

Health Service Board City & County of San Francisco

Rates & Benefits

Kaiser Permanente HMO Final 2017 Rates and Premium Contributions Presentation—Active Employees and Early Retirees

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Contents

- **Summary**
- **Underwriting Premium Rate Build-Up**
- **Kaiser Permanente Renewal Premiums and Contributions**
 - 93 / 93 / 83 Contribution Strategy
 - 100 / 96 / 83 Contribution Strategy
- **2017 Kaiser Permanente Monthly Rate Cards**
 - 93 / 93 / 83 Contribution Strategy
 - 100 / 96 / 83 Contribution Strategy
- **Recommendation for 2017 Kaiser Permanente HMO Plan**
- **Appendix**
 - Kaiser Permanente Rate Card Footnotes

Summary

Kaiser Permanente's (Kaiser) premium is increasing by approximately 5% across all rating tiers for 2017.

Kaiser rates are currently under a two-year guarantee that expires December 31, 2016. The 2017 rates for actives and early retirees increase by 4.79% for the Kaiser medical and pharmacy coverage. This increase is a result of the following components:

- An increase in 2015 claims expense combined with the Kaiser Permanente Northern California Book of Business Trend
- A one year elimination of the Health Insurance Tax

Summary (continued)

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

The following 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 10-County average of \$604.84 is used. The 2017 average increased by 4.42% over the 2016 average.

Underwriting Premium Rate Build-Up

Active Employees

	2015 Renewal ¹	2017 Renewal	% Change
Rating Members	41,827	46,086	+ 10.18%
Experience Period Adjusted Incurred Claims	\$397.73	\$426.26	+ 7.17%
Midpoint Trend Rate	1.079	1.086	
Projected Incurred Claims	\$429.16	\$462.73	+ 7.82%
Retention (including ACA Fees)			
Retention	\$24.97	\$24.94	- 0.12%
ACA Fees	\$7.64	\$0.19	- 97.51%
Other Benefits (Hearing)	\$1.91	\$1.80	- 5.76%
PMPM Revenue Requirement²	\$463.69	\$489.66	+ 5.60%
In-Force 2016 Premium³	\$467.29	—	—
Proposed 2017 Premium	—	\$489.66	+ 4.79%

NOTES:

- ¹ The 2015 renewal was the last renewal shown to HSS.
The 2016 renewal was 0.0% due to a two-year premium guarantee.
- ² Per member per month (PMPM) requirement represents stand-alone renewal actions.
- ³ In-force 2016 premium reflects blended active employee / early retiree rates.

Underwriting Premium Rate Build-Up—Notes

The data displayed is 2013 claims experience which was utilized to set the 2015 premium rate level which was guaranteed for 24 months (through December 31, 2016). Also displayed is the 2015 claims experience which was utilized to set the 2017 premium rate level. Please note the far right column is the percentage change over a 24 month period.

- 1) **Adjusted Incurred Claims**—Paid claims net of large claims in excess of the pooling point (\$650,000) 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 (2015 in this case) to the projection period (2017 in this case).
- 3) **Retention**—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.

Kaiser Permanente Active Employee and Early Retiree Renewal Premiums and Contributions

93 / 93 / 83 Contribution Strategy

Premiums and Contributions—January 1, 2017 – December 31, 2017

		Active			Early Retiree		
		EE	EE + 1	EE + 2	EE	EE + 1	EE + 2
Employee Contributions	Plan Year 2016	\$38.78	\$77.42	\$265.91	\$0.00	\$275.99	\$734.14
	Plan Year 2017	\$40.78	\$81.25	\$278.90	\$0.00	\$289.08	\$768.95
	\$ Increase	\$2.00	\$3.83	\$12.99	\$0.00	\$13.09	\$34.81
	% Increase	5.16%	4.95%	4.89%	—	4.74%	4.74%
Employer Contributions	Plan Year 2016	\$515.24	\$1,028.59	\$1,298.25	\$1,112.19	\$1,388.19	\$1,388.19
	Plan Year 2017	\$541.76	\$1,079.45	\$1,361.67	\$1,167.51	\$1,456.59	\$1,456.59
	\$ Increase	\$26.52	\$50.86	\$63.42	\$55.32	\$68.40	\$68.40
	% Increase	5.15%	4.94%	4.89%	4.97%	4.93%	4.93%
Total Rate	Plan Year 2016	\$554.02	\$1,106.01	\$1,564.16	\$1,112.19	\$1,664.18	\$2,122.33
	Plan Year 2017	\$582.54	\$1,160.70	\$1,640.57	\$1,167.51	\$1,745.67	\$2,225.54
	\$ Increase	\$28.52	\$54.69	\$76.41	\$55.32	\$81.49	\$103.21
	% Increase	5.15%	4.94%	4.89%	4.97%	4.90%	4.86%

Kaiser Permanente Active Employee and Early Retiree Renewal Premiums and Contributions

100 / 96 / 83 Contribution Strategy

Premiums and Contributions—January 1, 2017 – December 31, 2017

		Active			Early Retiree		
		EE	EE + 1	EE + 2	EE	EE + 1	EE + 2
Employee Contributions	Plan Year 2016	\$0.00	\$44.24	\$265.91	\$0.00	\$275.99	\$734.14
	Plan Year 2017	\$0.00	\$46.43	\$278.90	\$0.00	\$289.08	\$768.95
	\$ Increase	\$0.00	\$2.19	\$12.99	\$0.00	\$13.09	\$34.81
	% Increase	—	4.95%	4.89%	—	4.74%	4.74%
Employer Contributions	Plan Year 2016	\$554.02	\$1,061.77	\$1,298.25	\$1,112.19	\$1,388.19	\$1,388.19
	Plan Year 2017	\$582.54	\$1,114.27	\$1,361.67	\$1,167.51	\$1,456.59	\$1,456.59
	\$ Increase	\$28.52	\$52.50	\$63.42	\$55.32	\$68.40	\$68.40
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Total Rate	Plan Year 2016	\$554.02	\$1,106.01	\$1,564.16	\$1,112.19	\$1,664.18	\$2,122.33
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	\$ Increase	\$28.52	\$54.69	\$76.41	\$55.32	\$81.49	\$103.21
	% Increase	5.15%	4.94%	4.89%	4.97%	4.90%	4.86%

2017 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	\$574.19	\$1,148.38	\$1,624.97	\$1,159.16	\$1,733.35	\$2,209.94
Vision Expense	\$3.95	\$7.92	\$11.20	\$3.95	\$7.92	\$11.20
Best Doctors ¹	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40
Total	\$582.54	\$1,160.70	\$1,640.57	\$1,167.51	\$1,745.67	\$2,225.54

10-County Amount (Early Retirees and Retirees Only) ²	\$0.00	\$0.00	\$0.00	\$604.84	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$604.84	\$604.84
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$562.67	\$562.67	\$562.67
Prop. E Subsidy ⁵	\$0.00	\$0.00	\$0.00	\$0.00	\$289.08	\$289.08
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,167.51	\$1,456.59	\$1,456.59
Non-Bargained Contribution Rate	\$582.54	\$1,160.70	\$1,640.57	\$0.00	\$289.08	\$768.95

MOU Negotiated Pickup ⁶	\$541.76	\$1,079.45	\$1,361.67			
Typical Bargained Member Contribution	\$40.78	\$81.25	\$278.90			

Final Member Contribution 2017	\$40.78	\$81.25	\$278.90	\$0.00	\$289.08	\$768.95
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Final Member Contribution 2016	\$38.78	\$77.42	\$265.91	\$0.00	\$275.99	\$734.14
Difference	\$2.00	\$3.83	\$12.99	\$0.00	\$13.09	\$34.81

NOTE—Footnotes 1 – 7 defined on page 11

2017 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	\$574.19	\$1,148.38	\$1,624.97	\$1,159.16	\$1,733.35	\$2,209.94
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Best Doctors ¹	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40
Total	\$582.54	\$1,160.70	\$1,640.57	\$1,167.51	\$1,745.67	\$2,225.54

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Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$604.84	\$604.84
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$562.67	\$562.67	\$562.67
Prop. E Subsidy ⁵	\$0.00	\$0.00	\$0.00	\$0.00	\$289.08	\$289.08
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,167.51	\$1,456.59	\$1,456.59
Non-Bargained Contribution Rate	\$582.54	\$1,160.70	\$1,640.57	\$0.00	\$289.08	\$768.95

MOU Negotiated Pickup ⁶	\$582.54	\$1,114.27	\$1,361.67			
Typical Bargained Member Contribution	\$0.00	\$46.43	\$278.90			

Final Member Contribution 2017	\$0.00	\$46.43	\$278.90	\$0.00	\$289.08	\$768.95
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Final Member Contribution 2016	\$0.00	\$44.24	\$265.91	\$0.00	\$275.99	\$734.14
Difference	\$0.00	\$2.19	\$12.99	\$0.00	\$13.09	\$34.81

NOTE—Footnotes 1 – 7 defined on page 11

2017 Kaiser Permanente HMO Plan

Recommendation

- Aon recommends that the Health Service Board approve the Kaiser Permanente rates and premium contributions for actives and early retirees.

Appendix

Kaiser Permanente Rate Card Footnotes

- 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 CA, not including San Francisco.
- 3) "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).
- 4) Retiree "Actuarial Difference"—Per Charter Section A8.428, employer contributes the difference between a single active EE and a single non-Medicare Retiree cost of premium. Calculated for NON-Medicare retiree only.

Appendix

Kaiser Permanente Rate Card Footnotes (continued)

- 5) Prop. E Subsidy passed in Nov 2000 Election—Per Charter A8.428, employer subsidy for Retiree (R) and R+1 = $50\% \times [\text{Total Rate Cost} - 10 \text{ County} - \text{Actuarial Difference}]$.
- 6) The majority of MOU agreements follow one of the following formulas:
 - 93% of the 2016 Kaiser Single, 93% of Kaiser E+1, 83% of Kaiser E+2
 - 100% of the 2016 Kaiser Single, 96% of Kaiser E+1, 83% of Kaiser E+2