



Pension & Health Benefits Committee

Agenda Item 6a

March 18, 2025

Item Name: Health Benefits Program Proposals for 2026

Program: Health Benefits

Item Type: Action

Recommendation

Approve modifications to the 2026 Value-Based Insurance Design program in the PERS Gold Basic Plan.

Executive Summary

This agenda item provides an update on the Health Benefits Program proposed modifications to the Value-Based Insurance Design (VBID) program in the PERS Gold Basic Plan for the 2026 plan year, as well as impacts of adding an additional Basic PPO plan for members residing outside of California. These items will be discussed during the March 2025 Pension & Health Benefits Committee (PHBC) meeting with recommendation for action.

Strategic Plan

This item supports the California Public Employees' Retirement System (CalPERS) 2022-2027 Strategic Goal of Exceptional Health Care: Ensure our members have access to equitable, high-quality, and affordable health care.

Background

CalPERS recognizes the need for providing affordable health and pharmacy benefits to our Basic and Medicare members. Each year CalPERS brings forth proposals for new health plan products, additional coverage areas, benefit design changes, and innovative health programs.

Analysis

The CalPERS team conducted analyses to maximize the benefits of the VBID program and to determine the feasibility of adding an out-of-state (OOS) PPO plan option that would be beneficial to the health program and would support our strategic goal of providing exceptional health care.

Value-Based Insurance Design

The CalPERS team explored ways to further align the current VBID program within the PERS Gold Basic PPO plan with our strategic goals to improve clinical quality for our members. The focus was retain high-impact elements of current VBID such as encouragement of care management when appropriate and use of preventive services, maintain overall cost neutrality, and align VBID elements with our Quality Alignment Measure Set (QAMS) measures. The QAMS consists of a small set of nationally endorsed, evidence based clinical quality measures focused on improving care for a few clinically important conditions for which there are major opportunities for improvement. This change to the VBID program will not impact the HMO health plan rate submissions for 2026 as VBID is only applicable to the Basic PPO Gold plan, and there are no projected premium impacts to the PPO Gold plan because the changes do not affect the financial structure of the VBID program. We will also discuss potential changes to the VBID program for 2027 during the March 2025 PHBC meeting.

Out-of-State Basic PPO Option

In response to member concerns about PERS Platinum's high premiums and the lack of choice available to members living outside of California, CalPERS worked closely with Blue Shield to explore adding a lower-cost OOS Basic PPO option to our offerings. Our goal was to determine if there is a pathway for CalPERS to offer an OOS PERS Gold Plan alongside our PERS Platinum offering without impacting the premiums for in-state members.

If CalPERS were to offer an OOS PERS Gold Plan, there would be an approximate 2-3% increase to Basic PPO premiums for in-state members. To counteract this increase, significant benefit design changes would be required for the OOS PERS Gold Plan. These include more than doubling deductible and copay amounts, and increasing coinsurance. These changes would significantly increase member out-of-pocket costs and create the effect of a high-deductible health plan, which research has shown to worsen clinical quality outcomes for members.

Given the severity of the benefit design changes, as well as the current surcharge on the PPOs to replenish required reserves, we don't believe there is a viable path to offer an OOS PERS Gold Plan without having an adverse impact on in-state PPO premiums at this time.

Budget and Fiscal Impacts

CalPERS recognizes the need for providing affordable health plans to our Basic and Medicare members by expanding coverage areas and making benefit design changes where it is appropriate and cost-effective. There are no projected premium impacts from the modifications to the VBID program.

Benefits and Risks

Benefits include:

- Modification of VBID services to better align with and support improvement in the Quality Alignment Measure Set

- Continued support of high value care such as care management for chronic diseases and utilization of preventive services.

Risks include:

- Ability to effectively communicate VBID modifications to PERS Gold members and their families.

Attachments

Attachment 1 – Health Benefits Program Proposals for the 2026 Plan Year PowerPoint

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