

# Health Service Board City & County of San Francisco

## Rates & Benefits

Kaiser Permanente Senior Advantage Fully Insured Retiree  
Rates and Premiums Contributions for 2017 Plan Year

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Prepared by:

Aon | Aon Hewitt | Health & Benefits



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# Summary

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This reports provides the Health Service Board with Aon recommendation for the fully insured 2017 Kaiser Permanente's (Kaiser) Medicare Advantage Prescription Drug Retiree (MAPD) HMO renewal.

Since 2014, per a request by the City & County of San Francisco Health Service System (HSS), Kaiser Permanente has provided an early estimate for the following year's rates for Medicare eligible retirees.

- The initial 2016 rate, provided in 2015, was \$322.66 per member per month (PMPM).
- The final 2016 rate released in the Fall of 2015 was \$332.42, which created a negative variance of \$9.76 PMPM. This difference will be built into the proposed 2017 rates.
- The initial 2017 rate is \$331.00 PMPM. Factoring in the \$9.76 negative variance, the 2017 rate is \$340.76.

## Summary (continued)

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Based on the most current information provided by HSS, there are 12,540 retirees and their dependents enrolled in this plan.

When setting the total Kaiser Permanente premiums, the following HSS costs are included:

- The VSP vision (which is a 2% decrease for 2017)
- The Healthcare Sustainability Fee which is \$3.00 per employee per month for 2017
- Best Doctors (second opinion benefit) which is \$1.40 per employee per month
- 2016 negative variance of \$9.76 per member per month (PMPM)

# 2017 Kaiser Permanente MAPD Monthly Rate Card

	Medicare Advantage Prescription Drug Retiree			
	Retiree with Medicare	Retiree & Spouse with Medicare	Retiree & Family (All Medicare)	Retiree & Family
Premium	\$340.76	\$681.52	\$1,022.28	\$1,158.11
Vision	\$3.95	\$7.92	\$11.20	\$11.20
Expense	\$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>\$349.11</b>	<b>\$693.84</b>	<b>\$1,037.88</b>	<b>\$1,173.71</b>

10-County Amount (Early Retirees and Retirees Only) <sup>2</sup>	\$349.11	\$0.00	\$0.00	\$0.00
Single Retiree Offset <sup>3</sup>	\$0.00	\$349.11	\$349.11	\$349.11
"Actuarial Difference" <sup>4</sup>	\$0.00	\$0.00	\$0.00	\$0.00
Prop. E Subsidy <sup>5</sup>	\$0.00	\$172.37	\$172.37	\$172.37
Subtotal City Contributions	\$349.11	\$521.48	\$521.48	\$521.48
<b>Non-Bargained Contribution Rate</b>	<b>\$0.00</b>	<b>\$172.36</b>	<b>\$516.40</b>	<b>\$652.23</b>

<b>Final Member Contribution 2017</b>	<b>\$0.00</b>	<b>\$172.36</b>	<b>\$516.40</b>	<b>\$652.23</b>
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<b>Final Member Contribution 2016</b>	<b>\$0.00</b>	<b>\$159.48</b>	<b>\$477.74</b>	<b>\$617.63</b>
<b>Difference</b>	<b>\$0.00</b>	<b>\$12.88</b>	<b>\$38.66</b>	<b>\$34.60</b>

**NOTE—Footnotes 1 – 5 defined on page 9**

# Kaiser Permanente Medicare Retiree Renewal Premiums and Contributions

		Medicare Advantage Prescription Drug Retiree			
		EE	EE + 1	EE + 2 (All Medicare)	EE + 2 (Other)
Employee Contributions	Plan Year 2016	\$0.00	\$159.48	\$477.74	\$617.63
	Plan Year 2017	\$0.00	\$172.36	\$516.40	\$652.23
	\$ Increase	+\$0.00	+\$12.88	+\$38.66	+\$34.60
	% Increase	-	+8.08%	+8.09%	+5.60%
Employer Contributions	Plan Year 2016	\$320.99	\$480.47	\$480.47	\$480.47
	Plan Year 2017	\$349.11	\$521.48	\$521.48	\$521.48
	\$ Increase	+\$28.12	+\$41.01	+\$41.01	+\$41.01
	% Increase	+8.76%	+8.54%	+8.54%	+8.54%
Total Rate	Plan Year 2016	\$320.99	\$639.95	\$958.21	\$1,098.10
	Plan Year 2017	\$349.11	\$693.84	\$1,037.88	\$1,173.71
	\$ Increase	+\$28.12	+\$53.89	+\$79.67	+\$75.61
	% Increase	+8.76%	+8.42%	+8.31%	+6.89%

## Member Impact

- Employee (EE) Only monthly contributions are constant at \$0.00.
- EE+1 monthly contributions increase by \$12.88.
- EE+2 (All Medicare) increase by \$38.66 and increases by \$34.60 for EE+2 (Other).

## Employer Impact

- Employee (EE) Only monthly contributions average \$28.12.
- For all other tiers, monthly contributions increase by \$41.01.

# Reconciliation of Medicare Rates

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- The proposed 2017 rate, adjusted for the 2016 negative variance, is an estimate since Kaiser has not received final approval from the Center for Medicare and Medicaid Services (CMS) for the 2017 rate.
- Given that it is an estimate, Kaiser will reconcile any differences between the rate provided today and the final rate next Spring. The difference will be applied to the 2018 rates.
- Since HSS 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 estimate as possible, they cannot project the actual rate.
- It is too early to predict if the variance between the early rate and the final rate will be a positive or negative variance and what the impact will be on the 2018 rates based on this reconciliation.

# Recommendation

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

# Appendix

## Kaiser Permanente Rate Card Footnotes

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- 1) Best Doctors—Second opinion vendor that costs \$1.40 PEPM, including claims data intake to identify members for outreach.
- 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. If the total single premium is less than the "10 County" amount, which is \$604.84 for 2017, then the total single premium is applied.
- 3) "Single Retiree Offset": Per Charter Section A8.428, for retirees = 10 County Amount; for Medicare eligible retirees = Medicare premium (because it is lower than 10 County Amount).
- 4) Retiree "Actuarial Difference": Per Charter Section A8.428, employer contributes the difference between a single employee and a single non-Medicare retiree cost of premium. Calculated for non-Medicare retiree only.
- 5) Prop. E Subsidy passed in November 2000 election: Per Charter A8.428, employer subsidy for retiree (R) and R+1 =  $50\% \times [\text{Total Rate Cost} - 10 \text{ County} - \text{Actuarial Difference}]$ .

# Appendix

## Glossary

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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. HSS 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. HSS negotiates additional benefits not covered by MAPD plans alone. The Kaiser's Medicare Advantage Plan is called KPSA: Kaiser Permanente Senior Advantage.