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TO: Health Benefit Officers And Assistant Health Benefit Officers of the State, California State University and Contracting Public Agencies
SUBJECT: Health Benefit Contract Changes for the 2000 Contract Year

Health Maintenance Organization (HMO) Contract Renewal

On May 19, 1999, the CalPERS Board of Administration agreed to a rate increase for all HMOs for the 2000 contract year.

Rates

For the 2000 contract year, the Basic HMO plan premiums represent an average increase of 9.7 percent from the 1999 rates. Many of the health plans have experienced relatively high medical loss ratios (percentage of premium revenue devoted to health care services, as distinct from administration and profit) for their Basic Plan CalPERS membership. The level of premium increase is necessary to adequately fund our members' health care in 2000.

The 2000 premiums for HMO Medicare-coordinated plans represent an average increase of 70.1 percent from the 1999 rates. The Health Care Financing Administration (HCFA) has moderated the increase in Medicare payment rates and this has been a significant factor in creating the need for these large premium increases. The Medicare coordinated plans continue to experience high trends for the prescription drug benefits in our program.

Service Area Changes

Additions

Blue Shield HMO will be adding Butte County to their service area. Blue Shield has received Department of Corporations (DOC) approval for this expansion.

Health Benefit Contract Changes for the 2000 Contract Year

Withdrawals

Several HMOs have experienced high costs and provider network instability in certain areas of the state. These health plans do not believe they can continue to offer an HMO product in certain areas and will request the DOC to approve their withdrawal from specific counties. The HMOs and their enrollments in the affected counties are listed below:

- **Health Net** – Calaveras, Tuolumne, Shasta
- **Health Plan of the Redwoods** – Lake
- **Lifeguard*** – Fresno, Kings, Madera, Merced (Partial), Tuolumne
- **Maxicare** – Placer, Sacramento, Yolo

*Lifeguard will keep its' Knox-Keene license (governing law for HMOs) in the following Merced County ZIP codes: 93635, 95322, 95374, 95324, 95315, and 95303.

These withdrawals result in Tuolumne and Calaveras Counties having no HMO option in our program for 2000.

Plan Withdrawal

Omni

Omni Healthcare has requested to not renew their contract in our health program effective January 1, 2000. Omni and CalPERS have carefully evaluated the health plan's financial losses with CalPERS and concluded that Omni is financially unable to continue its participation in our program beyond the 1999 contact year.

CalPERS members currently enrolled in Omni will be able to select another health plan during our annual open enrollment period in September-October, 1999. The plan changes will be effective January 1, 2000. Omni will be working with CalPERS staff to ensure smooth transition for our members. Below is a listing of counties in the Omni service area.

Amador	Merced	Solano
Butte	Nevada	Sonoma
Calaveras	Placer	Stanislaus
Colusa	Sacramento	Sutter
El Dorado	San Francisco	Tuolumne
Glenn	San Joaquin	Yolo
Lake	San Mateo	Yuba
Marin	Santa Clara	

Intergroup of Arizona

For the past two years, CalPERS members have had an HMO option with Intergroup of Arizona. CalPERS is replacing Intergroup of Arizona plan with PacifiCare of Arizona Plan. CalPERS believes that the relationship with PacifiCare represents the best opportunity for a stable, long-term product to be offered in Arizona. Intergroup of Arizona contract terminates at midnight December 31, 1999.

The California Professional Firefighters Association (CPFA)

The CPFA Health Benefits Trust experienced critical financial losses in providing services to CalPERS members, and therefore, terminated the CPFA Health Benefits Trust agreement with CalPERS effective June 1, 1999.

A Special Open Enrollment was conducted to transition CPFA plan members to new health plans.

New Plan Additions

Health plan premiums for new plans can be found on the 2000 Health Plan Rates page.

- Universal Care

Universal Care has applied and been approved to join the CalPERS health benefits program effective

January 1, 2000. Universal Care has been operating in Southern California since 1985 and has approximately 212,000 enrollees in their service area of Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura counties.

- PacifiCare of Arizona and PacifiCare of Nevada

PacifiCare Health Systems, Inc. applied and has been approved to offer out-of-state coverage to CalPERS members in Arizona and Nevada. PacifiCare of Arizona and PacifiCare of Nevada are an extension of the commitment to provide our members enhanced customer service and improve member satisfaction.

PacifiCare will offer the standard benefit in Arizona and Nevada that closely resembles the CalPERS standard benefit plan for Basic and Managed Medicare members. Open enrollment will be offered in September with an effective date of January 1, 2000.

Health Benefit Contract Changes for the 2000 Contract Year

Benefit Changes

Kaiser has changed their emergency room copayment from \$5.00 to \$35.00. This change is consistent with the standard benefit design emergency copayment range of \$5.00 to \$50.00.

The Year 2000 HMO premium rates include coverage of Viagra® at the current copayments of \$5.00 for basic plans, \$3.00 to \$5.00 for supplement to Medicare plans, and \$1.00 for managed Medicare plans.

Association Plan Contract Renewals

Association plan rates can be found on the 2000 Health Plan Rates page.

California Association of Highway Patrolmen Health Benefits Trust (CAHP)
The CAHP Health Benefits Trust Board of Trustees has approved a 4 percent rate increase in the Basic plan and a 22 percent rate increase in the Supplement to Medicare plan. This is the first increase proposed for either plan in seven consecutive years. CAHP has no benefit changes in their plans for 2000.

California Correctional Peace Officers' Association Benefit Trust Fund (CCPOA)
The CCPOA Benefit Trust Fund rate increase is for a 3.3 percent increase in their Basic Plan and a rate pass (no increase) for their Supplemental to Medicare plan.

CCPOA Benefit Changes for 2000

The current Point-of-Service plan will be replaced with the Elect Open Access Plan. The new Elect Open Access plan provides benefits through a combination of a core network of Health Net HMO providers, and direct, open access to Health Net's PPO physicians. Where possible, CCPOA has mirrored the existing HMO benefits.

The PPO plan currently offered to CCPOA active and retiree members in non-licensed counties of Health Net will no longer be offered. As a result, CCPOA members in the following counties will no longer be offered a medical plan through CCPOA: Del Norte, Trinity, Siskiyou, Modoc, Plumas, Alpine, Mono, Inyo, San Benito, Monterey, Imperial, Calaveras and Tuolumne Counties. An estimated 739 subscribers and dependents will be affected as a result of the withdrawal from the preceding counties.

Health Benefit Contract Changes for the 2000 Contract Year

Peace Officers' Research Association of California Insurance and Benefits Trust (PORAC)

The PORAC Insurance and Benefits Trust rate increase is 5.7 percent in the Basic plan and 20 percent increase in their Supplement to Medicare. The PORAC rates can be found on the 2000 Health Plan Rates page.

PORAC has no benefit changes in their plans for 2000.

Self-Funded Program Premium Rates

The transition from Blue Shield to Blue Cross of California has gone very well, given the enormity of transitioning coverage for over 170,000 enrollees to a new administrator. During the transition CalPERS staff established a strong partnership with Blue Cross.

Inflationary forces in the healthcare marketplace continue to put pressure on premium rates. The Self-Funded premiums for plan year 2000 are shown on the 2000 Health Plan Rates page.

The leading contributor to escalating costs in the PERSCare and PERS Choice plans is the prescription drug trend. Prescription drug trend has moderated somewhat, but remains high at 14 to 17 percent. Prescription drug trend has a disproportionate impact on the supplement to Medicare plans, because prescription drugs account for almost half of the benefit costs.

For the year 2000, the CalPERS Board approved coverage of the treatment of sexual dysfunction including Viagra® and other drugs prescribed for sexual dysfunction at the standard prescription drug copayments.

1999 Open Enrollment

The 1999 Open Enrollment period will be held from September 1, 1999 through October 15, 1999. The effective date for open enrollment transactions will be January 1, 2000. The completed enrollment forms must be in our office by November 2, 1999.

Details on completing the enrollment forms and the latest version of the approved ZIP code table for geographically restricted area health plans will be included in a Circular Letter issued the second week of August.

Health Fairs—1999 Open Enrollment

We recommend you schedule your health fair with your health plans as soon as possible

to ensure their availability.

Health Benefit Contract Changes for the 2000 Contract Year

Health Benefit Officer Seminars

Health Benefit Services Division will be sponsoring Open Enrollment Seminars in August 1999 in various locations throughout California. Your assistance is requested in planning these seminars by responding as soon as possible. We look forward to meeting with you.

Health Benefits Enrollment Form

To assist health plans in issuing accurate, and timely, identification cards, please include your employee's day time telephone number on the HBD-12 next to the employee's signature.

Health Partner Inquiry System

Since March 1999, a new inquiry system has been available to State and contracting Public Agency employers to review their employees' and retirees' health enrollment status. It is available to be accessed on your Personal Computer (PC) through a special Internet web site at CalPERS. This new inquiry system is called the CalPERS Health Partner Inquiry System or CHPIS. CHPIS will replace the HEAL system, which is used by the State employers to check health enrollment status, in the year 2000. There is no cost to the employer except the equipment and software to access the inquiry system.

The Health Partner Inquiry system contains screens for the subscriber, dependents, enrollment history, and deduction history. Users find the screens easy to view and very complete for checking on health enrollment status. Included on the screens is bargaining unit information. In August 1999, the capability to add COBRA information with respect to enrollees will be included in the system, if they or their dependents are involved with the COBRA benefit.

Please contact Marcia Correia or Bill Logan through FAX (916) 658-1277 for more information as to how you and your agency can access the Health Partner Inquiry system. When you contact Marcia or Bill, please provide your name, address, title, phone number, e-mail address, if you have one, and your FAX number. They will provide you information on what the equipment and software requirements are, plus how you can obtain ID's and pass words for security access.

Thank you for ensuring this letter is distributed to all staff who assists employees with the health enrollment process. If you have any questions, please contact our office at (800) 237-3345.

Sincerely,

Fred Steinmetz, Chief

Health Benefit Services Division

Attachment