



California Public Employees' Retirement System
P.O. Box 942715 | Sacramento, CA 94229-2715
888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442
www.calpers.ca.gov

Health Benefits

Circular Letter

January 29, 2019

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Distribution: Special

To: All Health Benefits Officers, Health Benefits Assistants, Health Enrollment, and Health PA Billing Contacts for Contracting School Districts and Public Agencies

Subject: CalPERS to Move to Three Health Care Regions for Contracting Public Agencies and Schools in 2020

Purpose

The purpose of this Circular Letter is to inform you that, effective January 1, 2020, CalPERS public agency and school health pricing regions will change from five to three regions. The new boundaries were adopted following extensive analysis of the cost of health care throughout the state, and employer and stakeholder engagement. The move to three regions will more closely align premiums to the cost of health care in the area. The nomenclature will also change to sequential numbering. In the new three-region model, Region 1 will consist of 43 Northern California counties, Region 2 will consist of 12 counties in the southern part of the state, and Region 3 will be comprised of Los Angeles, Riverside, and San Bernardino counties (Attachment 1). Currently the five regions are Bay Area, Los Angeles Area, Other Northern California, Other Southern California, and Sacramento Area.

Background

Regions enable CalPERS to provide high quality health plans to public agency and school contracting employers with rates that are competitively priced and in alignment with the cost of care in the market. In January 2018, CalPERS began a multidisciplinary project to evaluate the current regional cost of care and the makeup of health pricing regions for public agencies and schools. The goal was to assess costs throughout the state, scan the market, hear from

employers and stakeholders, and determine if any changes to the current regions were warranted.

Throughout the year, CalPERS surveyed and engaged with employers as well as retiree, employer, and labor associations. We conducted a webinar, [Your Guide to Health Regions](#), and met with employers at the Educational Forum. The primary areas of concern voiced in this process included the geographically-based names used for regions, premium volatility from year to year, and premiums in the current Bay Area and Other Northern regions, where the cost of health care is greater compared to Southern California areas.

An actuarial analysis of the relative cost of health care by county and three-digit ZIP code was conducted. Options for regional scenarios, including maintaining current regions, were brought forth to stakeholders and the Pension & Health Benefits Committee for consideration. The CalPERS Board of Administration voted in December 2018, to adopt a new three-region model.

Updating Resolutions

We have identified 110 contracting agencies that designate at least one regional health plan in the calculation of their employer health contribution. These agencies are impacted by the region change and will be required to revise their contribution method.

We will contact these agencies directly with more information about specific impacts and the health resolution process in March 2019. Public Agencies are required to submit revised resolutions on or before November 30, 2019.

All board materials are available on the CalPERS website at www.calpers.ca.gov. Board presentations and the webinar can be viewed on the [CalPERS YouTube channel](#).

If you have questions, contact our Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

Shari Little, Chief
Health Policy Research Division

Attachment: Counties in CalPERS Regions