

San Francisco Health Service System Health Service Board

Rates & Benefits

Health Plan 2020 Renewal Overview and Summary—
Medicare Retirees / Kaiser Multi-Region Retirees

June 13, 2019

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Overview—Today’s Medical Plan 2020 Renewals

Today’s Focus—Medicare Retirees (And Kaiser “Multi-Region” Retiree HMOs)

- This material summarizes what will be presented for Health Service Board (HSB) approval today—as well as an overview of member contribution comparisons among the two predominant health plans offered to Medicare retirees by the San Francisco Health Service System (SFHSS).
- SFHSS offers these medical and prescription drug plans to Medicare retirees:
 - Regional **Kaiser Permanente (Kaiser)** Medicare Advantage plans in four regions: California (CA)¹, Washington (WA), Northwest (NW)², and Hawaii (HI); and
 - National **UnitedHealthcare (UHC)** Medicare Advantage Preferred Provider Organization plan (known as “UHC MA PPO”).
- The Kaiser WA, NW, and HI plans are labeled as “multi-region HMOs”—Kaiser HMO plans in these regions are also offered to non-Medicare retirees.

¹ Kaiser Medicare plan in California is known as “Kaiser Permanente Senior Advantage”, or KPSA.

² Kaiser Northwest region is Oregon and southwest Washington.

Medicare Plans—Covered Lives

- The predominant focus today is the Medicare plan renewals for KPSA and UHC MA PPO, given these are the plans covering virtually all of SFHSS Medicare lives (e.g., retirees and dependents in Medicare).

SFHSS Medicare Health Plan	Covered Medicare Lives
UHC MA PPO (national)	15,886 (54.6%)
KPSA (California)	13,123 (45.2%)
Kaiser Multi-Region (WA/NW/HI)	60 (0.2%)
Total—All Members in Medicare Plans	29,069 (100.0%)

- There are also 34 early retirees enrolled in Kaiser non-Medicare “multi-region” HMOs in Washington, Northwest, and Hawaii.
- The remainder of this renewal overview document focuses on two plans: KPSA offered in California, and UHC MA PPO offered nationally.
 - Information on Kaiser retiree “multi-region” HMO renewals will be presented in a separate renewal recommendation document later today.

Medicare Plans—Renewal Environment

- All Medicare plans are fully insured, thus rate stabilization does not apply.
- After Medicare plan rate decreases were applied into the 2019 plan year, both highly enrolled SFHSS Medicare plans are facing high increases for the 2020 plan year on a **status quo renewal basis** (e.g., before any possible design changes and/or program changes that could be implemented for 2020 plan year).

Health Plan	2019 Rating Action	2020 “Status Quo” Rating Action
KPSA (California)	13.2% decrease	11.4% increase
UHC MA PPO (National)	0.7% decrease	17.0% increase

- The following pages document the rationale behind why 2019 renewals were favorable—and why 2020 renewals are unfavorable.

Medicare Plans—Renewal Environment

KPSA 2020 Rate Increase Commentary

- The KPSA plan rate increase is driven by the impact of actual ultimate funding received by Kaiser from the Centers for Medicare and Medicaid Services (CMS) for a given plan year, versus original projections when Kaiser releases KPSA rates to SFHSS.
 - Kaiser releases next year’s rates to SFHSS several months before actual CMS funding rates for the projection year are finalized.
 - Thus, reconciliation of CMS actual funding can impact degree of rate change in renewals—the adjustment was favorable for 2019, unfavorable for 2020.
- Kaiser does not pass the Affordable Care Act’s Health Insurance Tax (ACA HIT) into SFHSS KPSA Medicare plan rates—therefore that is not a factor in year-to-year rating changes for the KPSA plan.
- In today’s KPSA renewal presentation, there is a recommendation to adopt a **transportation benefit rider** to support members in need of non-emergent transportation to and from medical services—similar to the benefit adopted in the UHC MA PPO for 2019.
 - This would add \$2.75 per member per month (PMPM) to the KPSA 2020 rate—for a total rate increase of 12.2% versus 2019 rate (or, 0.8% increment from “status quo”).

Medicare Plans—Renewal Environment

UHC MA PPO 2020 Rate Increase Commentary

- The UHC MA PPO rate increase is driven by a combination of factors:
 - About 10% of the 17.0% increase is due to the return in 2020 of the ACA HIT, after it was suspended for the 2019 plan year (it was also suspended in the 2017 plan year).
 - The remainder is due to a combination of plan experience relative to CMS funding levels, as well as UHC loss ratio underwriting targets for the 2020 plan year.
- Two changes are recommended for consideration to the UHC MA PPO in 2020:
 - Plan design change to aid in lowering the premium rate increase for 2020 and to cover costs of the recommended new program below: increase specialist office visit copay from \$15 current to \$20 proposed.
 - New program to support members: 14 meals annually per member delivered via Mom’s Meals Nourishcare (this is in addition to the post-discharge meal delivery benefit available starting in 2019 in the UHC MA PPO plan).
- These proposed changes will be discussed during the UHC MA PPO renewal presentation, and result in a net reduction of the “status quo” rate renewal position of \$1.45 PMPM (or a 0.4% reduction increment from the “status quo” renewal).

Projected 2020 Medicare Plan Monthly Rates

- The table below shows projected 2020 total cost monthly rates for the two Medicare plans (shown to the nearest dollar monthly—actual rates are to nearest cent), as well as employer and member contributions for Medicare retirees receiving the full City Charter formula employer contributions, if all design and program change recommendations presented today would be accepted by the HSB.
- Tiers shown below assume **all Medicare lives** (rating exhibits in upcoming presentations will show additional retiree mixed Medicare family tier combinations).

Monthly Basis Rates	Medicare Retirees and Dependents (Full ER Contribution)		
	RET Only	RET+1 Dependent	RET+2+ Dependents
Total Plan Rates			
o KPSA (California)	\$373	\$743	\$1,111
o UHC MA PPO (National)	\$440	\$878	\$1,314
Employer Contributions			
o KPSA (California)	\$373	\$558	\$558
o UHC MA PPO (National)	\$440	\$659	\$659
Member Contributions			
o KPSA (California)	\$0	\$185	\$553
o UHC MA PPO (National)	\$0	\$219	\$655

Possible Impacts from Proposed CMS Rule Change

- Presently, CMS is considering a rule change that would require group Medicare Advantage plans such as the two offered by SFHSS to reflect prescription drug rebates at the point of sale.
- While on the surface this rule change would appear to be beneficial, in fact would have the impact of increasing group Medicare Advantage plan costs for prescription drugs.
- Because this rule has not been confirmed, proposed 2020 rates for both KPSA and UHC MA PPO are premised on this rule not applying for 2020.
- However, should the rule eventually be implemented, there could be future KPSA and/or UHC MA PPO rate impact.
 - When, and how much, depends on when the rule would be implemented, as well as plan determination at time of rule passage on projected change in pharmacy plan claim costs resulting from the rule change.
 - It is possible that if 2020 plan rates are approved by the HSB prior to any potential rule change becoming known, that the 2020 rate impact would be deferred into 2021—meaning impact on rates could be doubled for the 2021 plan year.