

# San Francisco Health Service System Health Service Board

## **Rates & Benefits**

Kaiser Permanente Senior Advantage Fully Insured Retiree  
Rates and Premiums Contributions for 2019 Plan Year

June 14, 2018

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Health & Benefits



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# Introduction

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This report provides the Health Service Board (HSB) with Aon's recommendation for the fully insured 2019 Kaiser Permanente (Kaiser) Senior Advantage Medicare HMO renewal in California.

Based on the data in the 2018 San Francisco Health Service System (SFHSS) Demographic Report presented to the HSB in February 2018, 12,635 Medicare-eligible retirees and dependents are enrolled in the Kaiser Senior Advantage Medicare HMO plan.

Since 2014, per a request by SFHSS, Kaiser has provided an early estimate for the following year's per retiree per month (PRPM) Medicare retiree rates to be used in rate card development.

# Recommendation

Aon recommends the HSB adopt the rate cards displayed in this material for the 2019 plan year that are driven off a Medicare retiree only Kaiser PRPM 2019 premium rate of \$325.89, a decrease of 13.2% from 2018.

The table below illustrates derivation of this decrease, with further explanation of the change elements presented in the following pages.

<b>Kaiser Medicare Plan Rate Change Drivers, 2018 to 2019 (Kaiser premium only – not including SFHSS rate loads)</b>	<b>PRPM Rate Element</b>
2018 (pre-CMS reconciliation) Kaiser Medicare Retiree Only premium rate	\$375.39
Reduction variance based on final Fall 2017 CMS plan subsidy reconciliation (not known at original 2018 rate release)	(\$21.54)
Adjustment for 2017 reconciliation variance load (now removed for 2018) and plan surplus	(\$34.72)
Underwriting results for change in premiums, 2018 to 2019 (+2%)	\$6.76
2019 (pre-CMS reconciliation) Kaiser Medicare Retiree Only premium rate	\$325.89

**NOTE—2018 rates did not contain Health Insurance Tax (HIT) from federal Affordable Care Act, and the HIT does not apply in 2019 rates due to the federal suspension of HIT for 2019**

# Aon Commentary on Kaiser 2019 Rates

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The billed 2018 rate, provided in Spring 2017 by Kaiser, is \$375.39 PRPM. This is the rate used in 2018 Kaiser Medicare plan rate cards.

Kaiser's billed Medicare plan rates are decreasing 13.2% from 2018 to 2019—generated primarily by the following favorable items:

- There is a reduction variance for 2018 of \$21.54 PRPM, based on comparison of the early 2018 initial rates released by Kaiser in Spring 2017, and the final 2018 post-reconciliation rate released in Fall 2017 (see next slide for explanation). This favorable variance is now reflected in Kaiser's 2019 initial rates release.
- The 2018 billed rates include a variance load which is now removed for 2019 rating.
- Underwriting indicates only a 2% increase in underlying plan experience.

# Aon Commentary on Kaiser 2019 Rates (continued)

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## Reconciliation Process—Kaiser Medicare Plan Rates

- The proposed 2019 rate, adjusted for the 2018 reduction variance, is an estimate since Kaiser has not received final approval from the Center for Medicare and Medicaid Services (CMS) for the 2019 rate.
- Given that it is an estimate, Kaiser will reconcile any differences between the 2019 rate provided today and the ultimate final 2019 rate next Spring. The difference will be applied to the 2020 rates.
- Since SFHSS is risk-rated for the Medicare population, the final rate could be higher or lower than the estimate supplied. Although Kaiser's desire is to have the actual rate be as close to the initial estimate as possible, they cannot project the actual final rate nor predict the ultimate variance between initial and final rates.

# Aon Commentary on Kaiser 2019 Rates (continued)

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Thus, the 2019 Kaiser Medicare plan initial billed rate (\$325.89 PRPM) is 13.2% less than the 2018 Kaiser Medicare plan initial billed rate (\$375.39 PRPM)

When setting the total Kaiser Medicare plan rate card total costs, the following SFHSS costs are added to the Kaiser 2019 initial rates:

- The VSP vision core program premiums;
- The Healthcare Sustainability Fee which is \$3.00 per employee/retiree per month for 2019; and
- Best Doctors (second opinion benefit) which is \$1.15 per employee/retiree per month for 2019.

# Retiree Medical Contributions in Rate Cards

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- The rate cards we present in this document reflect the full employer contributions for retiree medical coverage presently available to:
  - Retired employees hired on or before January 9, 2009;
  - Retired persons who retired for disability; and
  - Surviving spouses or surviving domestic partners of active employees who died in the line of duty.
- Retiree medical coverage—but no employer contribution—is available to retired employees hired on or after January 10, 2009 with at least 5 but less than 10 years of Credited Services with the Employers.



# Retiree Medical Contributions in Rate Cards

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- Retiree medical coverage at the 50% employer Charter-contribution rate is available to retired employees hired on or after January 10, 2009, with greater than 10 years of Credited Service with the Employers, but less than 15 years of Credited Service.
  - This segment of retirees will receive 50% of the full employer Charter contribution for each retiree medical plan and coverage tier as reflected in the following rate cards.

# Proposed 2019 Kaiser Senior Advantage Monthly Rate Card

	Kaiser Senior Advantage Plan—Medicare Retirees			
	Medicare Retiree Only	Retiree + 1 (All Medicare)	Retiree +2+ (All Medicare)	Retiree +2+ (2 Medicare, 1+ Non-Medicare)
Premium	\$325.89	\$651.78	\$977.29	\$1,152.58
Vision	\$3.95	\$7.92	\$11.20	\$11.20
Expense (SFHSS Healthcare Sustainability Fee)	\$3.00	\$3.00	\$3.00	\$3.00
Best Doctors <sup>1</sup>	\$1.15	\$1.15	\$1.15	\$1.15
<b>Total</b>	<b>\$333.99</b>	<b>\$663.85</b>	<b>\$992.64</b>	<b>\$1,167.93</b>
10-County Amount (or single tier premium, if less) <sup>2</sup>	\$333.99	\$0.00	\$0.00	\$0.00
Single Retiree Offset <sup>3</sup>	\$0.00	\$333.99	\$333.99	\$333.99
"Actuarial Difference" <sup>4</sup>	\$0.00	\$0.00	\$0.00	\$0.00
Prop. E Contribution <sup>5</sup>	\$0.00	\$164.93	\$164.93	\$164.93
Subtotal Employer Contributions	\$333.99	\$498.92	\$498.92	\$498.92
<b>Non-Bargained Contribution Rate 2019</b>	<b>\$0.00</b>	<b>\$164.93</b>	<b>\$493.72</b>	<b>\$669.01</b>
<b>Final Member Contribution 2019</b>	<b>\$0.00</b>	<b>\$164.93</b>	<b>\$493.72</b>	<b>\$669.01</b>
<b>Final Member Contribution 2018</b>	<b>\$0.00</b>	<b>\$189.68</b>	<b>\$567.97</b>	<b>\$695.28</b>
<b>Difference, 2019 Versus 2018 Contribution</b>	<b>\$0.00</b>	<b>-\$24.75</b>	<b>-\$74.25</b>	<b>-\$26.27</b>

**NOTE—Footnotes 1 – 5 defined on page 15 - 16**

# Kaiser Medicare Retiree Monthly Premiums and Contributions, 2019 vs. 2018

		Kaiser Senior Advantage Plan—Medicare Retirees			
		Medicare Retiree Only	Retiree + 1 (All Medicare)	Retiree +2+ (All Medicare)	Retiree +2+ (2 Medicare, 1+ Non-Medicare)
<b>Monthly Retiree Contributions</b>	<b>Plan Year 2018</b>	<b>\$0.00</b>	<b>\$189.68</b>	<b>\$567.97</b>	<b>\$695.28</b>
	<b>Plan Year 2019</b>	<b>\$0.00</b>	<b>\$164.93</b>	<b>\$493.72</b>	<b>\$669.01</b>
	<i>\$ Change</i>	<i>+\$0.00</i>	<i>-\$24.75</i>	<i>-\$74.25</i>	<i>-\$26.27</i>
	<i>% Change</i>	<i>-</i>	<i>-13.0%</i>	<i>-13.1%</i>	<i>-3.8%</i>
<b>Monthly Employer Contributions</b>	<b>Plan Year 2018</b>	<b>\$383.74</b>	<b>\$573.42</b>	<b>\$573.42</b>	<b>\$573.42</b>
	<b>Plan Year 2019</b>	<b>\$333.99</b>	<b>\$498.92</b>	<b>\$498.92</b>	<b>\$498.92</b>
	<i>\$ Change</i>	<i>-\$49.75</i>	<i>-\$74.50</i>	<i>-\$74.50</i>	<i>-\$74.50</i>
	<i>% Change</i>	<i>-13.0%</i>	<i>-13.0%</i>	<i>-13.0%</i>	<i>-13.0%</i>
<b>Monthly Total Rate</b>	<b>Plan Year 2018</b>	<b>\$383.74</b>	<b>\$763.10</b>	<b>\$1,141.39</b>	<b>\$1,268.70</b>
	<b>Plan Year 2019</b>	<b>\$333.99</b>	<b>\$663.85</b>	<b>\$992.64</b>	<b>\$1,167.93</b>
	<i>\$ Change</i>	<i>-\$49.75</i>	<i>-\$99.25</i>	<i>-\$148.75</i>	<i>-\$100.77</i>
	<i>% Change</i>	<i>-13.0%</i>	<i>-13.0%</i>	<i>-13.0%</i>	<i>-7.9%</i>

# Recommendation

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- Aon recommends that the Health Service Board accept the Kaiser Permanente Medicare retiree rates as presented today.

# Appendix

# 2018 Kaiser Senior Advantage Monthly Rate Card

	Kaiser Senior Advantage Plan—Medicare Retirees			
	Medicare Retiree Only	Retiree + 1 (All Medicare)	Retiree +2+ (All Medicare)	Retiree +2+ (2 Medicare, 1+ Non-Medicare)
Premium	\$375.39	\$750.78	\$1,125.79	\$1,253.10
Vision	\$3.95	\$7.92	\$11.20	\$11.20
Expense (SFHSS Healthcare Sustainability Fee)	\$3.00	\$3.00	\$3.00	\$3.00
Best Doctors <sup>1</sup>	\$1.40	\$1.40	\$1.40	\$1.40
<b>Total</b>	<b>\$383.74</b>	<b>\$763.10</b>	<b>\$1,141.39</b>	<b>\$1,268.70</b>
10-County Amount (or single tier premium, if less) <sup>2</sup>	\$383.74	\$0.00	\$0.00	\$0.00
Single Retiree Offset <sup>3</sup>	\$0.00	\$383.74	\$383.74	\$383.74
"Actuarial Difference" <sup>4</sup>	\$0.00	\$0.00	\$0.00	\$0.00
Prop. E Contribution <sup>5</sup>	\$0.00	\$189.68	\$189.68	\$189.68
Subtotal Employer Contributions	\$383.74	\$573.42	\$573.42	\$573.42
<b>Non-Bargained Contribution Rate 2018</b>	<b>\$0.00</b>	<b>\$189.68</b>	<b>\$567.97</b>	<b>\$695.28</b>
<b>Final Member Contribution 2018</b>	<b>\$0.00</b>	<b>\$189.68</b>	<b>\$567.97</b>	<b>\$695.28</b>
<b>Final Member Contribution 2017</b>	<b>\$0.00</b>	<b>\$172.36</b>	<b>\$516.18</b>	<b>\$652.23</b>
<b>Difference, 2018 Versus 2017 Contribution</b>	<b>\$0.00</b>	<b>\$17.32</b>	<b>\$51.79</b>	<b>\$43.05</b>

**NOTE—Footnotes 1 – 5 defined on page 15 - 16**

## Kaiser Rate Card Footnotes

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- (1) Best Doctors:** Second opinion vendor fees of \$1.40 per subscriber per month (PSPM) in 2018 and \$1.15 PSPM in 2019.
- (2) 10-County Amount:** Amount derived from annual survey described in Charter Section A8.423 of contributions provided by 10 most populous counties in CA, not including San Francisco—called the “average contribution”. The 2019 10-County amount is \$672.08.
- (3) Single Retiree Offset:** Under Charter Section A8.428(b)(2), the 10-County Amount is the first of three Charter contribution elements used to calculate retiree rates. Employers are required to pay lesser of the 10-County amount or actual cost of coverage for each retiree member.

## Kaiser Rate Card Footnotes (continued)

- (4) **"Actuarial Difference"**: Under Charter Section A8.428(b)(3), the employers contribute the difference between Active Employee-Only premium and Early Retiree-Only premium. This is the second of three Charter contribution elements applied to the calculation of retiree rates.
- (5) **2000 Prop. E Contribution**: Under Charter Section A8.428(b)(3)(iii) and A8.428(c), employer contributions toward Retiree Only and Retiree +1 rates = 50% x [Total Rate Cost – 10-County Amount – “Actuarial Difference”]. This is the third of three Charter contribution elements that applied to the calculation of retiree rates.



## MAPD Plan Definition

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- **Medicare Advantage Prescription Drug Plan (MAPD):** Medicare Advantage Prescription Drug Plan (MAPD) includes Medicare Part D and is available to beneficiaries enrolled in Medicare Part A and Part B. SFHSS offers only MAPD plans in which the Center for Medicare and Medicaid Services (CMS) pays a Managed Care Organization a per member per month premium. SFHSS negotiates additional benefits not covered by MAPD plans alone. Kaiser's Medicare Advantage Plan is called KPSA: Kaiser Permanente Senior Advantage