



Board of Administration Offsite

# 2025 State Annuitant Contribution Formulas and Association Plan Premiums

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July 16, 2024

**Item Name:** 2025 State Annuitant Contribution Formulas and Association Plan Premiums

**Program:** Health Benefits

**Item Type:** Information

## Executive Summary

This agenda item provides CalPERS Board of Administration (Board) the 2025 State Annuitant Contribution amounts and the 2025 Association plan premiums. The Board annually reviews the premium and benefit proposals for the three Association plans offered to certain CalPERS members. The California Association of Highway Patrolmen (CAHP), California Correctional Peace Officers Association (CCPOA), and Peace Officer Research Association of California (PORAC) offer plans exclusively to members of these associations.

## 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

### State Annuitant Contribution

There are two groups of annuitants: “Basic Annuitants” who are enrolled in a CalPERS Basic health plan; and “Medicare annuitants,” who are enrolled in a CalPERS Medicare plan. These two groups fall under different state contribution formulas, based on their date of hire and bargaining unit. The three state annuitant health formulas are:

- 100/90 that includes Basic and Medicare Annuitants hired prior to 2016 or 2017
- 80/80 for Basic Annuitants, hired on or after January 1, 2016 or 2017
- 80/80 formula for Medicare Annuitants, hired on or after January 1, 2016 or 2017

The final annuitant contributions are calculated by applying the contribution formulas, either the 100/90 or 80/80, to the weighted average premiums of the top four plans. The determination of the top four plans is different for each formula listed above.

The top four Basic plans for the 100/90 formula are determined based on total subscriber enrollment across all Basic plans in the portfolio. This does not include dependents.

For 80/80 Basic Annuitants, the top four Basic plans for this formula are determined based on active state civil service subscriber enrollment, excluding family members.

For the 80/80 Medicare Annuitants, the state contribution is developed based on the premiums for only Medicare members and on state annuitant enrollment in Medicare plans.

### Association Plan Premiums

Government Code Section 22850(g)(1) gives the Board authority to offer and continue offering association plans for certain CalPERS members, so long as they meet the minimum standards prescribed by the Board (2 CCR 599.509).

The Association health plans are responsible for ensuring that their premiums and benefit changes are appropriate and that their reserve funds are adequate for their continued operations.

The CAHP health plan is a self-insured Preferred Provider Organization (PPO) plan, administered by Anthem Blue Cross. The CCPOA health plans are a fully-insured Health Maintenance Organization (HMO) and Medicare supplement PPO plan, administered by Blue Shield of California. The PORAC health plan is a self-insured PPO plan, administered by Anthem Blue Cross.

### Association Program Updates

For the 2025 plan year, PORAC has the following benefit design changes:

- Combine acupuncture and chiropractic visits with a 20-visit limit;
- Physical and occupational therapy with no visit limitations

## **Analysis**

### State Annuitant Contribution for 2025

The four largest Basic health plans used to calculate the 2025 State Employer contribution for 100/90 formula for annuitants enrolled in a Basic or Medicare plan, with enrollment in descending order, are Kaiser Permanente, Blue Shield Access+, PERS Gold, and PERS Platinum. There are no changes to the top four plans from 2024.

The four largest Basic health plans used to calculate the 2025 State Employer contribution for 80/80 Basic formula for annuitants enrolled in a Basic plan, with enrollment in descending order, are Kaiser Permanente, PERS Gold, Blue Shield Access+, and UnitedHealthcare Alliance. There are no changes to the top four plans from 2024.

The four largest Medicare health plans used to calculate the 2025 State Employer contribution for 80/80 Medicare formula for annuitants enrolled in a Basic plan, with enrollment in descending order, are PERS Platinum, Kaiser Permanente Senior Advantage, UnitedHealthcare Group Medicare Advantage, and CAHP. There are no changes to the top four plans from 2024.

## **Budget and Fiscal Impacts**

### State Annuitant Contribution

The 2025 health plan premiums will change the State's contributions for 100/90 state annuitants, 80/80 Medicare state annuitants and the 80/80 Non-Medicare (Basic) state annuitants. The 80/80 state annuitant contributions for Non-Medicare (Basic) annuitants will have minimal fiscal impact on the state budget due to the small number of members that are currently enrolled.

### Association Plan Premiums

In general, the aggregate increase to premiums will result in increases to costs for members and employers. Specific increases and decreases to individual members are dependent upon member plan selection and employer contribution levels.

The Association plan premiums have no budgetary or fiscal impact to CalPERS since CalPERS does not administer the Association plans.

## **Benefits and Risks**

### State Annuitant Contribution

There are no risks associated with this information item.

### Association Plan Premiums

The approval of the 2025 Association plan premiums allows CalPERS to provide the State's Department of Finance and our contracting public agencies the 2025 health premiums in a timely manner so work can begin on systems updates and member communication for the 2025 Open Enrollment period.

## **Materials:**

Attachments will be provided under separate cover just prior to the Board Offsite meeting on July 16, 2024.

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