Finance and Administration Committee

Agenda Item 6a

November 17, 2026

Item Name: Semi-Annual Health Plan Financial Report

Program: Health Benefits

Item Type: Information

Executive Summary

This report provides the committee with an update on the financial status for the California Public Employees' Retirement System (CalPERS) four self-funded Preferred Provider Organization (PPO) health plans and seven flex-funded Health Maintenance Organization (HMO) health plans as of June 30, 2026.

Strategic Plan

This item supports the CalPERS 2023-27 Strategic Goal: Ensure our members have access to equitable, high-quality, affordable health care.

Background

As part of the monitoring and reporting process, CalPERS reports the HCF account balances, the PPO plans' actuarial reserve amounts, and any surpluses or deficits for each health plan's subaccount to the Finance & Administration Committee semi-annually. Fully insured plans and association plans are not included in this report.

Analysis

PPO Plans

As of June 30, 2026, the self-funded PPO plans had a total projected fund balance of $932 million, an increase of $278 million from the end of December 2025. The total actuarial reserves amount was $839 million, an increase of $69 million from the end of December 2025. The self-funded PPO program had a projected fund balance that was $93 million higher than the actuarial reserve level. As of June 30, 2026, the fund balance to actuarial reserve ratio was 111%, which is an improvement from December 31, 2025, when the ratio was 85%.

Each year, the PPO Basic plans experience lower medical costs in the first half of the year and higher medical costs in the second half of the year. This seasonality pattern is due to members satisfying their annual deductibles earlier in the year. PPO Medicare plans have an opposite seasonality pattern since the plans cover Medicare deductibles for the member, so medical costs are higher in the first half of the year and lower in the second half of the year.

The increase in fund balance was primarily driven by lower medical experience, based on seasonality and premium surcharge on the PPO Basic Plans, as well as lower-than-expected pharmacy costs for PPO Medicare plans during the first half of 2026. In the second half of 2026, medical costs are anticipated to increase for PPO Basic plans and decrease for PPO Medicare plans as part of seasonality patterns.

HMO Plans

As of June 30, 2026, there were seven flex-funded HMO Basic plans including Anthem Blue Cross Select and Traditional, Health Net Salud y Más, Sharp, UnitedHealthcare Alliance and Harmony, and Western Health Advantage.

The total flex-funded HMO projected fund balance was $258 million as of June 30, 2026, with estimated liabilities of $126 million.

Budget and Fiscal Impacts

This item serves as a preliminary analysis. Any budget or fiscal impact this item may have on future health plan premiums will be addressed during CalPERS annual Rate Development Process that is overseen by the Pension & Health Benefits Committee.

Benefits and Risks

Benefits

- These semi-annual reports provide better insight into the financial performance and status of the CalPERS PPO and HMO health program.

Risks

- The projected dollar amounts may change due to other factors like account adjustments, timing issues, and higher than expected medical and pharmacy claims.

Attachments

Attachment 1 – Key graphical analyses of financial and historical data for the PPO plans

Attachment 2 – Key graphical analyses of financial and historical data for the HMO plans

Attachment 3 – Semi-Annual Health Plan Financial Report PowerPoint

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