



Board Report

File #: 21-599, **Version:** 1

- a. Receive a report on the upcoming CalPERS health plan changes for plan year 2022.
- b. Provide direction to implement changes.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a report on the upcoming CalPERS health plan changes for plan year 2022.
- b. Provide direction to implement changes.

SUMMARY/DISCUSSION:

On November 17, 2020, the California Public Employees' Retirement System (CalPERS) Pension and Health Benefits Committee approved a recommendation, and CalPERS subsequently adopted additional changes to the offered health insurance plans. Effective January 1, 2022, CalPERS will provide two Preferred Provider Organization (PPO) options: PERS Platinum and PERS Gold. CalPERS published statewide preliminary premium rates in June 2021, with final rates expected to be published in July 2021.

By way of background, the County first entered into agreement with CalPERS in 2000 to provide health insurance benefits to County employees. At that time, CalPERS offered two PPO plans, PERS Care and PERS Choice, with PERS Choice being the base plan. It was the intent of the County to provide healthcare coverage tied to the CalPERS PPO base plan. As such, the County contribution amounts were calculated using the PERS Choice plan premiums.

In 2008, CalPERS introduced a new PPO plan, PERS Select, specifically designed to be the new base plan. With the introduction of PERS Select, PERS Choice became the mid-tier plan. The County did not revisit the County's contribution to account for the addition of the new plan and continued to provide contribution amounts based on the PERS Choice plan. The County subsequently adjusted the contribution amount for unrepresented/non-union employees' health insurance which maintained the cashback of \$368.06 for employee only coverage, a cashback of \$53.65 for employee plus one coverage and an out of pocket cost of \$100.00 for family coverage for those enrolled in the PERS Choice plan. Originally, employees who applied the County's contributions to the new PERS Select plan received similar cash back amounts as the premium for PERS Select was only \$16 lower than the PERS Choice premium. The cashback for those enrolled in PERS Select increased significantly over the years as the premium delta between Choice and Select widened.

In 2016, PERS Choice experienced a 21% premium increase while PERS Select experienced a premium increase of only 12.5%. This caused a material employee cashback for employees enrolling in PERS Select. This material pricing difference continued, and in 2019 CalPERS re-designed the PERS Select plan which caused the premium to experience a 26% decrease while Pers Choice experienced a premium increase of 6.5%. This resulted in a 97% increase to the cashback for those employees choosing PERS Select in plan years 2019, 2020, and 2021. In Plan Year 2021, unrepresented employees currently receive the following monthly cash back amounts when enrolled in the PERS Select health plan:

- Employee Only Coverage: \$737.23
- Employee + 1 Dependent Coverage: \$791.99
- Family Coverage: \$859.84

The County acknowledges the importance of healthcare and holds as a priority the provision of a comprehensive benefits package while balancing the need to provide employees with competitive salaries. As such, it is recommended that the County continue to offer affordable, quality healthcare plans to all employees while understanding the need to provide attractive salaries all within limited financial resources. In response to the CalPERS decision to eliminate the PERS Choice plan, the County must revise the existing practice of basing County contributions on the PERS Choice plan, as noted above. It is recommended that the County return to the original intent of basing County contributions on the CalPERS PPO base plan which is identified as PERS Gold for plan year 2022.

The County is committed to offering quality healthcare plans on similar terms as the current employment market. As PERS Choice has been eliminated, the County must establish County contribution amounts for all employees no later than August 1, 2021 in order to meet the CalPERS published Open Enrollment Period in September 2021, and to ensure timely programming of the HRM Advantage System. The Human Resources Department and the County Administrative Office understand the importance of this matter to employees and their families, and recognize the short timeframe under which a decision is needed and welcome Board direction on insurance contributions and cashback.

OTHER AGENCY INVOLVEMENT:

The Human Resources Department has consulted with the County Administrative Office and the Offices of the County Counsel and the Auditor-Controller regarding the CalPERS changes.

FINANCING:

There are no costs associated with receiving this report.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The recommended action addresses the Board of Supervisors' Administration Strategic Initiative and demonstrates the County's commitment to meeting the Board's initiatives by attracting, recruiting, and retaining a diverse, talented work force that supports the mission of Monterey County.

- ☐ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☐ Infrastructure
- ☐ Public Safety

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