# CALPERS SUBSIDIZES HIGH-PRICE HEALTH PLANS

**By JJ Jelincic | Director of Health Benefits**

We are in the slow period for CalPERS medical. At least for those of us on the outside. Much is going on internally regarding the health plans - we just don't see it.

The only CalPERS Board meeting in May is the Pension and Health Benefits Committee (PHBC) and it is meeting in a closed session to discuss 2026 rate negotiations. In June, the PHBC will report the preliminary premiums, and if history is any guide, they will be very close to the report's final numbers. Final rates will be adopted by the Board at the July offsite in Monterey. I have no real insight but I am sure the rates are going up. Based on general industry discussion, my guess is it will be by a range of 6-8% increases.

CalPERS will continue its practice of "risk adjustment" for the basic plans. It should be noted that Medicare plans are not currently being impacted. However, many of our members are not eligible for Medicare and are therefore in the basic plans. Additionally, anything that raised medical costs will eventually impact Medicare costs.

CalPERS used to adjust the payments to the insurance companies based on the health characteristics of the insured. Plans with sicker populations got additional money. Plans with healthier populations had their payments reduced.

It should not surprise anyone that the insurance companies complained that their risks were being understated relative to their competitors. One company threatened to sue and CalPERS stopped risk adjusting.

After several years of uneven premium increases, the staff convinced the Board to return to "risk adjustment." However, in the new scheme, health characteristics were ignored. "Risk" would now be defined as the amount a company paid out. The insured with higher cost, less efficient plans, by definition, were considered unhealthier.

The other change was that companies would be paid whatever they negotiated, however, the amount CalPERS collected from the employers and the employees would be adjusted. (How the cost was split varies by employer.)

If the employee enrolled in a low-cost plan, then the employee would be hit with a surcharge in addition to the negotiated premium. If the employee picked a high-cost plan, then the employee would be charged less than the full premium. The subsidy would be paid from the surcharges collected from enrollees in low-cost plans. In short, insurance companies were to be protected not from unhealthy lives, but poor network negotiations.

# HIGHER HEALTH PLAN PREMIUMS EXPECTED

Think back to when you were raising children. You received more of the behavior that you rewarded, and less of the behavior that you punished. If CalPERS insists on this path of rewarding high-cost insurers and penalizing low-cost plans, it will get more high-cost plans. We saw that in a March report on the movement between plans. Membership in a plan is "sticky" because a change in plans can require a change in medical providers.

Remember, all the CalPERS HMOs and EPOs have the same benefit structure. The only difference is the medical network. The biggest loser in this CalPERS off-kilter game of rewarding high-cost plans versus more efficient, lower-cost plans was Kaiser, and the biggest winner was BlueShield Access+.

*As the chart below shows, you will see that while Kaiser had the lower insurance cost, Access+ had the lower final cost. That explains the gains and losses for the two plans you see in the chart.*

Here's the million-dollar question: Why should people accepting the narrower Kaiser network subsidize those choosing the wider Access+ network?

**Members deserve an answer.**

Open enrollment for 2026 will be in September. RPEA will publish the new rates after their adoption.

## VACCINES

We are at the tail-end of the flu season. COVID and flu are still out there and will be for years. The U.S. is experiencing its largest outbreak of measles in decades, and whooping cough is also making a comeback. The first two – COVID and flu - can be minimized by vaccination. The latter two – measles and whooping cough - are preventable with vaccination. Please talk to your doctor about whether and when you should be vaccinated.

In the meantime, stay healthy. Enjoy the summer.

| PLAN | PREMIUM | CalPERS ADJUSTMENT | FINAL COST | ENROLLMENT GAINS/LOSES |
|---|---|---|---|---|
| BS Access + | $1,124.64 | ($158.78) | $965.86 | 6,262 |
| Kaiser | $935.24 | $109.96 | $1,045.20 | (6,292) |

*WHAT THE INSURANCE COMPANY GETS

*WHAT CALPERS COLLECTS FROM EMPLOYEES