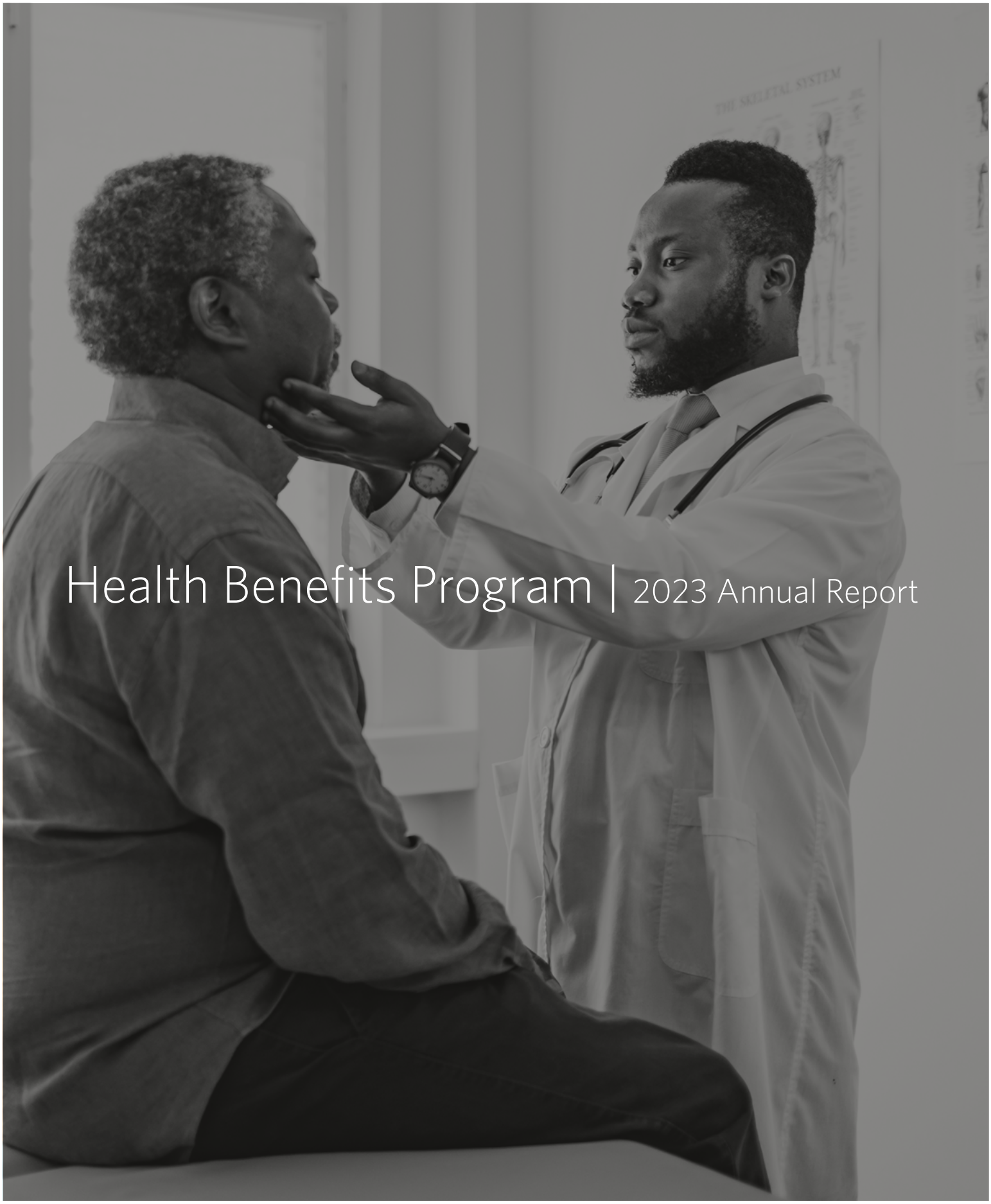

Health Benefits Program | 2023 Annual Report

Published November 1, 2024

CalPERS

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Executive Summary

Members of the California Legislature and Director of Finance:

I am pleased to present the California Public Employees' Retirement System (CalPERS) Health Benefits Program Annual Report for the plan year January 1 through December 31, 2023. This publication provides an overview of the Health Benefits Program, as required by California Government Code Section 22866.

This year's report features streamlined content, focused data, and refreshed charts. It is just one part of our ongoing enterprise-wide effort to make our publications more relevant and accessible for all CalPERS' stakeholders. Throughout the report, you'll find insights about our different health plan offerings, including benefit design changes, medical trends, and financial information — providing an annual snapshot of our vital work in support of our members' health and well-being.

In 2023, we added lower cost Health Maintenance Organization (HMO) and Exclusive Provider Organization (EPO) options to provide members with more plan choices. In 11 rural counties where members did not have an HMO option, we expanded coverage to include an EPO plan choice, where previously only a Preferred Provider Organization (PPO) existed.

Overall health plan premiums increased 6.75% in 2023. This equated to a 4.35% increase for Basic HMO plans, a 15.76% increase for PPO Basic plans, a decrease for Medicare Advantage plans, and a 5.48% increase for Medicare Supplement plans. Approximately 70,000 members, or about 4.5% of total members switched health plans during Open Enrollment, starting 2023 in a new plan.

Included in the 2023 premiums was the CalPERS board-approved risk mitigation for Basic health plans. This strategy stabilized the Basic plan portfolio by pricing plans based on the value of their benefits and networks rather than a mix of their healthy or unhealthy lives.

As part of our 2023 Business Plan, we successfully completed the HMO health plan contract solicitation effective for the 2024 plan year. Included in the contracts are new requirements to strengthen the quality of our plans' services and improve members' access to care.

Together with our partners and stakeholders, we are proud to provide affordable, equitable, accessible, and high-quality health care for more than 1.5 million members. We strive to offer programs and benefits that reflect the diversity, priorities, and needs of those we serve.

Marcie Frost
Chief Executive Officer

About CalPERS Health Benefits Program

With more than 1.5 million members, CalPERS is the largest purchaser of commercial health benefits in California and the second-largest commercial purchaser in the nation. In 2023, we spent nearly $11.3 billion to secure health benefits for active and retired members and their families on behalf of the State of California (including the California State University) and nearly 1,200 contracting agencies (public agencies and schools).

Headquartered in Sacramento, we also operate eight Regional Offices located in Fresno, Glendale, Orange, Sacramento, San Bernardino, San Diego, San Jose, and Walnut Creek.

Our 13-member Board of Administration consisting of member-elected, appointed, and ex-officio members administers the California Public Employees' Medical and Hospital Care Act, which is the primary body of law governing our health program and contracted health plans. Plans are also subject to various state and federal laws, regulations, and guidance.

The Pension & Health Benefits Committee is one of six committees that reports to the board, and oversees all matters related to the Health Benefits Program including strategy, policy, structure, actuarial studies, and rate setting for pension, health, and Long-Term Care Program policies.

Beginning in the 1960s, we became the health benefits purchaser for state employees and participating contracting agencies.

We have a vested interest in the health of our members, not only during their tenure as employees, but also throughout retirement. This long-term relationship with active and retired members drives the comprehensive, high-quality, and equitable health benefits we provide to help our members maintain their quality of life no matter what their age.

Strategic Direction and Policy Initiatives

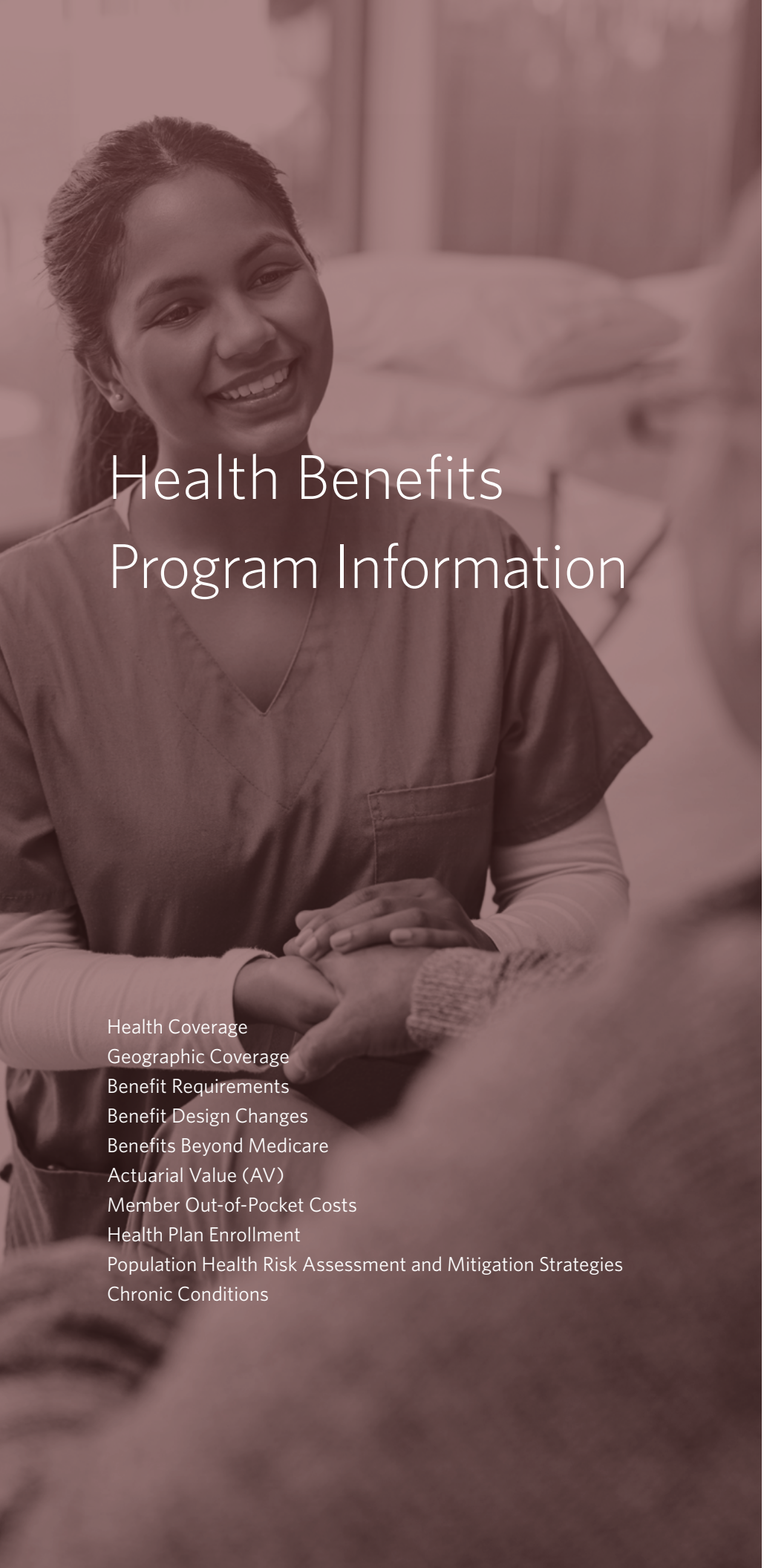
The 2022–27 CalPERS Strategic Plan is the roadmap that guides us to meet the investment, retirement, and health benefit needs of our members and their families. It is the result of a collaborative process between our board and executive team that steers us through June 30, 2027. The Health Policy & Benefits Branch (HPBB) aims to achieve exceptional health care through the following objectives:

- Ensure our members receive high-quality health care
- Ensure our members have access to care when and where they need it
- Ensure the care we provide is affordable
- Ensure all members receive equitable care

Figure 1 shows our health-related business plan initiatives for the 2023–24 Business Plan.[1] Additional information on the strategic plan and business plans are available in **Strategic & Business Plans** at **www.calpers.ca.gov**.

[1] All fiscal year 2023–24 Business Plan Initiatives have a reporting status of on-target.

Figure 1: 2023–24 HPBB Business Plan Initiatives



Health Benefits Program Information

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Geographic Coverage
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Health Coverage

We provide a wide selection of high-quality health plan options to our members and their families. For the 2023 plan year, our Basic health plan offerings included fully insured and flex-funded Health Maintenance Organization (HMO) plans, self-funded Preferred Provider Organization (PPO) plans, and self-insured and fully insured Exclusive Provider Organization (EPO) plans.

We contract with the following carriers to provide or administer these plans:

- Anthem Blue Cross
- Blue Shield of California
- Health Net of California
- Kaiser Permanente Health Plan
- Sharp Health Plan
- UnitedHealthcare of California
- Western Health Advantage

We offer Basic health plans and Medicare health plans for our Medicare eligible members.[2] We also offer Association plans[3] for members who pay applicable dues to certain employee associations.

Look ahead: In June 2024, the board announced its intent to award the 2025–2029 Preferred Provider Organization (PPO) contracts to Blue Shield of California and Included Health — a population health management vendor. Through these contracts, we seek to implement new and innovative strategies to ensure members have access to high-quality health care that is equitable and affordable.

[2] We offer limited Basic and Medicare health plan options for members who live out-of-state.

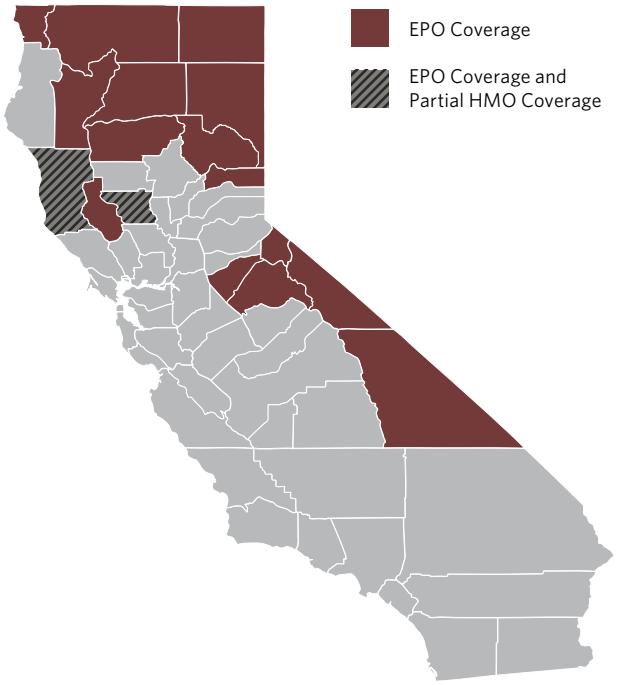
[3] We do not negotiate premiums and are not responsible for the benefit administration of association plans.

Geographic Coverage

Our members have Basic and Medicare health plan options in all 58 California counties and throughout the United States; however, members in some rural areas have had limited plan choices.

Members in rural areas may experience challenges similar to those in other parts of rural America. There can be shortages of primary care physicians, specialists, and hospitals, and members may need to travel further to seek health care services than those living in urban and suburban areas.

Figure 2: 2023 CalPERS EPO Coverage by County



In recent years, we made significant efforts to further expand access to our members living in rural California counties by adding EPO access to decrease out-of-pocket costs in rural areas. By mirroring the cost-sharing in HMOs, EPOs help decrease financial barriers to care. An EPO plan provides the same covered services as an HMO plan with the flexibility to visit any doctor or specialist within the plan's preferred provider network without a referral. EPO health plans are an effective tool in counties where it's challenging to put together an HMO network.

In 2023, more CalPERS members living in rural California counties were able to access their health benefits through either an EPO or a PPO health plan. It is our goal to have an EPO or HMO available in every ZIP code in California. To illustrate coverage in these rural counties, Figure 2 displays a map of California including the 15 rural counties of Alpine, Calaveras, Del Norte, Inyo, Lake, Lassen, Modoc, Mono, Plumas, Shasta, Sierra, Siskiyou, Tehama, Trinity, and Tuolumne. Additionally, members in Colusa and Mendocino counties continued to have access to EPO coverage and also have HMO coverage in partial areas of each county.

Benefit Requirements

State Law

Our Basic HMO health plans, regulated by the Department of Managed Health Care under the Knox-Keene Act of 1975, are required to provide coverage of medically necessary Basic health care services, including:

- Physician services
- Hospital inpatient services and ambulatory care services
- Diagnostic laboratory
- Diagnostic and therapeutic radiologic services
- Home health services
- Preventive health services
- Emergency health care services
- Hospice care

State law does not regulate our self-funded Basic PPO plans, but the PPO benefit designs are very similar to our Knox-Keene Act regulated HMO plans.

Federal Law

Our HMO and PPO Basic plans meet Affordable Care Act (ACA), Public Health Service Act, and Mental Health Parity and Addiction Equity Act (MHPAEA) requirements.

Under the ACA, plans sold in the individual and small group markets must offer a core package of health care services known as essential health benefits (EHB). Although the ACA does not require large group health plans to provide EHB, our HMO, EPO, and PPO Basic health plans provide benefits in all required EHB categories except for pediatric dental and vision care. Our health plans do not provide these services because the California Department of Human Resources, the Office of the Chancellor, and each contracting agency administer pediatric dental and vision care for their employees.

Our Basic plans cover the following EHB categories:

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Behavioral health treatment, including mental health and substance use disorder services
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management

Under the MHPAEA, copays and treatment limitations for medical and behavioral health care treatment must be the same. Additionally, the ACA includes mental health and substance use disorder services as covered benefits. We are holding our plans accountable, ensuring that they are improving screening and early intervention services, coordinating care through the integration of primary care and behavioral health services, and improving behavioral health care provider networks through tele-behavioral health services and increased behavioral health network monitoring.

Other Benefits

Our Basic health plans also provide coverage for the following benefits:

- COVID-19 diagnostic and screening testing
- Chiropractic services
- Hearing aid services

Benefit Design Changes

Each year, we and our health plan carriers consider potential changes to the benefit design of our health plans. Changes to our benefit designs can be the result of federal legislation or regulation, state legislation or regulation, or at the direction of the board.

In the 2023 plan year, we adopted the following board approved benefit design changes:

Acupuncture and Chiropractic Services

Anthem Blue Cross Medicare Preferred — Copays reduced for acupuncture and chiropractic services to $10 (down from $15).

Over the Counter Drug Benefit

Kaiser Permanente Senior Advantage & Senior Advantage Summit — $70 quarterly over-the-counter (OTC) allowance for OTC medications, vitamins and supplements, and other certain mobility and home care supplies.

Post Discharge Meals

Western Health Advantage MyCare Select Medicare Advantage — Meal delivery of up to 56 meals following a hospital stay, four times per year.

Hearing Aids Benefit Adjustment

Coverage of medically necessary hearing aids in both ears at 100% coverage every 36 months to prevent and treat speech and language development delay due to hearing loss.

Fertility Care Language Change

Updated the definition of infertility to provide access to infertility treatment to members regardless of age, gender, sexual orientation, gender identity, or marital status.

Reproductive Health Equity Language Change

Changed the benefit language to include access to reproductive health benefits for all persons who require reproductive health services. The change ensures that all members will have timely access, and equitable and competent care without undue barriers or delays, regardless of sex assigned at birth, sexual orientation, or gender identity.

Benefits Beyond Medicare

We offer PERS Gold and PERS Platinum PPO Supplement to Original Medicare plans. These plans cover Medicare-approved services with payments supplemented by the plan. These plans, however, provide coverage for some benefits not covered by Medicare (e.g., acupuncture and chiropractic services). The plans also provide coverage for medically necessary services and supplies when benefits under Medicare are exhausted or when charges for certain services and supplies exceed amounts covered by Medicare. The aggregated cost of benefits beyond Medicare for calendar year 2023 was $191 million.

Actuarial Value (AV)

Actuarial Value (AV) represents the percentage of total average costs for covered benefits that a health plan will cover under the Patient Protection and Affordable Care Act (ACA). For example, if a plan has an AV of 90%, on average, plan members would be responsible for 10% of the costs of all covered benefits. The ACA groups health plans into four AV metal tiers: Bronze, with an AV of 60%–69%; Silver, with an AV of 70%–79%; Gold, with an AV of 80%–89%; and Platinum, with an AV of 90% or above.

CalPERS' Basic HMO, EPO, and PPO plans have a higher AV than most plans sold in the individual, small, and large group markets. CalPERS' Basic HMO and EPO health plans fall in the Platinum tier, while the PPO plans are a combination of Gold and Platinum. The ACA does not require AV ratings for Medicare health plans; therefore, there are no metal tiers for these plans.

For a complete listing of AV metal tiers for our Basic health plans, refer to Appendix C, which also includes the average annual member out-of-pocket costs by health plan.

Member Out-of-Pocket Costs

Member out-of-pocket costs are members' expenses for medical services and prescription drugs not reimbursed by insurance. These costs include deductibles, coinsurance, copays, and other out-of-pocket costs as specified in the CalPERS health plans' Evidence of Coverage booklets. Out-of-pocket expenses do not include health plan monthly premium amounts.

Table 1: 2023 Average Out-of-Pocket Annual Member Costs [4]

Plan Type	$/year
Basic EPO & HMO	$127
Basic PPO	$906
Medicare Advantage	$296
Medicare Supplement	$296
Overall Average	**$308**

Refer to Appendix C for the average annual member out-of-pocket costs by health plan.

For further details about plan benefits, copays, and deductibles, review our publication ***Health Benefit Summary*** (HBD-110) in **Forms & Publications** at **www.calpers.ca.gov**.

[4] We base these figures on health claims data for the 2023 plan year. We do not collect data on non-covered services such as over-the-counter medications or out-of-network care.

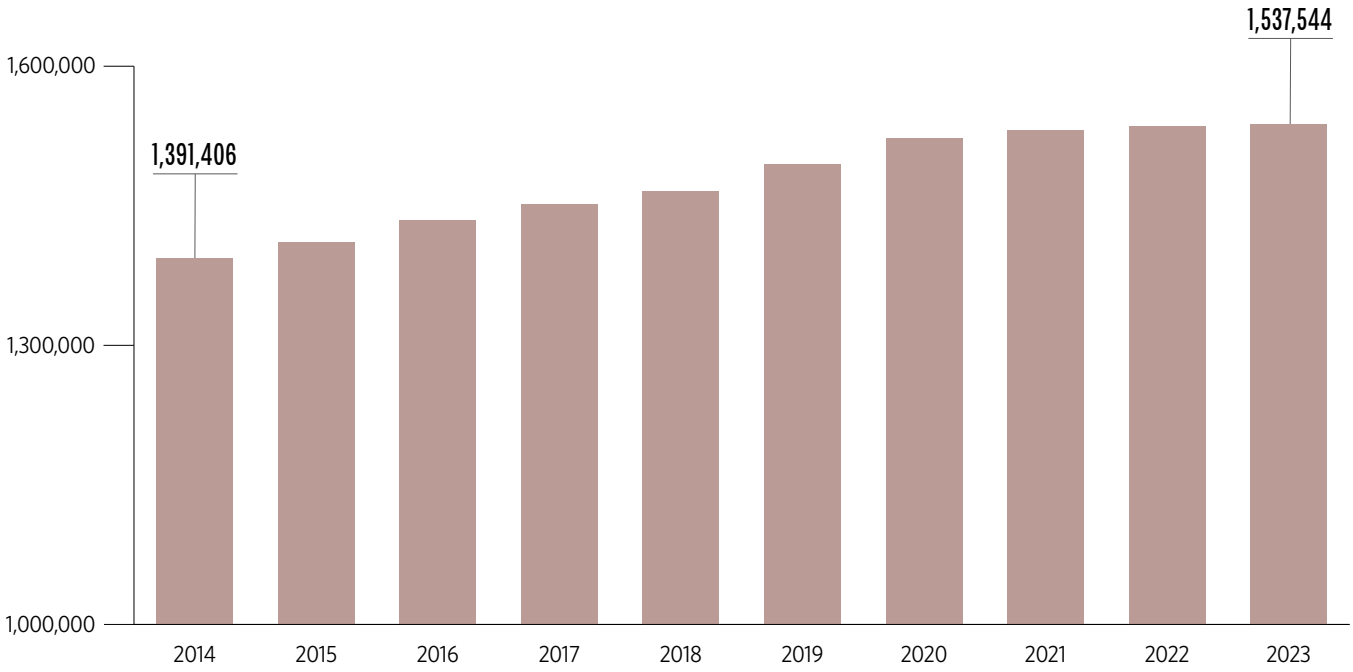
Health Plan Enrollment

We have seen our health plan enrollment grow over the past 10 years. Between 2014 and 2023, CalPERS' total enrollment has increased by 10.5%.[5]

Appendix A displays detailed enrollment data for plan years 2021–2023 by plan name, health coverage type (Basic or Medicare), employer type (state or contracting agency), employment status (active or retired), and subscriber and dependent tier (single, two-party, or family).

More historical enrollment information can be found in previous editions of the ***Health Benefits Program Annual Report*** in **Forms & Publications** at **www.calpers.ca.gov**.

Figure 3: CalPERS 10-Year Historic Enrollment



[5] Enrollment data is as of January 1, 2023.

Population Health Risk Assessment and Mitigation Strategies

Risk Mitigation for Basic Plans

We use a risk mitigation strategy to risk adjust premiums for the Basic health plans. This strategy manages population health risk within the Basic health plans, promotes efficient care management, and mitigates year-over-year premium volatility and large premium increases. Our risk mitigation strategy also requires health plans to compete based on quality of care rather than a plan's ability to attract a low-risk population.

We do not include Medicare plans in our risk mitigation strategy. This is done by CMS through their own process.

Health Plan Risk Scores

To implement our risk mitigation strategy, we engaged Milliman, an international actuarial and consulting firm, in the development of the health plan risk scores. We base the health plan risk scores on the Milliman Advanced Risk Adjusters (MARA) prospective tool. The MARA tool analyzes each member's medical claim history to produce risk scores that predict their risk of incurring future health care costs.

Development of Risk Adjusted Premiums

We adjust health plan premiums annually based on their respective risk scores. For example, a higher risk score indicates members within a given plan use health care services more than the average member, making its overall costs higher than the value of the plan based on its network. The risk adjustment will then decrease the premium to be lower than the unadjusted premium to better align with the value of the plan and its network.

For more information, visit our **Risk Mitigation for Basic Plans** webpage at **www.calpers.ca.gov**.

Chronic Conditions

We employ several mechanisms to evaluate overall member health, such as examining data on chronic conditions, reviewing population demographics, and analyzing member health. For 2023, this evaluation showed that nearly a quarter of our population had one or more of the top chronic conditions.[6,7]

2023 Common Chronic Conditions[6,7,8,9]

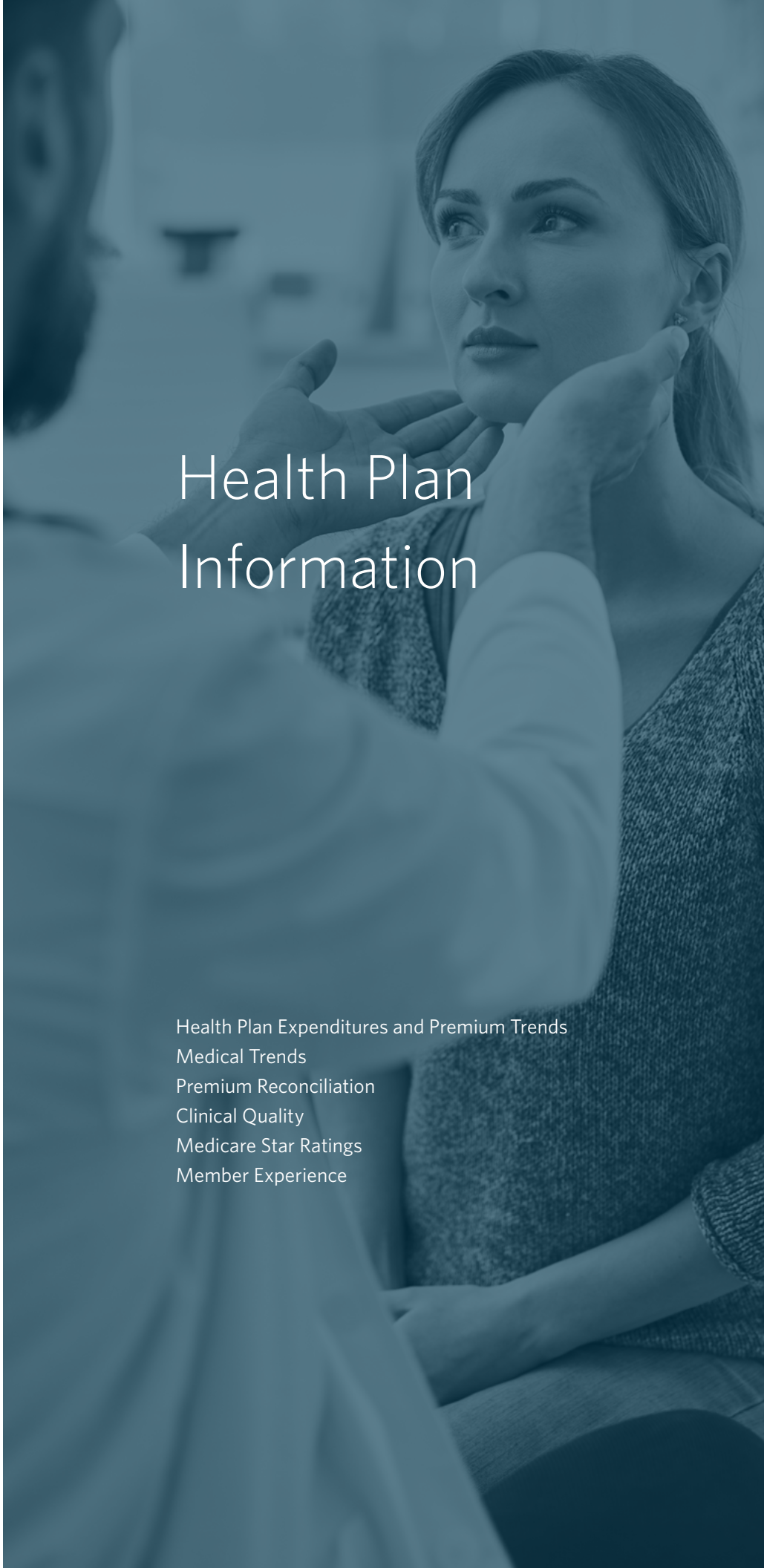
Table 2a: Basic Plan Members

Chronic Condition	Population	Prevalence (%)
Depression	72,753	6.2%
Hypertension	69,115	5.9%
Diabetes	61,144	5.2%
Asthma	35,765	3.0%
Coronary Artery Disease	8,454	0.7%
COPD	2,202	0.2%
Congestive Heart Failure	1,658	0.1%

Table 2b: Medicare Plan Members

Chronic Condition	Population	Prevalence (%)
Hypertension	65,816	23.2%
Diabetes	37,910	13.4%
Coronary Artery Disease	18,503	6.5%
Depression	14,306	5.0%
Asthma	6,981	2.5%
COPD	6,545	2.3%
Congestive Heart Failure	5,084	1.8%

[6] We use the Health Care Decision Support System (HCDSS) medical episode grouper to measure prevalence of chronic conditions.
[7] Data based on members living in California only and include 1,176,705 Basic members and 283,402 Medicare members.
[8] Some members have more than one common chronic condition; therefore, the same member may be counted in more than one category.
[9] The methodology changed for displaying the data. For 2023, we separated Basic and Medicare, whereas we combine the two products in previous years.



Health Plan Information

Health Plan Expenditures and Premium Trends
Medical Trends
Premium Reconciliation
Clinical Quality
Medicare Star Ratings
Member Experience

Health Plan Expenditures and Premium Trends

We establish health plan premiums annually through the analysis of approximately 18 months of recent claims data, any changes to benefit design, and estimates for future health care costs. We perform analyses in accordance with generally accepted actuarial standards of practice. The process to establish the 2023 health plan premiums began in 2022 and includes data from 2021 and 2022.

The following factors drive CalPERS' health plan premiums:

- Medical and pharmaceutical cost inflation
- New and high-cost specialty drugs
- Population age and gender
- Population geographic location
- Prevalence of chronic conditions
- Provider contract negotiations

For 2023, the total estimated premium expenditure was nearly $11.3 billion. Premiums increased by 6.75% overall for Basic and Medicare plans combined.[10] CalPERS' Basic HMO plans increased by an average 4.35%. Basic PPO plans increased by an average of 15.76%, Medicare Advantage plans decreased by an average of 3.23%, and Medicare Supplement plans increased by an average of 9.83%.

[10] The Basic and Medicare premium increases reflect average premium changes of CalPERS' plans.

Table 3: Overall Weighted Average Premium Changes by Coverage Type

Coverage Type	2019	2020	2021	2022	2023
Basic plans	0.92%	5.35%	5.40%	5.65%	7.21%
HMOs	0.37%	5.98%	4.44%	4.69%	4.35%
PPOs	2.83%	3.28%	8.54%	8.67%	15.76%
Medicare plans	1.37%	1.52%	(2.54%)	(0.36%)	3.69%
Medicare Advantage	(1.21%)	6.08%	(4.46%)	(6.37%)	(3.23%)
Medicare Supplement	3.74%	(2.52%)	(0.65%)	5.48%	9.83%
Overall	0.98%	4.84%	4.32%	4.86	6.75%

Table 4: Historic Annual Expenditures by Member Type[11]
(in Billions)

Member Type	2019	2020	2021	2022	2023
Active	$6.59	$6.95	$7.24	$7.57	$8.05
Retired	$2.68	$2.79	$2.93	$3.02	$3.21
Total	$9.27	$9.74	$10.17	$10.59	$11.25

Table 5: Historic Annual Expenditures by Employer Type[11]
(in Billions)

Employer Type	2019	2020	2021	2022	2023
State	$5.34	$5.62	$6.99	$6.05	$6.39
Contracting Agency	$3.92	$4.11	$3.18	$4.54	$4.86
Total	$9.26	$9.74	$10.17	$10.59	$11.25

Appendix B displays detailed premium expenditure data for plan years 2021–2023 by plan name, health coverage type (Basic or Medicare), employer type (state or contracting agency), employment status (active or retired), and subscriber and dependent tier (single, two-party, or family).

More historical expenditure data can be found in previous editions of the ***Health Benefits Program Annual Report*** in **Forms & Publications** at **www.calpers.ca.gov**.

[11] The numbers presented in tables 4 and 5 are estimated expenditures, not actuals. Since membership fluctuates throughout a calendar year, we use one of month of subscriber enrollment to calculate estimated expenditures.

Medical Trends

Medical trends are generally considered to be composed of two major components: price (unit cost) and utilization. We analyze medical trends for a better understanding of the factors that impact health care premiums. Table 6 to the right shows the trend, or percentage change in cost, for each individual service category from the prior year. The overall cost trend for our Basic health plans increased 4.2% in calendar year 2023 from 2022.

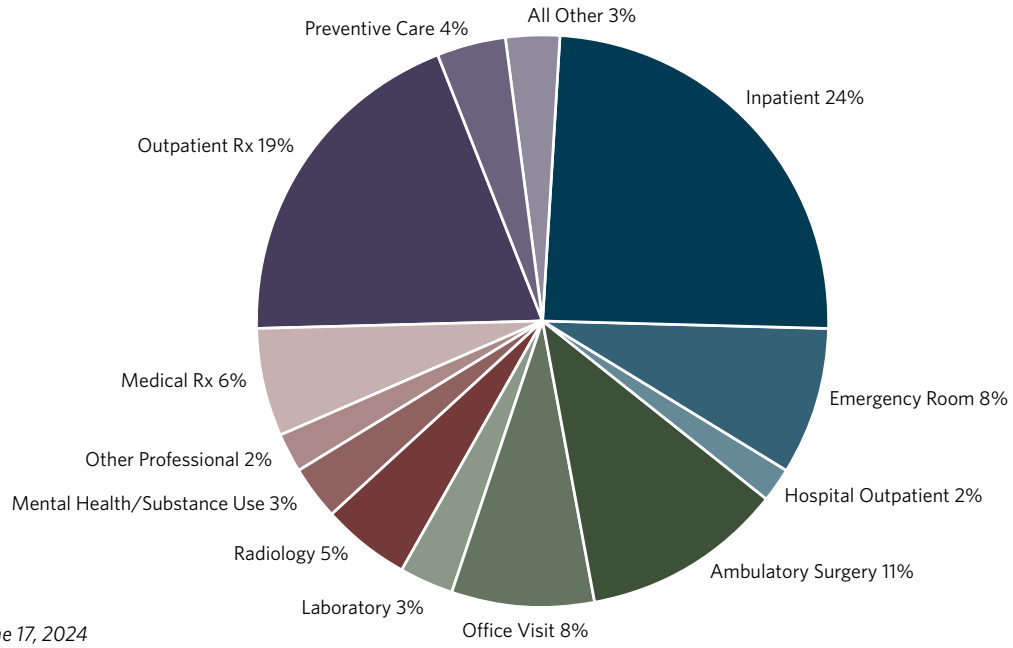
Figure 4 below shows the composition of total allowed Per Member Per Month (PMPM) spend by percentage of each service category in 2023.

Table 6: 2022–2023 Percentage Change Trend in Allowed PMPM, Within Each Service Category[12,13]

Service Category	2022–2023
All Other	5.2%
Ambulatory Surgery	8.3%
Emergency Room	9.7%
Hospital Outpatient	(1.0%)
Inpatient	1.8%
Laboratory	(28.0%)
Medical Rx[14]	8.6%
Mental Health/Substance Use	(4.5%)
Office Visit	1.9%
Other Professional	4.6%
Outpatient Rx[15]	10.7%
Preventive Care	5.7%
Radiology	9.2%

Data as of June 17, 2024

Figure 4: Percentage of PMPM Spend by Service Category[16]



Data as of June 17, 2024

[12] Allowed cost divided by the sum of members months in period, adjusted for population size.

[13] Contractual "allowed amounts" due to providers inclusive of member out-of-pocket obligations such as coinsurance, copays, deductibles, etc. Report shows "allowed" rather than "net" to provide easier comparisons between plans with different benefit designs (e.g., HMO plan vs. PPO plans).

[14] Medical Rx refers to drugs administered by a clinician in a medical setting and billed through medical claims.

[15] Outpatient Rx refers to self-administered drugs dispensed by a pharmacy (e.g., retail, mail order, and specialty) and billed though the pharmacy benefit. This category does not include manufacturer rebates.

[16] The sum of the Percentage of PMPM Spend by Service Category may be greater or less than 100% due to rounding.

Premium Reconciliation

We conduct a monthly enrollment reconciliation process with each health plan carrier to ensure accuracy of enrollment information. The data in myCalPERS is entered and/or validated by various sources including the state, public agencies and schools, health benefit officers, the State Controller's Office, health plan carriers, and CalPERS.

Table 7 below is derived from information from myCalPERS that originated at the subscriber enrollment level by coverage month, plan code, and health plan. It reflects the amount owed to each health plan carrier, based on changes in subscriber enrollment, from January through December 2023. We extracted the health premium data from myCalPERS as of May 7, 2024.

Table 7: Health Premium Management Report for Calendar Year 2023
(Dollars in Thousands)

Health Plan Carriers	Health Premium Amount
Anthem Blue Cross	$3,604,842
Association Plans (CAHP, CCPOA, and PORAC)	$638,014
Blue Shield of California	$1,019,020
Health Net of California	$151,494
Kaiser Permanente	$4,897,556
Sharp Health Plan	$103,828
UnitedHealthcare	$764,638
Western Health Advantage	$118,569
Total	**$11,297,961**

Clinical Quality

We require our health plans to participate in a variety of activities designed to ensure the provision of high-quality and equitable care. We require our health plans to annually report on national evidence-based clinical quality performance measures to evaluate and improve the quality of care that health plans provide. Some of these measures are tied to financial accountability. In addition, the California Office of the Patient Advocate (OPA) collects and compiles clinical quality performance measure data for each health plan and reports their HMO and PPO Quality Ratings Summary for consumers. Further information on the health plans' OPA quality rating can be found here: **reportcard.opa.ca.gov/HMO_PPOCombined.aspx**. CalPERS performance measures and many OPA measures are derived from the National Committee for Quality Assurance (NCQA), a not-for-profit national health care accreditation organization, which develops and manages the Healthcare Effectiveness Data and Information Set (HEDIS®), a set of health plan performance measures designed to provide purchasers and consumers with the information they need for reliable comparisons of health plan performance.

Look ahead: 2024 brings a new Quality Alignment Measure Set (QAMS) that ties substantial financial incentives for our HMO plans to improve the quality of health care. The QAMS consists of five nationally endorsed, evidence-based clinical quality performance measures, and the same measures and financial incentives will apply to our PPOs in 2025.

Medicare Star Ratings

Medicare uses a Star Rating System to measure how well Medicare Advantage and Medicare Prescription Drug (Part D) plans perform.[17] Medicare scores how well plans did in several categories, including quality of care and customer service. Ratings range from 1 to 5 stars, with five being the highest and one being the lowest score. Medicare assigns plans an overall star rating to summarize the plan's performance as a whole. Plans also get separate star ratings in each individual category reviewed. Medicare star ratings are unavailable for our Supplement to Original Medicare plans because they are neither Medicare Advantage plans nor Part D plans.

Table 8: Overall Medicare Star Ratings

Medicare Advantage Plan	2024 Overall Medicare Star Rating*
Anthem Medicare Preferred PPO	4
Blue Shield Medicare PPO	3.5
California Correctional Peace Officers Association	3.5
Kaiser Permanente Senior Advantage	4
Kaiser Permanente Senior Advantage Out-of-State	4
Kaiser Permanente Senior Advantage Summit	4
Sharp Direct Advantage	4.5
UnitedHealthcare Medicare Advantage	4.5
UnitedHealthcare Medicare Advantage Edge	4.5
Western Health Advantage MyCare Select	3

**The 2024 overall ratings were released in 2023 and based on 2022 data.*

[17] How to compare plans using the Medicare Star Rating System. (2023) **www.medicareinteractive.org/get-answers/medicare-health-coverage-options/changing-medicare-coverage/how-to-compare-plans-using-the-medicare-star-rating-system**.

Member Experience

Each year, we conduct a survey to evaluate members' experience with their health plans during the previous 12-month period. We ask members to rate their health plan satisfaction using a 10-point scale where 0 was the lowest and 10 was the highest possible rating. Please note that health plans with less than 2,000 enrollees were not surveyed.

Health Plan Experience Ratings

Figures 5a–b show the average and overall 2023 health plan experience ratings for the Basic and Medicare health plans surveyed.

Survey question:

"Using any number between 0 and 10, where 0 is the worst health plan possible and 10 is the best health plan possible, what number would you use to rate your health plan?"

Figure 5a: Basic Health Plan Experience Ratings

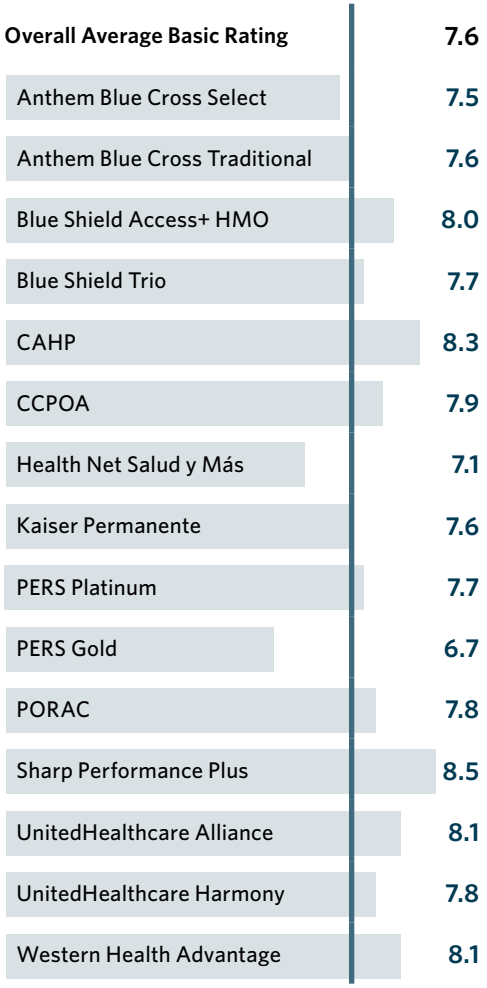
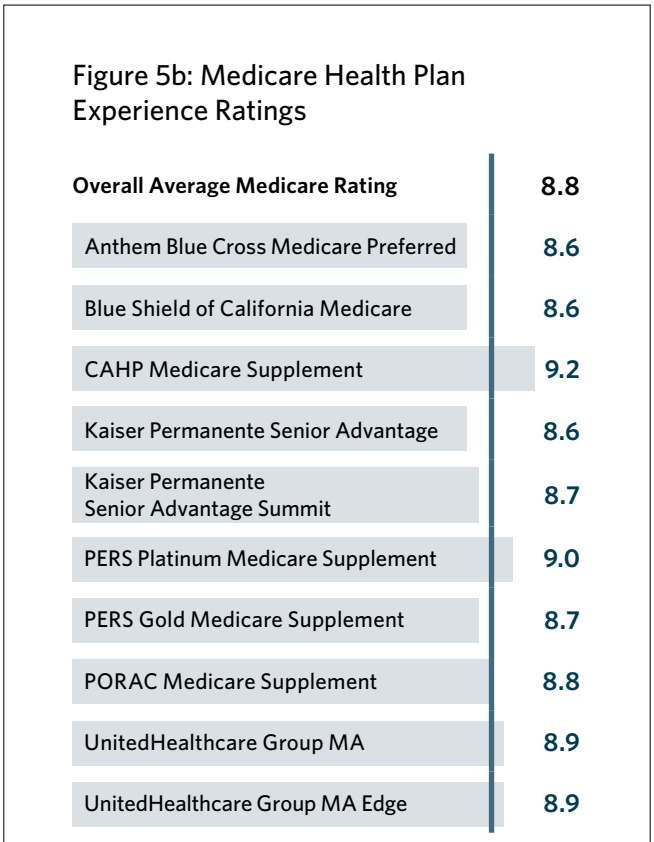
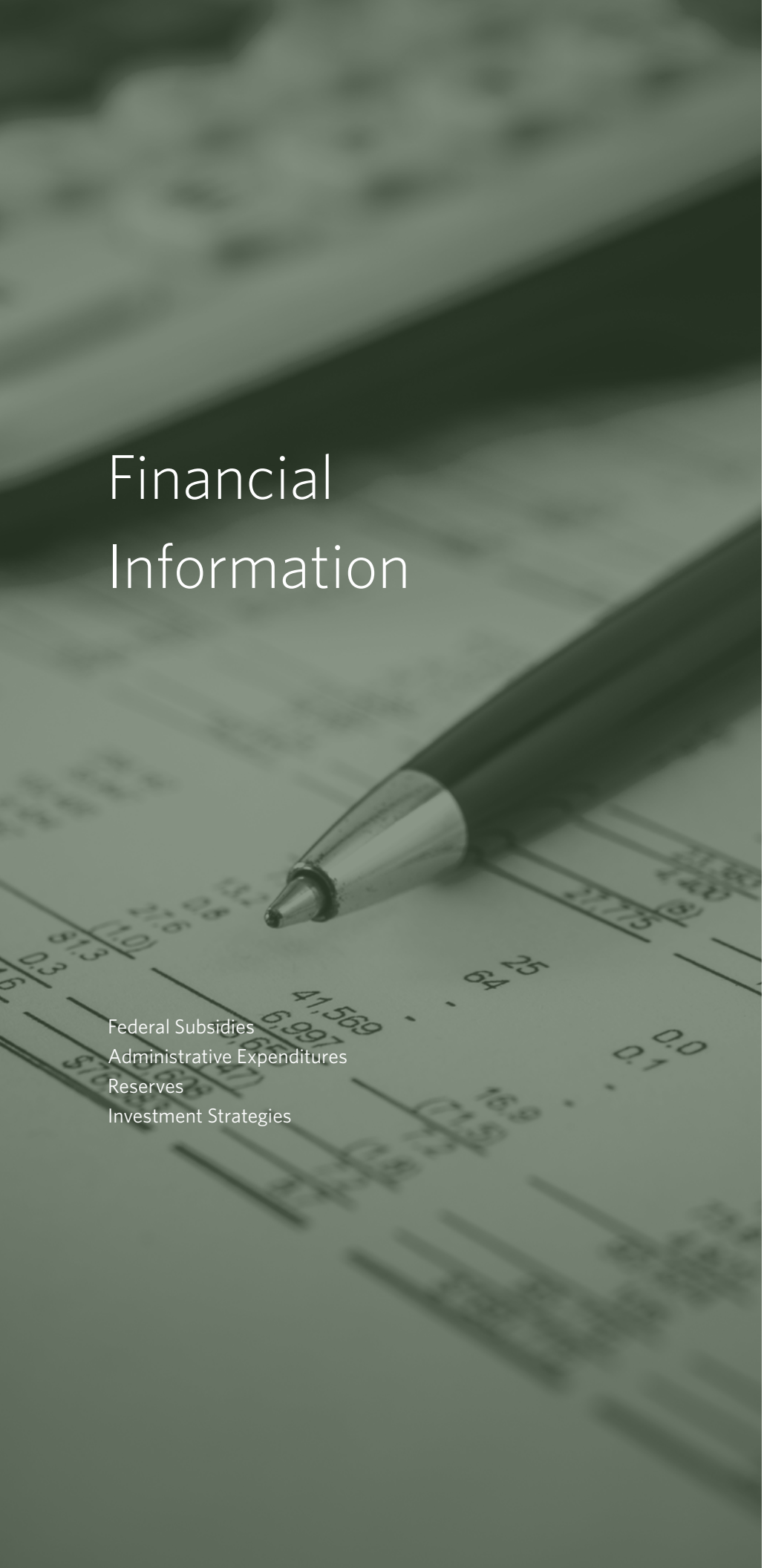


Figure 5b: Medicare Health Plan Experience Ratings





Financial Information

Federal Subsidies
Administrative Expenditures
Reserves
Investment Strategies

Federal Subsidies

Federal subsidies or contributions have a positive impact on the overall affordability of health care for our Medicare members. Our health plan carriers and Pharmacy Benefit Manager (PBM) manage federal eligibility and enrollment, benefits, claims adjudication, and subsidy payments. Federal subsidies that offset the cost of health care include:

- Direct Subsidies
- Catastrophic Reinsurance Payments Subsidies
- Coverage Gap Discounts Subsidies
- Low Income Cost-Sharing Subsidies
- Low Income Premium Subsidies

In 2023, CalPERS collected approximately $423.2 million in federal subsidies.

Direct subsidies represent fixed amounts that the Centers for Medicare and Medicaid Services (CMS) pays to plan administrators to reimburse for Medicare Part D administrative costs. Catastrophic reinsurance payments subsidize plan administrators for a portion of gross prescription drug costs incurred after a member exceeds the annual True Out-Of-Pocket (TrOOP) cost threshold. The Coverage Gap Discounts represent pharmaceutical drug discounts paid by pharmaceutical manufacturers to plan administrators to offset the reduced member cost-sharing for eligible members in the coverage gap.

The Low-Income Subsidy (LIS) program helps people with Medicare pay for prescription drugs and lowers the cost of prescription drug coverage. The Low-Income Cost-Sharing Subsidies (LICS) are payments to plan administrators to offset the statutory reduction in cost sharing for qualified low-income members. The Low-Income Premium Subsidies (LIPS) are payments to plan administrators to lower the costs of premiums for members that meet low-income guidelines. Our health plans administer the LIPS program (also referred to as LIS). The plans are responsible for collecting the subsidy from the federal government and distributing the subsidy to the member and/or employer if the subsidy exceeds the member's share of the premium.

The CMS federal subsidies estimated amount from the prior year reduced the 2023 rates of our Medicare Advantage and the PERS Gold and PERS Platinum Supplement plans to Medicare Part D Employer Group Waiver plans. The premium amount combined with the federal subsidy amount is sufficient to pay medical and pharmacy claims. The premiums for Medicare health plans represent the cost of coverage above the federal subsidies or contributions to Medicare.

Administrative Expenditures

In fiscal year 2023–24, we expended $79.6 million to support our Health Benefits Program. Of our total 2,843 authorized positions, 420.1 directly and indirectly support the Health Benefits Program (see Table 9). Direct support positions include those in the Health Policy & Benefits Branch, the Actuarial Office, and Customer Services & Support. In contrast, enterprise support positions indirectly support the program including, but not limited to, positions in the Legal Office, Financial Office, and the Operations & Technology Branch.

Table 9: Staff Levels

Direct Support Positions	247.9
Enterprise Support Operations Positions	172.3
Total Staffing Levels*	**420.1**

**Total may not equal the sum of Direct and Enterprise Support positions due to rounding.*

Personal services expenditures total $54 million in fiscal year 2023–24 (see Table 10).

Table 10: Personal Services

(Dollars in Thousands)

Salary and Wages	$34,605
Staff Benefits	19,419
Total Personal Services	**$54,024**

Operating expenses and equipment costs include internal and external professional consulting services, as well as general operating expenses such as communication, travel, and printing. Further, statewide administrative costs, known as pro-rata, were assessed to the program. Operating expenses and equipment expenses in fiscal year 2023–24 total $25.5 million (see Table 11).

Table 11: Operating Expenses & Equipment

(Dollars in Thousands)

Consultant and Professional Services — Internal	$122
Consultant and Professional Services — External	11,257
General Operating Expenses	9,988
Statewide Administrative Cost (Pro-Rata)	4,174
Total Operating Expenses & Equipment	**$25,541**

Health Benefits Program funding comes from the Public Employees' Contingency Reserve Fund (CRF) and the Public Employees' Health Care Fund (HCF) (see Table 12).

Table 12: Funding Sources

(Dollars in Thousands)

Public Employees' CRF	$30,823
Public Employees' HCF	48,742
Total Funding	**$79,565**

Reserves

Reserve Levels/Adequacy

Actuarial reserve levels are the actuarially prudent threshold for assets to account for worst-case scenarios, including three main components: 1) Medical and pharmacy claims liability, to cover fee-for-service claims that have occurred but are not yet reported; 2) Risk-Based Capital (RBC) reserves, to pay for medical and pharmacy claims in the case of a sudden drop in enrollment, natural disaster, or an unexpected health pandemic; and 3) Other administrative reserves, to cover the wind-down cost should a plan suddenly terminate.

As of December 31, 2023, the actuarial reserve level for the self-funded PPO plans was $732 million; however, the total assets level was $67 million, resulting in PPO fund status being 9% or $665 million below the fully reserve level.[18] Since plan assets have fallen below 90% of the actuarial reserve amount, the board approved an additional surcharge for the 2024 plan year premiums and future years' premiums.

For the self-funded pharmacy portion of CalPERS' HMO plans, total assets were $43 million as of December 31, 2023.

Expected Changes in Reserve Levels

As the board approved to include surcharges in the PPO premiums to replenish the reserve, we expect the PPO assets level to increase to the recommended actuarial reserve levels in future years.

Policies to Reduce Surplus Reserves/Rebuild Inadequate Reserves

The main purpose of the HCF reserve policy is to review the appropriate PPO reserve level and the methodology for handling surpluses or deficits based on predetermined thresholds:

- If the plan assets at the end of the year are within plus or minus 10% of the actuarial reserve, no action will be taken;
- If the plan assets exceed 110% of the actuarial reserve amount, a premium reduction will be considered to lower the reserve level back to 100%;
- Conversely, if the plan assets fall below 90% of the actuarial reserve amount, an additional surcharge may be considered for future premiums.

Reinsurance/Other Alternatives to Maintain Reserves

The requirement for RBC in the PPO plans is designed to offer sufficient protection against unfavorable claims experience, thus eliminating the need for reinsurance once assets are replenished to actuarial reserve levels. Additionally, the cost of reinsurance policies are increasing and they do not provide the type of coverage that would benefit our program. In the case of flex-funded HMO plans, there is no need for reinsurance because of the specific nature of flex-funding. Flex-funding involves a health plan arrangement where the contracted health plan covers the capitated portion of the health care services, and CalPERS covers the fee-for-service portion. If the expenses for capitation and fee-for-service turn out to be lower than expected, CalPERS keeps that funding in its HCF and can use it to lower premiums in the following years.

[18] The 2023 actuarial reserve level reflects claims processed as of March 31, 2024.

Investment Strategies

Public Employees' Contingency Reserve Fund

The Public Employees' CRF is invested at the State Treasurer's Office in the Surplus Money Investment Fund (SMIF) (see Table 13). The Pooled Money Investment Account (PMIA), of which SMIF is one part, shall be managed as follows:

- The pool will ensure the safety of the portfolio by investing in high quality securities and by maintaining a mix of securities that will provide reasonable assurance that no single investment or class of investments will have a disproportionate impact on the total portfolio.
- The pool will be managed to ensure that normal cash needs, as well as scheduled extraordinary cash needs can be met.
- Pooled investments and deposits shall be made in such a way as to realize the maximum return consistent with safe and prudent treasury management.

Table 13: Historical Investment Performance of the Surplus Money Investment Fund

(Net of Fees)

Fiscal Year End	Allocation	Invested Assets	Annual Return
19–20	Surplus Money Investment Fund (SMIF)	$728,825,669	1.95%
20–21		728,469,734	0.50%
21–22		756,131,527	0.37%
22–23		720,365,295	2.19%
23–24		874,537,057	3.99%

Expected Investment Returns

The SMIF does not follow a benchmark. However, comparison of PMIA yields to the Federal Funds Rate and the S&P Government Investment Pool index are provided by the Office of the State Treasurer. For further information on the PMIA, visit **www.treasurer.ca.gov/pmia-laif/pmia/index.asp.**

Public Employees' Health Care Fund

The Public Employees' HCF is invested at the State Treasurer's Office in the SMIF and with State Street Global Advisors (SSGA) (see Table 14). The strategic objective of the Public Employees' HCF, as stated in the Investment Policy, is as follows:

> The HCF seeks to provide stability of principal, while avoiding large losses, enhance returns within prudent levels of risk, and maintain liquidity to meet cash needs.

Table 14: Historical Investment Performance of State Street Global Advisors U.S. Aggregate Bond Index Fund, and the Surplus Money Investment Fund

(Net of Fees)

Fiscal Year End	Allocation	Invested Assets	Annual Return
19–20	State Street Global Advisors (SSGA) U.S. Aggregate Bond Index Fund	$520,391,768	8.82%
20–21		518,420,597	(0.39%)
21–22		327,522,392	(10.32%)
22–23		205,091,033	(0.98%)
23–24		73,487,594	2.66%
19–20	Surplus Money Investment Fund (SMIF)	$277,031,123	1.95%
20–21		151,173,735	0.50%
21–22		116,746,966	0.37%
22–23		194,188,046	2.19%
23–24		346,589,017	3.99%

Expected Investment Returns

The SSGA U.S. Aggregate Bond Index Fund is passively managed to follow the Bloomberg Barclays U.S. Aggregate Bond Index. While the 10-year historical annualized investment return for the index as of June 30, 2024 is 1.35%, past performance is not a guarantee of future results.

Appendices

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A Historic Enrollment
B Historic Expenditures
C Average Member Out-of-Pocket Costs and AV Metal Tier by Health Plan

Appendix A — Historic Enrollment

Enrollment as of January 1 of Each Reported Year[19]

	2021	2022	2023
Basic HMO Plans			
Anthem Blue Cross Select	48,692	48,068	38,652
Anthem Blue Cross Traditional	12,848	11,356	10,887
Blue Shield Access+	81,127	79,153	92,956
Blue Shield Trio	12,590	17,249	29,589
Health Net — Salud y Más	11,819	12,774	12,011
Health Net — SmartCare	14,918	10,856	8,842
Kaiser Permanente	555,002	555,698	549,876
Kaiser Out-of-State	950	1,051	1,031
Sharp Health Plan	14,583	14,790	14,477
UnitedHealthcare Signature Value Alliance	82,927	76,469	72,405
UnitedHealthcare Signature Value Harmony	—	2,679	4,285
Western Health Advantage	11,347	13,338	15,848
Basic EPO and PPO Plans			
Anthem Blue Cross Del Norte EPO	81	65	61
Blue Shield EPO	880	895	1,454
PERSCare	25,689	—	—
PERS Choice	142,946	—	—
PERS Gold	—	123,631	134,242
PERS Platinum	—	152,776	130,885
PERS Select	107,287	—	—
Basic Association Plans			
California Association of Highway Patrolmen	27,304	26,701	26,329
California Correctional Peace Officers Association North	7,675	7,189	6,033
California Correctional Peace Officers Association South	30,662	30,095	29,538
Peace Officers Research Association of California	21,363	21,883	23,288
Basic Total	1,210,690	1,206,716	1,202,689

[19] This table represents "points-in-time" data which is the best description of enrollment on a typical day. A "–" indicates that the plan did not exist in those years.

Appendix A — Historic Enrollment, cont.

	2021	2022	2023
Medicare Advantage Plans			
Anthem Medicare Preferred PPO	4,177	5,412	4,949
Anthem Select Medicare Preferred	—	—	1,187
Blue Shield Medicare PPO	—	591	2,870
Kaiser Permanente Senior Advantage	107,545	110,857	108,068
Kaiser Permanente Senior Advantage Out-of-State	2,454	2,620	2,759
Kaiser Permanente Senior Advantage Summit	—	—	5,055
Sharp Direct Advantage	24	170	317
UnitedHealthcare Medicare Advantage	44,920	44,661	44,013
UnitedHealthcare Medicare Advantage Edge	—	2,061	3,603
Western Health Advantage MyCare Select	—	57	270
Supplement to Original Medicare Plans			
PERSCare	65,898	—	—
PERS Choice	77,911	—	—
PERS Gold	—	3,316	3,954
PERS Platinum	—	147,111	148,226
PERS Select	2,913	—	—
Medicare Association Plans			
California Association of Highway Patrolmen	4,516	4,587	4,630
California Correctional Peace Officers Association North	687	744	814
California Correctional Peace Officers Association South	886	992	1,073
Peace Officers Research Association of California	2,722	2,854	3,067
Medicare Total	314,653	326,033	334,855
Grand Total	1,525,343	1,532,749	1,537,544

Appendix A — Historic Enrollment, cont.

	2021	2022	2023
Program			
State	887,580	889,577	891,807
Contracting Agency	637,763	643,172	645,737
Total	1,525,343	1,532,749	1,537,544

Employment Status			
Active	1,025,477	1,021,213	1,019,237
Retired	499,866	511,536	518,307
Total	1,525,343	1,532,749	1,537,544

Subscriber and Dependent Tier			
Single	346,222	356,348	367,038
2-Party	421,724	423,554	426,062
Family	757,397	752,847	744,444
Total	1,525,343	1,532,749	1,537,544

Appendix B — Historic Expenditures

Estimated Expenditures (Dollars in Thousands) [20]

	2021	2022	2023
Basic HMO Plans			
Anthem Blue Cross Select	$362,294	$374,876	$322,724
Anthem Blue Cross Traditional	152,627	132,124	121,135
Blue Shield Access+	712,950	675,377	758,613
Blue Shield Trio	86,238	125,499	211,920
Health Net Salud y Más	47,018	56,960	70,022
Health Net SmartCare	129,376	100,188	83,044
Kaiser Permanente	4,027,970	4,233,197	4,467,925
Kaiser Out-of-State	11,406	13,014	13,061
Sharp Health Plan	85,927	96,055	103,248
UnitedHealthcare SignatureValue Alliance	578,984	571,307	562,932
UnitedHealthcare SignatureValue Harmony	—	18,799	29,084
Western Health Advantage	81,030	94,098	114,914
Basic EPO and PPO Plans*			
Anthem Del Norte EPO	$605	$589	$601
Blue Shield EPO	8,470	8,382	12,681
PERSCare	175,944	—	—
PERS Choice	1,187,352	—	—
PERS Gold	—	753,696	960,896
PERS Platinum	—	1,414,699	1,396,702
PERS Select	531,714	—	—
Basic Association Plans			
California Association of Highway Patrolmen	$165,111	$162,386	$161,698
California Correctional Peace Officers Association North	56,028	55,318	50,057
California Correctional Peace Officers Association South	181,111	187,731	195,041
Peace Officers Research Association of California	146,468	154,122	168,832
Basic Total	**$8,844,176***	**$9,228,417**	**$9,805,129**

*Totals may not equal the sum of Basic totals due to rounding.

[20] A "—" indicates that the plan did not exist in those years.

Appendix B — Historic Expenditures, cont.

	2021	2022	2023
Medicare Advantage Plans			
Anthem Medicare Preferred PPO	$21,138	$24,494	$31,133
Blue Shield Medicare PPO	—	5,568	14,114
Kaiser Permanente Senior Advantage	433,964	406,390	368,856
Kaiser Permanente Senior Advantage Out-of-State	9,512	9,437	9,158
Kaiser Permanente Senior Advantage Summit	—		21,283
Sharp Direct Advantage HMO	199	681	1,025
UnitedHealthcare Medicare Advantage	169,962	157,552	158,343
UnitedHealthcare Medicare Advantage Edge	—	9,625	15,946
Western Health Advantage MyCare Select	—	446	1,184
Supplement to Original Medicare Plans			
PERSCare	$12,813	—	—
PERS Choice	330,671	—	—
PERS Gold	—	15,860	19,171
PERS Platinum	—	676,992	748,592
PERS Select	301,378	—	—
Medicare Association Plans			
California Association of Highway Patrolmen	$26,666	$27,178	$27,343
California Correctional Peace Officers Association North	4,059	4,836	3,980
California Correctional Peace Officers Association South	5,453	6,323	7,049
Peace Officers Research Association of California	20,537	16,265	22,377
Medicare Total	$1,326,842*	$1,361,647	$1,449,554
Grand Total	$10,171,019**	$10,590,064	$11,254,683

*Totals may not equal the sum of Basic totals due to rounding.

**Grand total may not equal sum of Basic and Medicare totals due to rounding.

Appendix B — Historic Expenditures, cont.

	2021	2022	2023
Program			
State	$6,991,945	$6,047,556	$6,393,375
Contracting Agency	3,179,680	4,542,978	4,861,309
Total	**$10,171,625**	**$10,590,534**	**$11,254,684**
Employment Status			
Active	$7,238,112	$7,572,505	$8,047,626
Retired	2,932,907	3,018,029	3,207,057
Total	**$10,171,019***	**$10,590,534**	**$11,254,683**
Subscriber and Dependent Tier			
Single	$2,575,767	$4,736,449	$4,981,537
2-Party	3,063,420	2,706,733	2,926,861
Family	4,531,831	3,147,352	3,346,285
Total	**$10,171,018***	**$10,590,534**	**$11,254,683**

* Totals may not equal the sum of Basic and Medicare totals due to rounding.

Appendix C — Average Member Out-of-Pocket Costs[21] and AV Metal Tier by Health Plan[22]

Basic EPO and HMO Plans	2023	AV Metal Tier
Anthem Blue Cross Del Norte County EPO	$204	Platinum
Anthem Blue Cross Select HMO	203	Platinum
Anthem Blue Cross Traditional HMO	251	Platinum
Blue Shield Access+ EPO	176	Platinum
Blue Shield Access+ HMO	174	Platinum
Blue Shield Trio HMO	129	Platinum
Health Net Salud y Más	105	Platinum
Health Net SmartCare	265	Platinum
Kaiser Permanente	98	Platinum
Sharp Health Plan	158	Platinum
UnitedHealthcare SignatureValue Alliance	184	Platinum
UnitedHealthcare SignatureValue Harmony	146	Platinum
Western Health Advantage HMO	202	Platinum
Average Member Out-of-Pocket for Basic EPO and HMO Plans	**$127**	

Basic PPO Plans		
PERS Gold	$819	Gold
PERS Platinum	1,001	Platinum
Average Member Out-of-Pocket for Basic PPO Plans	**$906**	

Medicare Advantage Plans		
Anthem Medicare Preferred PPO	$420	—
Blue Shield Medicare PPO	358	—
Kaiser Permanente Senior Advantage	206	—
Sharp Direct Advantage HMO	159	—
UnitedHealthcare Group Medicare Advantage PPO	373	—
UnitedHealthcare Group Medicare Advantage Edge PPO	232	—
Western Health Advantage MyCare Select HMO	202	—
Average Member Out-of-Pocket for Medicare Advantage Plans	**$296**	**—**

Supplement to Original Medicare Plans		
PERS Gold	$240	—
PERS Platinum	298	—
Average Out-of-Pocket for Supplement to Original Medicare Plans	**$296**	**—**

[21] Average annual costs rounded to nearest dollar.

[22] A "—" indicates that AV Metal Tiers are not provided for Medicare plans.

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