

San Francisco Health Service System Health Service Board

Rates & Benefits

Review and Approve Kaiser Permanente (California)
Medical/Rx Fully Insured Non-Medicare HMO Plan
2024 Rates and Contributions

May 25, 2023

Agenda

- **Rate Setting Methodology Preface**
- **Kaiser Permanente (Kaiser) California HMO 2024 Plan Rating – Renewal Summary (including design change recommendation)**
- **2024 Monthly Rate Cards for Kaiser California HMO Plan**
 - Active Employees (93/93/83 and 100/96/83 contribution strategies)
 - Early Retirees (per City Charter employer contribution guidance)
- **Recommendation for HSB Action**
- **Appendix – Additional Information**
 - Underwriting Premium Rate Build-Up
 - Kaiser Rate Card Footnotes
 - 2023 Kaiser California Non-Medicare HMO Plan Monthly Rate Cards

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Rate Setting Methodology Preface

Health Plan Funding

Method Comparison by SFHSS Plan

Funding Method	Self-Funded	Flex-Funded	Fully Insured
Funding Method Description	Claim dollars based on services delivered to members are paid by the Trust, along with plan administrative fees to manage the plan (process claims, provide call center for members, etc.)	Insurance approach where most claim dollars based on services delivered to members are paid by the Trust, but with fixed costs for certain healthcare services ("capitation") as well as plan administrative fees and large claim reinsurance mechanism ("pooling") at \$1 million per participant annually	Health plan sets fixed dollar plan premiums to cover expected claim costs for healthcare services by members, as well as plan administrative fee costs
Who Sets the Recommended SFHSS Plan Rates?	Aon actuary using Aon-determined cost trend assumptions and health plan-determined administrative fees (and required legislative fees)	Aon actuary using plan-determined cost trend assumptions that are validated by Aon actuary, and health plan-determined administrative/large claim pooling fees (and required legislative fees)	Plan's actuary using plan-determined cost trend assumptions which are scrutinized by Aon actuary, and health plan-determined administrative fees/large claim pooling adjustments (and required legislative fees)
SFHSS Plans by Funding Method	<ul style="list-style-type: none"> • Non-Medicare PPO • Delta Dental Active Employee PPO 	<ul style="list-style-type: none"> • Blue Shield of CA Access+ HMO/UHC Select EPO • Blue Shield of CA Trio HMO/UHC Doctors EPO • Health Net CanopyCare HMO 	<ul style="list-style-type: none"> • All Kaiser HMO plans • UHC Medicare Advantage PPO • Delta Dental Retiree PPO • DeltaCare Dental HMO • UHC Dental HMO • VSP Vision
HSB Rate Stabilization Policy Applies?	Yes	Yes	No

Health Plan Rate Setting Process for Next Plan Year

Determining Needed Plan Rate Changes For Next Year – Five Step Process

Completion of these five steps below produces an aggregate cost projection based on current plan enrollment for the next plan year (right now, the 2024 plan year)



Next, the Aon and plan actuaries compare these next-year cost projections to the total current-year dollars when multiplying rates times enrollment – and that leads to the needed percentage change in rates from this year to next year:

$$\frac{\text{2024 Total Projected Plan Cost}}{\text{2023 Rates x Enrollment}} = \text{Needed Rate Change Factor (2024 vs. 2023)}$$

Non-Medicare Medical Plan 2024 Rate Renewal Summary

Below is a summary of total rate cost increase recommendations that are being presented today for San Francisco Health Service System (SFHSS) Non-Medicare health plans – with each rating action calculated by individual plan based on the process reviewed on the prior page.

Non-Medicare Health Plan	Before Rate Stabilization Adjustment	After Rate Stabilization Adjustment ²
BSC Access+/UHC Select EPO	14.7%	14.4%
BSC Trio/UHC Doctors EPO	3.3%	2.9%
Health Net CanopyCare	5.5%	3.7%
Kaiser (same design as 2023)	12.5%	Does not apply (insured plan)
Kaiser (match major BSC/HN HMO design features)	10.8%	Does not apply (insured plan)
Non-Medicare PPO ¹	6.9%	1.7%

1 Total rate increase for active employees with Non-Medicare PPO Choice Not Available pricing will follow the total rate increase for BSC Access+/UHC Select EPO plan.

2 In 2024, the “After Rate Stabilization Adjustment” column also reflects one-time buy-downs in the BSC Access+/UHC Select EPO, BSC Trio/UHC Doctors EPO, and Non-Medicare PPO plans attributable to the Sutter Legal Settlement buy-downs approved for 2024 plan rating at the April 13, 2023, HSB meeting.

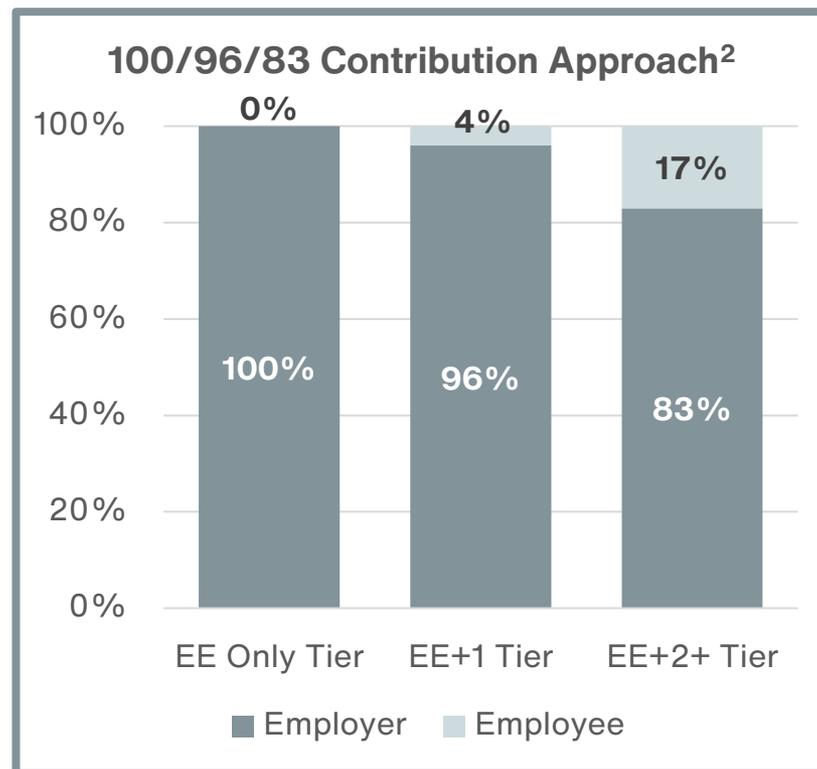
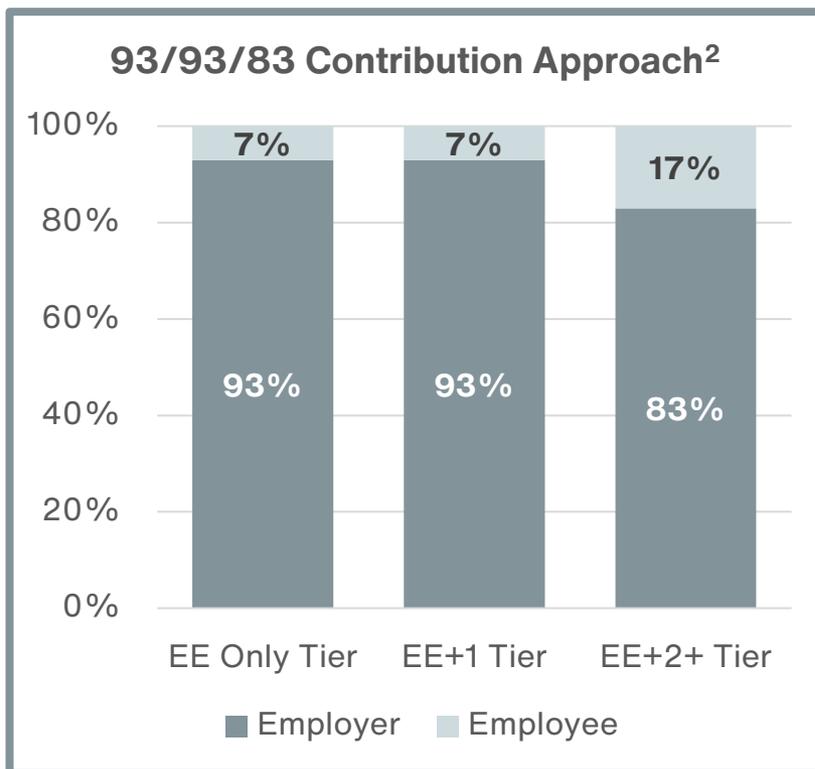
Non-Medicare Medical Plan 2024 Proposed Total Rates

Recommended 2024 **monthly** total cost rates for each SFHSS non-Medicare health plan are shown below (all rate card elements included):

SFHSS Health Plan	Plan Year	Active Employees			Early Retirees		
		EE Only	EE + 1	EE + 2+	RET Only	RET + 1	RET + 2+
Kaiser HMO (match major BSC/HN HMO design features)	PY 2023	\$743.62	\$1,484.26	\$2,098.97	\$1,493.47	\$2,234.11	\$2,848.82
	PY 2024	\$823.62	\$1,644.26	\$2,325.37	\$1,655.16	\$2,475.80	\$3,156.91
	% Difference	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
BSC Access+/ UHC Select EPO	PY 2023	\$935.85	\$1,868.73	\$2,643.02	\$2,160.96	\$3,131.02	\$3,905.29
	PY 2024	\$1,070.36	\$2,137.74	\$3,023.69	\$2,472.90	\$3,582.86	\$4,468.78
	% Difference	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%
BSC Trio/ UHC Doctors EPO	PY 2023	\$860.26	\$1,717.53	\$2,429.07	\$1,985.64	\$2,877.08	\$3,588.58
	PY 2024	\$884.69	\$1,766.40	\$2,498.23	\$2,042.31	\$2,959.16	\$3,690.95
	% Difference	2.8%	2.8%	2.8%	2.9%	2.9%	2.9%
Health Net CanopyCare	PY 2023	\$770.28	\$1,537.58	\$2,174.42	\$1,776.96	\$2,574.80	\$3,211.63
	PY 2024	\$798.52	\$1,594.07	\$2,254.35	\$1,842.46	\$2,669.67	\$3,329.94
	% Difference	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Non-Medicare PPO	PY 2023	\$1,435.47	\$2,784.80	\$3,935.29	\$1,932.72	\$2,803.79	\$3,499.24
	PY 2024	\$1,459.35	\$2,831.71	\$4,001.77	\$1,965.19	\$2,851.02	\$3,558.27
	% Difference	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Non-Medicare PPO (Choice Not Available)	PY 2023	\$935.85	\$1,868.73	\$2,643.02	\$1,932.72	\$2,803.79	\$3,499.24
	PY 2024	\$1,070.36	\$2,137.74	\$3,023.69	\$1,965.19	\$2,851.02	\$3,558.27
	% Difference	14.4%	14.4%	14.4%	1.7%	1.7%	1.7%

Active Employees (CCSF¹)

Segmenting Total Cost Rates into Employer and Member Contributions



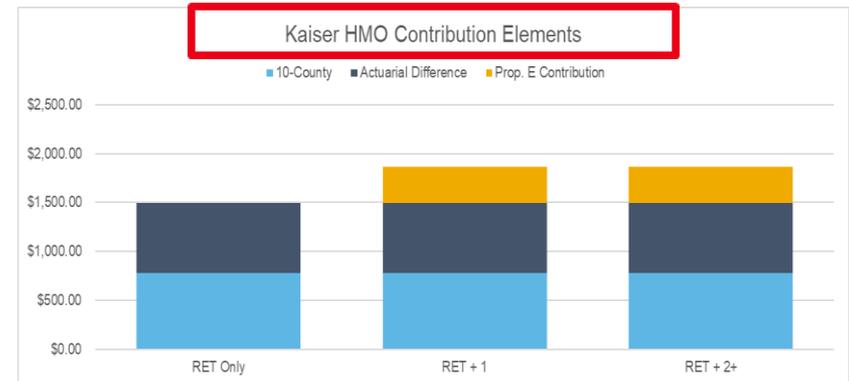
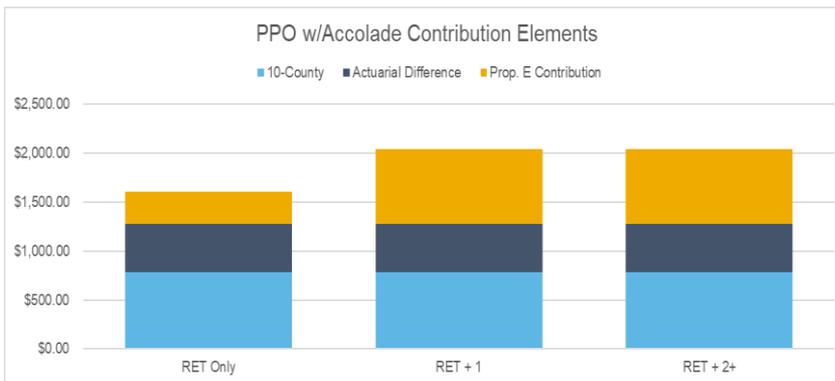
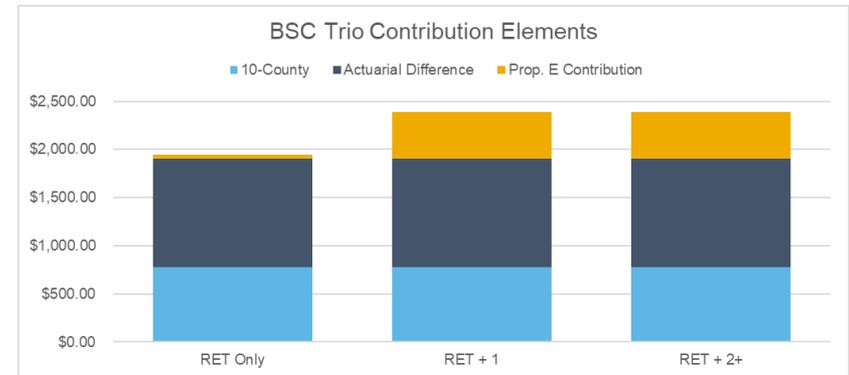
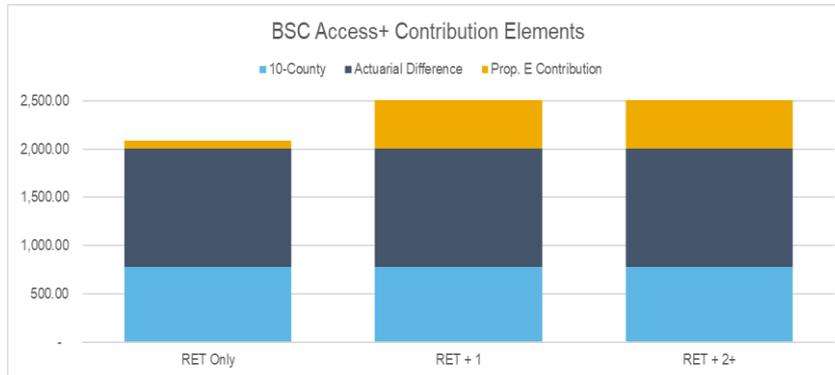
- ¹ City and County of San Francisco (CCSF) MOU contribution sharing approaches shown above; other employers in SFHSS plans have their employer-specific contribution sharing methodologies for active employees.
- ² For the highest cost plan (Non-Medicare PPO Plan), based on MOU the employer contribution dollar amounts are set to equal the employer contribution dollar amounts for the second highest-cost plan (which is BSC Access+ HMO/UHC Select EPO), except for the Employee Only tier in the 100/96/83 contribution approach where the member pays no contribution for any plan.

Early Retirees (based on City Charter)

Segmenting Total Cost Rates into Employer and Member Contributions

Early Retirees — 2023 Employer Contribution Components (HMO Plans)

- Light Blue — 10-County Amount (same amount for all plans)
- Dark Blue — “Actuarial Difference” (plan-specific, same amount for all tiers)
- Gold — Retiree Prop. E Contribution (plan-specific, varies for Single tier vs. Family tiers)



Recommendation for HSB Action

Kaiser California Non-Medicare HMO Plan

Kaiser Non-Medicare HMO 2024 Plan Rating

Recommendation for HSB Action

Staff recommends that the Health Service Board (HSB) approve:

- 1) A 10.86% insured plan premium increase from 2023 to 2024 for active employees (actives) and early retirees in California enrolled in Kaiser Permanente (Kaiser), based on fully insured plan rates proposed by Kaiser for the 2024 plan year and changes to the Kaiser HMO plan design to match major design features currently in place for the Blue Shield of California and Health Net CanopyCare HMO plans as outlined in this presentation.
- 2) The resulting 2024 plan year rate cards for the Kaiser California HMO plan in Section 3b of this presentation document for active employees and early retirees reflecting rates based on recommended plan design changes as contained in this presentation.

This presentations contains two sets of 2024 Kaiser HMO rate cards for HSB consideration—status quo (no changes) plan design from 2023 to 2024, and with recommended plan design changes to the Kaiser HMO plan for 2024. Plan design changes are recommended to mitigate the Kaiser HMO rate increase for 2024.

Kaiser Non-Medicare HMO 2024 Plan Rating

Recommendation for HSB Action

- The Kaiser rates and premium contributions for actives and early retirees are included in this presentation, with detailed exhibits to follow.
 - This presentation includes an exhibit in the Appendix which illustrates Kaiser's underwriting premium rate build-up for the 2024 plan year.
- Active employee rate cards in this presentation are shown for the two most common employer contribution strategies as of the start of this year for City and County of San Francisco (93/93/83 and 100/96/83).
 - There are multiple employer contribution strategies for active employees across the employers participating in the San Francisco Health Service System (SFHSS).
- Early retiree rate cards in this presentation are shown for early retirees who earn the full City contribution levels based on dates of hire and length of service — with employer contributions determined based on formulas outlined in the City Charter.

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Kaiser 2024 HMO Plan Rating – Renewal Summary

Kaiser HMO 2024 Rates and Contributions

Renewal Summary

- 2024 Kaiser total rate card premiums for actives and early retirees on a “status quo” design basis are increasing by 12.5% for medical and pharmacy coverage (see Appendix for derivation of this figure).
 - This follows a 3.9% rate increase that occurred for the 2023 plan year.
- Rating development for the 2024 plan year reflects two elements:
 - About 4% of the renewal is driven by plan experience from February 2022 to January 2023, trended forward 23 months to the 2024 plan year—consistent with plan year 2022 experience reviewed at the April 13, 2023, HSB meeting.
 - The remainder of Kaiser’s proposed renewal action (about 8.5%) is driven by an expected increase in expense levels in the plan into the 2024 plan year— influenced by labor shortages, inflation and supply chain disruptions, increasing demand for care, increasing prescription drug costs, and provider challenges—as seen in recent Kaiser financial results shown on the next page.

Kaiser HMO 2024 Rates and Contributions

Renewal Summary

- As reported by Kaiser in early February 2023, operating expenses exceeded operating revenues in 2022—generating an operating loss for the first time in 20 years. Kaiser reported their first quarter 2023 financial results on May 5.

Kaiser Permanente Enterprise-Wide Operating Revenues and Expenses

\$ Billions	2021	2022	Q1-2023 ¹
Operating Revenues	\$93.1	\$95.4	\$25.2
Operating Expenses	\$92.5	\$96.7	\$25.0
Operating Income	\$0.6	(\$1.3)	\$0.2
Membership (M)	12.5	12.6	12.7

- This information contributes to Kaiser’s enterprise-wide revenue increase forecast (e.g., insured premium rates to their customers) into 2024.

¹ Q1 tends to be a more favorable operating quarter within a calendar year as revenues reflect new year premium updates, while increases in operating expenses occur throughout a year. The operating income in Q1-2023 above compares to an operating loss in Q1-2022.

Kaiser HMO 2024 Rates and Contributions

Renewal Summary

Kaiser Structure Background

- Kaiser Permanente is an integrated care delivery system—providing both the health care to member and the insurance product, unlike network model health plans.
- Kaiser’s budget is developed to ensure the revenue needed is available to provide care for their members as well as fixed costs for their delivery system—expenses are budgeted in advance to help ensure:
 - Operation of their care delivery system;
 - Contracting of outside services; and
 - Administration of their health plan, including capital expenditures.
- Kaiser Permanente’s health system expense increases are expected to be realized more immediately than what may occur through network model health plans, where impacts will phase in as individual system contracts are updated (typically every 2-4 years).

Kaiser HMO 2024 Rates and Contributions

Renewal Summary

How Kaiser Sets Rates

- Kaiser Permanente's unique delivery and financial model requires a unique approach to rating.



1. Determine the total amount of revenue needed to cover expenses to care for our members.

2. Calculate the amount of expected revenue.

3. Set group-specific rates. Our rating formula allocates rate changes consistently to reflect each group's utilization of health care services (or additional factors as a proxy for utilization) relative to the utilization of the book of business as a whole.

Kaiser HMO 2024 Rates and Contributions

Plan Design Change Alternative for HSB Consideration

- This presentation contains a recommendation to align Kaiser HMO major plan design features to those in place currently for the Blue Shield of California and Health Net CanopyCare HMO plans.
 - Certain plan design copayments paid by members for services are lower in the Kaiser plan today versus those for other SFHSS HMO plans (see next page)—meaning the Kaiser HMO has a higher actuarial design value to the SFHSS member than the Blue Shield and Health Net HMO plans.
 - Given the high renewal increase presented to SFHSS by Kaiser, the recommended plan design changes would lower the needed rate increase into the 2024 plan year for the Kaiser HMO plan to a 10.86% increase—or a 1.64% difference in rates between status quo design and the design recommendations illustrated on the next page.
- Current design features and recommended changes for 2024 are illustrated on the next page.

Kaiser HMO 2024 Rates and Contributions

Plan Design Change Alternative for HSB Consideration

- Plan design change recommendations for the Kaiser HMO for the 2024 plan year (change recommendations in **blue text**):

	Kaiser HMO – Current (2023)	Kaiser HMO - Recommended (2024)	BSC/HN CC HMOs - Current (2023)
Out-of-Pocket Maximum (Single/Family)	\$1,500 individual / \$3,000 family	\$2,000 individual / \$4,000 family	\$2,000 individual / \$4,000 family
Physician Office and Home Visits	\$20 copayment	\$25 copayment	\$25 copayment
Urgent Care	\$20 copayment	\$25 copayment	\$25 copayment
Pharmacy: Generic Drug	\$5 copayment (30-day supply)	\$10 copayment (30-day supply)	\$10 copayment (30-day supply)
Pharmacy: Brand Drug	\$15 copayment (30-day supply)	\$25 copayment (30-day supply)	\$25 copayment (30-day supply)
Inpatient Hospital	\$100 copayment	\$200 copayment	\$200 copayment
Outpatient Surgery	\$35 copayment	\$100 copayment	\$100 copayment

Kaiser HMO 2024 Rates and Contributions

Rate Card Information

- When setting the total rate card premiums for Kaiser active employee and early retiree plans, the following SFHSS costs are included:
 - Kaiser fully insured medical/prescription drug premiums;
 - VSP Basic Plan vision premiums which remain at 2023 levels; and
 - The SFHSS Healthcare Sustainability Fund charge of \$3.00 per employee/retiree per month (PEPM), which is unchanged from the 2023 fee.
- Early retiree rate cards include employer contribution amounts based upon City Charter provisions, including:
 - The monthly 10-County Average;
 - “Actuarial Difference”; and
 - Prop. E employer contribution components.

Kaiser HMO 2024 Rates and Contributions

Rate Card Information

- Kaiser plan 2024 rate cards are presented on the following pages for these population segments:
 - Active employee rate cards in this presentation are shown for the two most common employer contribution strategies as of the start of this year for the City and County of San Francisco (93/93/83 and 100/96/83).
 - Early retiree rate cards in this presentation are shown for early retirees who earn the full City contribution levels based on dates of hire and length of service — with employer contributions determined based on formulas outlined in the City Charter.
- Comparisons of member contributions from 2023 to 2024 are included in the tables that follow.

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2024 Monthly Rate Cards for Kaiser California Non-Medicare HMO Plan—Status Quo Plan Design

Kaiser California Non-Medicare HMO Plan

Monthly Renewal Premiums/Contributions – 2024 versus 2023

Early Retirees and **93/93/83** Contribution Strategy for Actives—**Status Quo Plan Design**

<i>PY = Plan Year</i>		Active Employees			Early Retirees		
		EE	EE+1	EE+2+	RET	RET+1	RET+2+
Monthly Employee/ Retiree Contributions	PY 2023	\$52.05	\$103.90	\$356.82	\$0.00	\$370.32	\$985.03
	PY 2024	\$58.50	\$116.78	\$401.11	\$14.90	\$431.24	\$1,122.35
	\$ Difference	+\$6.45	+\$12.88	+\$44.29	+\$14.90	+\$60.92	+\$137.32
	% Difference	+12.4%	+12.4%	+12.4%	-	+16.5%	+13.9%
Monthly Employer Contributions	PY 2023	\$691.57	\$1,380.36	\$1,742.15	\$1,493.47	\$1,863.79	\$1,863.79
	PY 2024	\$777.16	\$1,551.56	\$1,958.34	\$1,664.60	\$2,080.94	\$2,080.94
	\$ Difference	+\$85.59	+\$171.20	+\$216.19	+\$171.13	+\$217.15	+\$217.15
	% Difference	+12.4%	+12.4%	+12.4%	+11.5%	+11.7%	+11.7%
Monthly Total Rate	PY 2023	\$743.62	\$1,484.26	\$2,098.97	\$1,493.47	\$2,234.11	\$2,848.82
	PY 2024	\$835.66	\$1,668.34	\$2,359.45	\$1,679.50	\$2,512.18	\$3,203.29
	\$ Difference	+\$92.04	+\$184.08	+\$260.48	+\$186.03	+\$278.07	+\$354.47
	% Difference	+12.4%	+12.4%	+12.4%	+12.5%	+12.4%	+12.4%

Kaiser California Non-Medicare HMO Plan

Monthly Renewal Premiums/Contributions – 2024 versus 2023

Early Retirees and **100/96/83** Contribution Strategy for Actives—**Status Quo Plan Design**

<i>PY = Plan Year</i>		Active Employees			Early Retirees		
		EE	EE+1	EE+2+	RET	RET+1	RET+2+
Monthly Employee/ Retiree Contributions	PY 2023	\$0.00	\$59.37	\$356.82	\$0.00	\$370.32	\$985.03
	PY 2024	\$0.00	\$66.73	\$401.11	\$14.90	\$431.24	\$1,122.35
	\$ Difference	+\$0.00	+\$7.36	+\$44.29	+\$14.90	+\$60.92	+\$137.32
	% Difference	-	+12.4%	+12.4%	-	+16.5%	+13.9%
Monthly Employer Contributions	PY 2023	\$743.62	\$1,424.89	\$1,742.15	\$1,493.47	\$1,863.79	\$1,863.79
	PY 2024	\$835.66	\$1,601.61	\$1,958.34	\$1,664.60	\$2,080.94	\$2,080.94
	\$ Difference	+\$92.04	+\$176.72	+\$216.19	+\$171.13	+\$217.15	+\$217.15
	% Difference	+12.4%	+12.4%	+12.4%	+11.5%	+11.7%	+11.7%
Monthly Total Rate	PY 2023	\$743.62	\$1,484.26	\$2,098.97	\$1,493.47	\$2,234.11	\$2,848.82
	PY 2024	\$835.66	\$1,668.34	\$2,359.45	\$1,679.50	\$2,512.18	\$3,203.29
	\$ Difference	+\$92.04	+\$184.08	+\$260.48	+\$186.03	+\$278.07	+\$354.47
	% Difference	+12.4%	+12.4%	+12.4%	+12.5%	+12.4%	+12.4%

Kaiser California Non-Medicare HMO Plan

Proposed 2024 Monthly Rate Card—**Status Quo Plan Design**

Early Retirees and **93/93/83** Contribution Strategy for Actives

	Active Employees			Early Retirees		
	Employee Only	Employee Plus One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium	\$828.51	\$1,657.02	\$2,344.69	\$1,672.35	\$2,500.86	\$3,188.53
Vision	\$4.15	\$8.32	\$11.76	\$4.15	\$8.32	\$11.76
Expense ¹	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Total	\$835.66	\$1,668.34	\$2,359.45	\$1,679.50	\$2,512.18	\$3,203.29

10-County Amount ²	\$0.00	\$0.00	\$0.00	\$805.85	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$805.85	\$805.85
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$843.84	\$843.84	\$843.84
Retiree Prop. E Employer Contribution ⁵	\$0.00	\$0.00	\$0.00	\$14.91	\$431.25	\$431.25
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,664.60	\$2,080.94	\$2,080.94
2024 Non-Bargained Contribution Rate	\$835.66	\$1,668.34	\$2,359.45	\$14.90	\$431.24	\$1,122.35

MOU Negotiated Pickup ⁶	\$777.16	\$1,551.56	\$1,958.34			
2024 Typical Bargained Member Contribution	\$58.50	\$116.78	\$401.11			

Final Member Contribution 2023	\$52.05	\$103.90	\$356.82	\$0.00	\$370.32	\$985.03
Difference — 2024 versus 2023	\$6.45	\$12.88	\$44.29	\$14.90	\$60.92	\$137.32

NOTE—Footnotes 1 - 6 defined in Appendix

Kaiser California Non-Medicare HMO Plan

Proposed 2024 Monthly Rate Card—**Status Quo Plan Design**

Early Retirees and **100/96/83** Contribution Strategy for Actives

	Active Employees			Early Retirees		
	Employee Only	Employee Plus One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium	\$828.51	\$1,657.02	\$2,344.69	\$1,672.35	\$2,500.86	\$3,188.53
Vision	\$4.15	\$8.32	\$11.76	\$4.15	\$8.32	\$11.76
Expense ¹	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Total	\$835.66	\$1,668.34	\$2,359.45	\$1,679.50	\$2,512.18	\$3,203.29

10-County Amount ²	\$0.00	\$0.00	\$0.00	\$805.85	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$805.85	\$805.85
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$843.84	\$843.84	\$843.84
Retiree Prop. E Employer Contribution ⁵	\$0.00	\$0.00	\$0.00	\$14.91	\$431.25	\$431.25
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,664.60	\$2,080.94	\$2,080.94
2024 Non-Bargained Contribution Rate	\$835.66	\$1,668.34	\$2,359.45	\$14.90	\$431.24	\$1,122.35

MOU Negotiated Pickup ⁶	\$835.66	\$1,601.61	\$1,958.34			
2024 Typical Bargained Member Contribution	\$0.00	\$66.73	\$401.11			

Final Member Contribution 2023	\$0.00	\$59.37	\$356.82	\$0.00	\$370.32	\$985.03
Difference — 2024 versus 2023	\$0.00	\$7.36	\$44.29	\$14.90	\$60.92	\$137.32

NOTE—Footnotes 1 - 6 defined in Appendix

3b

2024 Monthly Rate Cards for Kaiser California Non-Medicare HMO Plan—With Plan Design Change Recommendations

Kaiser California Non-Medicare HMO Plan

Monthly Renewal Premiums/Contributions – 2024 versus 2023

Early Retirees and **93/93/83** Contribution Strategy for Actives—**With Design Changes**

PY = Plan Year		Active Employees			Early Retirees		
		EE	EE+1	EE+2+	RET	RET+1	RET+2+
Monthly Employee/ Retiree Contributions	PY 2023	\$52.05	\$103.90	\$356.82	\$0.00	\$370.32	\$985.03
	PY 2024	\$57.65	\$115.10	\$395.31	\$8.88	\$419.20	\$1,100.31
	\$ Difference	+\$5.60	+\$11.20	+\$38.49	+\$8.88	+\$48.88	+\$115.28
	% Difference	+10.8%	+10.8%	+10.8%	-	+13.2%	+11.7%
Monthly Employer Contributions	PY 2023	\$691.57	\$1,380.36	\$1,742.15	\$1,493.47	\$1,863.79	\$1,863.79
	PY 2024	\$765.97	\$1,529.16	\$1,930.06	\$1,646.28	\$2,056.60	\$2,056.60
	\$ Difference	+\$74.40	+\$148.80	+\$187.91	+\$152.81	+\$192.81	+\$192.81
	% Difference	+10.8%	+10.8%	+10.8%	+10.2%	+10.3%	+10.3%
Monthly Total Rate	PY 2023	\$743.62	\$1,484.26	\$2,098.97	\$1,493.47	\$2,234.11	\$2,848.82
	PY 2024	\$823.62	\$1,644.26	\$2,325.37	\$1,655.16	\$2,475.80	\$3,156.91
	\$ Difference	+\$80.00	+\$160.00	+\$226.40	+\$161.69	+\$241.69	+\$308.09
	% Difference	+10.8%	+10.8%	+10.8%	+10.8%	+10.8%	+10.8%

Kaiser California Non-Medicare HMO Plan

Monthly Renewal Premiums/Contributions – 2024 versus 2023

Early Retirees and **100/96/83** Contribution Strategy for Actives—**With Design Changes**

PY = Plan Year		Active Employees			Early Retirees		
		EE	EE+1	EE+2+	RET	RET+1	RET+2+
Monthly Employee/ Retiree Contributions	PY 2023	\$0.00	\$59.37	\$356.82	\$0.00	\$370.32	\$985.03
	PY 2024	\$0.00	\$65.77	\$395.31	\$8.88	\$419.20	\$1,100.31
	\$ Difference	+\$0.00	+\$6.40	+\$38.49	+\$8.88	+\$48.88	+\$115.28
	% Difference	-	+10.8%	+10.8%	-	+13.2%	+11.7%
Monthly Employer Contributions	PY 2023	\$743.62	\$1,424.89	\$1,742.15	\$1,493.47	\$1,863.79	\$1,863.79
	PY 2024	\$823.62	\$1,578.49	\$1,930.06	\$1,646.28	\$2,056.60	\$2,056.60
	\$ Difference	+\$80.00	+\$153.60	+\$187.91	+\$152.81	+\$192.81	+\$192.81
	% Difference	+10.8%	+10.8%	+10.8%	+10.2%	+10.3%	+10.3%
Monthly Total Rate	PY 2023	\$743.62	\$1,484.26	\$2,098.97	\$1,493.47	\$2,234.11	\$2,848.82
	PY 2024	\$823.62	\$1,644.26	\$2,325.37	\$1,655.16	\$2,475.80	\$3,156.91
	\$ Difference	+\$80.00	+\$160.00	+\$226.40	+\$161.69	+\$241.69	+\$308.09
	% Difference	+10.8%	+10.8%	+10.8%	+10.8%	+10.8%	+10.8%

Kaiser California Non-Medicare HMO Plan

Proposed 2024 Monthly Rate Card—**With Design Changes**

Early Retirees and **93/93/83** Contribution Strategy for Actives

	Active Employees			Early Retirees		
	Employee Only	Employee Plus One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium	\$816.47	\$1,632.94	\$2,310.61	\$1,648.01	\$2,464.48	\$3,142.15
Vision	\$4.15	\$8.32	\$11.76	\$4.15	\$8.32	\$11.76
Expense ¹	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Total	\$823.62	\$1,644.26	\$2,325.37	\$1,655.16	\$2,475.80	\$3,156.91

10-County Amount ²	\$0.00	\$0.00	\$0.00	\$805.85	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$805.85	\$805.85
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$831.54	\$831.54	\$831.54
Retiree Prop. E Employer Contribution ⁵	\$0.00	\$0.00	\$0.00	\$8.89	\$419.21	\$419.21
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,646.28	\$2,056.60	\$2,056.60
2024 Non-Bargained Contribution Rate	\$823.62	\$1,644.26	\$2,325.37	\$8.88	\$419.20	\$1,100.31

MOU Negotiated Pickup ⁶	\$765.97	\$1,529.16	\$1,930.06			
2024 Typical Bargained Member Contribution	\$57.65	\$115.10	\$395.31			

Final Member Contribution 2023	\$52.05	\$103.90	\$356.82	\$0.00	\$370.32	\$985.03
Difference — 2024 versus 2023	\$5.60	\$11.20	\$38.49	\$8.88	\$48.88	\$115.28

NOTE—Footnotes 1 - 6 defined in Appendix

Kaiser California Non-Medicare HMO Plan

Proposed 2024 Monthly Rate Card—**With Design Changes**

Early Retirees and 100/96/83 Contribution Strategy for Actives

	Active Employees			Early Retirees		
	Employee Only	Employee Plus One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium	\$816.47	\$1,632.94	\$2,310.61	\$1,648.01	\$2,464.48	\$3,142.15
Vision	\$4.15	\$8.32	\$11.76	\$4.15	\$8.32	\$11.76
Expense ¹	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Total	\$823.62	\$1,644.26	\$2,325.37	\$1,655.16	\$2,475.80	\$3,156.91

10-County Amount ²	\$0.00	\$0.00	\$0.00	\$805.85	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$805.85	\$805.85
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$831.54	\$831.54	\$831.54
Retiree Prop. E Employer Contribution ⁵	\$0.00	\$0.00	\$0.00	\$8.89	\$419.21	\$419.21
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,646.28	\$2,056.60	\$2,056.60
2024 Non-Bargained Contribution Rate	\$823.62	\$1,644.26	\$2,325.37	\$8.88	\$419.20	\$1,100.31

MOU Negotiated Pickup ⁶	\$823.62	\$1,578.49	\$1,930.06			
2024 Typical Bargained Member Contribution	\$0.00	\$65.77	\$395.31			

Final Member Contribution 2023	\$0.00	\$59.37	\$356.82	\$0.00	\$370.32	\$985.03
Difference — 2024 versus 2023	\$0.00	\$6.40	\$38.49	\$8.88	\$48.88	\$115.28

NOTE—Footnotes 1 - 6 defined in Appendix

4

Recommendation for HSB Action

Kaiser California Non-Medicare HMO Plan

Kaiser Non-Medicare HMO 2024 Plan Rating

Recommendation for HSB Action

Staff recommends that the Health Service Board (HSB) approve:

- 1) A 10.86% insured plan premium increase from 2023 to 2024 for active employees (actives) and early retirees in California enrolled in Kaiser Permanente (Kaiser), based on fully insured plan rates proposed by Kaiser for the 2024 plan year and changes to the Kaiser HMO plan design to match major design features currently in place for the Blue Shield of California and Health Net CanopyCare HMO plans as outlined in this presentation.
- 2) The resulting 2024 plan year rate cards for the Kaiser California HMO plan in Section 3b of this presentation document for active employees and early retirees reflecting rates based on recommended plan design changes as contained in this presentation.

Kaiser HMO plan design changes are recommended to align major design features to those currently in the BSC and Health Net HMO plans, and to mitigate the Kaiser HMO plan 2024 renewal rate increase.

5

Appendix – Additional Information

- Underwriting Premium Rate Build-Up
- Kaiser Rate Card Footnotes
- 2023 Kaiser California Non-Medicare HMO Plan Monthly Rate Cards

Underwriting Premium Rate Build-Up (Status Quo Design)

Active Employees and Early Retirees Combined (PMPM¹ Basis)

	2023 Renewal	2024 Renewal	% Change
Rating Members	55,619	54,157	(2.6%)
Experience Period Adjusted Incurred Claims	\$611.79	\$632.18	+ 3.3%
Midpoint Trend Rate ²	1.047	1.146	
Projected Incurred Claims	\$640.50	\$724.49	+ 13.1%
Administration and ACA Fees			
Administration Fees	\$28.37	\$29.79	+ 5.0%
ACA PCORI Fees ³	\$0.25	\$0.28	+ 12.0%
Other Benefits (Hearing, Infertility, SBO)	\$1.80	\$1.80	No change
PMPM Revenue Requirement	\$670.92	\$756.36	+ 12.7%
In-Force 2023 Premium	\$672.32		
Proposed 2024 Premium (status quo design)⁴		\$756.36	+ 12.5%

NOTES:

- 1 PMPM = Per Member Per Month
- 2 23 months trend used in underwriting; Kaiser's annual trend rate for 2024 renewal is targeted to produce required 2024 revenue given projected substantial expense increases due to labor shortages, inflation and supply chain disruptions, and provider challenges
- 3 ACA PCORI = Affordable Care Act Patient Centered Outcomes Research Institute
- 4 Recommended plan design changes result in a +10.86% premium increase (1.64% decrement)

Underwriting Premium Rate Build-Up Notes

- February 2022 – January 2023 claims experience was used to set 2024 premium rates.
- Notes on underwriting elements:
 - **Adjusted Incurred Claims** – Paid claims net of large claims in excess of the pooling point (\$1,500,000 for 2024 renewal) plus the large claim pooling charge.
 - **Midpoint Trend** – Trend factor used by Kaiser for the 23-month period between experience period and projection period.
 - **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.).
 - **Affordable Care Act (ACA) Fees** – Required fees or taxes that support the cost of federal health care reform. Specifically, this reflects the Patient Centered Outcomes Research Institute (PCORI) fee, which applies through 2029.

Kaiser California Non-Medicare HMO Plan

Rate Card Footnotes

- 1) **Expense** — SFHSS Healthcare Sustainability Fund charge.
- 2) **"10-County" Employer 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. The monthly amount for 2024 rating is \$805.85 (per March 2023 HSB action).
- 3) **"Single Retiree Offset"** — Per Charter Section A8.428; for Early Retirees, this is equal to the 10-County Amount.
- 4) **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.
- 5) **Prop. E Employer Contribution (passed in November 2000 Election)** — Per Charter A8.428, the Prop. E employer contribution for Retiree (R) and R+1 = $50\% \times [\text{Total Rate Cost} - 10 \text{ County} - \text{Actuarial Difference}]$.
- 6) **Currently, the two most common employer contribution formulas** in MOU agreements follow are 93% Single/93% E+1/83% E+2+ and 100% Single/96% E+1/83% E+2+.

Kaiser California Non-Medicare HMO Plan

2023 Monthly Rate Card

Early Retirees and 93/93/83 Contribution Strategy for Actives

	Active Employees			Early Retirees		
	Employee Only	Employee Plus One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium	\$736.47	\$1,472.94	\$2,084.21	\$1,486.32	\$2,222.79	\$2,834.06
Vision	\$4.15	\$8.32	\$11.76	\$4.15	\$8.32	\$11.76
Expense ¹	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Total	\$743.62	\$1,484.26	\$2,098.97	\$1,493.47	\$2,234.11	\$2,848.82

10-County Amount ²	\$0.00	\$0.00	\$0.00	\$780.76	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$780.76	\$780.76
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$712.71	\$712.71	\$712.71
Retiree Prop. E Employer Contribution ⁵	\$0.00	\$0.00	\$0.00	\$0.00	\$370.32	\$370.32
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,493.47	\$1,863.79	\$1,863.79
2023 Non-Bargained Contribution Rate	\$743.62	\$1,484.26	\$2,098.97	\$0.00	\$370.32	\$985.03

MOU Negotiated Pickup ⁶	\$691.57	\$1,380.36	\$1,742.15			
2023 Typical Bargained Member Contribution	\$52.05	\$103.90	\$356.82			

Final Member Contribution 2022	\$50.12	\$100.03	\$343.52	\$0.00	\$356.49	\$948.26
Difference – 2023 versus 2022	\$1.93	\$3.87	\$13.30	\$0.00	\$13.83	\$36.77

NOTE—Footnotes 1 – 6 defined earlier in Appendix

Kaiser California Non-Medicare HMO Plan

2023 Monthly Rate Card

Early Retirees and 100/96/83 Contribution Strategy for Actives

	Active Employees			Early Retirees		
	Employee Only	Employee Plus One Dependent	Employee and Family	Retiree without Medicare	Retiree and Spouse w/o Medicare	Retiree and Family
Premium	\$736.47	\$1,472.94	\$2,084.21	\$1,486.32	\$2,222.79	\$2,834.06
Vision	\$4.15	\$8.32	\$11.76	\$4.15	\$8.32	\$11.76
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Total	\$743.62	\$1,484.26	\$2,098.97	\$1,493.47	\$2,234.11	\$2,848.82

10-County Amount ²	\$0.00	\$0.00	\$0.00	\$780.76	\$0.00	\$0.00
Single Retiree Offset ³	\$0.00	\$0.00	\$0.00	\$0.00	\$780.76	\$780.76
"Actuarial Difference" ⁴	\$0.00	\$0.00	\$0.00	\$712.71	\$712.71	\$712.71
Retiree Prop. E Employer Contribution ⁵	\$0.00	\$0.00	\$0.00	\$0.00	\$370.32	\$370.32
Subtotal City Contributions	\$0.00	\$0.00	\$0.00	\$1,493.47	\$1,863.79	\$1,863.79
2023 Non-Bargained Contribution Rate	\$743.62	\$1,484.26	\$2,098.97	\$0.00	\$370.32	\$985.03

MOU Negotiated Pickup ⁶	\$743.62	\$1,424.89	\$1,742.15			
2023 Typical Bargained Member Contribution	\$0.00	\$59.37	\$356.82			

Final Member Contribution 2022	\$0.00	\$57.16	\$343.52	\$0.00	\$356.49	\$948.26
Difference – 2023 versus 2022	\$0.00	\$2.21	\$13.30	\$0.00	\$13.83	\$36.77

NOTE—Footnotes 1 – 6 defined earlier in Appendix