REVISED TEXT OF PROPOSED REGULATORY ACTION BY CALPERS
Amend §§ 599.500 and 599.508
Title 2 of the California Code of Regulations (CCR)

Proposed Amendment to CCR 599.500, subdivision (x)

(x) ~~“Risk adjustment” means an actuarial tool used to calibrate premiums paid to health benefits plans or carriers based on geographical differences in the cost of health care and the relative differences in the health risk characteristics of employees, annuitants, and family members enrolled in each plan. Risk adjustment establishes premiums, in part, by assuming an equal distribution of health risk among health benefits plans in order to avoid penalizing employees, annuitants, and family members for enrolling in a health benefits plan with higher than average health risk characteristics.~~

“Risk adjustment” means the process by which relative risk factors are assigned to individuals or groups based on expected resource use and by which those factors are taken into consideration and applied.

Proposed Amendment to CCR 599.508, subdivision (a)(8)

(8) Subject to the Board's authority to risk adjust health benefit plan premiums, and upon its approval to exercise this authority, participate in the ~~following~~ risk adjustment ~~procedures~~ methodology approved by the system. The system will select a risk adjustment methodology that is consistent with industry best practices and similar to those used by the United States Department of Health and Human Services and other state and federal agencies. The methodology will be provided at least 90 days prior to the public announcement of premiums for the next plan year.

Proposed Amendment to CCR 599.508, subdivision (a)(8)(A)

~~(A) The annual premiums adopted by the Board for the next plan year will be risk adjusted utilizing the risk assessment method selected by the system. The system will select a risk adjustment methodology that is consistent with industry best practices and similar to those used by the United States Department of Health and Human Services and other state and federal agencies. The methodology will be provided to plans at least 90 days prior to the public announcement of premiums for the next plan year.~~

(A) The annual health benefit plan premiums adopted by the Board for each plan year may be risk adjusted utilizing the risk assessment method selected by the system.

Proposed Deletion of CCR 599.508, subdivision (a)(8)(B)

~~(B) The risk adjusted premiums adopted by the Board for the next plan year shall be subject to a calculation prior to the beginning of the plan year. This calculation may result in requiring a plan to reimburse the system or the system to reimburse a plan a portion of the monthly premiums on a monthly basis starting the beginning of the plan year. Reimbursements from plans to the system shall be deposited into an account established for this purpose pursuant to Section 22911 of the Government Code, within thirty days of receipt. Reimbursements from the system to plans shall be paid from the funds received from plans deposited into the aforementioned account, within thirty days of deposit.~~

Proposed Amendment to CCR 599.508, subdivision (a)(8)(C)

~~(C) During the plan year, a plan's enrollment and risk scores of employees, annuitants, and family members will be measured by the system to see if its risk adjusted premium needs to be re-calculated. This re-calculation may result in the modification of monthly reimbursement amounts, as outlined in (B) above, for the remainder of the plan year. Reimbursements from plans to the system shall be deposited into an account established for this purpose pursuant to Section 22911 of the Government Code, within thirty days of receipt from plans. Reimbursements from the system to plans shall be paid from the funds received from plans deposited into the aforementioned account, within thirty days of deposit.~~

<u>(B) Upon implementation of a risk adjustment methodology, the Board may phase in its resulting health benefit plan premium adjustments for up to three years if the adjustments result in at least one individual plan premium increase or decrease of at least ten percent.</u>

Proposed Amendment to CCR 599.508, subdivision (a)(8)(D)

~~(D) A final reconciliation will be performed in the subsequent plan year and may result in additional reimbursements. Any additional reimbursements shall follow the reimbursement process outlined in paragraphs (B) and (C).~~

<u>(C) This paragraph shall not apply to a Medicare health benefit plan, as defined in Section 22778 of the Government Code, or an employee association health benefit plan subject to Board approval pursuant to Section 22850 of the Government Code.</u>

Proposed Deletion of CCR 599.508, subdivision (a)(8)(E)

~~(E) This paragraph shall not apply to an employee association health benefit plan subject to Board approval pursuant to Section 22850 of the Government Code.~~

Proposed Deletion of CCR 599.508, subdivision (a)(9)

~~(9) Provide for payment to a special reserve, as of the end of any contract period, of so much of the contributions and other income attributable to the plan as exceeds the sum incurred for benefit payments, administrative expenses, premium and other taxes, risk charges, and other retention charges. Upon the request of the Board, made after a public hearing on the question, contribution rates must be reduced and/or benefits increased, whichever is appropriate in judgment of the Board, whenever the special reserve exceeds the latest three calendar months' contributions paid under the plan. In determining the amount of incurred benefits paid under the plan, reasonable reserves may be established for pending claims and incurred but unreported claims. All such claim reserves, and the special reserves, must be accounted for separately from reserves maintained by the carrier for other plans. Income derived from the investment of the special reserves shall be credited to the reserves at 100% of the plan's annual corporate rate of interest. Income reasonably attributable to investment of claim reserves shall be taken into account in determining the amount of retention charges. In the event the contract is terminated, the underwriting or obligation under the plan is assumed by a different carrier, or approval of the plan is withdrawn, the special reserve and such portion of any claim reserves as are not finally utilized in the payment of benefits under the plan shall be paid into the Public Employees' Contingency Reserve Fund for the benefit of the plan, and the Board may then transfer such reserves to successor plans and/or carriers on such basis as it determines to be equitable after a public hearing held within 18 months following the effective date of the plan's termination, withdrawal of approval, or transfer to a different carrier. For a carrier providing service benefits, the board may approve the use of other equitable and practical financial procedures. For plans that are community-rated, the carrier shall, in lieu of being subject to the foregoing provisions of this~~

~~paragraph, agree to furnish such financial and accounting reports and to follow such recording procedures as may be requested by the Board and that are consistent with the normal operations of the plan.~~

~~Provide for payment to a special reserve of the contributions and other income attributable to the plan as exceeds the sum incurred for benefit payments, administrative expenses, premium and other taxes, and other retention charges. Contributions may be increased or decreased according to a Board approved reserve policy during the annual rate development process.~~

Proposed Amendment to CCR 599.508, subdivision (a)(10)

~~(10)~~ (9) Provide that in the event an employee or annuitant is dissatisfied with the amount paid or service rendered pursuant to his or her claim on his or her behalf or on behalf of a family member and so requests, representatives of the parties including a representative of the Board will confer in an effort to reach a settlement, provided that no agreement reached by such conferees shall bind the employee, annuitant, or carrier without each party's consent or bar any remedy otherwise available.