

San Francisco Health Service System Health Service Board

Rates & Benefits

Health Plan 2021 Renewal Overview and Summary—
Medicare Retirees / Kaiser Multi-Region Retirees

June 11, 2020

Prepared by:
Health Solutions



Overview—Today’s Medical Medicare Plan 2021 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 Preferred Provider Organization plan (known as “UHC MA PPO”).
- 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.

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

² Kaiser Northwest region is Oregon and southwest Washington.

Medicare Plans—Covered Lives

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

SFHSS Medicare Health Plan	Covered Medicare Lives
UHC MA PPO (national)	16,316 (54.7%)
KPSA (California)	13,463 (45.1%)
Kaiser Multi-Region (WA/NW/HI)	67 (0.2%)
Total—All Members in Medicare Plans	29,846 (100.0%)

- There are also 33 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 MA PPO offered nationally.
 - Information on Kaiser retiree “multi-region” HMO renewals will be presented in a separate renewal recommendation document later today.

Medicare Advantage Plans—Background

- In 2017, SFHSS migrated Medicare-eligible retiree medical plan offerings to exclusively Medicare Advantage (MA) plans.
- The MA program was developed by the federal government in the late 1990s to specifically address the short-comings of the Original Medicare program (introduced in 1965), and help solve Medicare’s long-term demographic and cost concerns.
- With clinical and financial successes of the program over time, and continued enrollment growth, both political parties generally support the MA program—recent federal government policy actions include:
 - Rate stability
 - Beneficiary benefit flexibility
 - Enhanced MA education
 - Emerging value-based payment models in MA plans

Medicare Advantage Plans—Background

- Clinically, the MA program is designed to support enrolled members by:
 - More effectively managing and coordinating overall care delivery;
 - Providing targeted and timely care/complex case management;
 - Managing inpatient hospitalization use and lengths of stay, including goal to reduce re-admission rates;
 - More cost-effectively supporting retiree “end-of-life” needs; and
 - Providing value-added benefits to enhance member experiences.

Medicare Advantage Plans—Background

- MA plans operate at lower costs than Original Medicare plans due to direct subsidies provided to MA health plans as calculated by the federal Centers for Medicare and Medicaid (CMS).
 - The subsidy amounts generally increase year to year, though increase levels can vary with economic conditions and changes in known health risk data plans possess in the past 12 months on their covered members.
 - Because both SFHSS Medicare plans release next year’s plan rates before final CMS subsidies for the next plan year are known, there can be year-to-year rate change fluctuation in both SFHSS MA plans due to CMS subsidies projected at “best estimate” (but not final) levels at time of rate renewal releases to SFHSS.

Medicare Advantage Plans—Background

MA Plans are structured to reduce cost and improve quality of care

Source	Theme	Comments
1) Optimizing Reimbursement	Federal Subsidies	<ul style="list-style-type: none"> ■ Prior to 2018, Medicare Advantage plans are subsidized to a greater extent than the traditional Medicare program; parity is expected thereafter ■ Plans invest these subsidies in efficient care delivery and member/provider outreach strategies to manage care, align incentives, reduce cost, and drive value
	Risk Adjustment	<ul style="list-style-type: none"> ■ Federal subsidies are modified based on actual member health status to support payment equity among plans, which creates an incentive to serve all beneficiaries and accurately capture and report actual health claims data under the plan
	Star Program Bonuses	<ul style="list-style-type: none"> ■ Plans with strong CMS quality ratings receive bonuses/additional reimbursements from Medicare, which creates an incentive toward quality care, and generates additional savings opportunities for plans that qualify
2) Building Provider Relationships	Provider Collaboration	<ul style="list-style-type: none"> ■ Strategic arrangements between the plan and key providers are common ■ Include performance incentives to drive appropriate retiree utilization and capture complete/accurate encounter data that supports risk adjustment opportunity
3) Improving Member Health	Care Management	<ul style="list-style-type: none"> ■ Offer enhanced preventive benefits relative to Medicare ■ Provide a coordinated, integrated approach to care and benefits <ul style="list-style-type: none"> — Aims to reduce emergency room visits, hospital admissions, and lengths of stay ■ Offer enhanced case management for complex medical needs and “end-of-life” care

Employers committed to a group-based Medicare retiree benefits strategy should consider an MA approach; carriers indicate that such an approach can generate at least 10% savings relative to traditional plan offerings, due to superior care management

SFHSS Medicare Plans—Linkage to Strategic Plan



Affordable and Sustainable

We aspire to transform health care purchasing and care delivery to provide quality, affordable and sustainable health care for our current and future members through value driven decisions, programs, designs, and services.

- ▶ **Medicare Advantage plans offer the greatest ability for SFHSS to sustain affordable plans for Medicare retirees and dependents.**



Reduce Complexity and Fragmentation

We believe in moving toward an integrated delivery system, focusing on primary care and prevention, and targeting and personalizing care.

- ▶ **SFHSS Medicare Advantage plans guide members in partnership with patient advocates within the KPSA and UHC MA PPO models to encourage preventive care, and seek appropriate care alternatives when needs arise.**



Engage and Support

We aim to activate programs, services, and resources that address the entire cycle of health, elevating engagement, and strengthening member knowledge and confidence in accessing and using health and benefit plans.

- ▶ **Medicare Advantage plans allow for “value-added” benefits that go beyond core health plan coverage—such as enhanced nutritional counseling, post-discharge meal services, care-related transportation services, fitness programs, and more.**

SFHSS Medicare Plans—Linkage to Strategic Plan



Choice and Flexibility

We believe in offering a spectrum of designs, costs and services and collaborating with our stakeholder organizations, agencies, and departments to deliver on the whole person perspective.

- ▶ **SFHSS Medicare Advantage plans offer two high-value choices for most of our Medicare retirees—KPSA’s local HMO model in Northern California, and UHC MA PPO’s national PPO model. Even for those living outside of KPSA service areas, the UHC MA PPO model meets retiree plan needs as a geographically comprehensive plan.**



Whole Person Health and Well-being

We believe an organization that values and holistically supports members and their families’ lives holistically and that fosters an environment and culture of well-being will have a happier, healthier, and more engaged population.

- ▶ **Medicare Advantage plans are designed to support members across their spectrum of health needs—from preventive care emphasis all the way through coordinated care across multiple touchpoints when needing care.**

For more information on Medicare Advantage plans, please refer to Aon’s December 2018 presentation to the HSB titled “Medicare Advantage Marketplace Overview”, available for review on sfhss.org

SFHSS Medicare Plans—2021 Renewal Overview

- All Medicare plans are fully insured, thus rate stabilization does not apply.
- After Medicare plan rate increases were applied into the 2020 plan year, both highly enrolled SFHSS Medicare plans will have rate decreases into the 2021 plan year on a **status quo renewal basis** (e.g., before any program changes that may be considered for 2021 plan year).

Health Plan	2020 Rating Action	2021 “Status Quo” Rating Action
KPSA (California)	12.2% increase	5.5% decrease
UHC MA PPO (National)	17.0% increase	2.9% decrease

- The individual rating presentations that follow today document the rationale behind why 2020 renewals were unfavorable—and why 2021 renewals are favorable.
- The Kaiser KPSA presentation will include an alternative renewal recommendation to add a post-discharge meal delivery program for the 2021 plan year (same as the program offered in the UHC MA PPO plan today).
 - This KPSA alternative with the post-discharge meal delivery program added would result in an overall 5.0% rate decrease for KPSA.

Projected 2021 Medicare Plan Monthly Rates

- The table below shows projected 2021 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 contributions, if all recommendations presented today would be accepted by the HSB (including the KPSA post-discharge meal delivery rider).
- 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 10-County Amount.

Monthly 2021 Rates	Medicare Retirees and Dependents (Full ER Contribution)		
	RET Only	RET+1 Dependent	RET+2+ Dependents
Total Plan Rates			
o KPSA (California)	\$354.32	\$705.66	\$1,055.94
o UHC MA PPO (National)	\$429.17	\$855.36	\$1,280.86
Employer Contributions			
o KPSA (California)	\$354.32	\$529.99	\$529.99
o UHC MA PPO (National)	\$429.17	\$642.27	\$642.27
Member Contributions			
o KPSA (California)	\$0	\$175.67	\$525.95
o UHC MA PPO (National)	\$0	\$213.09	\$638.59