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Circular Letter

April 13, 2015

TO: CONTRACTING AGENCY HEALTH BENEFITS OFFICERS AND ASSISTANT HEALTH BENEFITS OFFICERS

SUBJECT: CONTRACTING AGENCY MINIMUM EMPLOYER CONTRIBUTION CALCULATION FOR 2016

Background

The purpose of this Circular Letter is to inform contracting Public Agencies and Schools of the new minimum employer health contribution for 2016. Employers do not need to take action unless they wish to make a change to their current contribution method.

The Minimum Employer Contribution amount is prescribed by Government Code Section 22892 of the Public Employees Medical and Hospital Care Act (PEMHCA)¹. Contracting agencies that have designated the PEMHCA Minimum as their contribution will have their employer billing updated automatically to reflect the new amount effective January 1, 2016.

The Minimum Employer Contribution was originally established as a specific dollar value with specified increases from calendar years 2004 through 2008. Starting in calendar year 2009, the calculated adjustments are based upon the medical care component of the Consumer Price Index-Urban (CPI-U).

California Government Code 22892 of the PEMHCA establishes the contracting agencies' minimum health premium contribution for their participating active membership. In addition, this section provides that "commencing January 1, 2009, the employer contribution shall be adjusted annually by the board to reflect any changes in the medical care component of the CPI-U and shall be rounded to the nearest dollar."

The table below displays annual increases of the Minimum Employer Contribution for active members.

¹ California Government Code § 20000, et seq.

Minimum Employer Contribution by Calendar Year	
Calendar Year	Employer Contribution
2012	\$112.00
2013	\$115.00
2014	\$119.00
2015	\$122.00
2016	\$125.00

Inflation Rate Changes

In January 2015, the US Bureau of Labor Statistics determined the annual percentage change in the medical care component of the CPI-U for 2014 was 2.4 percent.

The table below provides an inflation comparison of medical care rates.

Medical Care Inflation		
Year	Index	Percent
2010	388.436	3.4
2011	400.258	3.0
2012	414.924	3.7
2013	425.134	2.5
2014	435.292	2.4

Calculation of the Minimum Employer Contribution

Using the 2.4 percent increase in the medical care component of the CPI-U, the minimum employer contribution for Calendar Year 2016 is \$125.00. See calculation below.

$$(\$122.00 \times 2.4\% = \$2.93 + \$122.00 = \$124.93, \text{ rounded to } \$125.00).$$

Questions

If you have any questions about this Circular Letter, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

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