



Board of Administration Offsite

Approval of 2024 HMO and PPO Premiums

July 18, 2023

Item Name: Approval of 2024 Health Maintenance Organization Premiums and Preferred Provider Organization Premiums

Program: Health Benefits

Item Type: Action

Recommendation

The CalPERS team recommends the Board of Administration (Board) approve the 2024 Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) premiums.

Executive Summary

This agenda item provides the Board the 2024 health premiums for the CalPERS HMO and PPO plans.

For the 2024 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. CalPERS also contracts with Anthem Blue Cross to administer Basic PPO plans.

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 PPO plans.

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 Rate Development Process (RDP). The goal of the RDP is to ensure that CalPERS members receive high-quality health care at the best price possible.

During the November 2022 and March 2023 meetings, the Pension & Health Benefits Committee (PHBC) approved the following program changes:

- Site of Care Basic PPO Member Incentive Program for Labs
- Pharmacy Mail-Order Opt-Out Program for HMOs using OptumRx Pharmacy Benefit and Basic PPO plans
- Anthem Traditional HMO will exit Glenn County.
- Anthem Medicare Preferred will add two new supplemental benefits:
 - Personal Emergency Response devices.
 - In-Home Support Services to for persons with disabilities and medical conditions.
- Anthem will discontinue the Health Pantry program for their entire book of business.
- Blue Shield Access+ EPO will expand into Del Norte and San Benito counties.
- Health Net Smart Care will be removed from CalPERS Health Benefits Program.
- Kaiser will expand their Senior Advantage Summit product into eight out-of-state regions, including Colorado, Georgia, Hawaii, Maryland, Oregon, Washington, Washington D.C., and Virginia.
- UnitedHealthcare will expand their Alliance product into the following 12 counties for Public Agencies and Schools: Alameda, Contra Costa, Marin, Merced, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, and Stanislaus.
- UnitedHealthcare will expand Harmony into Santa Clara and Santa Cruz counties.
- The Medicare Advantage Edge plan's \$0 copay for emergency department visits will change to a \$50 copay.
- Western Health Advantage will expand MyCare Select to Humboldt County.

The 2024 preliminary premiums were provided to the PHBC on June 21, 2023. Since then, the CalPERS team continued negotiations with the plan carriers, verified that the premiums reasonably reflect the cost of benefits, and finalized the premiums.

Basic PPOs Options, Impacts, and Recommendations

The Basic PPO plans are experiencing high premium increases which threaten their sustainability. At the June PHBC meeting, the team proposed changes to risk adjustment for the Basic health plan premiums and presented three sets of premiums to provide the Board options for consideration before approving a final set of premiums in July.

Currently, there are two risk pools, one for the HMO plans and one for the PPO plans. The risk adjustment changes involve transitioning all Basic plans into one pool so that plans compete on cost and quality of care instead of relying on their ability to attract younger and healthier members. To minimize the impact on 2024 HMO premiums, the team recommends transitioning to one risk pool over three years and making modest PPO benefit design changes. The Basic PPOs would experience a premium increase of 11.6%, which is approximately 7.7% lower than the premium increase that would occur without those changes (19.3%). HMO premiums would increase by 1.2% more than they would without those changes.

Budget and Fiscal Impacts

Overall, the premiums for the 2024 plan year will 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. 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 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 employer partners and members.

Materials

Attachments will be provided under separate cover just prior to the Board Offsite meeting on July 18, 2023.

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