



California Public Employees' Retirement System
P.O. Box 942714
Sacramento, CA 94229-2714
1-800-352-2238
Telecommunication Device for the Deaf
No Voice (916) 326-3240

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Special:

**TO: HEALTH BENEFIT OFFICERS AND ASSISTANTS OF THE
STATE, CALIFORNIA
STATE UNIVERSITY AND CONTRACTING PUBLIC
AGENCIES**

SUBJECT: 2001 HEALTH BENEFIT OPEN ENROLLMENT

Thank you for ensuring that this letter is distributed to all staff who assist employees with the health enrollment process.

This Circular Letter addresses the following topics:

- New Health Benefit's Telephone Number
- 2002 Contracts
- HMO and PPO Premium Rates
- Health Plan Changes
- Service Area Changes
- Association Plans Benefit Changes and Rates
- 2001 Open Enrollment Information
- State Annuitant Contribution
- ZIP Code Access
- Health Fairs
- Statewide HBO Open Enrollment Seminars
- Rural Health Care Equity Program
- CalPERS ACES

Reaching the CalPERS Health Benefit Services Division

(New Phone Number Effective August 15, 2001)

Effective August 15, 2001 you can reach the CalPERS Health Benefit Services Division at 1-800-352-2238, Monday through Friday, 8:00 a.m. to 5:00 p.m. The busiest times of the month are the first five working days after benefit checks are issued and all Mondays. If you can wait to call outside of these times, you'll find it much easier to reach us.

Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) Contract Renewal

CalPERS Health plan contracts are negotiated annually and generally cover the period from January 1 of each year through December 31 of the same year.

HMO and PPO Premium Rates and Copayments

Health care purchasing is becoming increasingly difficult and costly. Inflationary forces in the health care marketplace and steadily increasing use of prescription drugs continue to put pressure on premium rates. As a result, CalPERS health plan premiums are increasing, and CalPERS is adjusting copayments for office visits and prescription drugs to control premium increases in 2002. (This is the first increase in copayments since 1993.)

The CalPERS Board approved these changes to keep health coverage as affordable as possible for CalPERS members and employers. The Board believes this is the very best package of premium rates that can be offered at this time. CalPERS is working aggressively to develop effective long-term strategies for controlling health care costs while continuing to offer members a choice of plans.

For the 2002 contract year, HMO premiums will increase an average of six percent for the Basic plan and 16.5 percent for Medicare-coordinated plans. (See 2002 Health Plan Rates.)

The PERSCare Basic plan premium will increase approximately 24 percent. The PERS Choice Basic plan, PERSCare and PERS Choice Supplement to Original Medicare plans will increase approximately 16 percent. (See 2002 Health Plan Rates.)

Beginning January 2002, CalPERS members enrolled in HMOs will pay a \$10 copayment for office visits. Members purchasing a 30-day supply of prescription drugs from retail pharmacies will pay \$5 for generic drugs, \$15 for brand-name drugs and \$30 for non-formulary drugs. The copayment for members who purchase their prescription drugs by mail for a 90-day supply will be \$10 for generic drugs, \$25 for brand-name drugs, and \$45 for non-formulary drugs. Members will have the added protection of an annual \$1,000 out-of-pocket maximum for prescription drugs purchased by mail order.

HEALTH PLAN CHANGES

Aetna, CIGNA, Lifeguard and Maxicare

To keep HMO premiums affordable for members and employers, the CalPERS Board selected the plans that offered the best value in terms of price, quality, service and provider access for members in 2002. ***Aetna, CIGNA and Lifeguard were not selected as CalPERS health plans in 2002. Maxicare later decided to withdraw for 2002.*** The current contracts for these plans remain effective through December 31, 2001.

If you have employees enrolled in Aetna, CIGNA, Lifeguard or Maxicare, they must select a new health plan for 2002 during this current Open Enrollment Period. If they fail to select a new health plan during Open Enrollment, they will be automatically enrolled in the CalPERS self-funded PERS Choice plan, effective January 1, 2002.

New Health Plan

Western Health Advantage (WHA), a Sacramento-based HMO, will be added as a new CalPERS health plan for 2002. WHA will be available in Colusa, Sacramento, and Yolo Counties and in parts of El Dorado, Placer, and Solano counties.

Health Net Enrollment Frozen in 2002

Health Net will continue as a CalPERS health plan, but its enrollment will be frozen in 2002. Health Net enrollment is being frozen for a number of business reasons, such as lack of the contractually required National Committee for Quality Assurance (NCQA) accreditation since 2000. NCQA is a nationally recognized, nonprofit organization committed to evaluating and publicly reporting on the quality of managed care plans. The CalPERS Board decided to freeze Health Net enrollment in 2002 to give the plan time to improve its business relationship with CalPERS.

Health Net will continue providing all covered services to its CalPERS members through 2002:

- Current Health Net members can stay in the plan in 2002 and add new dependents.
- A Public Agency employee enrolled in Health Net and who then separates from the Public Agency to work for a State agency, may enroll in Health Net as a new enrollee.
- New employees first hired on or before November 30, 2001, can enroll in Health Net.
- New employees hired in December 2001 cannot enroll in Health Net since coverage becomes effective January 1, 2002.

SERVICE AREA CHANGES

There will be a number of changes in health plan service areas in 2002.

Service Area Expansion

Health Plan of the Redwoods—Expanding its service area to include Lake County.

Service Area Withdrawals

- *Blue Shield Access+* --Exiting five counties – Humboldt, Imperial, Napa, Shasta and Trinity.
- *Health Net*—Exiting five counties – Butte, Humboldt, Lake, Sutter and Yuba.
- *PacifiCare*—Exiting eight counties – Amador, El Dorado, Humboldt, Mariposa, Mendocino, Merced, Sutter, Yuba and portions of Madera County.

If you have employees enrolled in any of these health plans and the HMO is not servicing their county for the 2002 contract year, they must select another health plan during the Open Enrollment Period.

Association Plan Benefit Changes and Premium Rates

California Association of Highway Patrolmen's (CAHP) Health

The CAHP Health Benefits Trust Board of Trustees has approved a 15.8 percent rate increase in the Basic plan and a 9.5 percent rate increase in the Medicare Supplement plan. (See 2002 Health Plan Rates.) The Trust will continue to subsidize their members' out-of-pocket costs for 2002. Their Board of Trustees will determine the amount of the subsidy at a later date. Blue Cross provides CAHP's health plan coverage.

For a summary of CAHP's benefit changes for 2002, see CAHP Health Benefits Trust Benefit Modifications for Plan year 2002.

California Correctional Peace Officers' Association (CCPOA)

The CCPOA Benefit Trust Fund Board of Trustees has approved a 7.8 percent rate increase in their Basic plan and a rate reduction of -11.6 percent in their Medicare plan. (See 2002 Health Plan Rates.) Health Net provides CCPOA's health plan coverage.

Effective January 1, 2002 the CCPOA health plan will no longer be available in Lassen County and the Blythe area of Riverside County. CCPOA made the decision to withdraw because the high costs associated with serving these areas would adversely impact the plan's ability to offer a competitively priced plan to their members in the remaining areas of the state.

CCPOA will change the office visit copayment in their Medicare Supplement plan from \$0 to \$5. CCPOA has no other benefit changes.

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

The PORAC Insurance and Benefits Trust rate increase is 18 percent for the Basic Plan and a 20.5 percent increase in the Medicare Supplemental plan. (See 2002 Health Plan Rates.) PORAC's benefit changes include pharmacy copayment changes and increases in the deductible levels for both participating and non-participating providers. See PORAC Insurance and Benefits Trust Benefit Modifications for Plan Year 2002.

2001 OPEN ENROLLMENT

CalPERS Staggers Open Enrollment

Open Enrollment is one of the busiest times of the year for CalPERS. This year due to the loss of four HMO plans, service area withdrawals and rising premium costs, we expect a substantial increase of open enrollment transactions. Therefore, to better serve you, we are staggering our Open Enrollment Periods:

- Open Enrollment for all Retirees and Public Agency employees is **August 15—September 28, 2001.**
- Open Enrollment for State active employees, active California State University employees, and COBRA enrollees is **September 3—October 15, 2001.**

These dates are important! Please make sure your employees are aware of these important dates, and make their health plan decisions early to avoid any disruptions.

Open Enrollment is the time when eligible employees and annuitants may enroll, add family members, or change health plans. The effective date of Open Enrollment transactions is January 1, 2002. **All Open Enrollment forms must be received by CalPERS Health Benefits by the close of business on Tuesday, October 9, 2001 for Public Agencies, and Wednesday, October 24, 2001 for State Agencies.**

The Health Benefit Officer or Assistant is responsible for completing the *Health Benefit Plan Enrollment* form (HBD-12) or *COBRA Enrollment* form (HBD-85) for an agency's active employees and COBRA enrollees; retired members can make open enrollment changes by telephone. Retirees not using the telephone service may use the *Retiree Open Enrollment Request* form (HBD-30) located in CalPERS the *Health Plan Decision Guide*.

Open Enrollment Materials

The Open Enrollment packets will be mailed to the homes of all enrolled members in two groups.

1. All Retirees and all Public Agency employees will receive their packets August 4 through August 10, 2001.
2. State Active, California State University and COBRA enrollees will receive their packets beginning August 24 through August 30, 2001.

This mailing schedule is in accordance with the staggered Open Enrollment Periods. At these same times a supply of the open enrollment packages will be sent to each agency. Your agency will receive a supply of packets equal to two percent (2%) of your eligible employees. CalPERS requests that you keep these packets for those employees who may not receive them at home and for new hires.

Ordering Additional Open Enrollment Materials

If you need to order additional Open Enrollment packets, or any Health Benefits forms, contact the CalPERS Agency Request at (916) 658-1493. You may also FAX your request to (916) 326-3281. Always include your agency's name, a contact person, a telephone number, the agency's mailing address, and the quantity of the item you want mailed.

OPEN ENROLLMENT PROCEDURES

Complete Open Enrollment HBD-12s as follows:

Box 11	Primary Care Physician (HMO Only)	Providing this information will assist in the timely issuance of identification cards.
Box 14	Reason Code	
	104	New Enrollment during Open Enrollment
	206	Adding dependent during Open Enrollment

400	Changing plans during Open Enrollment
28a*	Change plan/add family member during Open Enrollment

Box 15 Permitting Event Date August 15 -- October 15, 2001

Box 16 Effective Date January 1, 2002

Box 21 Employee Sign Between August 15 and October 15
Date**

Please include a daytime phone number

Box 33 HBO Received Date No later than October 15, 2000

*For the 2001 Open Enrollment period, continue using code 28a for plan change/add dependent.

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

Note: State Permanent Intermittent (PI) employees may **not** enroll as "new" during the Open Enrollment period. PI eligibility is based on the completion of the required hours during the designated control periods. PI employees who are currently enrolled may add eligible family members and/or change health plans during Open Enrollment.

Employees on Leave of Absence (LOA)

Employees on a LOA during Open Enrollment may change plans and/or add dependents. Employees who do not change plans or add dependents during Open Enrollment may do so within 60 days from the date they return to regular pay status.

- *LOA and paying direct* -- Complete an HBD-12 and *Direct Payment Authorization Form* (HBD-21). For dependent changes with no change in plan code or party rate, use the HBD-12 only.
- *LOA not paying direct* -- Complete an HBD-12 to make a plan or dependent change.

COBRA Enrollees

Enrollees who are eligible through COBRA may change health plans and/or add eligible dependents during Open Enrollment. Changes to the enrollment are completed on a *COBRA Form* (HBD-85). The effective date rules for completion of the enrollment forms are the same as for active State employees. COBRA rates are calculated at 102% of the health plans' premium rate. (See "COBRA" Group Continuation Coverage Rates.)

Form Submission

Submit your Open Enrollment forms as they are completed. Early submission helps the health plan in the timely issuance of identification cards. Submit forms to:

US Postal Service	Express Service/Direct Delivery
CalPERS Health Benefit Services Division Eligibility & Enrollment Section P. O. Box 942714 Sacramento, CA 94229-2714	CalPERS Central Mail Room 400 P Street, Room 2220 Sacramento, CA 95814 (916) 326-3044

Rescissions

If an employee wishes to rescind an Open Enrollment change, the rescinding HBD-12 must be received by CalPERS prior to January 1, 2002. Rescissions may delay the arrival of identification cards.

Premium Adjustments

The January 1, 2002 pay warrant may not reflect the proper premium payment due to unavoidable processing delays during Open Enrollment. If this happens, the premium payment will be adjusted during a subsequent pay period. Members who changed health plans and have not received identification cards **may not continue to use the prior plan** after January 1, 2002. You should contact HBSD for assistance in resolving the problem.

Multiple HBD-12s

During the next few months, you may be preparing enrollment forms that **add or delete dependents that may affect the dependent information on the Open Enrollment form that you have prepared for January 1**. The effective dates and the dependent information for enrollment and Open Enrollment changes must be coordinated.

Example: Employee has a child on November 15, 2001. The employee changed health plans during Open Enrollment (August 15 through October 15, 2001) and you have completed the enrollment form to change plans. Complete one HBD-12 to add the newborn child effective December 1, 2001. The CalPERS enrollment system will automatically add the newborn to the new health plan effective January 1.

When completing enrollment forms to delete family members with the **same effective date** as an Open Enrollment change, use the following procedure:

Complete an HBD-12 deleting the dependent effective January 1, 2002. Complete an HBD-12 to change health plans and/or add family members effective January 1, 2002. Staple the two enrollment forms together. In "Remarks" number the forms as "1 of 2"; and "2 of 2."

2002 State Annuitant Contribution Formula

The 2002 state contribution for annuitants is calculated based on the weighted average of the premiums for the four health plans with the largest enrollments of active and retired members in the basic plan. For the 2002 formula the four health plans are Kaiser Permanente, Health Net, PERS Choice and PacifiCare of California. For comparison, the 2001 state contribution is also listed.

	2001	2002
One Party	\$201	\$216
Two Party	\$382	\$411
Family	\$488	\$525

ZIP CODE ACCESS

The service area chart in the Health Plan Decision Guide gives employees a health plan's general service area by county. To be eligible for a health plan the employee must reside in the health plan's service area as specified in the service area chart. Please use the Health Plan Search By ZIP Code on-line program to determine the employee's eligibility for a health plan. The ZIP codes for the health plan service areas in 2002 will be available on the web site on or about August 6, 2001. CalPERS web site address is <http://www.calpers.ca.gov>. For agencies that do not have Internet access, call CalPERS at (800) 352-2238.

HEALTH FAIRS—2001 Open Enrollment

To schedule a Health Fair for your agency, you should contact the health plan representatives directly. (A listing of each plan's representative with his or her telephone number was mailed to all Circular Letter recipients.) *The Representatives telephone numbers are only to be used to set up Health Fairs.* We recommend that you contact the plans' representatives as soon as possible to ensure their availability.

Health Benefit Officers and Assistants Open Enrollment Seminars

The CalPERS Health Benefit Services Division (HBSD) will sponsor Health Benefit Open Enrollment Seminars during the months of July and August 2001. The seminars will be held throughout the State. See the 2001 Health Benefits Open Enrollment Seminars flyer for dates, locations and registration information.

If you plan to attend a seminar session, you must register using the form provided on the 2001 Health Benefits Open Enrollment Seminars flyer. Please note that phone registrations cannot be accepted. **The registration deadline is June 22, 2001.** Once you have submitted your registration form to our office we will mail your confirmation of your registration. It is important that individuals not attend any session until a confirmation letter has been received.

Note:

When less than 15 participants register for a session, HBSD may cancel the session. When this occurs, we will automatically reschedule registered attendees for another session in the same location.

Administrative Fee (Public Agencies Only)

The administrative fee for the January 1, 2002 contract year continues at 0.5 percent of the total gross monthly premium.

RURAL HEALTH CARE EQUITY PROGRAM (State Active and Retired Employees)

The Rural Health Care Equity Program (RHCEP), administered by Department of Personnel Administration (DPA), provides reimbursement of specified health care expenses for Represented and Excluded employees and State Annuitants who reside in an area with no Health Maintenance Organization (HMO) option available through the CalPERS Health Program.

The CalPERS Board of Administration determines the rural area for each subsequent fiscal year when the Board approves premium rates for HMOs.

The California ZIP Codes that will not be covered by an HMO, effective January 1, 2002 are provided on the California's Eligible Rural Subsidy ZIP Codes table. These ZIP Codes could change throughout the contract year as a result of HMOs withdrawing from a service area, and changes in U. S. Postal Service ZIP codes.

CalPERS Automated Communications Exchange System (ACES) Can Make Your Life Easier During Open Enrollment!

CalPERS has developed the Automated Communications Exchange System (ACES) to allow employers to process health and membership enrollments and changes on-line through the Internet. If you have access to the Internet, you should have the ability to use ACES. In fact, you may already be using the ACES Participant Inquiry feature if you were a former user of the CalPERS Health Partner Inquiry System (CHPIS).

With ACES Internet Forms you can do new enrollments for membership and health, name and address changes for your employees, changes in health plans, add and delete dependents, and any other transactions normally performed by sending in an AESD-1 or HBD-12 form. This only applies to an employer who has a contract with CalPERS for retirement and/or health benefits. For state agencies, ACES is only for processing health enrollment transactions.

CalPERS is looking for employers to sign-up for ACES Internet Forms who would like to be trained during Fiscal Year 2001/2002 (July 2001 - June 2002). For employers who are able to travel to CalPERS, we will attempt to have you on ACES in time for this coming Open Enrollment period starting in August.

You can sign up for ACES or get more information about the program by accessing our web site at: www.calpers.ca.gov/aces. We are looking forward to serving you and your

employees.

Again, thank you for ensuring that this letter is distributed to all staff who assist employees with the health enrollment process. If you have any questions pertaining to the information provided, please call (800) 237-3345.

Sincerely,

Tom Fischer, Chief
Health Benefit Services Division

Links:

2002 Health Plan Rates
Service Area Expansions and Withdrawals
CAHP Benefit Changes
PORAC Benefit Changes
COBRA Rates
Seminar Registration Flier
ZIP Codes with no HMO Availability