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Health Benefits

Circular Letter

June 22, 2020

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Distribution: Special

To: Contracting Agency Health Benefits Officers and Assistant Health Benefits Officers

Subject: Contracting Agency Minimum Employer Contribution Calculation for 2021

Purpose

This Circular Letter informs contracting Public Agencies and Schools of the new minimum employer health contribution for 2021.

Background

The Minimum Employer Contribution amount is prescribed by Government Code section 22892 of the Public Employees' Medical and Hospital Care Act (PEMHCA)¹, and was originally established as a specific dollar value with specified increases.

As of calendar year 2009, the calculated adjustments are based upon the medical care component of the Consumer Price Index-Urban (CPI-U). This section provides that "commencing January 1, 2009, the employer contribution shall be adjusted annually by the board to reflect any changes in the medical care component of the CPI-U and shall be rounded to the nearest dollar."

Inflation Rate Changes

In January 2020, the U.S. Bureau of Labor Statistics determined the annual percentage change in the medical care component of the CPI-U for 2019 was 2.8%.

¹ California Government Code § 20000, et seq.

The table below provides an inflation comparison of medical care rates.

Year	Index	Percent
2015	446.752	2.6
2016	463.675	3.8
2017	475.322	2.5
2018	484.707	2.0
2019	498.413	2.8

Calculation of the Minimum Employer Contribution

Using the 2.8% increase in the medical care component of the CPI-U, the minimum employer contribution for calendar year 2021 is \$143. See calculation below.

$$\$139.00 \times 2.80\% = \$3.89$$

$$\$139.00 + \$3.89 = \$142.89, \text{ rounded to } \$143.00$$

Minimum Employer Contribution

The table below displays the annual amounts of the Minimum Employer Contribution for members by calendar year.

Year	Employer Contribution
2017	\$128.00
2018	\$133.00
2019	\$136.00
2020	\$139.00
2021	\$143.00

Contribution Change Process

Contracting agencies that have designated the PEMHCA Minimum as their monthly employer health contribution will have their employer billing automatically updated to reflect the new amount effective January 1, 2021.

Contracting agencies do not need to act unless they wish to make a change to their current contribution method. To do so, employers must submit a change resolution. Change resolutions are effective the first day of the second month following receipt by CalPERS.

Questions

We are committed to assisting you conduct business with the CalPERS Health Benefits Program. Call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**) and request a response from our Health Resolutions and Compliance Unit to obtain the necessary change resolution template.

Rob Jarzombek, Chief
Health Account Management Division