

San Francisco Health Service System Health Service Board

Rates & Benefits

Kaiser Permanente 2018 HMO Rates and Premium Contributions
Presentation—Active Employees and Early Retirees

May 11, 2017

Contents

- **2018 Kaiser Permanente Renewal Summary**
- **2018 Kaiser Permanente Monthly Rate Cards**
 - ▶ 93 / 93 / 83 Contribution Strategy
 - ▶ 100 / 96 / 83 Contribution Strategy
- **Funding Alternative**
- **Recommendation**
- **Appendix**
 - ▶ Underwriting Premium Rate Build-Up
 - ▶ 2018 Kaiser Contribution Strategies Excluding Best Doctors
 - ▶ Kaiser Permanente Rate Card Footnotes

Renewal Summary

- Kaiser Permanente's (Kaiser) premium increase is approximately 5.32% across all rating tiers for 2018. The 5.32% increase includes the Kaiser premium increase, vision coverage, Healthcare Sustainability fee and Best Doctors.
- 2018 Kaiser premiums for actives and early retirees increased by 5.39% for the medical and pharmacy coverage. This increase is a result of the following components:
 - ▶ An increase in 2016 claims expense combined with Kaiser's Northern California Book of Business Trend
 - ▶ Reinstatement of the Health Insurance Tax for 2018 following its elimination for the 2017 plan year
 - ▶ Inclusion of infertility benefits enhancement but excludes fertility preservation benefits

Renewal Summary

- When setting the total Kaiser Permanente premiums, the following San Francisco Health Service System (SFHSS) costs are included:
 - ▶ VSP vision premiums
 - ▶ Healthcare Sustainability Fee of \$3.00 per employee per month (PEPM)
 - ▶ Best Doctors (second opinion benefit) fee of \$1.40 per employee per month (PEPM)
- 2018 rate cards are provided for the 93 / 93 / 83 and the 100 / 96 / 83 contribution strategies to conform with the majority of union agreements
- For the Early Retirees, the monthly 10-County average of \$649.17 (for Employee-Only coverage) is used. The 2018 average increased by 7.33% over the 2017 average

Kaiser Permanente Renewal Premiums and Contributions

Active Employee and Early Retiree

93 / 93 / 83 Contribution Strategy

<i>PY = Plan Year</i>		Actives			Early Retirees		
		EE	EE + 1	EE + 2	RET	RET + 1	RET + 2
Employee / Retiree Contributions	PY 2017	\$40.78	\$81.25	\$278.90	\$0.00	\$289.08	\$768.95
	PY 2018	\$42.95	\$85.59	\$293.81	\$0.00	\$304.57	\$810.17
	<i>\$ Difference</i>	<i>+\$2.17</i>	<i>+\$4.34</i>	<i>+\$14.91</i>	<i>+\$0.00</i>	<i>+\$15.49</i>	<i>+\$41.22</i>
	<i>% Difference</i>	<i>+5.32%</i>	<i>+5.34%</i>	<i>+5.35%</i>	<i>-</i>	<i>+5.36%</i>	<i>+5.36%</i>
Employer Contributions	PY 2017	\$541.76	\$1,079.45	\$1,361.67	\$1,167.51	\$1,456.59	\$1,456.59
	PY 2018	\$570.58	\$1,137.09	\$1,434.46	\$1,229.20	\$1,533.78	\$1,533.78
	<i>\$ Difference</i>	<i>+\$28.82</i>	<i>+\$57.64</i>	<i>+\$72.79</i>	<i>+\$61.69</i>	<i>+\$77.19</i>	<i>+\$77.19</i>
	<i>% Difference</i>	<i>+5.32%</i>	<i>+5.34%</i>	<i>+5.35%</i>	<i>+5.28%</i>	<i>+5.30%</i>	<i>+5.30%</i>
Total Rate	PY 2017	\$582.54	\$1,160.70	\$1,640.57	\$1,167.51	\$1,745.67	\$2,225.54
	PY 2018	\$613.53	\$1,222.68	\$1,728.27	\$1,229.20	\$1,838.35	\$2,343.95
	<i>\$ Difference</i>	<i>+\$30.99</i>	<i>+\$61.98</i>	<i>+\$87.70</i>	<i>+\$61.69</i>	<i>+\$92.68</i>	<i>+\$118.41</i>
	<i>% Difference</i>	<i>+5.32%</i>	<i>+5.34%</i>	<i>+5.35%</i>	<i>+5.28%</i>	<i>+5.31%</i>	<i>+5.32%</i>

Kaiser Permanente Renewal Premiums and Contributions

Active Employee and Early Retiree

100 / 96 / 83 Contribution Strategy

<i>PY = Plan Year</i>		Actives			Early Retirees		
		EE	EE + 1	EE + 2	RET	RET + 1	RET + 2
Employee / Retiree Contributions	PY 2017	\$0.00	\$46.43	\$278.90	\$0.00	\$289.08	\$768.95
	PY 2018	\$0.00	\$48.91	\$293.81	\$0.00	\$304.57	\$810.17
	<i>\$ Difference</i>	<i>+\$0.00</i>	<i>+\$2.48</i>	<i>+\$14.91</i>	<i>+\$0.00</i>	<i>+\$15.49</i>	<i>+\$41.22</i>
	<i>% Difference</i>	<i>-</i>	<i>+5.34%</i>	<i>+5.35%</i>	<i>-</i>	<i>+5.36%</i>	<i>+5.36%</i>
Employer Contributions	PY 2017	\$582.54	\$1,114.27	\$1,361.67	\$1,167.51	\$1,456.59	\$1,456.59
	PY 2018	\$613.53	\$1,173.77	\$1,434.46	\$1,229.20	\$1,533.78	\$1,533.78
	<i>\$ Difference</i>	<i>+\$30.99</i>	<i>+\$59.50</i>	<i>+\$72.79</i>	<i>+\$61.69</i>	<i>+\$77.19</i>	<i>+\$77.19</i>
	<i>% Difference</i>	<i>+5.32%</i>	<i>+5.34%</i>	<i>+5.35%</i>	<i>+5.28%</i>	<i>+5.30%</i>	<i>+5.30%</i>
Total Rate	PY 2017	\$582.54	\$1,160.70	\$1,640.57	\$1,167.51	\$1,745.67	\$2,225.54
	PY 2018	\$613.53	\$1,222.68	\$1,728.27	\$1,229.20	\$1,838.35	\$2,343.95
	<i>\$ Difference</i>	<i>+\$30.99</i>	<i>+\$61.98</i>	<i>+\$87.70</i>	<i>+\$61.69</i>	<i>+\$92.68</i>	<i>+\$118.41</i>
	<i>% Difference</i>	<i>+5.32%</i>	<i>+5.34%</i>	<i>+5.35%</i>	<i>+5.28%</i>	<i>+5.31%</i>	<i>+5.32%</i>

2018 Kaiser Permanente Monthly Rate Card

93 / 93 / 83 Contribution Strategy

	Actives			Early Retirees		
	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium ¹	\$605.18	\$1,210.36	\$1,712.67	\$1,220.85	\$1,826.03	\$2,328.35
Vision Expense	\$3.95	\$7.92	\$11.20	\$3.95	\$7.92	\$11.20
Best Doctors	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40
Total	\$613.53	\$1,222.68	\$1,728.27	\$1,229.20	\$1,838.35	\$2,343.95

10-County Amount (Early Retirees and Retirees Only) ³	\$0.00	\$0.00	\$0.00	\$649.17	\$0.00	\$0.00
Single Retiree Offset ⁴	\$0.00	\$0.00	\$0.00	\$0.00	\$649.17	\$649.17
"Actuarial Difference" ⁵	\$0.00	\$0.00	\$0.00	\$580.03	\$580.03	\$580.03
Prop. E Subsidy ⁶	\$0.00	\$0.00	\$0.00	\$0.00	\$304.58	\$304.58
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,229.20	\$1,533.78	\$1,533.78
Non-Bargained Contribution Rate	\$613.53	\$1,222.68	\$1,728.27	\$0.00	\$304.57	\$810.17

MOU Negotiated Pickup ⁷	\$570.58	\$1,137.09	\$1,434.46			
Typical Bargained Member Contribution	\$42.95	\$85.59	\$293.81			

Final Member Contribution 2018	\$42.95	\$85.59	\$293.81	\$0.00	\$304.57	\$810.17
---------------------------------------	----------------	----------------	-----------------	---------------	-----------------	-----------------

Final Member Contribution 2017	\$40.78	\$81.25	\$278.90	\$0.00	\$289.08	\$768.95
Difference	\$2.17	\$4.34	\$14.91	\$0.00	\$15.49	\$41.22

NOTE—Footnotes 1 – 7 defined on pages 15 – 18

2018 Kaiser Permanente Monthly Rate Card

100 / 96 / 83 Contribution Strategy

	Actives			Early Retirees		
	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium ¹	\$605.18	\$1,210.36	\$1,712.67	\$1,220.85	\$1,826.03	\$2,328.35
Vision Expense	\$3.95	\$7.92	\$11.20	\$3.95	\$7.92	\$11.20
Best Doctors	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40
Total	\$613.53	\$1,222.68	\$1,728.27	\$1,229.20	\$1,838.35	\$2,343.95

10-County Amount (Early Retirees and Retirees Only) ³	\$0.00	\$0.00	\$0.00	\$649.17	\$0.00	\$0.00
Single Retiree Offset ⁴	\$0.00	\$0.00	\$0.00	\$0.00	\$649.17	\$649.17
"Actuarial Difference" ⁵	\$0.00	\$0.00	\$0.00	\$580.03	\$580.03	\$580.03
Prop. E Subsidy ⁶	\$0.00	\$0.00	\$0.00	\$0.00	\$304.58	\$304.58
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,229.20	\$1,533.78	\$1,533.78
Non-Bargained Contribution Rate	\$613.53	\$1,222.68	\$1,728.27	\$0.00	\$304.57	\$810.17

MOU Negotiated Pickup ⁷	\$613.53	\$1,173.77	\$1,434.46			
Typical Bargained Member Contribution	\$0.00	\$48.91	\$293.81			

Final Member Contribution 2018	\$0.00	\$48.91	\$293.81	\$0.00	\$304.57	\$810.17
---------------------------------------	---------------	----------------	-----------------	---------------	-----------------	-----------------

Final Member Contribution 2017	\$0.00	\$46.43	\$278.90	\$0.00	\$289.08	\$768.95
Difference	\$0.00	\$2.48	\$14.91	\$0.00	\$15.49	\$41.22

NOTE—Footnotes 1 – 7 defined on pages 15 – 18

Funding Alternative—Risk Sharing Arrangement

- Kaiser Permanente has offered a Risk Sharing Arrangement (RSA) for active employees and early retirees for plan year 2018. The arrangement works as follows:
 - ▶ Monthly premiums are remitted to Kaiser for the entire plan year (as is done today)
 - ▶ Approximately six to nine months after the close of the plan year a reconciliation is performed by Kaiser
 - ▶ The total annual premium is reduced by the following:
 - Pooling and retention charges
 - ACA fees (PCORI and HIT)
 - Unassigned Medicare cost
 - Per member per month (PMPM) fee for hearing and acupuncture/chiropractic benefits
 - Actual claims expense

Funding Alternative—Risk Sharing Arrangement (continued)

- If the reconciliation yields a surplus, the full amount (up to 5% of aggregate premium) is rebated to HSS. Conversely if the reconciliation yields deficit HSS will owe Kaiser the full amount of the deficit (up to 5% of aggregate premium)
- Aon believes this offer could benefit HSS given the 100% recoupment of surpluses and no risk charge assessment in the current proposal
- However, the timing of the receipt of the proposal Aon will not be able to make a recommendation at this time to adopt the change in funding
- If the Health Service Board is willing, since premiums would not change under the two funding scenarios (fully insured vs. risk sharing arrangement), staff and Aon request approval of the premiums as presented with a final determination of whether to stay fully insured or to change to a risk sharing arrangement funding method to be presented and approved at the August HSB meeting

Recommendation

- Aon recommends that the Health Service Board (HSB) approve the Kaiser Permanente rates and premium contributions for actives and early retirees
- Aon recommends delaying the funding mechanism decision (fully insured vs. risk sharing arrangement) to the August HSB meeting

Appendix Underwriting Premium Rate Build-Up

Active Employees

	2017 Renewal	2018 Renewal	% Change
Rating Members	46,086	48,105	+ 4.38%
Experience Period Adjusted Incurred Claims	\$426.26	\$429.72	+ 0.81%
Midpoint Trend Rate	1.086	1.111	
Projected Incurred Claims	\$462.73	\$477.52	+ 3.20%
Administration Fees (including ACA Fees)			
Administration Fees	\$24.94	\$25.44	+ 2.00%
ACA Fees	\$0.19	\$0.20	+ 5.26%
Other Benefits (Hearing)	\$1.80	\$1.80	+ 0.00%
PMPM Revenue Requirement ¹	\$489.66	\$509.85	+ 4.12%
In-Force 2017 Premium ²	\$489.66	—	—
Proposed 2018 Premium	—	\$509.85	+ 4.12%

NOTES:

¹ Per member per month (PMPM) requirement represents stand-alone renewal actions.

² In-force 2017 premium reflects blended active employee / early retiree rates.

Appendix Underwriting Premium Rate Build-Up—Notes

- 2015 claims experience was used to set the 2017 premium rate level and 2016 claims experience was used to set the 2018 premium rate level
 - 1) **Adjusted Incurred Claims**—Paid claims net of large claims in excess of the pooling point (\$925,000) plus the large claims or “pooling” charge
 - 2) **Midpoint Trend**—The claims projection trend for a 24 month period to trend claims from the underlying experience period (2016) to the projection period (2018)
 - 3) **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.)
 - 4) **Affordable Care Act (ACA) Fees**—Required fees or taxes that support the cost of federal health care reform

Appendix

93 / 93 / 83 Contribution Strategy—Excluding Best Doctors

	Actives			Early Retirees		
	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium ¹	\$605.18	\$1,210.36	\$1,712.67	\$1,220.85	\$1,826.03	\$2,328.35
Vision Expense	\$3.95	\$7.92	\$11.20	\$3.95	\$7.92	\$11.20
Best Doctors	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$612.13	\$1,221.28	\$1,726.87	\$1,227.80	\$1,836.95	\$2,342.55

10-County Amount (Early Retirees and Retirees Only) ³	\$0.00	\$0.00	\$0.00	\$649.17	\$0.00	\$0.00
Single Retiree Offset ⁴	\$0.00	\$0.00	\$0.00	\$0.00	\$649.17	\$649.17
"Actuarial Difference" ⁵	\$0.00	\$0.00	\$0.00	\$578.63	\$578.63	\$578.63
Prop. E Subsidy ⁶	\$0.00	\$0.00	\$0.00	\$0.00	\$304.58	\$304.58
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,227.80	\$1,532.38	\$1,532.38
Non-Bargained Contribution Rate	\$612.13	\$1,221.28	\$1,726.87	\$0.00	\$304.57	\$810.17

MOU Negotiated Pickup ⁷	\$569.28	\$1,135.79	\$1,433.30			
Typical Bargained Member Contribution	\$42.85	\$85.49	\$293.57			

Final Member Contribution 2018	\$42.85	\$85.49	\$293.57	\$0.00	\$304.57	\$810.17
---------------------------------------	----------------	----------------	-----------------	---------------	-----------------	-----------------

Final Member Contribution 2017	\$40.78	\$81.25	\$278.90	\$0.00	\$289.08	\$768.95
Difference	\$2.07	\$4.24	\$14.67	\$0.00	\$15.49	\$41.22

NOTE—Footnotes 1 – 7 defined on pages 15 - 18

Appendix

100 / 96 / 83 Contribution Strategy—Excluding Best Doctors

	Actives			Early Retirees		
	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium ¹	\$605.18	\$1,210.36	\$1,712.67	\$1,220.85	\$1,826.03	\$2,328.35
Vision Expense	\$3.95	\$7.92	\$11.20	\$3.95	\$7.92	\$11.20
Best Doctors	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$612.13	\$1,221.28	\$1,726.87	\$1,227.80	\$1,836.95	\$2,342.55

10-County Amount (Early Retirees and Retirees Only) ³	\$0.00	\$0.00	\$0.00	\$649.17	\$0.00	\$0.00
Single Retiree Offset ⁴	\$0.00	\$0.00	\$0.00	\$0.00	\$649.17	\$649.17
"Actuarial Difference" ⁵	\$0.00	\$0.00	\$0.00	\$578.63	\$578.63	\$578.63
Prop. E Subsidy ⁶	\$0.00	\$0.00	\$0.00	\$0.00	\$304.58	\$304.58
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,227.80	\$1,532.38	\$1,532.38
Non-Bargained Contribution Rate	\$612.13	\$1,221.28	\$1,726.87	\$0.00	\$304.57	\$810.17

MOU Negotiated Pickup ⁷	\$612.13	\$1,172.43	\$1,433.30			
Typical Bargained Member Contribution	\$0.00	\$48.85	\$293.57			

Final Member Contribution 2018	\$0.00	\$48.85	\$293.57	\$0.00	\$304.57	\$810.17
---------------------------------------	---------------	----------------	-----------------	---------------	-----------------	-----------------

Final Member Contribution 2017	\$0.00	\$46.43	\$278.90	\$0.00	\$289.08	\$768.95
Difference	\$0.00	\$2.42	\$14.67	\$0.00	\$15.49	\$41.22

NOTE—Footnotes 1 – 7 defined on pages 15 – 18

Appendix

Kaiser Permanente Rate Card Footnotes

- 1) Kaiser premium rates** include addition of the following coverage's:
- ▶ In vitro fertilization (IVF) / gamete intrafallopian transfer (GIFT) / zygote intrafallopian transfer (ZIFT) limited to 2 treatment cycles from one of the procedures and includes cryopreservation and storage of embryos for up to 12 months
 - ▶ Acupuncture and Chiropractic
 - ▶ These rates do not include the addition of fertility preservation benefits

Appendix

Kaiser Permanente Rate Card Footnotes

- 1) **Kaiser premium rates** include addition of the following coverage's (continued):
 - ▶ A Surcharge Buyout load of \$17.66 PMPM NCR and \$15.50 SCR is included in the Early Retiree rates. This accounts for retired membership that is over the age of 65, but does not have Medicare assignment into Kaiser Permanente Senior Advantage
 - ▶ Federally Mandated Accountable Care Act (ACA) fees totaled a load of \$0.20 PEPM (only PCORI fee is being applied for 2018)
- 2) **Best Doctors:** Second opinion vendor fee of \$1.40 PEPM

Appendix

Kaiser Permanente Rate Card Footnotes

- 3) **"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
- 4) **"Single Retiree Offset":** Per Charter Section A8.428; for Retirees, equal to the 10-County Amount; for Medicare eligible retirees, equal to the Medicare Premium (because it is lower than 10-County Amount)
- 5) **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

Appendix

Kaiser Permanente Rate Card Footnotes

- 6) Prop. E Subsidy passed in November 2000 Election:** Per Charter A8.428, employer subsidy for Retiree (R) and R+1 = 50% x [Total Rate Cost – 10 County – Actuarial Difference]
- 7) The majority of MOU agreements** follow one of the following formulas:
- ▶ 93% of the 2018 Kaiser Single, 93% of Kaiser E+1, 83% of Kaiser E+2
 - ▶ 100% of the 2018 Kaiser Single, 96% of Kaiser E+1, 83% of Kaiser E+2