



Pension & Health Benefits Committee

Agenda Item 6a

June 11, 2024

Item Name: Preliminary 2025 Health Maintenance Organization and Preferred Provider Organization Plan Premiums

Program: Health Benefits

Item Type: Information

Executive Summary

This agenda item provides an update on the California Public Employees' Retirement System (CalPERS) health plans' 2025 Rate Development Process (RDP) and the proposed preliminary Basic Health Maintenance (HMO) and Preferred Provider Organization (PPO) plan premiums with the Board of Administration (Board) approved service area expansions and benefit design changes. This agenda item also outlines the activities the CalPERS team will engage in with the health plans and the Pharmacy Benefit Manager (PBM) between now and July 2024, when the Board is scheduled to adopt the 2025 premiums.

Strategic Plan

This item supports the CalPERS 2022-2027 Strategic Goal of Exceptional Health Care: Ensure our members have access to equitable, high-quality, and 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 RDP. The goal of the RDP is to ensure that CalPERS members receive high-quality health care at the best price possible. The additions of new health plans, expansions of existing health plans, and benefit design changes are also considered part of the RDP.

2025 Rate Development Process Timeline

In November 2023, the Board approved service area expansion and benefit design change proposals for the 2025 plan year. The team required the health plans and PBM to submit their initial rates with an actuarial attestation by mid-March 2024 to reflect these changes.

In April 2024, the team prepared baseline premiums for each plan and held discussions with the plans and PBM about their data, assumptions, and models used to calculate their initial premiums.

In May 2024, the plans and the PBM had another opportunity to submit updated RDP submissions to revise any data, assumptions, and models that could lead to improvements to their initial premiums. The 2025 proposed preliminary premiums reflect these updates from the plans and PBM.

During the RDP, the CalPERS team works closely with the health plans and the PBM to evaluate, reconcile, and negotiate premiums by:

- Testing the submissions for validity, reasonableness, and reliability of historical member experience based on data from the Health Care Decision Support System (CalPERS Data Warehouse) and financial data from the Health Care Fund.
- Assessing additional information from existing and proposed plans as warranted.
- Considering any impacts of regulatory and provider contractual changes.
- Comparing initial results to prior experience for each plan and PBM.
- Understanding and evaluating cost drivers unique to each plan.

Between now and the July Board Offsite meeting, the CalPERS team will continue to verify that all premiums reasonably reflect the cost of the benefits provided. The team will present the 2025 proposed final premiums at the July Board Offsite meeting.

2025 Program Updates

The 2025 proposed preliminary Basic HMO and Medicare Advantage premiums reflect the below Board approved changes for plan year 2025:

Service Area Expansions

- 1) Blue Shield of California expansion of Trio into Contra Costa (full) and Shasta (partial) counties. Shasta County expansion is pending DMHC approval.
- 2) Health Net Salud y Mas expansion into Imperial County (pending DMHC approval).
- 3) Kaiser Permanente Basic expansion into Monterey (partial) County—pending DMHC approval.
- 4) UnitedHealthcare SignatureValue Harmony expansion into Napa (full), Contra Costa (partial), and Solano (partial) counties.

While the Board approved Western Health Advantage’s proposal to expand their Basic plan into Fresno, King, and Madera counties for 2025, the necessary provider contracts have not yet been secured. Therefore, no expansion will happen in 2025. Western Health Advantage continues negotiations with providers with the goal of a 2026 expansion into these counties.

Benefit Design Changes

- 1) Doula benefit for all pregnant and postpartum for Basic members.
- 2) Travel benefit for medically necessary care for Basic and Medicare members.

Health Plan Exits

- 1) Western Health Advantage will no longer offer their Medicare Advantage MyCare Select plan.
- 2) The CalPERS team recommends removing the UnitedHealthcare Group Medicare Advantage Edge PPO from the CalPERS Health Benefits Program.

Budget and Fiscal Impacts

Overall, the proposed preliminary premiums for the 2025 plan year will increase employee and employer health premium contributions. The actual increase depends on plan specific information.

For the State of California, the increase will be determined in accordance with the Public Employees’ Medical and Hospital Care Act. For contracting agencies, the increase 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 and employers. 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 members and employers.

Attachments

Attachments will be provided under separate cover just prior to the PHBC Open Session June 11, 2024.

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