

December 31, 2020

VIA E-MAIL: Regulation_Coordinator@calpers.ca.gov

Re: notice of regulatory change

The proposed change to 599.500, subdivision (x) will lead to higher costs.

"Risk adjustment" means the process by which relative risk factors are assigned to individuals or groups based on expected resource use and by which those factors are taken into consideration and applied.

This language, and the model CalPERS has selected, rewards insurance companies for accepting higher negotiated rates with medical providers and punishes those that negotiate lower rates.

The Milliman Advanced Risk Adjusters (MARA) is designed to equalize the financial risks of the insurers. It therefore assigns a higher risk score for those insurers who adopt higher negotiated rates with providers. Since the risk of loss for paying six hundred dollars (\$600.00) for an X-ray is greater than the risk of loss for paying one hundred dollars (\$100.00) for the same X-ray the insurer who agreed to the six hundred dollar (\$600.00) fee is given a higher risk score.

The higher risk score leads to a greater fund transfer and/or premium adjustments at the expense of the better negotiator.

This regulatory change is in the interest of the insurance companies but not in the interest of members or employers.

The changes to CRR 599.508 are designed to aid the implementation of a bad idea.

I urge rejection of the changes.

JJ Jelincic