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Health Benefits

Circular Letter

May 13, 2022

Circular Letter: 600-032-22

Distribution: Special

To: Contracting Agency Health Benefits Officers and Assistant Health Benefits Officers

Subject: 2023 Contracting Agency Minimum Employer Contribution Calculation

Purpose

This Circular Letter informs contracting public agencies and schools of the new minimum employer health contribution for calendar year 2023.

Background

The Minimum Employer Contribution amount is prescribed by Government Code section 22892 of the Public Employees' Medical and Hospital Care Act (PEMHCA)¹. This section provides that "the employer contribution shall be adjusted annually by the board to reflect any changes in the medical care component of the Consumer Price Index-Urban (CPI-U) and shall be rounded to the nearest dollar."

Inflation Rate Changes

In January 2022, the U.S. Bureau of Labor Statistics determined the annual percentage change in the medical care component of the CPI-U for 2021 was 1.2%.

¹ California Government Code § 20000, et seq.

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

| Medical Care Inflation | | |
|-------------------------------|--------------|----------------|
| Year | Index | Percent |
| 2017 | 475.322 | 2.5 |
| 2018 | 484.707 | 2.0 |
| 2019 | 498.413 | 2.8 |
| 2020 | 518.876 | 4.1 |
| 2021 | 525.276 | 1.2 |

Calculation of the Minimum Employer Contribution

Using the 1.2% increase in the medical care component of the CPI-U, the minimum employer contribution for calendar year 2023 is \$151; see calculation below.

$$\$149 \times 1.20\% = \$1.79$$

$$\$149 + \$1.79 = \$150.79, \text{ rounded to } \$151$$

Minimum Employer Contribution

The table below displays the annual amounts of the Minimum Employer Contribution for members by calendar year.

| Minimum Employer Contribution by Calendar Year | |
|---|------------------------------|
| Year | Employer Contribution |
| 2019 | \$136 |
| 2020 | \$139 |
| 2021 | \$143 |
| 2022 | \$149 |
| 2023 | \$151 |

Contribution Change Process

Contracting agencies that have designated the PEMHCA Minimum as their monthly employer health contribution will have their employer billing automatically updated to reflect the new amount effective January 1, 2023.

Contracting agencies do not need to act unless they wish to make a change to their current contribution method. To do so, employers must submit a change resolution. Change resolutions are effective the first day of the second month following receipt by CalPERS.

Questions

We are committed to assisting you conduct business with the CalPERS Health Program. To request the necessary change resolution template, call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

Rob Jarzombek, Chief
Health Account Management Division