

San Francisco Health Service System Health Service Board

Rates & Benefits

Health Plan 2024 Rate Summary – Medicare Retiree and
Kaiser Multi-Region Retiree Health Plans

June 8, 2023

Overview

Today's Medical Medicare Plan 2024 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), known as **Medicare Advantage (MA)** plans.
- All retiree health plans presented today are fully insured plans, meaning the plans set the rates with scrutiny by the Aon actuary and SFHSS staff.
- 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 Prescription Drug (MAPD) Preferred Provider Organization (PPO) plan (known as “UHC MAPD”).
- 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.
- Today's recommendation is to renew the current plans noted above

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

2. Kaiser Northwest region is Oregon and southwest Washington.

SFHSS Medicare Plans – Current Covered Lives

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

SFHSS Medicare Health Plan	Current Covered Medicare Lives (February 2023 SFHSS Demographics Report)
UHC MAPD (national)	17,990 (55.7%)
KPSA (California)	14,197 (43.9%)
Kaiser Multi-Region (WA/NW/HI)	142 (0.4%)
Total – All Lives in Medicare Plans	32,329 (100.0%)

- There are also 59 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 MAPD offered nationally.
 - Information on Kaiser retiree “multi-region” HMO renewals will be presented in a separate renewal recommendation document later today.

SFHSS Medicare Plans – 2024 Renewal Overview

- All Medicare plans are fully insured – thus rate stabilization does not apply.
- After favorable rate actions on each Medicare plan for the 2023 plan year (decrease for KPSA, nominal increase for UHC MAPD), rating actions for the 2024 plan year result in higher rate increases for each plan, primarily due to a reduction in the increase in federal government funding of these plans through the Centers for Medicare and Medicaid (CMS). The specifics are described on the following pages.

Health Plan	2023 Rating Action	2024 Rating Action
KPSA (California)	1.9% decrease	6.2% increase
UHC MAPD (National)	4.7% increase	15.0% increase

- The individual rating presentations that follow today document the proposed rating changes outlined above for the 2024 plan year.

SFHSS Medicare Plans – CMS Funding Change Impacts

- The majority of total plan cost of Medicare Advantage plans is funded by the federal government through payments from CMS. In most years, the proportion of total MA plan costs funded by CMS has remained relatively steady.
- However, into 2024, there are three major influencers that will reduce the proportion of total MA plan spend that is funded by CMS—meaning what passes through to plan premiums will sustain a higher-than-typical percentage increase for 2024.

(1) Growth Rate reduction: for 2024, CMS has made an adjustment to the per capita cost calculations related to indirect and direct medical education costs associated with services furnished to MA enrollees. This adjustment will be phased in over three years, and CMS will apply one-third of the adjustment in CY 2024. This adjustment reduces the growth rate by about 0.8% per year for 2024, 2025 and 2026.

SFHSS Medicare Plans – CMS Funding Change Impacts

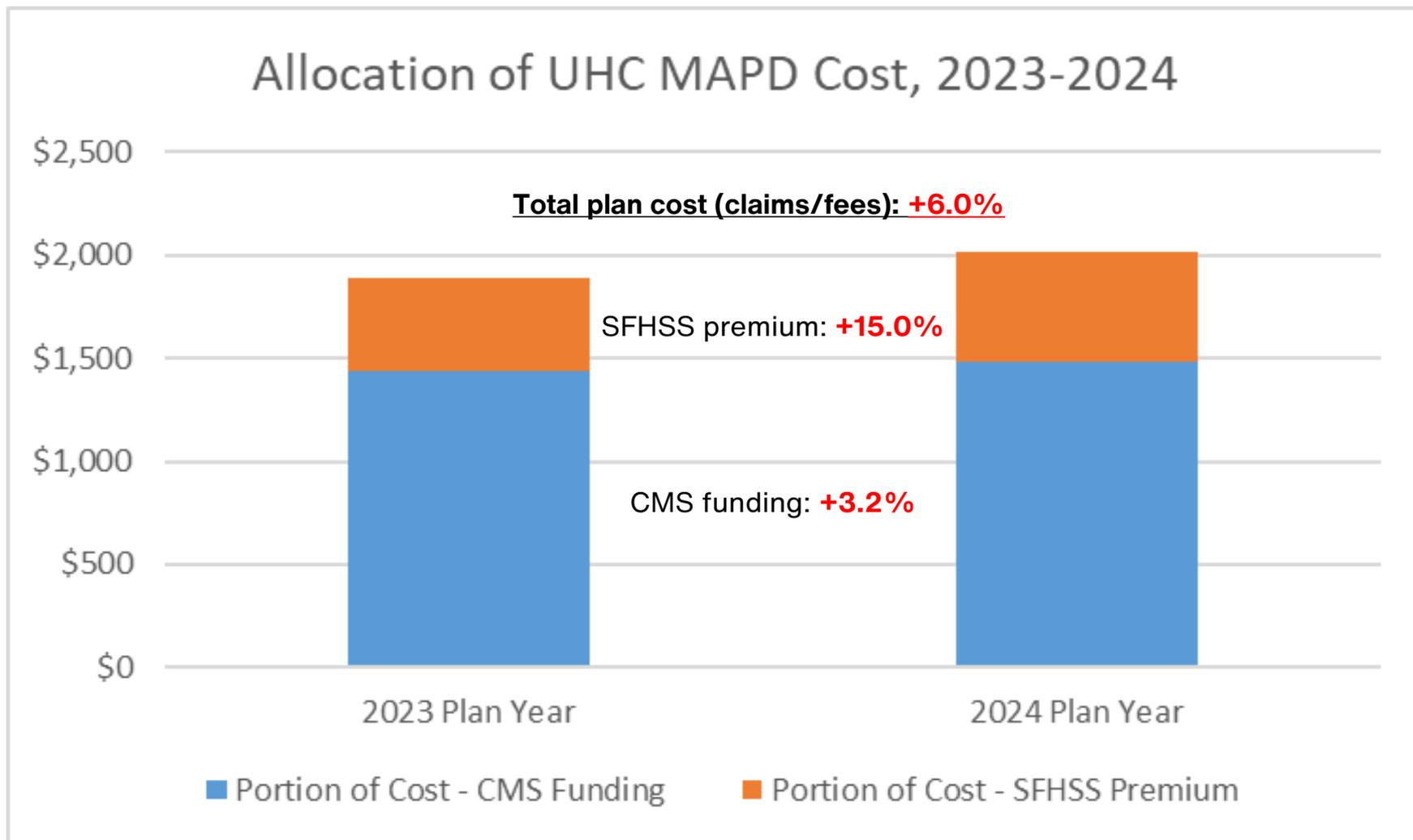
- CMS funding change influences into 2024 (continued):

(2) MA (Part C) Risk Adjustment Model Change: CMS finalized the 2024 proposed Part C risk adjustment model which includes restructured condition categories using the International Classification of Diseases (ICD)-10 classification system (instead of the formerly used ICD-9 classification system), as well as revisions focused on conditions that are subject to more coding variation. This action by CMS removed about 2,000 diagnosis codes from their risk model. The size of the impact of this change will vary by group based on the specific mix of disease states in the covered population.

(3) MA (Part C) Risk Adjustment Coding Change: In addition to the impact on risk scores for existing coded health conditions (as described in (2) above), the change in the risk adjustment model will impact the incremental funding received for new conditions that emerge over time. This will further reduce funding received by MA plans and will further reduce the “MA risk score trend” item that CMS added to its MA funding Fact Sheet the last two years.

SFHSS Medicare Plans – CMS Funding Change Impacts

- Impact of CMS funding methodology change on 2024 UHC MAPD renewal rate:



Projected 2024 Medicare Plan Monthly Rates

- The table below shows projected 2024 total cost monthly rates for the two Medicare plans, as well as employer and member contributions for Medicare retirees receiving the full City Charter formula employer contributions¹.
- Tiers shown below assume all Medicare lives (rating exhibits in upcoming presentations will show additional retiree mixed Medicare family tier combinations).
- Retiree Only member contributions are \$0 for both plans since the total MA plan rates with all rate card elements included are less than the 2024 monthly 10-County Amount (\$805.85).

	Medicare Retirees and Dependents (Full ER Contribution)		
Monthly 2024 Rates	RET Only	RET+1 Dependent	RET+2+ Dependents
Total Plan Rates			
KPSA (California)	\$329.98	\$656.98	\$982.88
UHC MAPD (National)	\$521.46	\$1,039.94	\$1,557.69
Employer Contributions			
KPSA (California)	\$329.98	\$493.48	\$493.48
UHC MAPD (National)	\$521.46	\$780.70	\$780.70
Member Contributions			
KPSA (California)	\$0	\$163.50	\$489.40
UHC MAPD (National)	\$0	\$259.24	\$776.99

1. Approximately 136 retirees receive less than the full City Contribution presently – hired on or after January 10, 2009. This compares to 103 retirees at this time last year.