract: Sutter Health Plan PowerPoint

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