

## **Public Employees' Medical and Hospital Care Act (PEMHCA) and Contracting Agencies**

Under PEMHCA state employees and annuitants are provided access to group health insurance. The CalPERS Board of Administration administers the health benefits program and determines the benefits design, including any co-pays and deductibles, providers, and premiums. By statute, public agencies in California are eligible to contract with CalPERS to participate in the PEMHCA program. Generally speaking, public agencies include all political subdivisions of the State of California including school districts. Public agencies can contract to cover all or specific employee units (bargaining units) under PEMHCA.

In order to participate public agencies must submit a resolution by their governing body and agree to the regulations covering provisions of the benefits under PEMHCA. A key consideration is that the employer must agree to provide access to the health benefits to both active employees and annuitants on an equal basis. This means that the employer, subject to collectively bargained exceptions, is required to make specified and equal contributions towards premium costs for active employees and annuitants. The contribution levels are set in statute.

Under specific circumstances PEMHCA does allow a contracting agency to establish a lesser monthly employer contribution for annuitants than for active employees. By statute this can occur provided the monthly contribution for annuitants is annually increased to equal an amount not less than the number of years that the contracting agency has been a member of PEMHCA multiplied by 5 percent of the current monthly active employee contributions until the employer's contribution for annuitants equals that for active employees. For example, a contracting agency that has been a member of PEMHCA for 10 years would be required to provide an employer contribution to an annuitant that is at least 50 percent of the contribution for active employees. This would increase to 55 per cent the following year with additional 5 per cent increases in subsequent years until the employer's annuitant contribution matched that provided to active employees.

The intent of this language was to insure that within 20 years of contracting with CalPERS, a contracting agency would be required to provide equal contributions for both active employees and annuitants. The annual adjustment is limited to not exceed \$100 for agencies that joined PEMHCA on or after January 1, 1986.

In summary, public agencies that choose to contract with CalPERS to provide health benefits to their employees and annuitants under PEMCHA accept the benefits designs, provider networks, premium structures (for contracting agencies this means regionally priced premiums), and employer contributions as determined by the CalPERS Board of Administration. In exchange, they have access to the relatively stable premium pricing that comes with a large purchasing arrangement and no longer have the responsibility to contract with insurers or providers for health benefits.

*Note: This one-page backgrounder on the subject of Public Employees' Medical and Hospital Care Act (PEMHCA) and Contracting Agencies was prepared for the Commission by Richard Krolak, Ph.D., of our PEBC staff and circulated and posted on 8-28-07.*