



Board of Administration Offsite

Approval of 2025 HMO and PPO Premiums

July 16, 2024

Item Name: Approval of 2025 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 2025 Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) premiums with full transition to single risk pool for Basic plans and the removal of UnitedHealthcare Group Medicare Advantage Edge PPO from the CalPERS Health Benefits Program.

Executive Summary

This agenda item provides the Board the 2025 health premiums for the CalPERS HMO and PPO plans. As a reminder, the 2025 initial and preliminary premiums were presented to the PHBC in May and June 2024. Since then, the CalPERS team continued negotiations with the health plan carriers and the Pharmacy Benefit Manager, verified that the premiums reasonably reflect the cost of benefits, and finalized the premiums.

For the 2025 plan year, CalPERS contracts with the following carriers for Basic HMO 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 will contract with Blue Shield of California and Included Health to administer and provide population health management services to 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, and UnitedHealthcare of California. CalPERS will contract with Blue Shield of California to administer Medicare Supplement PPO plans. CalPERS also contracts with OptumRx, Inc. to administer pharmacy services for some HMO and 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. The additions of new health plans, expansions of existing health plans, and benefit design changes are also considered part of the RDP.

2025 Program Updates

The premiums reflect the below Board approved changes and plan exits 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) Anthem Blue Cross Del Norte EPO plan will no longer be offered as Blue Shield of California will become the Third-Party Administrator of PPOs in 2025.

Basic HMO and PPO Plans Full Transition to a Single Risk Pool in 2025 Recommendation

At the July 2023 Board Offsite meeting, the Board approved the transition from two risk pools (one for Basic HMO and one for Basic PPO plan) to a single risk pool for all Basic plans over three years, beginning in plan year 2024 and ending in plan year 2026. This was done to minimize the impact on the 2024 Basic HMO premiums.

With lower 2025 Basic HMO premiums compared to 2024, we recommend making the full transition to a single risk pool in 2025. The key factors influencing our recommendation include the high medical and pharmacy trend we continue to experience, the lack of reserves being accrued from the surcharge as expected, having all assets in the Health Care Fund (HCF) now fully liquid, and the increased need to prevent outward migration of members from the PPOs to the HMOs. The full transition to a single risk pool in 2025 will help stabilize the Basic program and the HCF's cash flow position by minimizing member migration from the PPO to HMO plans.

Plan Removal Recommendation

The CalPERS team recommends removing the UnitedHealthcare Group Medicare Advantage Edge PPO from the CalPERS Health Benefits Program.

Budget and Fiscal Impacts

Overall, the premiums for the 2025 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 16, 2024.

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