San Francisco Health Service System
Health Service Board

Rates & Benefits

Kaiser Permanente 2020 HMO Rates and Premium Contributions—Active Employees and Early Retirees

May 9, 2019

Prepared by:
Health Solutions

Empower Results®

Contents

Recommendation

- Staff recommends that the Health Service Board (HSB) approve

1. A 5.9% insured plan premium increase from 2019 to 2020 for active employees (actives) and early retirees in California enrolled in Kaiser Permanente (Kaiser).

- The 5.9% insured plan premium increase includes:
  - 4.9% for the plan renewal; and
  - 1.0% for the return in 2020 of the federal Accountable Care Act Health Insurance Tax (HIT) in 2020, after it was suspended by the federal government in 2019.

Recommendation

- 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 in this presentation are shown for the two most common employer contribution strategies as of the start of this year for City/County of San Francisco (93 / 93 / 83 and 100 / 96 / 83). There are multiple employer contribution strategies for active employees across the employers participating in the San Francisco Health Service System (SFHSS).

Renewal Summary

- 2020 Kaiser premiums for actives and early retirees are increasing by 5.9% for the medical and pharmacy coverage.
  - This follows a 0.3% rate decrease that occurred for the 2019 plan year.
  - We continue to engage in dialogue with Kaiser to strive for more consistent renewal insured premium change actions from year to year.
- The increase for 2020 is a result of two key elements:
  - A 7.9% increase in per member claim experience from 2017 to 2018, which is higher than prior year-over-year comparisons especially for early retirees; and
  - Reinstatement of the Affordable Care Act (ACA) Health Insurance Tax for 2020 following its suspension for the 2019 plan year (this accounts for 1.0% of the 5.9% increase).
- Underwriting detail is contained in the Appendix to this presentation.

Renewal Summary

- When setting the total rate card premiums for Kaiser active employee and early retiree plans, the following SFHSS costs are included:
  - Kaiser fully insured medical / prescription drug premiums;
  - VSP Basic Plan vision premiums (unchanged from 2019 levels); and
  - Healthcare Sustainability Fund charge of $3.00 per employee/retiree per month (PEPM), which is unchanged from the 2019 fee.
- The following two changes apply for 2020 plan year:
  - Best Doctors expert medical opinion fees no longer apply in rate cards, given the recommendation to non-renew this service after existing contract expiration on December 31, 2019.
  - A Kaiser-required change to fertility member cost share, to 50% of service cost (current member cost share is a $20 copay).

Renewal Summary

- Early retiree rate cards include employer contribution amounts based upon Charter provisions, including:
  - The monthly 10-County Average;
  - “Actuarial Difference”; and
  - Prop. E employer contribution components.

Kaiser Permanente

Renewal Premiums and Contributions

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

		Active Employees			Early Retirees		
PY = Plan Year		**EE**	**EE + 1**	**EE + 2+**	**RET**	**RET + 1**	**RET + 2+**
Monthly Employee / Retiree Contributions	**PY 2019**	**$42.80**	**$85.31**	**$292.88**	**$0.00**	**$303.66**	**$807.74**
	PY 2020	**$45.20**	**$90.19**	**$309.72**	**$0.00**	**$321.37**	**$854.85**
	$ Difference	*+$2.40*	*+$4.88*	*+$16.84*	*+$0.00*	*+$17.71*	*+$47.11*
	% Difference	*+5.6%*	*+5.7%*	*+5.7%*	-	*+5.8%*	*+5.8%*
Monthly Employer Contributions	**PY 2019**	**$568.65**	**$1,133.46**	**$1,429.95**	**$1,225.27**	**$1,528.94**	**$1,528.94**
	PY 2020	**$600.51**	**$1,198.26**	**$1,512.18**	**$1,295.75**	**$1,617.12**	**$1,617.12**
	$ Difference	*+$31.86*	*+$64.80*	*+$82.23*	*+$70.48*	*+$88.18*	*+$88.18*
	% Difference	*+5.6%*	*+5.7%*	*+5.8%*	*+5.8%*	*+5.8%*	*+5.8%*
Monthly Total Rate	**PY 2019**	**$611.45**	**$1,218.77**	**$1,722.83**	**$1,225.27**	**$1,832.60**	**$2,336.68**
	PY 2020	**$645.71**	**$1,288.45**	**$1,821.90**	**$1,295.75**	**$1,938.49**	**$2,471.97**
	$ Difference	*+$34.26*	*+$69.68*	*+$99.07*	*+$70.48*	*+$105.89*	*+$135.29*
	% Difference	*+5.6%*	*+5.7%*	*+5.8%*	*+5.8%*	*+5.8%*	*+5.8%*

Kaiser Permanente

Renewal Premiums and Contributions

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

		Active Employees			Early Retirees		
PY = Plan Year		**EE**	**EE + 1**	**EE + 2+**	**RET**	**RET + 1**	**RET + 2+**
Monthly Employee / Retiree Contributions	**PY 2019**	**$0.00**	**$48.75**	**$292.88**	**$0.00**	**$303.66**	**$807.74**
	PY 2020	**$0.00**	**$51.54**	**$309.72**	**$0.00**	**$321.37**	**$854.85**
	$ Difference	*+$0.00*	*+$2.79*	*+$16.84*	*+$0.00*	*+$17.71*	*+$47.11*
	% Difference	-	*+5.7%*	*+5.7%*	-	*+5.8%*	*+5.8%*
Monthly Employer Contributions	**PY 2019**	**$611.45**	**$1,170.02**	**$1,429.95**	**$1,225.27**	**$1,528.94**	**$1,528.94**
	PY 2020	**$645.71**	**$1,236.91**	**$1,512.18**	**$1,295.75**	**$1,617.12**	**$1,617.12**
	$ Difference	*+$34.26*	*+$66.89*	*+$82.23*	*+$70.48*	*+$88.18*	*+$88.18*
	% Difference	*+5.6%*	*+5.7%*	*+5.8%*	*+5.8%*	*+5.8%*	*+5.8%*
Monthly Total Rate	**PY 2019**	**$611.45**	**$1,218.77**	**$1,722.83**	**$1,225.27**	**$1,832.60**	**$2,336.68**
	PY 2020	**$645.71**	**$1,288.45**	**$1,821.90**	**$1,295.75**	**$1,938.49**	**$2,471.97**
	$ Difference	*+$34.26*	*+$69.68*	*+$99.07*	*+$70.48*	*+$105.89*	*+$135.29*
	% Difference	*+5.6%*	*+5.7%*	*+5.8%*	*+5.8%*	*+5.8%*	*+5.8%*

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2020 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	$638.76	$1,277.53	$1,807.70	$1,288.80	$1,927.57	$2,457.77
Vision	$3.95	$7.92	$11.20	$3.95	$7.92	$11.20
Expense[1]	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00
Total	**$645.71**	**$1,288.45**	**$1,821.90**	**$1,295.75**	**$1,938.49**	**$2,471.97**
10-County Amount[2]	$0.00	$0.00	$0.00	$705.92	$0.00	$0.00
Single Retiree Offset[3]	$0.00	$0.00	$0.00	$0.00	$705.92	$705.92
"Actuarial Difference“[4]	$0.00	$0.00	$0.00	$589.83	$589.83	$589.83
Prop. E Employer Contribution[5]	$0.00	$0.00	$0.00	$0.00	$321.37	$321.37
Subtotal City Contributions	$0.00	$0.00	$0.00	$1,295.75	$1,617.12	$1,617.12
2020 Non-Bargained Contribution Rate	**$645.71**	**$1,288.45**	**$1,821.90**	**$0.00**	**$321.37**	**$854.85**
MOU Negotiated Pickup[6]	$600.51	$1,198.26	$1,512.18			
2020 Typical Bargained Member Contribution	**$45.20**	**$90.19**	**$309.72**			
Final Member Contribution 2019	**$42.80**	**$85.31**	**$292.88**	**$0.00**	**$303.66**	**$807.74**
Difference—2020 versus 2019	**$2.40**	**$4.88**	**$16.84**	**$0.00**	**$17.71**	**$47.11**

NOTE—Footnotes 1 – 6 defined in Appendix

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2020 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	$638.76	$1,277.53	$1,807.70	$1,288.80	$1,927.57	$2,457.77
Vision	$3.95	$7.92	$11.20	$3.95	$7.92	$11.20
Expense[1]	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00
Total	**$645.71**	**$1,288.45**	**$1,821.90**	**$1,295.75**	**$1,938.49**	**$2,471.97**
10-County Amount[2]	$0.00	$0.00	$0.00	$705.92	$0.00	$0.00
Single Retiree Offset[3]	$0.00	$0.00	$0.00	$0.00	$705.92	$705.92
"Actuarial Difference“[4]	$0.00	$0.00	$0.00	$589.83	$589.83	$589.83
Prop. E Employer Contribution[5]	$0.00	$0.00	$0.00	$0.00	$321.37	$321.37
Subtotal City Contributions	$0.00	$0.00	$0.00	$1,295.75	$1,617.12	$1,617.12
2020 Non-Bargained Contribution Rate	**$645.71**	**$1,288.45**	**$1,821.90**	**$0.00**	**$321.37**	**$854.85**
MOU Negotiated Pickup[6]	$645.71	$1,236.91	$1,512.18			
2020 Typical Bargained Member Contribution	**$0.00**	**$51.54**	**$309.72**			
Final Member Contribution 2019	**$0.00**	**$48.75**	**$292.88**	**$0.00**	**$303.66**	**$807.74**
Difference—2020 versus 2019	**$0.00**	**$2.79**	**$16.84**	**$0.00**	**$17.71**	**$47.11**

NOTE—Footnotes 1 – 6 defined in Appendix

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Recommendation

- Staff recommends that the HSB approve:

1. The Kaiser rates and premium contributions for active employees and early retirees as included in this presentation, adopting the 5.9% insured plan premium increase from 2019 to 2020 for active employees and early retirees in California, and the rate cards that result from Kaiser's rating action.

Appendix

Underwriting Premium Rate Build-Up

Appendix

Active Employees and Early Retirees Combined (PMPM[1] Basis)

	2019 Renewal	2020 Renewal	% Change
Rating Members	**54,338**	**55,408**	**+ 2.0%**
Experience Period Adjusted Incurred Claims	**$479.59**	**$517.64**	**+ 7.9%**
Midpoint Trend Rate (24-month period)	1.090	1.065	- 2.5%
Projected Incurred Claims	**$522.57**	**$551.01**	**+ 5.4%**
Administration and ACA Fees			
Administration Fees	$25.95	$26.47	+ 2.0%
ACA Health Insurance Tax Fees	N/A	$5.38	new in 2020
Group Specific Charge[2]	N/A	$0.48	new in 2020
Other Benefits (Hearing, Infertility, SBO)	$1.80	$1.80	no change
PMPM Revenue Requirement	**$550.32**	**$585.14**	**+ 6.3%**
In-Force 2019 Premium	**$551.06**		
Proposed 2020 Premium		**$583.57**	**+ 5.9%**

NOTES:

1 PMPM = Per Member Per Month
2 For Medicare-eligible members not enrolled in KP Senior Advantage

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Underwriting Premium Rate Build-Up Notes

- 2017 claims experience was used to set 2019 premium rates, and
- 2018 claims experience was used to set 2020 premium rates.

- Notes on underwriting elements:
  - **Adjusted Incurred Claims**—Paid claims net of large claims in excess of the pooling point ($1,025,000 for 2020 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.

Appendix

Kaiser Rate Card Footnotes

1) **Expense:** SFHSS Healthcare Sustainability Fund charge.
2) **“10-County" Employer 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. The monthly amount for 2020 rating is $705.92 (per March 2019 HSB action).
3) **"Single Retiree Offset”:** Per Charter Section A8.428; for Early Retirees, this is 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.
5) **Prop. E Employer Contribution (passed in November 2000 Election):** Per Charter A8.428, the Prop. E employer contribution for Retiree (R) and R+1 = 50% x [Total Rate Cost – 10 County – Actuarial Difference].
6) **Currently, the two most common employer contribution formulas** in MOU agreements follow are 93% Single / 93% E+1 / 83% E+2+ and 100% Single / 96% E+1 / 83% E+2+.

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Appendix

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	$3.95	$7.92	$11.20	$3.95	$7.92	$11.20
Expense[1]	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00
Best Doctors (Expert Opinion Service)	$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 Employer Contribution[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
2019 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			
2019 Typical Bargained Member Contribution	**$42.80**	**$85.31**	**$292.88**			
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

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2019 Kaiser Permanente Monthly Rate Card

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	$603.35	$1,206.70	$1,707.48	$1,217.17	$1,820.53	$2,321.33
Vision	$3.95	$7.92	$11.20	$3.95	$7.92	$11.20
Expense[1]	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00
Best Doctors (Expert Opinion Service)	$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 Employer Contribution[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
2019 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			
2019 Typical Bargained Member Contribution	**$0.00**	**$48.75**	**$292.88**			

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

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