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Special:

# **Circular Letter**

TO: PEMHCA CONTRACTING AGENCIES

SUBJECT: DISTRIBUTION OF MEDICARE FUNDS TO CONTRACTING AGENCIES

## **ATTENTION: FINANCE / FISCAL SERVICES**

This circular letter provides an update to Circular Letter 600-020-08 dated May 5, 2008, regarding CalPERS plan to disburse \$13 million in Medicare Retiree Drug Subsidy (RDS) dollars to contracting agencies.

CalPERS is accelerating the implementation to process the disbursement of the RDS subsidy dollars, which includes coordinating with the State Controller's Office. CalPERS target disbursement date is set for July 31, 2008.

CalPERS collected RDS subsidy dollars from the Centers for Medicare and Medicaid Services (CMS) for providing Medicare prescription drug benefits that are equal to or better than Part D to Medicare-eligible members, not enrolled in the Kaiser Permanente Medicare Senior Advantage Program. RDS subsidy dollars are based on eligibility information from CalPERS and claims information from CalPERS health plans.

On April 23, 2008, the CalPERS Board of Administration approved the disbursement of approximately \$13 million RDS subsidy dollars to CalPERS contracting agencies. The disbursement is based on each agency's contribution toward annuitants' health care premiums in 2006. CalPERS is using the following process to disburse the funds:

- Step 1: Identify contracting agencies participating in the CalPERS Health Program.
- Step 2: Identify RDS eligible covered annuitants for each contracting agency.
- Step 3: Determine each contracting agency's total dollar contribution to eligible covered annuitants' healthcare premiums.
- Step 4: Determine total amount contributed toward eligible covered annuitants' healthcare premiums by all contracting agency employers.

Step 5: Determine the contribution ratio (Step 3 divided by Step 4).

Step 6: Determine the contribution ratio times RDS attributable to contracting agency employers.

For example, assume that:

- A contracting agency contributes \$40,000 toward annuitants' health care premiums
- The total of all contracting agency employer health care premium contributions for annuitants is \$400,000, and
- The RDS funds attributable to contracting agency employers is \$100,000

CalPERS calculates the share for this hypothetical contracting agency as follows:

Contracting Agency Contribution Toward Annuitant Health Care Premiums	Total Amount Contributed Toward Annuitant Health Care Premiums by all Contracting Agencies	Contribution Ratio	RDS Attributed to Contracting Agencies	Contracting Agency Employer Subsidy Share
\$40,000	÷ \$400,000	= 10%	× \$100,000	= \$10,000

The 10% Contribution Ratio is **this employer's** percent of the total annuitant health care premiums paid by all contracting agency employers. CalPERS uses this percent to calculate the employer's share of the subsidy. Each employer is unique and will have a different contribution amount resulting in a different ratio.

If you have questions about the information provided in the Circular Letter, please call the CalPERS Employer Contact Center at **888 CalPERS** (or **888-225-7377**).

Sincerely,

Holly A. Fong, Chief  
Employer and Member Health Services