



County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

December 15, 2009

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF MEDICARE PART B PREMIUM REIMBURSEMENT FOR 2010  
(ALL DISTRICTS) (3-VOTES)**

**SUBJECT**

Recommendation to approve County reimbursement of retiree Medicare Part B premiums for retirees who are enrolled in a Los Angeles County Employees Retirement Association (LACERA) administered Medicare Risk HMO or Medicare Supplement Plan in 2010.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Renew for the 2010 calendar year, County reimbursement of Medicare Part B premiums for retirees who are enrolled in a LACERA administered Medicare Risk HMO or Medicare Supplement Plan. Beginning January 1, 2007, Medicare instituted a means test that imposes additional Part B premiums on higher income individuals. This recommendation does not intend that the County reimburse any additional costs for persons affected by the means test.
2. Instruct the Chief Executive Officer to report back to your Board prior to January 1, 2011 with recommendations regarding Part B reimbursement policy for the 2011 calendar year.

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3. Reaffirm your Board's right to change or terminate the Medicare Part B premium reimbursement program at any time if it ceases to be cost effective.

### **PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION**

Since 1992, the County has sponsored retiree health insurance plans designed to encourage retirees to fully participate in the Federal Medicare program. This has included reimbursing retirees for the cost of participating in Medicare Part B in those instances where the retiree has enrolled in one of the Medicare Risk HMOs or the Medicare Supplement Plan administered by LACERA. By prior Board direction, reimbursing retirees for the cost of Medicare Part B requires an annual determination that the program remains cost effective. The purpose of the recommended action is to affirm that such determination has been made and to obtain your Board's authorization to continue the program through calendar year 2010.

### **Background**

The County pays a subsidy toward the cost of retiree health insurance based on each retiree's length of active County service. The subsidy equals four percent of the cost of the coverage chosen by the retiree for each year of service, if the retiree has a threshold minimum of 10 years of service. No subsidy is paid with less than 10 years of service. For example, a retiree with the minimum 10 years of service receives a subsidy of 40 percent of premium costs and a retiree with 25 years of service receives a subsidy of 100 percent of premium costs. In no event, however, may the subsidy exceed the subsidy payable for the LACERA indemnity health plans currently known as "Anthem Blue Cross I and II." These plans have identical premiums which set a cap on the subsidy. Within these limitations, the subsidy amount covers the cost of coverage for the retiree and any eligible dependents.

The menu of County sponsored LACERA administered retiree health plans includes Medicare Risk HMOs and a Medicare Supplement Plan. A Medicare Risk HMO is an HMO in which participants have assigned over all rights to Medicare Parts A and B to the HMO. The participant effectively agrees to receive all of his or her medical care from the HMO and to waive any right to use Medicare benefits outside the HMO. In exchange, Medicare agrees to pay the HMO a monthly "capitation" fee on behalf of the participant. That fee defrays much of the cost of the HMO coverage. The reduction in cost is passed on to the retirees and the County in the form of lower premiums and lower County subsidies.

A Medicare Supplement Plan is an indemnity plan that complements Medicare benefits. Medicare becomes the primary payer, meaning Medicare pays first on each claim. A Medicare Supplement Plan essentially picks up where Medicare leaves off within the limitations set forth in the plan. Like the Medicare Risk HMO concept, the Medicare Supplement concept reduces County and retiree costs by the value of the Medicare benefits.

LACERA currently administers three Medicare Risk HMOs within California and one Medicare Supplement Plan. The HMOs are known as "Kaiser Senior Advantage," "SCAN," and "PacifiCare/Secure Horizons." The Medicare Supplement Plan is known as "Anthem Blue Cross III." There are an estimated 21,200 County retirees enrolled in these plans (28,200 lives when dependents are included).

### **Medicare Parts A and B**

The Medicare Risk HMOs and the Medicare Supplement Plan require the eligible retirees to be enrolled in both Medicare Parts A and B. Part A generally covers hospitalization costs and Part B generally covers physician services and other ancillary items such as laboratory testing and durable medical equipment. Part A coverage may be earned by working the requisite number of quarters in Medicare covered employment and Part B may be purchased by retirees. The Part B cost takes the form of monthly premiums.

The current Part B premium is \$96.40 per month. This is the standard Part B premium that applies to individuals who are not required to pay more due to the means testing instituted by the Medicare program in 2007. According to Federal Centers for Medicare and Medicaid Services (CMS), the standard Part B premium will increase by 14.6 percent to \$110.50 per month effective January 1, 2010. However, CMS has also announced that this adjustment will not apply to Medicare beneficiaries who:

- Are currently receiving Social Security retirement benefits and having the Part B premium deducted from those benefits.
- Are not higher income retirees who must pay more as a consequence of means testing.

The connection to Social Security retirement benefits reflects the fact that Social Security retirement beneficiaries will not be receiving a cost-of-living adjustment on January 1, 2010. Because of that and a related hold harmless provision embedded in current Social Security law, Social Security retirement recipients will be shielded from

the Part B premium increase – unless they are higher income retirees subject to Medicare means testing.

Medicare means testing imposes higher Part B premiums on higher income people on a graduated basis beginning with retirement incomes over \$85,000 per annum. Individuals subject to the means testing are categorically excluded from the hold harmless treatment and will, therefore, be required to pay the higher Part B premium that will take effect on January 1, 2010. Under the County's current Part B reimbursement policy, only the standard Part B premium is recognized for reimbursement purposes. We are recommending no change in that policy.

CMS is estimating that 73 percent of retirees nation-wide will qualify for the hold harmless treatment, and 27 percent will not. Legislation currently pending before Congress could freeze the Part B premium for all retirees, but these are the estimates absent any new law.

### **Annual Re-evaluation Is Necessary**

The decision to pick-up Medicare Part B premiums is essentially an annual determination that considers, among other things, year-to-year changes in the costs of Part B. From the inception of the Part B reimbursement program in 1992, the County has reimbursed the full cost of the standard Part B premium for any retiree who has enrolled in a Medicare Risk HMO or the Medicare Supplement Plan. The justification advanced to your Board in 1992, and we believe is still valid today, holds that the cost of the Part B coverage is more than offset by the reduction in subsidy costs for the lower cost Medicare Advantage coverage.

The 1992 Board action originally provided for reimbursement of the Part B premium through 1995. This included any late enrollment penalties imposed by Medicare for retirees who enrolled prior to May 1, 1993. The 1992 Board action also provided for an annual cost justification from 1996 forward. Under the original authorization, the program is subject to change or cancellation at the discretion of the Board. It may be continued only "if cost savings are realized." That requirement has been reaffirmed in all subsequent Board authorizations of this program, and should be considered reaffirmed in these recommendations as well.

### **Recommended Pick-Up of January 1, 2010 Part B Premium**

LACERA's health insurance consultant, Mercer, is using the CMS estimate of 27 percent as the percentage of County retirees who will be required to pay the higher

basic Part B premium rate in 2010. Based on that estimate, picking up the basic 2010 Part B premium would cost an additional \$1.3 million per annum for a total of \$34 million per annum (all funds). The key question at this point is whether spending this amount will save more than it costs. In other words, is spending \$34 million necessary to retain the current level of participation in the Medicare Risk HMOs or the Medicare Supplement Plan, and thereby avoid more than \$34 million in higher subsidy costs that could be caused by a possible reverse migration out of these plans? We believe it is.

Eliminating the Part B reimbursement would likely cause a majority of the participants in the Part B Reimbursement program to abandon their current coverage in favor of higher cost LACERA coverage. Of the estimated 21,200 retirees currently in the program, approximately 12,400 (56 percent) are receiving a 100 percent County subsidy because they have 25 or more years of County service. These individuals could enroll in almost any LACERA health plan and have the full premium paid by the County up to the aforementioned maximum subsidy limit established by the Anthem Blue Cross I and II Plans. They could do this with no obligation to purchase Part B coverage.

Although there is no way to be certain what the costs of the retiree health insurance program would be in the absence of this incentive, Buck Consultants, an independent actuarial consulting firm, believes the likely impact on either eliminating the Part B reimbursement program or freezing the level of reimbursement at the 2009 levels would be an increase in overall County costs ranging from approximately \$22.8 million to \$42.4 million per annum. This would be in addition to the projected annual expenditures of \$34 million estimated for 2010. A copy of Buck Consultant's analysis is included in Attachment I.

LACERA independently employed the firm of Mercer to review this issue. Mercer concurs that overall County costs for retiree health care would be dramatically higher in the absence of the Part B reimbursement program. A copy of Mercer's analysis is included in Attachment II.

Attachments III through VIII provide additional information on the difference in current retiree costs and benefit coverage between the Kaiser Senior Advantage and Anthem Blue Cross III plans, and the alternative non-Medicare related Kaiser Excess I, and Anthem Blue Cross I and II Plans. The populations in Kaiser Senior Advantage and Anthem Blue Cross III represent approximately 91 percent of the total Part B reimbursement program participants.

**IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommended action supports the County's Strategic Plan Goal of fiscal responsibility.

**FISCAL IMPACT**

The recommended action would result in additional Part B reimbursement costs of approximately \$1.3 million per annum (all funds). However, the costs of not approving the recommendation could be much greater

**FACTS AND PROVISIONS**

The recommended continuance of the Part B reimbursement would take effect on January 1, 2010 and be initially reflected in LACERA retiree warrants issued on December 31, 2009.

The amount reimbursed will include any late enrollment penalties paid by retirees who enrolled prior to May 1, 1993 following the introduction of the Part B reimbursement program.

The Chief Executive Officer will report back prior to January 1, 2011 with additional recommendations relating to Part B reimbursement policy for the 2011 calendar year.

Respectfully submitted,



WILLIAM T FUJIOKA  
Chief Executive Officer

WTF:EFS:WGL  
WHD:df  
Attachments (8)

c: LACERA  
Auditor-Controller  
Acting County Counsel

November 20, 2009

Mr. William A. Lynes  
County of Los Angeles  
Chief Administrative Office  
526 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

**Re: Expected Impact of Modifying the Part B Reimbursement for Retirees**

Dear Bill:

This letter presents Buck Consultants LLC's (Buck) analysis of the expected cost impact of modifying the current County practice of reimbursing retirees and their dependents for the Medicare Part B premium. This encourages retirees to enroll in the Blue Cross III Medicare Supplement Plan or in one of the Medicare Advantage (or sometime called Medicare Risk) plans offered by the HMO plans.

Based on our analysis, we believe that it is in the County's interest to continue the current program to reimburse retirees for their basic Part B premium but not to cover the additional means tested Part B premium that became effective January 2007. This means that the County would not pay for the additional means tested amount that Medicare will charge to high income participants. Deciding not to pay the Part B premium would cost the County between \$22.8 and \$42.4 million for 2010.

Under our analysis, we developed the expected cost impact to the County under two scenarios. In the first, the County elects to freeze the Medicare Part B reimbursement at the 2009 premium amount of \$96.40 per month. In the second, the County elects to suspend the reimbursement of the Part B premium in total. In both scenarios, we have assumed that the County will not cover the additional means tested Part B premium that became effective January 2007.

In addition, for each of these two scenarios, we modeled three alternatives because the Social Security Administration is not implementing a Cost of Living Adjustment (COLA) to the Social Security Benefit. Because of this, any existing retiree receiving Social Security who has his or her Part B premium deducted from their monthly check will not be subject to the 2010 increase in the Part B premium. All others will have to pay the increased premium of \$110.50.

In addition, there is pending legislation in Congress that would suspend this increase for all beneficiaries for 2010. Because of these changes, we modeled three different assumptions related to the Part B premium increases:

- All members are subject to the \$110.50 monthly premium in 2010.
- The congressional legislation passes and all members pay the current \$96.40 monthly premium for 2010.
- Based on information estimated by Mercer, 73% of the members remain at the current premium amount and only 27% have to pay the higher premium rate in 2010.

In our analysis, we have assumed that LACERA will still elect to offer the Blue Cross Plan III and the various Medicare Advantage plans regardless of whether or not the County elects to continue to pay the Part B premiums. This decision is to the financial advantage of the retirees, particularly to those with less than 25 years of service at retirement.

For example, a retiree who is Medicare Eligible and has 15 years of service at retirement pays a monthly premium of \$123.88 under the Blue Cross Plan III, but would pay \$339.62 under the Blue Cross Plan II, or an increase of \$215.74 per month. Even if this individual had to pay the 2010 Part B premium of \$96.40 or \$110.50 (depending on the circumstances) he would still pay either \$119.34 or \$105.24 less per month by remaining in the Blue Cross Plan III, or a savings of between \$1,262.88 and \$1,432.08 per year as compared to dropping Part B coverage and electing the Blue Cross Plan II.

Of the approximately 22,000 participants in a Medicare Advantage or the Blue Cross III plan, 9,600 have less than 25 years of service and as such are paying some of the cost of the medical plan they elect. Keeping these plans in place for these members makes financial sense for the County and the retired members.



In developing our analysis, we focused strictly on these 22,000 participants. In the first scenario, we assumed that the County freezes the Medicare Part B reimbursement at the 2009 premium amount of \$94.60 per month. In addition, for those individual who are paying a penalty for late enrollment, the penalty reimbursement remains frozen at the amount of penalty reimbursed in 2009. Based on the current average monthly reimbursement of \$124 per retired participant, the expected reimbursement for 2010 would be \$124 if the County continued its current practice. Freezing the contributions at the 2009 levels means that on average retirees would pay between \$0 and \$14.10 per month in Part B premiums, depending on whether their Part B premiums are frozen at current levels.

In determining whether a retiree would elect to pay the additional Part B premium and remain in the current Blue Cross III or Medicare Advantage plan, we compared the difference in premium paid by the retiree for their current plan plus the additional Part B premium to the medical premium payment for a non-Medicare Plan. For this analysis, individuals in the Blue Cross III and SCAN HMO plans were compared to the Blue Cross II plan and those in CIGNA, Kaiser, and PacifiCare were compared to the available non-Medicare option for the particular HMO. We then developed the cost impact of three election alternatives:

- Maximum cost impact – if the retiree cost of the current medical plan plus the additional Part B premium is less than the cost of the applicable non-Medicare plan, the retiree remains in their current plan. If the retiree cost of the current medical plan plus the additional Part B premium is greater than or equal to the cost of the applicable non-Medicare plan, the retiree moves to the non-Medicare plan.
- Minimum cost impact – the additional per month average Part B payment does not cause any movement in plans; retirees remain in their current plans.
- Expected cost impact – this represents our expected outcome. For those where the retiree cost of the current medical plan plus the additional Part B premium is less than the cost of the applicable non-Medicare plan, the retiree remains in their current plan. If the retiree cost of the current medical plan plus the additional Part B premium is greater than or equal to the cost of the applicable non-Medicare plan, then 50% of the retirees move to the non-Medicare plan and the other 50% remain in their current plans.

We then modeled each of these scenarios for the three alternatives due to the lack of a COLA for the Social Security Benefit. The three alternatives are shown in Exhibits I through III.

The table below summarizes the range of cost impact for the three Part B premium alternatives in the first scenario.

Table 1  
Impact to Los Angeles County of  
Freezing Part B Premium Reimbursement  
Dollars in Millions

	Maximum Cost	Minimum Cost	Expected Cost
Alternative 1 – All members pay the \$110.50 monthly premium	\$82.8	(\$3.7)	\$39.5
Alternative 2 – All members pay the \$96.40 monthly premium	\$86.5	\$0.0	\$43.2
Alternative 3 – 27% pay the \$110.50 monthly premium and 73% pay the \$96.40 premium	\$85.6	(\$0.9)	\$42.4

Table 1 shows that for this scenario, the expected cost impact to the County would be an increase in costs of between \$39.5 and \$43.2 million, depending on the alternative. The maximum or worst case cost would be an increase of between \$82.8 and \$86.5 million. The best case would be a savings of between \$0 and \$3.7 million.

In the second scenario, we assumed that the County elects to suspend the reimbursement of the Part B premium in total. This means that on average, the retirees would have to pay an additional \$124 to \$138 per month in Part B premiums and penalties to remain in their current plans.

Mr. William A. Lynes  
November 20, 2009  
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The table below summarizes the range of cost impact for the three Part B premium alternatives in the first scenario.

Table 2  
Impact to Los Angeles County of  
Suspending Part B Premium Reimbursement  
Dollars in Millions

	Maximum Cost	Minimum Cost	Expected Cost
Alternative 1 – All members pay the \$110.50 monthly premium	\$74.7	(\$29.1)	\$22.8
Alternative 2 – All members pay the \$96.40 monthly premium	\$74.1	(\$25.4)	\$24.4
Alternative 3 – 27% pay the \$110.50 monthly premium and 73% pay the \$96.40 premium	\$73.2	(\$26.2)	\$23.5

Table 2 shows that for this scenario, the expected cost impact to the County would be an increase in costs of between \$22.8 and \$24.4 million, depending on the alternative. The maximum or worst case cost would be an increase of between \$73.2 and \$74.7 million. The best case would be a savings of between \$25.4 and \$29.1 million.

After your review, if you have any questions or comments, please give me a call and we can discuss.

Sincerely,



Michael W. Schionning, F.S.A., M.A.A.A.  
Principal & Consulting Actuary

County of Los Angeles  
 Cost Impact of Modifying the Part B Reimbursement Policy  
 Alternative 1 – All Members Are Subject to the Increased 2010 Premium of \$110.50  
 Medicare Eligible Participants Only  
 Calendar Year 2010

	<u>Current</u>	<i>Scenario 1 - Freeze at 2009 Levels</i>			<i>Scenario 2 - No Part B Reimbursement</i>		
		<u>Maximum</u>	<u>Minimum</u>	<u>Expected</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Expected</u>
Blue Cross	\$38,667,499	\$66,403,214	\$37,167,203	\$51,785,209	\$64,375,228	\$26,909,857	\$45,642,543
CIGNA	\$286,858	\$281,613	\$281,613	\$281,613	\$245,752	\$245,752	\$245,752
Kaiser	\$39,564,692	\$88,624,589	\$37,679,973	\$63,152,281	\$83,437,593	\$24,794,378	\$54,115,986
SCAN	\$1,065,670	\$1,998,029	\$1,006,112	\$1,502,070	\$1,835,192	\$598,918	\$1,217,055
PacifiCare	\$6,483,489	\$11,523,014	\$6,224,444	\$8,873,729	\$10,885,429	\$4,453,383	\$7,669,406
Total	\$86,068,208	\$168,830,459	\$82,359,344	\$125,594,902	\$160,779,195	\$57,002,288	\$108,890,741
Cost/(Savings)		\$82,762,251	(\$3,708,864)	\$39,526,693	\$74,710,986	(\$29,065,920)	\$22,822,533

County of Los Angeles  
 Cost Impact of Modifying the Part B Reimbursement Policy  
 Alternative 2 – All Members Premiums are kept at the 2009 Premium of \$96.40  
 Medicare Eligible Participants Only  
 Calendar Year 2010

	<u>Current</u>	<i>Scenario 1 - Freeze at 2009 Levels</i>			<i>Scenario 2 - No Part B Reimbursement</i>		
		<u>Maximum</u>	<u>Minimum</u>	<u>Expected</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Expected</u>
Blue Cross	\$37,167,203	\$66,403,214	\$37,167,203	\$51,785,209	\$62,552,572	\$26,909,857	\$44,731,215
CIGNA	\$281,613	\$281,613	\$281,613	\$281,613	\$245,752	\$245,752	\$245,752
Kaiser	\$37,679,973	\$88,624,589	\$37,679,973	\$63,152,281	\$81,308,280	\$24,794,378	\$53,051,329
SCAN	\$1,006,112	\$1,998,029	\$1,006,112	\$1,502,070	\$1,755,839	\$598,918	\$1,177,379
PacifiCare	\$6,224,444	\$11,523,014	\$6,224,444	\$8,873,729	\$10,569,710	\$4,453,383	\$7,511,547
Total	\$82,359,344	\$168,830,459	\$82,359,344	\$125,594,902	\$156,432,154	\$57,002,288	\$106,717,221
Cost/(Savings)		\$86,471,115	\$0	\$43,235,557	\$74,072,810	(\$25,357,056)	\$24,357,877

County of Los Angeles  
 Cost Impact of Modifying the Part B Reimbursement Policy  
 Alternative 3 – Only 27% of the Members Are Subject to the Increased 2010 Premium of \$110.50  
 Medicare Eligible Participants Only  
 Calendar Year 2010

	<u>Current</u>	<i>Scenario 1 - Freeze at 2009 Levels</i>			<i>Scenario 2 - No Part B Reimbursement</i>		
		<u>Maximum</u>	<u>Minimum</u>	<u>Expected</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Expected</u>
Blue Cross	\$37,512,271	\$66,403,214	\$37,167,203	\$51,785,209	\$62,552,572	\$26,909,857	\$44,731,215
CIGNA	\$282,819	\$281,613	\$281,613	\$281,613	\$245,752	\$245,752	\$245,752
Kaiser	\$38,113,458	\$88,624,589	\$37,679,973	\$63,152,281	\$81,308,280	\$24,794,378	\$53,051,329
SCAN	\$1,019,810	\$1,998,029	\$1,006,112	\$1,502,070	\$1,755,839	\$598,918	\$1,177,379
PacifiCare	\$6,284,024	\$11,523,014	\$6,224,444	\$8,873,729	\$10,569,710	\$4,453,383	\$7,511,547
Total	\$83,212,383	\$168,830,459	\$82,359,344	\$125,594,902	\$156,432,154	\$57,002,288	\$106,717,221
Cost/(Savings)		\$85,618,076	(\$853,039)	\$42,382,519	\$73,219,771	(\$26,210,095)	\$23,504,838

**E. Clayton Levister III**  
Principal

**MERCER**



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

777 South Figueroa Street, Suite 1900  
Los Angeles, CA 90017  
213 346 2539 Fax 213 346 2680  
Ernest.c.levister@mercer.com  
www.mercer.com

November 3, 2009

Ms. Lita Payne  
Director Health Care Benefits Program  
LACERA  
300 N. Lake Ave, Suite 300  
Pasadena, CA 91101

**Subject:** Medicare Risk Savings Projections

Dear Lita:

Attached are the Medicare Risk savings projections to evaluate the 2009/2010 cost effectiveness of the County offering Medicare Risk plans and subsidizing Medicare Part B premiums for LACERA retirees and dependents enrolling in those plans.

There are several dynamics at play for the 2010 Part B premium increase. For 2010, a Hold Harmless provision in the Social Security (SS) laws will keep the Part B premium flat for those who have Part B premiums deducted from their SS checks. While this might impact some LACERA members, there will be a significant number that are not covered by the Hold Harmless provision. In addition, HR 3631 which would eliminate the increase for all Medicare beneficiaries is waiting for a vote in the Senate. Because of these issues, Mercer has prepared three analyses. The first assumes all participants have an increase in Part B. The second is that 23% have an increase in Part B. The third assumes there is no increase in Part B premiums.

Because LACERA has a number of health plan options, we have included four "migration scenarios" for each analysis. Each has a different set of assumptions of where the retirees might enroll if the County did not offer Medicare Risk plans and subsidize Medicare Part B premiums for enrollees who participate in those plans.

Under all analyses and scenarios, it is in the County's financial interest to continue offering Medicare Risk plans and subsidizing Part B premiums for enrollees in those plans.

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

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LACERA

## **Background about the Part B Premium**

### **Medicare Part B Premium**

The Medicare Part B premium for the first income level, as of January 1, 2009, is \$96.40. For January 1, 2010, there is an increase to the Part B premium at this income level to \$110.50. However, due to the Hold Harmless provision in the Social Security laws, not all current Medicare beneficiaries at or below the base income level will see an increase. Also, as mentioned above, a bill (HR 3631) passed by the House and awaiting Senate action would eliminate the 2010 increase for all Medicare beneficiaries. Please see the attached Mercer GRIST article and the CMS notification which details these issues.

The County covers the Part B premium for retiree and dependent participants in the Medicare Risk HMOs and Plan III. There are approximately 22,000 retirees in such plans. According to the Medicare Part B Reimbursement and Penalty Report for the pay period 09/30/2009, the average amount paid for retirees, dependents and penalties is approximately \$124.36 per retiree.

### **Income-Related Medicare Part B Premium**

As part of the Medicare Modernization Act, effective January 2007, Medicare Part B premiums will be income tested. Currently, the Medicare Part B premium is set at 50% of the monthly actuarial rate (MAR). The MAR represents 50% of the cost of Part B benefits. Therefore, the standard Medicare Part B premiums cover about 25% of the cost for Part B expenditures. Effective January 2007, individuals over a certain income level will pay more than the 25% target premium. For a summary of the current income related Part B premiums please refer to the attached GRIST Report: CMS issues 2010 Medicare Premiums, deductible, and coinsurance amounts. Our model assumes that the County will not reimburse the means-tested amounts of the Part B premiums. It also assumes that the County will pay only for the standard Medicare Part B premium and the late penalties for those who enrolled when the reimbursement plan was first introduced.



# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

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## Projection Methodology

Since we have no data to determine which LACERA retirees will be subject to the increase in 2010 or whether or not HR 3631 will pass, Mercer has done three Part B premium projections. The projections assume the following:

- Scenario I: The Part B increase from \$96.40 to \$110.50 will affect all LACERA retirees. The County reimburses all retirees at the \$110.50.
- Scenario II: The Part B increase will remain for 2010 and a portion of LACERA retirees will not have an increase due to the Hold Harmless provisions in the Social Security laws. Mercer utilized the CMS estimate that 73% of current retirees are subject to the Hold Harmless and would not incur the increase. The County reimburses \$96.40 for those subject to the Hold Harmless and \$110.50 for those not subject to the hold harmless.
- Scenario III: HR 3631 will pass and there will be no increase for 2010 for any retiree. The County reimburses at the current \$96.40.

In each projection, the savings is determined by comparing LACERA's current total plan cost (medical, dental, and Part B premium) with the projected total cost if there were no Medicare Risk plan offerings. The projected costs are based upon migration of Risk participants into non-Risk plans and the removal of the Part B premium. The County's contributions are based upon years of service. For the 2009/2010 policy period, we estimate them to be 90.78% of the total cost. This factor is applied to the premium to split the County and retiree portions.

## Projection A – Migration Assumptions

This projection assumes that all Medicare HMO Risk participants move from their current HMO Risk plan into the corresponding HMO's non-Risk plan; that the Kaiser Senior Advantage participants migrate to the Kaiser Excess plan; and that the Scan and Plan III participants migrate to Plan II. In addition, Projection A assumes that the County will stop paying the Part B premium for all members. Under this scenario LACERA will have saved approximately:

- Scenario I: \$155.82 million in total medical cost
- Scenario II: \$157.59 million in total medical cost
- Scenario III: \$158.24 million in total medical cost

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

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LACERA

## **Projection B – Migration Assumptions**

This projection assumes that all Medicare HMO Risk participants migrate from their current HMO Risk plans to Plan II; that Plan III enrollment remains unchanged; and that the County will continue to pay the Part B premium for Plan III participants. Under this scenario LACERA will have saved approximately:

- Scenario I: \$96.99 million in total medical cost
- Scenario II: \$98.05 million in total medical cost
- Scenario III: \$98.44 million in total medical cost

## **Projection C – Migration Assumptions**

This projection assumes that the Medicare HMO Risk participant migration is split 50/50 between Plan II and Plan III; that Plan III enrollment remains unchanged; and that the County will continue to pay the Part B premium for Plan III participants. Under this scenario LACERA will have saved approximately:

- Scenario I: \$56.16 million in total medical cost
- Scenario II: \$56.69 million in total medical cost
- Scenario III: \$56.89 million in total medical cost

## **Projection D – Migration Assumptions**

This projection assumes that the Medicare HMO Risk and Plan III participants migrate to Plan II, and that the County will stop paying the Part B premium for all members. Under this scenario LACERA will have saved approximately:

- Scenario I: \$153.22 million in total medical cost
- Scenario II: \$154.98 million in total medical cost
- Scenario III: \$155.64 million in total medical cost

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 5  
November 3, 2009  
Lita Payne  
LACERA

## Summary of Findings

Regardless of the outcome for the Part B reimbursement increase, the variance under each projection is only 1.2% to 1.6% of total savings.

Please call me at (213) 346-2539 if you have any questions or would like to discuss any of these projections.

Sincerely,

A handwritten signature in cursive script that reads "E. Clayton Levister III".

E. Clayton Levister III  
Principal

Copy:  
Laurie Silva - Mercer

### Attachments:

- Migration assumptions for Scenarios I, II, and III
- Grist - CMS issues 2010 Medicare premiums, deductible and coinsurance
- CMS Notification

## Scenario I

**Los Angeles County Employees Retirement Association  
Medicare Risk - Medicare Supplemental - Prudent Buyer  
Premium Projections as of July 1, 2009  
All Carriers Combined**

	July 1, 2009 through June 30, 2010			
	Migration A	Migration B	Migration C	Migration D
<b>Current Plan Cost (w/Part B Subsidy)</b>				
County Share	\$374,559,194	\$374,559,194	\$374,559,194	\$374,559,194
Member Share	<u>\$38,050,788</u>	<u>\$38,050,788</u>	<u>\$38,050,788</u>	<u>\$38,050,788</u>
Total	\$412,609,981	\$412,609,981	\$412,609,981	\$412,609,981
<b>Assumed Plan Cost (w/Migration and Benefit Options)</b>				
County Share	\$516,010,085	\$462,603,029	\$425,541,744	\$513,647,280
Member Share	<u>\$52,420,527</u>	<u>\$46,995,001</u>	<u>\$43,230,012</u>	<u>\$52,180,494</u>
Total	\$568,430,611	\$509,598,029	\$468,771,756	\$565,827,774
<b>Annual Cost / (Savings)</b>				
County Share	-\$141,450,891	-\$88,043,835	-\$50,982,550	-\$139,088,086
Member Share	<u>-\$14,369,739</u>	<u>-\$8,944,213</u>	<u>-\$5,179,225</u>	<u>-\$14,129,706</u>
Total	-\$155,820,630	-\$96,988,048	-\$56,161,775	-\$153,217,792
<b>Percentage Difference</b>				
County Share	-27.41%	-19.03%	-11.98%	-27.08%
Member Share	<u>-27.41%</u>	<u>-19.03%</u>	<u>-11.98%</u>	<u>-27.08%</u>
Total	-27.41%	-19.03%	-11.98%	-27.08%

**Notes:**

**Part B Premiums:**

Assumes all members have an increase of Part B reimbursement to \$110.50.

**(1) Migration A:**

PacifiCare and CIGNA Risk members move to the PacifiCare and CIGNA non-Risk HMOs  
Kaiser Risk members move to the Kaiser Excess plan  
Plan III and Scan members move to Plan II  
County stops paying Part B premium for all members

**(2) Migration B:**

PacifiCare, CIGNA, Kaiser, and Scan members move to Plan II  
Plan III members stay in Plan III  
County continues to pay Part B premium for Plan III members

**(3) Migration C:**

PacifiCare, CIGNA, Kaiser, and Scan members move to Plan II and Plan III  
Plan III members stay in Plan III  
County continues to pay Part B premium for Plan III members

**(4) Migration D:**

PacifiCare, CIGNA, Kaiser, Scan and Plan III members move to Plan II  
County stops paying Part B premium for all members

## Scenario II

Los Angeles County Employees Retirement Association  
 Medicare Risk - Medicare Supplemental - Prudent Buyer  
 Premium Projections as of July 1, 2009  
 All Carriers Combined

	July 1, 2009 through June 30, 2010			
	Migration A	Migration B	Migration C	Migration D
<b>Current Plan Cost (w/Part B Subsidy)</b>				
County Share	\$372,955,914	\$372,955,914	\$372,955,914	\$372,955,914
Member Share	<u>\$37,887,913</u>	<u>\$37,887,913</u>	<u>\$37,887,913</u>	<u>\$37,887,913</u>
Total	\$410,843,827	\$410,843,827	\$410,843,827	\$410,843,827
<b>Assumed Plan Cost (w/Migration and Benefit Options)</b>				
County Share	\$516,010,085	\$461,962,021	\$424,419,202	\$513,647,280
Member Share	<u>\$52,420,527</u>	<u>\$46,929,882</u>	<u>\$43,115,975</u>	<u>\$52,180,494</u>
Total	\$568,430,611	\$508,891,903	\$467,535,177	\$565,827,774
<b>Annual Cost / (Savings)</b>				
County Share	-\$143,054,171	-\$89,006,107	-\$51,463,288	-\$140,691,366
Member Share	<u>-\$14,532,613</u>	<u>-\$9,041,969</u>	<u>-\$5,228,062</u>	<u>-\$14,292,580</u>
Total	-\$157,586,784	-\$98,048,075	-\$56,691,350	-\$154,983,946
<b>Percentage Difference</b>				
County Share	-27.72%	-19.27%	-12.13%	-27.39%
Member Share	<u>-27.72%</u>	<u>-19.27%</u>	<u>-12.13%</u>	<u>-27.39%</u>
Total	-27.72%	-19.27%	-12.13%	-27.39%

**Notes:**

**Part B Premiums:**

Assumes 73% of members have no increase to Part B reimbursement of \$96.40 due to Hold Harmless and 27% have the standard increase of Part B reimbursement to \$110.50.

**(1) Migration A:**

PacifiCare and CIGNA Risk members move to the PacifiCare and CIGNA non-Risk HMOs  
 Kaiser Risk members move to the Kaiser Excess plan  
 Plan III and Scan members move to Plan II  
 County stops paying Part B premium for all members

**(2) Migration B:**

PacifiCare, CIGNA, Kaiser, and Scan members move to Plan II  
 Plan III members stay in Plan III  
 County continues to pay Part B premium for Plan III members

**(3) Migration C:**

PacifiCare, CIGNA, Kaiser, and Scan members move to Plan II and Plan III  
 Plan III members stay in Plan III  
 County continues to pay Part B premium for Plan III members

**(4) Migration D:**

PacifiCare, CIGNA, Kaiser, Scan and Plan III members move to Plan II  
 County stops paying Part B premium for all members

## Scenario III

**Los Angeles County Employees Retirement Association  
Medicare Risk - Medicare Supplemental - Prudent Buyer  
Premium Projections as of July 1, 2009  
All Carriers Combined**

	July 1, 2009 through June 30, 2010			
	Migration A	Migration B	Migration C	Migration D
<b>Current Plan Cost (w/Part B Subsidy)</b>				
County Share	\$372,362,920	\$372,362,920	\$372,362,920	\$372,362,920
Member Share	<u>\$37,827,672</u>	<u>\$37,827,672</u>	<u>\$37,827,672</u>	<u>\$37,827,672</u>
Total	\$410,190,592	\$410,190,592	\$410,190,592	\$410,190,592
<b>Assumed Plan Cost (w/Migration and Benefit Options)</b>				
County Share	\$516,010,085	\$461,724,935	\$424,004,015	\$513,647,280
Member Share	<u>\$52,420,527</u>	<u>\$46,905,797</u>	<u>\$43,073,797</u>	<u>\$52,180,494</u>
Total	\$568,430,611	\$508,630,732	\$467,077,813	\$565,827,774
<b>Annual Cost / (Savings)</b>				
County Share	-\$143,647,164	-\$89,362,015	-\$51,641,095	-\$141,284,360
Member Share	<u>-\$14,592,854</u>	<u>-\$9,078,125</u>	<u>-\$5,246,125</u>	<u>-\$14,352,821</u>
Total	-\$158,240,019	-\$98,440,140	-\$56,887,220	-\$155,637,181
<b>Percentage Difference</b>				
County Share	-27.84%	-19.35%	-12.18%	-27.51%
Member Share	<u>-27.84%</u>	<u>-19.35%</u>	<u>-12.18%</u>	<u>-27.51%</u>
Total	-27.84%	-19.35%	-12.18%	-27.51%

**Notes:**

**Part B Premiums:**

Assumes HR 3631 pass the Senate and no members have an increase. Part B premiums stay at \$96.40.

**(1) Migration A:**

PacifiCare and CIGNA Risk members move to the PacifiCare and CIGNA non-Risk HMOs  
Kaiser Risk members move to the Kaiser Excess plan  
Plan III and Scan members move to Plan II  
County stops paying Part B premium for all members

**(2) Migration B:**

PacifiCare, CIGNA, Kaiser, and Scan members move to Plan II  
Plan III members stay in Plan III  
County continues to pay Part B premium for Plan III members

**(3) Migration C:**

PacifiCare, CIGNA, Kaiser, and Scan members move to Plan II and Plan III  
Plan III members stay in Plan III  
County continues to pay Part B premium for Plan III members

**(4) Migration D:**

PacifiCare, CIGNA, Kaiser, Scan and Plan III members move to Plan II  
County stops paying Part B premium for all members

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MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

## **GRIST Report: CMS issues 2010 Medicare premium, deductible and coinsurance amounts**

*By Fran Bruno and Barbara McGeoch of Mercer's Washington Resource Group  
Oct. 21, 2009*

### **In This Article**

[Summary](#) | [Medicare beneficiary cost-sharing requirements](#) | [Part A – Hospital insurance](#) | [Part B – Medical insurance](#)

### **Summary**

The Centers for Medicare and Medicaid Services announced the 2010 beneficiary premiums, deductibles and other cost-sharing amounts for Medicare Parts A and B. The standard Part B monthly premium increases to \$110.50, up from \$96.40 in 2009. However, many Medicare beneficiaries will pay the same Part B premium they paid in 2009 because of a little-known provision of federal law. The announcement also includes special income-related Part B monthly premiums for beneficiaries in higher-income brackets.

### **Medicare beneficiary cost-sharing requirements**

Medicare beneficiaries are subject to various cost-sharing requirements, including monthly premiums, daily coinsurance amounts for certain benefits and deductibles. These amounts are adjusted annually based on Medicare rules. The Centers for Medicare and Medicaid Services (CMS) announced the 2010 amounts for Medicare Parts A and B. (For prior years' amounts, see [GRIST #20080213](#), Sept. 19, 2008.) Because Social Security benefits won't get a cost of living increase in 2010, many Medicare beneficiaries will pay the same Part B premium as in 2009.

### **Part A – Hospital insurance**

Medicare Part A beneficiaries are subject to a deductible for inpatient hospital stays. If hospitalized more than 60 days, beneficiaries are also responsible for daily coinsurance amounts, which vary depending on duration of the stay. Beneficiaries who receive services in a skilled nursing facility are subject to separate daily coinsurance amounts.

Although most individuals qualify for premium-free Part A coverage, those who haven't had enough quarters of Medicare covered employment must pay monthly Part A premiums. The amount of the premium depends on the number of the beneficiary's covered quarters and whether enrollment in Medicare is due to age (such as seniors age 65 and older) or disability. The table below shows the Part A deductibles, coinsurance amounts and premiums for 2009 and

2010. For more detail on how these amounts are calculated, see CMS's regulatory issuance on the Part A premium and Part A deductible and co-insurance amounts.

<b>Part A Hospital Insurance</b>		
	2010	2009
Hospital inpatient deductible	\$1,100	\$1,068
Hospital daily coinsurance		
▪ Days 61-90	275	267
▪ Lifetime reserve days	550	534
Skilled nursing facility daily coinsurance	137.50	133.50
Monthly premium		
▪ Seniors with fewer than 30 covered quarters and certain people with disabilities under 65	461	443
▪ Seniors with 30-39 covered quarters and people with disabilities who have 30 or more covered quarters	254	244

## **Part B – Medical insurance**

Medicare beneficiaries with Part B coverage pay a monthly premium and an annual deductible. People in higher-income brackets pay higher premiums – on a graduated scale – depending on their annual income. (For background information on income-related Part B adjustments, which began in 2007, see GRIST #20060055, Mar. 7, 2006.)

***No increase in Part B premium for many in 2010.*** Although the Medicare Part B standard premium will increase to \$110.50 (up from \$96.40 in 2009), more than three quarters of Medicare beneficiaries will continue paying the 2009 amount. Individuals in this group are primarily those who already receive both Social Security and Medicare benefits, aren't subject to the Part B adjustment for people in higher-income brackets, and have Part B premiums deducted from their monthly Social Security checks.

***Obscure rule applies in 2010.*** A special provision of the Medicare law prohibits reducing Social Security benefits from one year to the next solely due to an increase in Medicare Part B premiums. Because there will be no cost of living increase for 2010 Social Security benefits, beneficiaries who have Part B premiums deducted from their checks would suffer a reduced net benefit if required to pay the increased 2010 Part B premium. These beneficiaries will continue paying the 2009 amount throughout 2010. A bill (HR 3631) passed by the House and awaiting Senate action would eliminate the 2010 increase for all Medicare beneficiaries.

Medicare beneficiaries who don't fall into the above categories will pay the increased Part B premium in 2010. Any Medicare beneficiary subject to the income-related increases will pay the



new, higher Part B premium in 2010 (along with the required increase, as noted in the chart below).

The table below lists the Part B deductible and monthly premiums for 2009 and 2010. For more detail on how these amounts are calculated, see CMS's regulatory issuance on the [Part B premium and deductible](#).

<b>Part B Medical Insurance*</b>				
	<b>2010</b>		<b>2009</b>	
<b>Annual deductible</b>	\$155.00		\$135.00	
<b>Monthly premium if income is:</b>	<b>Annual income</b>	<b>Premium</b>	<b>Annual income</b>	<b>Premium</b>
from \$ through \$	0 – 85,000 <sup>⊖</sup>	110.50 <sup>‡</sup>	0 – 85,000 <sup>⊖</sup>	96.40
over \$ through \$	85,000 – 107,000	154.70	85,000 – 107,000	122.20
	107,000 – 160,000	221.00	107,000 – 160,000	160.90
	160,000 – 214,000	287.30	160,000 – 213,000	199.70
over \$	214,000	353.60	213,000	238.40

\* this table does not reflect income brackets/premium amounts for individuals filing a joint tax return, or married but filing a return separate from their spouse who lived with them any time during the taxable year

⊖ income bracket for most unmarried beneficiaries filing individual returns

‡ this premium amount applies only to a limited number of beneficiaries due to a rarely applied Medicare law exempting many from a Part B premium increase in 2010

*GRIST is prepared by Mercer's Washington Resource Group. For more information, contact the InfoServices team at +1 202 263 3950.*

WRG only: #20090252

## Centers for Medicare & Medicaid Services

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### Fact Sheets

#### Details for: CMS ANNOUNCES MEDICARE PREMIUMS, DEDUCTIBLES FOR 2010

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**For Immediate Release:** Friday, October 16, 2009

**Contact:** CMS Office of Public Affairs  
202-690-6145

#### **CMS ANNOUNCES MEDICARE PREMIUMS, DEDUCTIBLES FOR 2010**

Most Medicare beneficiaries will not see a Part B monthly premium increase as a result of a "hold harmless" provision in the current law. This allows for 73 percent of beneficiaries to be protected from an increase raising the 2010 Part B monthly premiums from \$96.40 to \$110.50. The Administration continues to urge Congressional action that would protect all beneficiaries from higher Part B premiums and eliminate the inequity of a high premium for the remaining 27 percent of beneficiaries.

By law, the Centers for Medicare & Medicaid Services (CMS) is required to announce the Part A deductibles and Part B premium amount – a notice that is published annually in the Federal Register.

Under the Medicare law, the standard premium is set to cover approximately one-fourth of the average cost of Part B services incurred by beneficiaries aged 65 and over. The remaining Part B costs are financed by Federal general revenues. This monthly premium paid by beneficiaries enrolled in Medicare Part B covers a portion of the cost of physicians' services, outpatient hospital services, certain home health services, durable medical equipment, and other items.

In calculating the monthly Part B premium each year, the CMS Office of the Actuary includes a contingency margin to provide for possible variation between actual and projected costs. The size of the contingency margin estimated to be needed for 2010 is affected by two main factors.

First, the current law formula for physician fees, which will result in a reduction in physician fees of approximately 21 percent in 2010 and is projected to cause additional reductions in subsequent years, is one factor affecting the 2010 contingency margin. For each year from 2003 through 2009, Congress has acted to prevent physician fee reductions from occurring.

In recognition of the strong possibility of increases in Part B expenditures that would result from similar legislation to override the decreases in physician fees in 2010 or later years, it is appropriate to maintain a significantly larger Part B contingency reserve than would otherwise be necessary. The asset level projected for the end of 2009 is not adequate to accommodate

this contingency.

Second, the Social Security Administration announced there would be no increase in Social Security benefits for 2010. As a result of the hold-harmless provision, the increase in the Part B premium for 2010 will be paid by only a small percentage of Part B enrollees. Most Part B enrollees will pay the same monthly premium that they paid in 2009 (\$96.40 was the 2009 standard monthly premium).

Approximately 27 percent of beneficiaries are not subject to the hold-harmless provision because they are new enrollees during the year (3 percent), they are subject to the income-related additional premium amount (5 percent), they do not have their Part B premiums withheld from social security benefit payments (19 percent), including those who qualify for both Medicare and Medicaid and have their Part B premiums paid on their behalf by Medicaid (17 percent).

As required in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), beginning in 2007 the Part B premium a beneficiary pays each month is based on his or her annual income. Specifically, if a beneficiary's "modified adjusted gross income" is greater than the legislated threshold amounts (\$85,000 in 2010 for a beneficiary filing an individual income tax return or married and filing a separate return, and \$170,000 for a beneficiary filing a joint tax return) the beneficiary is responsible for a larger portion of the estimated total cost of Part B benefit coverage. In addition to the standard 25 percent premium, such beneficiaries now pay an income-related monthly adjustment amount. These income-related Part B premiums were phased-in over three years, beginning in 2007. About 5 percent of current Part B enrollees are expected to be subject to the higher premium amounts

The 2010 Part B monthly premium rates to be paid by beneficiaries who file an individual tax return (including those who are single, head of household, qualifying widow(er) with dependent child, or married filing separately who lived apart from their spouse for the entire taxable year), or who file a joint tax return are:

Beneficiaries who file an individual tax return with income:	Beneficiaries who file a joint tax return with income:	Income-related monthly adjustment amount	Total monthly premium amount
Less than or equal to \$85,000	Less than or equal to \$170,000	\$0.00	\$110.50
Greater than \$85,000 and less than or equal to \$107,000	Greater than \$170,000 and less than or equal to \$214,000	\$44.20	\$154.70
Greater than \$107,000 and less than or equal to \$160,000	Greater than \$214,000 and less than or equal to \$320,000	\$110.50	\$221.00
Greater than \$160,000 and less than or equal to \$214,000	Greater than \$320,000 and less than or equal to \$428,000	\$176.80	\$287.30
Greater than \$214,000	Greater than \$428,000	\$243.10	\$353.60

In addition, the monthly premium rates to be paid by beneficiaries who are married, but file a separate return from their spouse and lived with their spouse at any time during the taxable

year are:

Beneficiaries who are married but file a separate tax return from their spouse:	Income-related monthly adjustment amount	Total monthly premium amount
Less than or equal to \$85,000	\$0.00	\$110.50
Greater than \$85,000 and less than or equal to \$129,000	\$176.80	\$287.30
Greater than \$129,000	\$243.10	\$353.60

#### Part B Deductible

The Part B deductible was increased to \$110 in 2005 and, as a result of the Medicare Modernization Act, is currently indexed to the annual percentage increase in the Part B actuarial rate for aged beneficiaries. In 2010, the Part B deductible will be \$155.

#### Part A Premium and Deductible

Today, CMS is also announcing the Part A deductible and premium for 2010. Medicare Part A pays for inpatient hospital, skilled nursing facility, hospice, and certain home health care services. The \$1,100 deductible for 2010, paid by the beneficiary when admitted as a hospital inpatient, is an increase of \$32 from \$1,068 in 2009. Beneficiaries must pay an additional \$275 per day for days 61 through 90 in 2010, and \$550 for lifetime reserve days. The corresponding amounts in 2009 are \$267 and \$534, respectively. Daily coinsurance for the 21st through 100th day in a skilled nursing facility will be \$137.50 in 2010, up from \$133.50 in 2009.

Approximately 99 percent of Medicare beneficiaries do not have to pay a premium for Part A services because they have at least 40 quarters of Medicare-covered employment (or are the spouse or widow(er) of such a person). However, other seniors and certain people under age 65 with disabilities who have fewer than 30 quarters of coverage may obtain Part A coverage by paying a monthly premium set according to a statutory formula. This premium will be \$461 per month for 2010, an increase of \$18 from 2009. A reduced premium applies in the case of individuals with 30 to 39 quarters of coverage, who will pay a premium of \$254 in 2010, compared to \$244 in 2009.

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**ATTACHMENT III**

**KAISER MEDICARE AND NON-MEDICARE HEALTH PLAN RATE COMPARISON  
(BASED ON JULY 1, 2009 TO JUNE 30, 2010 RATES)  
RETIREE ONLY**

		<b>MEDICARE RISK HMO</b>					<b>HMO</b>				
		<b>KAISER SENIOR ADVANTAGE (Assigned both Parts A &amp; B)</b>					<b>Kaiser Excess I (Assigned only Part A)</b>				
	<b>MAXIMUM COUNTY SUBSIDY FOR ALL PLANS</b>	<b>2010 MEDICARE PART B SUBSIDY</b>	<b>ACTUAL COUNTY SUBSIDY</b>	<b>TOTAL COUNTY COST</b>	<b>RETIREE COST</b>	<b>TOTAL INSURANCE PREMIUM</b>	<b>MEDICARE PART B SUBSIDY</b>	<b>ACTUAL COUNTY SUBSIDY</b>	<b>TOTAL COUNTY COST</b>	<b>RETIREE COST</b>	<b>TOTAL INSURANCE PREMIUM</b>
10 YOS (40%)	\$339.62	\$110.50	\$85.37	\$195.87	\$128.05	\$213.42	\$0.00	\$334.62	\$334.62	\$501.93	\$836.55
15 YOS (60%)	\$509.44	\$110.50	\$128.05	\$238.55	\$85.37	\$213.42	\$0.00	\$501.93	\$501.93	\$334.62	\$836.55
20 YOS (80%)	\$679.25	\$110.50	\$170.74	\$281.24	\$42.68	\$213.42	\$0.00	\$669.24	\$669.24	\$167.31	\$836.55
25 YOS (100%)	\$849.06	\$110.50	\$213.42	\$323.92	\$0.00	\$213.42	\$0.00	\$836.55	\$836.55	\$0.00	\$836.55

**ATTACHMENT IV**

**KAISER TWO-PARTY MEDICARE HEALTH PLAN RATE COMPARISON  
(BASED ON JULY 1, 2009 TO JUNE 30, 2010 RATES)  
RETIREE AND SPOUSE \***

	MAXIMUM COUNTY SUBSIDY FOR ALL PLANS	KAISER SENIOR ADVANTAGE (Retiree & Spouse Assigned both Parts A & B)					Kaiser Excess I (Retiree & Spouse Assigned only Part A)				
		2010 MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM	MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM
10 YOS (40%)	\$723.06	\$221.00	\$169.54	\$390.54	\$254.30	\$423.84	\$0.00	\$668.04	\$668.04	\$1,002.06	\$1,670.10
15 YOS (60%)	\$1,084.60	\$221.00	\$254.30	\$475.30	\$169.54	\$423.84	\$0.00	\$1,002.06	\$1,002.06	\$668.04	\$1,670.10
20 YOS (80%)	\$1,446.13	\$221.00	\$339.07	\$560.07	\$84.77	\$423.84	\$0.00	\$1,336.08	\$1,336.08	\$334.02	\$1,670.10
25 YOS (100%)	\$1,807.66	\$221.00	\$423.84	\$644.84	\$0.00	\$423.84	\$0.00	\$1,670.10	\$1,670.10	\$0.00	\$1,670.10

\* Based on Anthem Blue Cross I and Anthem Blue Cross II subsidy cap applicable to family coverage. Indicated Kaiser costs apply to retiree and one or more dependents.

**ATTACHMENT V**

**ANTHEM BLUE CROSS MEDICARE AND NON-MEDICARE HEALTH PLAN RATE COMPARISON  
(BASED ON JULY 1, 2009 TO JUNE 30, 2010 RATES)  
RETIREE ONLY**

		<b>MEDICARE SUPPLEMENT</b>					<b>INDEMNITY PLAN</b>							
		<b>ANTHEM BLUE CROSS III (Assigned both Parts A &amp; B)</b>					<b>ANTHEM BLUE CROSS I (MEDICARE NOT REQUIRED)</b>				<b>ANTHEM BLUE CROSS II (MEDICARE NOT REQUIRED)</b>			
	<b>MAXIMUM COUNTY SUBSIDY FOR ALL PLANS</b>	<b>2010 MEDICARE PART B SUBSIDY</b>	<b>ACTUAL COUNTY SUBSIDY</b>	<b>TOTAL COUNTY COST</b>	<b>RETIREE COST</b>	<b>TOTAL INSURANCE PREMIUM</b>	<b>ACTUAL COUNTY SUBSIDY</b>	<b>TOTAL COUNTY COST</b>	<b>RETIREE COST</b>	<b>TOTAL INSURANCE PREMIUM</b>	<b>ACTUAL COUNTY SUBSIDY</b>	<b>TOTAL COUNTY COST</b>	<b>RETIREE COST</b>	<b>TOTAL INSURANCE PREMIUM</b>
10 YOS (40%)	\$339.62	\$110.50	\$123.88	\$234.38	\$185.81	\$309.69	\$339.62	\$339.62	\$509.44	\$849.06	\$339.62	\$339.62	\$509.44	\$849.06
15 YOS (60%)	\$509.44	\$110.50	\$185.81	\$296.31	\$123.88	\$309.69	\$509.44	\$509.44	\$339.62	\$849.06	\$509.44	\$509.44	\$339.62	\$849.06
20 YOS (80%)	\$679.25	\$110.50	\$247.75	\$358.25	\$61.94	\$309.69	\$679.25	\$679.25	\$169.81	\$849.06	\$679.25	\$679.25	\$169.81	\$849.06
25 YOS (100%)	\$849.06	\$110.50	\$309.69	\$420.19	\$0.00	\$309.69	\$849.06	\$849.06	\$0.00	\$849.06	\$849.06	\$849.06	\$0.00	\$849.06



**ATTACHMENT VI**

**ANTHEM BLUE CROSS TWO-PARTY MEDICARE HEALTH PLAN RATE COMPARISON  
(BASED ON JULY 1, 2009 TO JUNE 30, 2010 RATES)  
RETIREE AND SPOUSE**

	MAXIMUM COUNTY SUBSIDY FOR ALL PLANS	ANTHEM BLUE CROSS III (Retiree & Spouse Assigned both Parts A & B)					ANTHEM BLUE CROSS I OR II (MEDICARE NOT REQUIRED)				
		2010 MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM	MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM
10 YOS (40%)	\$612.88	\$221.00	\$247.04	\$468.04	\$370.57	\$617.61	\$0.00	\$612.88	\$612.88	\$919.31	\$1,532.19
15 YOS (60%)	\$919.31	\$221.00	\$370.57	\$591.57	\$247.04	\$617.61	\$0.00	\$919.31	\$919.31	\$612.88	\$1,532.19
20 YOS (80%)	\$1,225.75	\$221.00	\$494.09	\$715.09	\$123.52	\$617.61	\$0.00	\$1,225.75	\$1,225.75	\$306.44	\$1,532.19
25 YOS (100%)	\$1,532.19	\$221.00	\$617.61	\$838.61	\$0.00	\$617.61	\$0.00	\$1,532.19	\$1,532.19	\$0.00	\$1,532.19

## ATTACHMENT VII

### KAISER MEDICARE AND NON-MEDICARE HEALTH PLAN BENEFITS COMPARISON

	MEDICARE RISK HMO	
	Kaiser Senior Advantage (Assigned both Parts A & B)	Kaiser Excess I (Assigned only Part A)
<b>Expenses</b>		
Calendar Year Deductibles	None	
Annual Maximum Out-of-Pocket Expenses	Max Co-payments of: \$1,500 – Individual \$3,000 - Family	
Lifetime Maximum Benefits	Unlimited	
<b>Hospital Benefits</b>		
Room and Board	No charge	
Surgical Services	No charge	No charge for inpatient; \$5 copay for outpatient
Hospital Services and Supplies	No charge	
<b>Emergency Benefits</b>		
Inpatient	\$5 copay; waived if admitted	No charge
Outpatient	\$5 copay; waived if admitted	
Ambulance	No charge for emergency	
<b>Outpatient Benefits</b>		
Doctor's Office Visit	\$5 copay	
Preadmission x-ray and lab tests	No charge	
Routine checkups	\$5 copay	
Immunizations	No charge	
Outpatient Surgical services	\$5 copay per procedure	
Physical Therapy	\$5 copay	
Speech Therapy	\$5 copay	
Prescription Drugs	\$7 copay for up to 100-day supply, covers dental prescriptions	
<b>Vision/Hearing Care Benefits</b>		
Eye Exams	\$5 copay	
Lenses	Eye care purchased from plan optical sales offices every 24 months; \$150 allowance	Not covered
Frames	Eye care purchased from plan optical sales offices every 24 months; \$150 allowance	Not covered
Hearing Exams	\$5 copay	
Hearing Aids	Not covered	
<b>Durable Medical Equipment</b>	<b>Covered</b>	<b>Not covered</b>

**ATTACHMENT VIII**

**BLUE CROSS MEDICARE AND NON-MEDICARE HEALTH PLAN  
BENEFITS COMPARISON**

	MEDICARE SUPPLEMENT	INDEMNITY PLAN	
	ANTHEM BLUE CROSS III (Assigned both Parts A & B)	ANTHEM BLUE CROSS I (Medicare not required)	ANTHEM BLUE CROSS II (Medicare not required)
<b>Expenses</b>			
Calendar Year Deductibles	None	\$100 individual, \$100 family	\$500 individual; \$1,500 family
Annual Maximum Out-of-Pocket Expenses	None	N/A	\$2,500 including deductible
Lifetime Maximum Benefits	Unlimited	\$1,000,000	\$1,000,000
<b>Hospital Benefits</b>			
Room and Board	Plan pays all Medicare inpatient deductibles for approved Medicare days	\$75/day \$150/day special care unit	90% PPO hospital; 80% non-PPO
Surgical Services	Plan pays all Medicare inpatient deductibles for approved Medicare days	According to schedule + 80% of balance	80%
Hospital Services and Supplies	Plan pays all Medicare inpatient deductibles for approved Medicare days	100%	90% PPO hospital; 80% non-PPO hospital
<b>Emergency Benefits</b>			
Inpatient	Plan pays all Medicare inpatient deductibles for approved Medicare days	\$75/day \$150/day special care unit	90% PPO hospital; 80% non-PPO hospital
Outpatient	20% of Medicare approved charges	100% at a hospital only	80%
Ambulance	20% of Medicare approved charges	80% for transportation to first hospital where care is given	80% for transportation to first hospital where care is given
Durable Medical Equipment	Covered	80% for covered, medically necessary medical equipment after deductible met	80% for covered, medically necessary medical equipment after deductible met

**ATTACHMENT VIII (Continued)**

**BLUE CROSS MEDICARE AND NON-MEDICARE HEALTH PLAN  
BENEFITS COMPARISON**

	MEDICARE SUPPLEMENT	INDEMNITY PLAN	
	ANTHEM BLUE CROSS III (Assigned both Parts A & B)	ANTHEM BLUE CROSS I (Medicare not required)	ANTHEM BLUE CROSS II (Medicare not required)
<b>Outpatient Benefits</b>			
Doctor's Office Visit	20% of Medicare approved charges	80%	
Preadmission x-ray and lab tests	20% of Medicare approved charges	100%	
Routine checkups	Not covered except for dependent children under age 17	\$25 copay; covered in-network only; maximum \$250	\$25 copay; covered in-network only; maximum \$250
Immunizations	Not covered except for dependent children under age 17	Not covered except for dependent children under age 17	
Outpatient Surgical services	20% of Medicare approved charges	100%	100% (80% hospital facility fees)
Physical Therapy	20% of Medicare approved charges	80% in accordance with requirements	
Speech Therapy	20% of Medicare approved charges	80% in accordance with requirements	
Prescription Drugs	80% in-network and 60% out-of-network if purchased from pharmacy; \$10 generic/\$30 brand/\$50 non-preferred brand/\$150 specialty copay for mail order for 90-day supply		
<b>Vision/Hearing Care Benefits</b>			
Eye Exams	Not covered	Covered after accident only	
Lenses	Not covered unless 1st lens after eye surgery	Covered after accident and after eye surgery	
Frames	Not covered unless after eye surgery	Covered after accident or after eye surgery only	
Hearing Exams	One per year; 80%	Covered after accident only	
Hearing Aids	50% up to \$300 lifetime maximum	Covered after accident only	