



Board of Administration Offsite

Approval of 2022 HMO and PPO Premiums

July 13, 2021

Item Name: Approval of 2022 Health Maintenance Organization Premiums and Approval of Preferred Provider Organization Premiums

Program: Health Benefits

Item Type: Action

Recommendation

The California Public Employees' Retirement System (CalPERS) rates team recommends the Board of Administration (Board) approve the final proposed 2022 Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) premiums.

Executive Summary

This agenda item provides the Board the final proposed 2022 Basic and Medicare premiums for the CalPERS HMO and PPO plans.

For the 2022 plan year, CalPERS contracts with the following carriers for Basic HMO and PPO plans: Anthem Blue Cross, Blue Shield of California, Health Net of California, Kaiser Foundation Health Plan, Sharp Health Plan, UnitedHealthcare of California, and Western Health Advantage.

In addition, CalPERS contracts with the following carriers for Medicare Advantage Plans: Anthem Blue Cross, Blue Shield of California, Kaiser Foundation Health Plan, Sharp Health Plan, UnitedHealthcare of California, and Western Health Advantage. CalPERS contracts with Anthem Blue Cross to administer Medicare Supplement plans.

Strategic Plan

This item supports the CalPERS 2017-2022 Strategic Goal "High-Quality Affordable Health Care."

Background

Pursuant to Government Code Section 22864(a), which requires that premiums shall reasonably reflect the cost of benefits provided, CalPERS engages each year in the Rate Development Process (RDP). The goal of the RDP is to ensure that CalPERS members receive high-quality health care at an affordable price. The CalPERS rates team is comprised of individuals from the Health Plan Research and Administration Division, the Actuarial Office, and the Legal Office, as

well as consulting actuaries. Additionally, pursuant to Government Code Section 22850, additions of new health plans are considered part of the RDP at the discretion of the Board.

During November 2020 and March 2021, the Pension & Health Benefits Committee (PHBC) approved the addition of new health plan products: Blue Shield Medicare Advantage, UnitedHealthcare SignatureValue Harmony Basic HMO, UnitedHealthcare Edge Medicare, and Western Health Advantage MyCare Select Medicare Advantage. Additionally, the Board approved the service area expansions for Anthem Blue Cross Medicare Preferred, Blue Shield Access+ EPO Basic, Blue Shield Access+, Blue Shield Trio HMO, and Western Health Advantage Basic HMO. Further, the Board approved the addition of supplemental benefits to the Anthem Medicare Preferred and Medicare copay changes (\$0 copays for many services) for UnitedHealthcare Edge, Blue Shield Medicare Advantage, Sharp Direct Advantage, and Western Health Advantage MyCare Select Medicare Advantage.

Also in November 2020, the Board approved replacing the current CalPERS PPO Basic and PPO Medicare Supplemental Plans, PERSCare, PERS Choice, and PERS Select with PERS Platinum and PERS Gold plans with no changes to network.

The Board also approved a risk mitigation strategy for Basic HMO and PPO plans in November 2020. The strategy takes effect January 1, 2022 with a two-year phase in. Risk mitigation will enable CalPERS to manage population health risk within the portfolio of Basic health plans, promote efficient care management, and mitigate year-over-year premium volatility and large premium increases. Furthermore, risk mitigation requires health plans to compete based on medical and administrative efficiency and quality of care rather than on a plan's ability to attract healthier lives.

Preliminary 2022 premiums were provided to the PHBC on June 15, 2021. Since then, the CalPERS rates team continued to verify that all rates reasonably reflect the cost of benefits and continued negotiations with the plans.

Budget and Fiscal Impacts

Overall, the proposed final premiums for the 2022 plan year will marginally increase employee and employer health premium contributions. The actual increase or decrease depend on plan specific information.

For the State of California, the increase or decrease will be determined in accordance with Public Employees' Medical and Hospital Care Act provisions. For contracting agencies, the increase or decrease will be determined based on each agency's negotiated health premium contribution amount.

Benefits and Risks

The increasing cost of health care is a burden to CalPERS and our members. CalPERS, like many purchasers of health benefits, continues to face the challenge of adequately covering the cost of health care while remaining competitive. CalPERS aggressively works to keep costs and premiums as low as possible and continues to pursue innovations that help to make high-quality health care affordable to our employer partners and members.

Like last year, the 2021 year brings potential risks related to the continued unknown medium and long-term impacts of the COVID-19 pandemic on the CalPERS Health Care Fund.

Materials:

Materials will be provided under separate cover and posted to the CalPERS website just prior to the Board Offsite meeting on July 13, 2021.

Marta Green, Chief
Health Plan Research & Administration Division

Don Moulds
Chief Health Director
Health Policy & Benefits Branch