

San Francisco Health Service System Health Service Board

Rates & Benefits

Kaiser Permanente 2019 HMO Rates and Premium Contributions—Active Employees and Early Retirees

May 10, 2018

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Health & Benefits



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Recommendation

- Aon recommends that the Health Service Board (HSB) approve a 0.3% premium **decrease** from 2018 to 2019 for active employees (actives) and early retirees in California enrolled in Kaiser Permanente (Kaiser).
- The Kaiser rates and premium contributions for actives and early retirees are included in this presentation, with detailed exhibits to follow.
- Active employee rate cards are shown for 93 / 93 / 83 and 100 / 96 / 83 contribution strategies as reflected in the majority of union agreements.

Renewal Summary

- 2019 Kaiser premiums for actives and early retirees decreased by 0.3% for the medical and pharmacy coverage. This decrease is a result of the following:
 - Favorable plan experience for SFHSS during the 2017 plan year;
 - Reduction in Kaiser's annual trend assumption used in rating;
 - Health risk score improvement of 1% prospective / 3% concurrent as presented in San Francisco Health Service System's (SFHSS) 2017 Risk Scores report (April 2018 HSB meeting); and
 - Elimination of the Affordable Care Act (ACA) Health Insurance Tax for 2019 following its reinstatement for the 2018 plan year.
- We are also reflecting a reduction in Best Doctors fee from \$1.40 per subscriber per month (PSPM) in 2018 to \$1.15 PSPM in 2019.

Renewal Summary

- When setting the total rate card premiums for Kaiser active and early retiree plans, the following SFHSS costs are included:
 - Kaiser fully insured medical/prescription drug premiums;
 - Core VSP vision premiums (unchanged from 2018 levels);
 - Healthcare Sustainability Fee (\$3.00 PSPM—unchanged from the 2018 fee); and
 - Best Doctors second opinion benefit fee (\$1.15 PSPM, per explanation on the prior page).
- Early retiree rate cards include subsidies based upon Charter provisions, including: the monthly 10-County Average, “Actuarial Difference”, and Prop. E subsidy components.

Kaiser Permanente

Renewal Premiums and Contributions

Early Retirees, and **93 / 93 / 83** Contribution Strategy for Actives

<i>PY = Plan Year</i>		Active Employees			Early Retirees		
		EE	EE + 1	EE + 2+	RET	RET + 1	RET + 2+
Monthly Employee / Retiree Contributions	PY 2018	\$42.95	\$85.59	\$293.81	\$0.00	\$304.57	\$810.17
	PY 2019	\$42.80	\$85.31	\$292.88	\$0.00	\$303.66	\$807.74
	<i>\$ Difference</i>	<i>-\$0.15</i>	<i>-\$0.28</i>	<i>-\$0.93</i>	<i>+\$0.00</i>	<i>-\$0.91</i>	<i>-\$2.43</i>
	<i>% Difference</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>—</i>	<i>-0.3%</i>	<i>-0.3%</i>
Monthly Employer Contributions	PY 2018	\$570.58	\$1,137.09	\$1,434.46	\$1,229.20	\$1,533.78	\$1,533.78
	PY 2019	\$568.65	\$1,133.46	\$1,429.95	\$1,225.27	\$1,528.94	\$1,528.94
	<i>\$ Difference</i>	<i>-\$1.93</i>	<i>-\$3.63</i>	<i>-\$4.51</i>	<i>-\$3.93</i>	<i>-\$4.84</i>	<i>-\$4.84</i>
	<i>% Difference</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>
Monthly Total Rate	PY 2018	\$613.53	\$1,222.68	\$1,728.27	\$1,229.20	\$1,838.35	\$2,343.95
	PY 2019	\$611.45	\$1,218.77	\$1,722.83	\$1,225.27	\$1,832.60	\$2,336.68
	<i>\$ Difference</i>	<i>-\$2.08</i>	<i>-\$3.91</i>	<i>-\$5.44</i>	<i>-\$3.93</i>	<i>-\$5.75</i>	<i>-\$7.27</i>
	<i>% Difference</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>

Kaiser Permanente

Renewal Premiums and Contributions

Early Retirees, and **100 / 96 / 83** Contribution Strategy for Actives

<i>PY = Plan Year</i>		Active Employees			Early Retirees		
		EE	EE + 1	EE + 2+	RET	RET + 1	RET + 2+
Monthly Employee / Retiree Contributions	PY 2018	\$0.00	\$48.91	\$293.81	\$0.00	\$304.57	\$810.17
	PY 2019	\$0.00	\$48.75	\$292.88	\$0.00	\$303.66	\$807.74
	<i>\$ Difference</i>	<i>+\$0.00</i>	<i>-\$0.16</i>	<i>-\$0.93</i>	<i>+\$0.00</i>	<i>-\$0.91</i>	<i>-\$2.43</i>
	<i>% Difference</i>	<i>—</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>—</i>	<i>-0.3%</i>	<i>-0.3%</i>
Monthly Employer Contributions	PY 2018	\$613.53	\$1,173.77	\$1,434.46	\$1,229.20	\$1,533.78	\$1,533.78
	PY 2019	\$611.45	\$1,170.02	\$1,429.95	\$1,225.27	\$1,528.94	\$1,528.94
	<i>\$ Difference</i>	<i>-\$2.08</i>	<i>-\$3.75</i>	<i>-\$4.51</i>	<i>-\$3.93</i>	<i>-\$4.84</i>	<i>-\$4.84</i>
	<i>% Difference</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>
Monthly Total Rate	PY 2018	\$613.53	\$1,222.68	\$1,728.27	\$1,229.20	\$1,838.35	\$2,343.95
	PY 2019	\$611.45	\$1,218.77	\$1,722.83	\$1,225.27	\$1,832.60	\$2,336.68
	<i>\$ Difference</i>	<i>-\$2.08</i>	<i>-\$3.91</i>	<i>-\$5.44</i>	<i>-\$3.93</i>	<i>-\$5.75</i>	<i>-\$7.27</i>
	<i>% Difference</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>

2019 Kaiser Permanente Monthly Rate Card

Early Retirees, and 93 / 93 / 83 Contribution Strategy for Actives

	Active Employees			Early Retirees		
	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium	\$603.35	\$1,206.70	\$1,707.48	\$1,217.17	\$1,820.53	\$2,321.33
Vision Expense	\$3.95	\$7.92	\$11.20	\$3.95	\$7.92	\$11.20
Best Doctors ¹	\$1.15	\$1.15	\$1.15	\$1.15	\$1.15	\$1.15
Total	\$611.45	\$1,218.77	\$1,722.83	\$1,225.27	\$1,832.60	\$2,336.68

10-County Amount (Early Retirees and Retirees Only) ²	\$0.00	\$0.00	\$0.00	\$672.08	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$672.08	\$672.08
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$553.19	\$553.19	\$553.19
Prop. E Subsidy ⁵	\$0.00	\$0.00	\$0.00	\$0.00	\$303.67	\$303.67
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,225.27	\$1,528.94	\$1,528.94
Non-Bargained Contribution Rate	\$611.45	\$1,218.77	\$1,722.83	\$0.00	\$303.66	\$807.74

MOU Negotiated Pickup ⁶	\$568.65	\$1,133.46	\$1,429.95			
Typical Bargained Member Contribution	\$42.80	\$85.31	\$292.88			

Final Member Contribution 2019	\$42.80	\$85.31	\$292.88	\$0.00	\$303.66	\$807.74
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Final Member Contribution 2018	\$42.95	\$85.59	\$293.81	\$0.00	\$304.57	\$810.17
Difference, 2019 versus 2018	-\$0.15	-\$0.28	-\$0.93	\$0.00	-\$0.91	-\$2.43

NOTE—Footnotes 1 – 6 defined in Appendix

2019 Kaiser Permanente Monthly Rate Card

Early Retirees, and 100 / 96 / 83 Contribution Strategy for Actives

	Active Employees			Early Retirees		
	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium	\$603.35	\$1,206.70	\$1,707.48	\$1,217.17	\$1,820.53	\$2,321.33
Vision Expense	\$3.95	\$7.92	\$11.20	\$3.95	\$7.92	\$11.20
Best Doctors ¹	\$1.15	\$1.15	\$1.15	\$1.15	\$1.15	\$1.15
Total	\$611.45	\$1,218.77	\$1,722.83	\$1,225.27	\$1,832.60	\$2,336.68

10-County Amount (Early Retirees and Retirees Only) ²	\$0.00	\$0.00	\$0.00	\$672.08	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$672.08	\$672.08
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$553.19	\$553.19	\$553.19
Prop. E Subsidy ⁵	\$0.00	\$0.00	\$0.00	\$0.00	\$303.67	\$303.67
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,225.27	\$1,528.94	\$1,528.94
Non-Bargained Contribution Rate	\$611.45	\$1,218.77	\$1,722.83	\$0.00	\$303.66	\$807.74

MOU Negotiated Pickup ⁶	\$611.45	\$1,170.02	\$1,429.95			
Typical Bargained Member Contribution	\$0.00	\$48.75	\$292.88			

Final Member Contribution 2019	\$0.00	\$48.75	\$292.88	\$0.00	\$303.66	\$807.74
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Final Member Contribution 2018	\$0.00	\$48.91	\$293.81	\$0.00	\$304.57	\$810.17
Difference, 2019 versus 2018	\$0.00	-\$0.16	-\$0.93	\$0.00	-\$0.91	-\$2.43

NOTE—Footnotes 1 – 6 defined in Appendix

Recommendation

- Aon recommends that the HSB approve the Kaiser rates and premium contributions for actives and early retirees as included in this presentation, adopting the 0.3% premium decrease from 2018 to 2019 for active employees and early retirees in California.

Appendix

Active Employees and Early Retirees Combined (PMPM¹ Basis)

	2018 Renewal	2019 Renewal	% Change
Rating Members	52,588	54,337	+ 3.3%
Experience Period Adjusted Incurred Claims	\$465.14	\$483.37	+ 3.9%
Midpoint Trend Rate (24-month period)	1.111	1.090	- 1.9%
Projected Incurred Claims	\$516.84	\$526.69	+ 1.9%
Administration and ACA Fees			
Administration Fees	\$25.44	\$25.95	+ 2.0%
ACA Health Insurance Tax Fees	\$5.30	\$0.00	- 100.0%
ACA PCORI Fees	\$0.20	\$0.00	- 100.0%
Other Adjustments (Hearing, Infertility, SBO)	\$6.22	-\$1.03	+ 0.0%
PMPM Revenue Requirement	\$554.00	\$551.61	+ 2.0%
In-Force 2018 Premium	\$553.27		—
Proposed 2019 Premium		\$551.61	- 0.3%

NOTE:

¹ PMPM = Per Member Per Month

Underwriting Premium Rate Build-Up Notes

- 2016 claims experience was used to set 2018 premium rates, and 2017 claims experience was used to set 2019 premium rates.
- Notes on underwriting elements:
 - **Adjusted Incurred Claims**—Paid claims net of large claims in excess of the pooling point (\$975,000 for 2019 renewal) plus the large claim pooling charge.
 - **Midpoint Trend**—Trend factor used by Kaiser for the 24-month period between experience period and projection period.
 - **Administration Fees**—The amount included in the premium for the administration of the program not related to claims expense (infrastructure cost such as claims processing, customer service, programing cost, etc.).
 - **Affordable Care Act (ACA) Fees**—Required fees or taxes that support the cost of federal health care reform.

Kaiser Rate Card Footnotes

- 1) **Best Doctors:** Second opinion vendor fee of \$1.40 PSPM in 2018 and \$1.15 PSPM in 2019.
- 2) **"10-County" City Contribution:** Per Charter Section A8.423, the employer contribution must equal the average of the employer contribution to health premiums of the 10 most populous counties in California, not including San Francisco (though is capped for Kaiser to produce a \$0 contribution for Kaiser Early Retiree Only tier).
- 3) **"Single Retiree Offset":** Per Charter Section A8.428; for Early Retirees, equal to the 10-County Amount.
- 4) **Retiree "Actuarial Difference":** Per Charter Section A8.428, employer contributes the difference between a single active Employee and a single non-Medicare Retiree cost of premium. Calculated for non-Medicare retiree only.

Kaiser Rate Card Footnotes

- 5) **Prop. E Subsidy passed in November 2000 Election:** Per Charter A8.428, employer subsidy for Retiree (R) and R+1 = 50% x [Total Rate Cost – 10 County – Actuarial Difference]
- 6) **The majority of MOU agreements** follow one of the following formulas:
 - 93% of the 2019 Kaiser Single, 93% of Kaiser E+1, 83% of Kaiser E+2+
 - 100% of the 2019 Kaiser Single, 96% of Kaiser E+1, 83% of Kaiser E+2+

Early Retirees, and 93 / 93 / 83 Contribution Strategy for Actives

	Active Employees			Early Retirees		
	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium	\$605.18	\$1,210.36	\$1,712.67	\$1,220.85	\$1,826.03	\$2,328.35
Vision Expense	\$3.95	\$7.92	\$11.20	\$3.95	\$7.92	\$11.20
Best Doctors ¹	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40
Total	\$613.53	\$1,222.68	\$1,728.27	\$1,229.20	\$1,838.35	\$2,343.95

10-County Amount (Early Retirees and Retirees Only) ²	\$0.00	\$0.00	\$0.00	\$649.17	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$649.17	\$649.17
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$580.03	\$580.03	\$580.03
Prop. E Subsidy ⁵	\$0.00	\$0.00	\$0.00	\$0.00	\$304.58	\$304.58
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,229.20	\$1,533.78	\$1,533.78
Non-Bargained Contribution Rate	\$613.53	\$1,222.68	\$1,728.27	\$0.00	\$304.57	\$810.17

MOU Negotiated Pickup ⁶	\$570.58	\$1,137.09	\$1,434.46			
Typical Bargained Member Contribution	\$42.95	\$85.59	\$293.81			

Final Member Contribution 2018	\$42.95	\$85.59	\$293.81	\$0.00	\$304.57	\$810.17
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Final Member Contribution 2017	\$40.78	\$81.25	\$278.90	\$0.00	\$289.08	\$768.95
Difference, 2018 versus 2017	\$2.17	\$4.34	\$14.91	\$0.00	\$15.49	\$41.22

NOTE—Footnotes 1 – 6 defined in Appendix

Early Retirees, and 100 / 96 / 83 Contribution Strategy for Actives

	Active Employees			Early Retirees		
	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium	\$605.18	\$1,210.36	\$1,712.67	\$1,220.85	\$1,826.03	\$2,328.35
Vision Expense	\$3.95	\$7.92	\$11.20	\$3.95	\$7.92	\$11.20
Best Doctors ¹	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40
Total	\$613.53	\$1,222.68	\$1,728.27	\$1,229.20	\$1,838.35	\$2,343.95

10-County Amount (Early Retirees and Retirees Only) ²	\$0.00	\$0.00	\$0.00	\$649.17	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$649.17	\$649.17
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$580.03	\$580.03	\$580.03
Prop. E Subsidy ⁵	\$0.00	\$0.00	\$0.00	\$0.00	\$304.58	\$304.58
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,229.20	\$1,533.78	\$1,533.78
Non-Bargained Contribution Rate	\$613.53	\$1,222.68	\$1,728.27	\$0.00	\$304.57	\$810.17

MOU Negotiated Pickup ⁶	\$613.53	\$1,173.77	\$1,434.46			
Typical Bargained Member Contribution	\$0.00	\$48.91	\$293.81			

Final Member Contribution 2018	\$0.00	\$48.91	\$293.81	\$0.00	\$304.57	\$810.17
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Final Member Contribution 2017	\$0.00	\$46.43	\$278.90	\$0.00	\$289.08	\$768.95
Difference, 2018 versus 2017	\$0.00	\$2.48	\$14.91	\$0.00	\$15.49	\$41.22

NOTE—Footnotes 1 – 6 defined in Appendix