

San Francisco Health Service System Health Service Board

Rates & Benefits

Review and Approve Kaiser Permanente Senior
Advantage (California) Fully Insured Medicare Retiree
2024 Rates and Contributions

June 8, 2023

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Staff Recommendation

Staff recommends the Health Service Board (HSB) accept the KPSA Medicare Retiree rate card as presented today, which includes a 6.19% insured premium increase into the 2024 plan year.

Introduction

This report provides the HSB with the recommendation for the fully insured 2024 KPSA Medicare Retiree Plan renewal in California.

There are 14,197 Medicare-eligible retirees and dependents enrolled in the KPSA Medicare HMO Plan offered by the San Francisco Health Service System (SFHSS), per the February 2023 SFHSS Demographic Report.

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

Aon Commentary on KPSA 2024 Rates (Monthly Basis)

After a 1.86% rate decrease from 2022 to 2023—a third consecutive renewal rate decrease—the KPSA premium rate on a “status quo” basis is increasing from 2023 to 2024 by 6.19%. Rate change elements are outlined in this table:

KPSA Medicare Plan Rate Change Drivers – 2023 to 2024 (Kaiser premium only – not including SFHSS rate loads)	PMPM Rate Element
Early 2024 KPSA rate projection before added programs	\$323.02
CMS prior year reconciliation applied in 2024 rate	(\$9.43)
Rate for added programs for members ¹	\$9.24
2024 KPSA Medicare member premium rate (sum of figures above – released before 2024 final CMS approval ²)	\$322.83
2023 billed KPSA rate	\$304.00
Percentage change in KPSA rate – 2024 vs. 2023	6.19%

¹ Includes chiropractic benefit, Silver & Fit fitness benefit, enhanced transportation rider including wheelchair and gurney transport, and post-discharge meal delivery rider (up to 84 meals once per year after hospital discharge).

² Final CMS reconciliation process described later in this document.

Aon Commentary on KPSA 2024 Rates

KPSA Medicare Plan Rate Derivation for 2024

The proposed KPSA plan 2024 rate, adjusted for the prior year Centers for Medicare and Medicaid (CMS) funding reconciliation variances, is an estimate since Kaiser has not received final approval from CMS for the 2024 rate.

Given that it is an estimate, Kaiser Permanente (Kaiser) will reconcile any differences between the 2024 rate provided today and the ultimate final 2024 rate next Spring. The difference will be applied to the 2025 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 KPSA 2024 Rates

Underlying Kaiser medical trend is higher for 2024 than in past years, in part due to reductions in the increase in CMS funding from the federal government into the KPSA Medicare Advantage plan relative to increases in prior years. However, the rate increase is moderated by a favorable reconciliation adjustment from the 2023 plan year.

The end result is that Kaiser's 2024 proposed KPSA premium (\$322.83 PMPM) is 6.19% higher than the 2023 KPSA Medicare plan initial billed rate (\$304.00 PMPM). For mixed Medicare families, the Non-Medicare portion of rates is based on the 12.5% Non-Medicare Kaiser CA premium increase approved by the HSB at the May 25, 2023, meeting (with no change in plan design from 2023).

When setting the total KPSA premiums in the SFHSS rate card, the following costs are also included:

- VSP Basic Plan vision premiums (2024 vision rates remain at 2023 levels); and
- The SFHSS Healthcare Sustainability Fund charge of \$3.00 per retiree per month, which is unchanged from the 2023 fee.

Proposed 2024 KPSA Monthly Rate Card

The rate card presented in this document reflects the full employer contributions for retiree medical coverage presently available to:

- Retired employees eligible for health benefits 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, and their surviving spouses or surviving domestic partners.

Proposed 2024 KPSA Monthly Rate Card

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 but less than 15 years of Credited Service with the Employers.

- 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 card.

Retiree medical coverage at the 75% employer Charter-contribution rate is available to retired employees hired on or after January 10, 2009, with greater than 15 years but less than 20 years of Credited Service with the Employers.

- This segment of retirees will receive 75% of the full employer Charter contribution for each retiree medical plan and coverage tier as reflected in the following rate card.

Proposed 2024 KPSA Monthly Rate Card

	KPSA – Medicare Retirees			
	Medicare Retiree Only	Retiree + 1 (All Medicare)	Retiree + 2+ (All Medicare)	Retiree + 2+ (2 Medicare, 1+ Non-Medicare)
Premium	\$322.83	\$645.66	\$968.12	\$1,333.33
Vision	\$4.15	\$8.32	\$11.76	\$11.76
Expense ¹	\$3.00	\$3.00	\$3.00	\$3.00
Total	\$329.98	\$656.98	\$982.88	\$1,348.09
10-County Amount (single tier premium, if less) ²	\$329.98	\$0.00	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$329.98	\$329.98	\$329.98
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$0.00
Prop. E Contribution ⁵	\$0.00	\$163.50	\$163.50	\$163.50
Subtotal Employer Contributions	\$329.98	\$493.48	\$493.48	\$493.48
Non-Bargained Contribution Rate 2024	\$0.00	\$163.50	\$489.40	\$854.61
Final Member Contribution 2024	\$0.00	\$163.50	\$489.40	\$854.61
Final Member Contribution 2023	\$0.00	\$154.08	\$461.15	\$768.79
Difference – 2024 vs. 2023 Contribution	\$0.00	\$9.42	\$28.25	\$85.82

NOTE: Footnotes 1 – 5 defined in Appendix

KPSA Monthly Premiums and Contributions

2024 vs. 2023

		KPSA—Medicare Retirees			
		Medicare Retiree Only	Retiree + 1 (All Medicare)	Retiree + 2+ (All Medicare)	Retiree + 2+ (2 Medicare, 1+ Non-Medicare)
Monthly Retiree Contributions	Plan Year 2023	\$0.00	\$154.08	\$461.15	\$768.79
	Plan Year 2024	\$0.00	\$163.50	\$489.40	\$854.61
	\$ Change	\$0.00	+\$9.42	+\$28.25	+\$85.82
	% Change	—	+6.1%	+6.1%	+11.2%
Monthly Employer Contributions	Plan Year 2023	\$311.15	\$465.24	\$465.24	\$465.24
	Plan Year 2024	\$329.98	\$493.48	\$493.48	\$493.48
	\$ Change	+\$18.83	+\$28.24	+\$28.24	+\$28.24
	% Change	+6.1%	+6.1%	+6.1%	+6.1%
Monthly Total Rate	Plan Year 2023	\$311.15	\$619.32	\$926.39	\$1,234.03
	Plan Year 2024	\$329.98	\$656.98	\$982.88	\$1,348.09
	\$ Change	+\$18.83	+\$37.66	+\$56.49	+\$114.06
	% Change	+6.1%	+6.1%	+6.1%	+9.2%

Recommendation

Staff recommends the Health Service Board (HSB) accept the KPSA Medicare Retiree rate card as presented today, which includes a 6.19% insured premium increase into the 2024 plan year.

Appendix

- 2023 KPSA Medicare HMO Monthly Rate Card
- KPSA Rate Card Footnotes
- Medicare Advantage Prescription Drug (MAPD) Plan Definition
- Member Contribution Change Exhibits for All Retiree Tiers – 2023 vs. 2022

2023 KPSA Monthly Rate Card

	KPSA – Medicare Retirees			
	Medicare Retiree Only	Retiree + 1 (All Medicare)	Retiree + 2+ (All Medicare)	Retiree + 2+ (2 Medicare, 1+ Non-Medicare)
Premium	\$304.00	\$608.00	\$911.63	\$1,219.27
Vision	\$4.15	\$8.32	\$11.76	\$11.76
Expense ¹	\$3.00	\$3.00	\$3.00	\$3.00
Total	\$311.15	\$619.32	\$926.39	\$1,234.03
10-County Amount (single tier premium, if less) ²	\$311.15	\$0.00	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$311.15	\$311.15	\$311.15
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$0.00
Prop. E Contribution ⁵	\$0.00	\$154.09	\$154.09	\$154.09
Subtotal Employer Contributions	\$311.15	\$465.24	\$465.24	\$465.24
Non-Bargained Contribution Rate 2022	\$0.00	\$154.08	\$461.15	\$768.79
Final Member Contribution 2022	\$0.00	\$154.08	\$461.15	\$768.79
Final Member Contribution 2021	\$0.00	\$156.86	\$469.53	\$748.63
Difference – 2022 vs. 2021 Contribution	\$0.00	(\$2.78)	(\$8.38)	\$20.16

NOTE: Footnotes 1 – 5 defined in Appendix

Kaiser Rate Card Footnotes

- 1) **Expense:** SFHSS Healthcare Sustainability Fund charge of \$3.00 per employee or retiree per month.
- 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 2024 10-County amount is \$805.85.
- 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.
- 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

Medicare Advantage Prescription Drug Plan (MAPD):

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 Kaiser Permanente Senior Advantage, or KPSA.

Member Contributions for All Retiree Tiers

Overall Coverage Tier	Non-Medicare and Medicare Statuses	Monthly Member Contribution ¹		\$ Change	% Change
		2023	2024		
Retiree Only	Medicare Retiree	\$0.00	\$0.00	\$0.00	--
Retiree + 1 Dependent	Medicare Retiree/Non-Medicare Dependent	\$370.32	\$416.34	\$46.02	12.4%
	Medicare Retiree/Medicare Dependent	\$154.08	\$163.50	\$9.42	6.1%
Retiree + 2+ Dependents	Medicare Retiree/Non-Medicare Dependents	\$985.03	\$1,107.45	\$122.42	12.4%
	Medicare Retiree/Medicare Dependent/Non-Medicare 2nd+ Dependent(s)	\$768.79	\$854.61	\$85.82	11.2%
	Medicare Retiree/Medicare Dependents	\$461.15	\$489.40	\$28.25	6.1%

¹ For members receiving full City Charter employer contribution amounts.