December 13, 2016

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

Dear Supervisors:

MEDICARE PART B PREMIUM REIMBURSEMENT PROGRAM FOR 2017
ALL SUPERVISORIAL DISTRICTS
(3 VOTES)

SUBJECT

Recommendation to approve renewal of the Medicare Part B Reimbursement Program which provides for reimbursement of Medicare Part B premium costs up to the standard rate for retirees enrolled in a Los Angeles County Employees Retirement Association (LACERA)-administered Medicare Plan in 2017.

IT IS RECOMMENDED THAT THE BOARD:

1) Renew the Medicare Part B Premium Reimbursement Program for the 2017 calendar year for retirees enrolled in a LACERA-administered Medicare Risk HMO or Medicare Supplement Plan;
2) Instruct the Chief Executive Officer to report back to the Board, prior to January 1, 2018, with recommendations regarding the Medicare Part B reimbursement policy for the 2018 calendar year; and
3) Reaffirm the 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 RECOMMENDED ACTION

Since 1992, the County has sponsored retiree health insurance plans designed to encourage retirees to fully participate in the federal Medicare program. As part of this effort, the County established the Medicare Part B Premium Reimbursement Program to reimburse qualified retirees for the cost of their Medicare Part B premiums. This reimbursement amount is limited to the standard premium rate which is subject to annual adjustment.
Medicare Part B covers certain doctors’ services, outpatient care, medical supplies, and preventive services for retirees who are at least 65 years old. To receive the Medicare Part B reimbursement, retirees must meet all the following eligibility criteria: 1) Current enrollment in both Medicare Parts A and B; 2) Current enrollment in one of the LACERA-administered Risk HMOs (Kaiser Senior Advantage, Senior Care Action Network (SCAN), or United Healthcare) or a Medicare Supplement Plan (Anthem Blue Cross Plan III); 3) Currently paying for Medicare Part B premium themselves; and 4) Not being reimbursed for the Medicare Part B premium by another agency.

By prior Board direction, reimbursing retirees for the cost of Medicare Part B requires an annual determination that the program remains cost effective. In other words, the savings that result from the reduction in Medicare Part B premiums must be greater than the cost of reimbursing those who participate in the Medicare Part B Premium Reimbursement Program (Program). The purpose of the recommended action is to affirm that such determination has been made and to obtain the Board’s authorization to continue the Program through the 2017 calendar year.

Retiree Healthcare Subsidy Overview

The County pays a subsidy toward the cost of retiree health and dental insurance, only if the retiree has at least 10 years of service. The amount of the subsidy for eligible retirees is based upon the retiree’s length of active County service. A retiree with 10 years of service receives a subsidy equal to 40 percent of premium cost of the selected insurance plan or 40 percent of the benchmark plan rate, whichever is less. Beyond the 10 years, the subsidy increases four percent for each additional year of service. Therefore, a retiree with 25 years of active County service receives a subsidy equal to 100 percent of the benchmark premium cost or the selected insurance plan premium cost, whichever is less.

Currently, the benchmark rate is equal to the rates negotiated for the Anthem Blue Cross I and Anthem Blue Cross II plans (rates for these plans are the same). Under no circumstances may the subsidy exceed these benchmark premium rates. Within these limitations, the subsidy is applied toward the cost of coverage for the retiree and any eligible dependents for Tier 1 participants (those hired prior to July 1, 2014). For Tier 2 participants (those hired on or after July 1, 2014), the subsidy is applied toward the cost of coverage for the retiree only. The Tier 2 retiree is responsible for paying the full cost of the insurance premium for any eligible dependents they elect to enroll in a LACERA medical and/or dental insurance plan. If the premium of the health care plan selected by the retiree exceeds the benchmark rate, the retiree must pay the difference (for himself and enrolled dependents under Tier 1 and for himself under Tier 2, respectively) even if he has 25 years of service credit.

Medicare Risk HMO and Medicare Supplement Plan Overview

Since the inception of the Program in 1992, the County has reimbursed the full cost of the standard Medicare Part B premium for any retiree enrolled in a Medicare Risk HMO and the Medicare Supplement Plan. LACERA currently administers three Medicare Risk HMOs and one Medicare Supplement Plan. There are an estimated 31,400 retirees and their dependents enrolled in these plans.

The Medicare Risk HMOs and the Medicare Supplement Plan require the eligible retirees to be enrolled in Medicare Parts A and B. Part A covers hospitalization costs and Part B covers physician services and other ancillary items such as laboratory testing and durable medical equipment. Part A coverage is earned by working the required Social Security quarters and Part B must be purchased by eligible participants.
Under a Medicare Risk HMO, participants assign overall rights to Medicare Parts A and B to the HMO and agree to receive all medical care from the HMO. Furthermore, participants agree 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 which defrays much of the cost of the HMO coverage. The reduction in cost is passed on to the retirees and to 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 and pays first on each claim. A Medicare Supplement Plan picks up where Medicare leaves off within the limitations set forth by Medicare.

**2017 Premium Rates for Medicare Part B**

As part of the Medicare Modernization Act effective January 2007, Medicare Part B premiums are income or means tested. Means testing imposes higher Part B premiums on a graduated basis beginning with retirement incomes over $85,000 per annum. Therefore, these individuals must pay the higher Part B standard premium rate plus the means tested amount taking effect on January 1, 2017.

Since the 1992 Program inception, the Centers for Medicare and Medicaid Services (CMS) has annually issued only a single standard Medicare premium rate (i.e., the minimum that all participants pay) along with associated means tested rates. For 2013, 2014, and 2015, the standard premium rate was $104.90 per month. However, on November 10, 2015, CMS announced a two-tier Medicare Part B premium rate structure for 2016 – one for those retirees protected under the Social Security “hold harmless” provision (“hold harmless” rate) and a new standard rate for all other retirees not protected under the “hold harmless” provision. These rates were issued in response to the lack of a Social Security Cost of Living Adjustment (COLA) for 2016 (Social Security regulations prohibit an increase in Medicare Part B premiums that would reduce an individual’s monthly Social Security Benefits) and the implementation of the 2015 Bipartisan Budget Act (modifies the calculation methodology for Medicare Part B premiums and deductibles).

For 2017, the premium rates for each income bracket will remain the same only for those participants who are “held harmless” from premium rate increases. Pursuant to the provisions of the Bipartisan Budget Act of 2015, retirees not subject to the hold harmless provision will pay a slightly higher standard rate ($134.00 per month) effective January 1, 2017. Retirees who must pay the higher plan premium include those not collecting Social Security benefits, first time Part B enrollees in 2017, Medicare beneficiaries who are dually eligible for Medicare and Medicaid, and higher-income Medicare beneficiaries who are required to pay an income-related surcharge in addition to the standard monthly Part B premium amount (Modified Adjusted Gross Income greater than $85,000 for individuals and greater than $170,000 for couples) (Attachment A).

For the 2017 plan year, we recommend that County’s monthly reimbursement continue at the level of the “hold harmless” Medicare Part B premium rate ($109.00 for individuals and $218.00 for couples filing jointly) for all those plan participants who qualify under the “hold harmless” provision. We recommend that the monthly reimbursement to all LACERA members who qualify for participation in the Program, but who are not protected under the Social Security “hold harmless” provision, be $134.00.
Implementation of Strategic Plan Goals
The recommended action supports the Countywide Strategic Plan Goal of Operational Effectiveness/Fiscal Sustainability. The County’s Program to subsidize the standard Medicare Part B premium provides an incentive for retirees to participate in less costly LACERA-administered Medicare plans. As such, it reduces the overall retiree health care plan costs for the County.

FISCAL IMPACT/FINANCING
The recommended action would increase the 2017 Medicare Part B reimbursement costs by approximately $6.7 million per year to a total of $53 million (compared to the projected 2016 Program year costs of $46.2 million). Funding for this Program is included as part of the final adopted budget for Fiscal Year 2016-17 and will be requested as a continuing appropriation in subsequent years. The potential cost of not approving the recommendation could be far greater.

Without the Program, a majority of the current Program participants would likely transfer into the more expensive LACERA plans. Of the estimated 31,400 eligible participants currently in the Program, approximately 14,000 retirees (20,400 total eligible participants) are receiving a 100 percent County retiree healthcare subsidy because they have 25 or more years of County service. These individuals can enroll in any LACERA health plan and have the full premium paid by the County up to the current benchmark plan limits (Anthem Blue Cross I and II rates). As such, there would be no obligation for these persons to purchase Part B coverage.

The County and LACERA independently contracted with the actuarial consulting firms of Cheiron and Aon Hewitt, respectively, to review this Program including the potential impact of discontinuing the Program (Attachments B and C). Cheiron concluded that without the Program, the increase in retiree healthcare costs to the County would be approximately $54 million per annum. Likewise, Aon Hewitt concurred that the overall County cost for retiree healthcare would be dramatically higher in the absence of the Part B Reimbursement Program. For these reasons, we recommend renewal of the Program to better ensure that the cost savings can be realized.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS
The recommended continuance of the Medicare Part B reimbursement would take effect on January 1, 2017, and will be initially reflected in LACERA retiree warrants issued on December 31, 2016. The amount reimbursed will include any late enrollment penalties paid by retirees who enrolled during the special open enrollment period prior to May 1993.

The Chief Executive Officer will report back prior to January 1, 2018, with additional recommendations relating to Part B reimbursement policy for the 2018 calendar year.

IMPACT ON CURRENT SERVICES (OR PROJECTS)
No impact on current services.
The Honorable Board of Supervisors
12/13/2016
Page 5

Respectfully submitted,

[Signature]

SACHI A. HAMAI
Chief Executive Officer

SAH:JJ:MTK
SM:KBG:mst

Enclosures

c:  Executive Office, Board of Supervisors
    County Counsel
    Auditor-Controller
    Los Angeles County Employees Retirement Association
MEDICARE PART B PREMIUM COSTS FOR 2017

<table>
<thead>
<tr>
<th>Yearly Modified Adjusted Gross Income for 2015(^1)</th>
<th>Filing Individually</th>
<th>Filing Jointly</th>
<th>2017 Rates for Individuals not Subject to “Hold Harmless” Provisions</th>
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<tr>
<td>$85,000 or less</td>
<td>$170,000 or less</td>
<td></td>
<td>$134.00 (standard rate)</td>
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<tr>
<td>Above $85,000 up to $107,000</td>
<td>Above $170,000 to $214,000</td>
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<td>Above $107,000 up to $160,000</td>
<td>Above $214,000 to $320,000</td>
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<td>$267.90</td>
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<tr>
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<td>$348.30</td>
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<td>Above $214,000</td>
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<td></td>
<td>$428.60</td>
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\(^1\)Premium rates are based upon annual income from the two years prior to the plan year.
Via Electronic Mail

November 14, 2016

Ms. Kimberly Burch-Garcia
Benefits and Compensation Policy Division
Chief Executive Office
County of Los Angeles
784 Kenneth Hahn Hall of Administration
500 West Temple Street, Room 788
Los Angeles, CA 90012

Re: Projected Impact of Suspending the 2017 Part B Reimbursement for Retirees

Dear Kimberly:

We have completed our analysis of the projected impact to the County of Los Angeles (the County) if it elected to suspend the current practice of reimbursing the retiree and any covered dependents for the Medicare Part B premium as of January 1, 2017. The current practice is intended to encourage retirees to participate in either the Anthem Blue Cross III Medicare Supplement plan, or in one of the Medicare Advantage HMO plans offered to the current retirees. The intent of this analysis is to determine whether it is in the County's financial interest to continue the current practice.

Under the current practice, the County reimburses the basic Part B premium rate. For 2017, the standard Part B premium is increasing to $134.00 as compared to $121.80 in 2016, which will apply to approximately 16% of the County retirees. However, due to the low cost of living increase for Social Security benefits, most retirees (about 84% of the current retirees) will see their premium increase to $109.00 in 2017 as compared to $104.90 for 2016. Finally, the County does not reimburse the retirees for any additional means tested premiums for high-income participants that became effective in 2007.

Under the current retiree medical program, a retiree must have retired with at least 10 years of service. Those with less than 10 years of service receive no County contribution towards retiree medical coverage but are eligible for the Part B reimbursement. For those with 10 or more years of service, the County contributes 4% per year of service up to a maximum of 100% for a member with 25 years or more of service for the lesser of the cost of the plan the retiree elects, or the cost of the Anthem Blue Cross Plans I and II. This percentage applies to both the member premium and any dependent premium for those hired on or before June 30, 2014. Members hired on or after July 1, 2014 will only have the retiree only premium paid; the retiree is responsible for the cost of any covered dependents.
Our analysis focuses on just those retirees who currently are eligible for Medicare, are currently receiving a reimbursement for their Medicare Part B premiums, and are enrolled in a Medicare Advantage HMO or the Anthem Blue Cross III plan. Based on the data provided by the County and LACERA, there were 31,287 retirees in this category as of October 31, 2016. Of these, 10,971 had less than 25 years of service and were making some level of contribution towards their retiree coverage.

The current Medicare plans have much lower premiums than the Anthem Blue Cross I and II plans; for a number of the 10,971 retirees with less than 25 years of service, the total cost of the current premium for the Medicare plan they have chosen plus the Medicare Part B premium cost is less than what they would have to pay if they elected the Anthem Blue Cross I or II plan.

As an example, a retiree with 15 years of service and currently participating in the Anthem Blue Cross Plan III is paying $172.68 per month for coverage. If that individual was participating in the Anthem Blue Cross Plan I or II, the retiree would be paying $426.32 per month for coverage. If the County stopped reimbursing the Medicare Part B premium (which would be either $109.00 or $134.00), the total cost of the Part B premium and the Anthem Blue Cross Plan III premium would be either $281.68 or $306.68 which is between $119.64 and $144.64 less per month than the cost under Anthem Blue Cross I or II. The retiree would save between $1,435 and $1,740 per year by paying the Part B premium and remaining in his current plan.

Using this logic, we developed three different Alternatives that show the range of possible outcomes if the County elected to suspend the current policy:

- **Alternative 1** – If the total cost to the retiree of the current Medicare plan plus the cost of the Part B premium is less than the cost of the applicable non-Medicare plan, the retiree remains in his current Medicare plan. If the cost is greater than the applicable non-Medicare plan then the retiree elects the applicable non-Medicare plan.

- **Alternative 2** – All retirees remain in their current plan and elect to pay the additional Part B premium.

- **Alternative 3** – If the total cost to the retiree of the current Medicare plan plus the cost of the Part B premium is less than the cost of the applicable non-Medicare plan, the retiree remains in his current Medicare plan. If the cost is greater than the applicable non-Medicare plan then 50% of the retirees elect the applicable non-Medicare plan and 50% remain in their current plans.

For purposes of this analysis, the applicable non-Medicare plans are:

- For Anthem Blue Cross III and SCAN plans, it is the Anthem Blue Cross II plan
- For the Kaiser plan, it is the Kaiser Excess I plan
- For the United Healthcare plan, it is the non-Medicare United Healthcare HMO plan
- For the CIGNA plan, it is the non-Medicare CIGNA HMO plan
Based on these assumptions, Exhibit I shows that the cost impact to the County ranges from a cost savings of $54 million under Alternative 2 to an increased cost of $172 million under Alternative 1 for 2016. Alternative 3 produces an additional cost to the County of $59 million. We believe that Alternative 3 is the likely outcome if the County elected to suspend the policy of reimbursing the Part B premiums so it is in the interest of the County to continue the current policy as it is saving the County in excess of $59 million.

This analysis was prepared exclusively for the County for the purpose described herein. Other users of this analysis are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

In preparing this letter, we relied on information (some oral and some written) supplied by the County of Los Angeles. This information includes, but is not limited to, the plan provisions, retiree data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

To the best of my knowledge, this letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct, and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter. This letter does not address any contractual or legal issues. I am not an attorney and our firm does not provide any legal services or advice.

Please let us know if you have any questions or would like to discuss this further. You can reach me at (703) 893-1456, extension 1135 or at mschionning@cheiron.us.

Sincerely,

Cheiron

Michael Schionning, FSA, MAAA
Principal Consulting Actuary

cc: Graham Schmidt, Cheiron

Exhibit
### Exhibit I
County of Los Angeles
Projected Cost Impact of Suspending the Part B Reimbursements
County Costs Only - Excludes Retiree Contributions
Medicare Eligible Participants Only
Calendar Year 2017

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Alternative 1</th>
<th>Alternative 2</th>
<th>Alternative 3</th>
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<tr>
<td>Anthem Blue Cross</td>
<td>$77,837,000</td>
<td>$124,798,000</td>
<td>$59,326,000</td>
<td>$92,062,000</td>
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<td>CIGNA</td>
<td>$313,000</td>
<td>$643,000</td>
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<td>Kaiser</td>
<td>$87,539,000</td>
<td>$195,850,000</td>
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<td>SCAN</td>
<td>$1,934,000</td>
<td>$3,298,000</td>
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<tr>
<td>United Healthcare</td>
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<td>$32,637,000</td>
<td>$12,541,000</td>
<td>$22,589,000</td>
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<td><strong>Total</strong></td>
<td><strong>$185,013,000</strong></td>
<td><strong>$357,226,000</strong></td>
<td><strong>$131,066,000</strong></td>
<td><strong>$244,146,000</strong></td>
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**Cost/(Savings)**
- Current: $172,213,000
- Alternative 1: $(53,947,000)
- Alternative 2: $59,133,000

**Notes:**
1) Current premium costs include the Medicare Part B premium reimbursement.
2) Alternative 1 is based on the assumption that all current retirees elect a non-Medicare plan.
3) Alternative 2 is based on the assumption that all current retirees stay in the Medicare plan.
4) Alternative 3 is based on the assumption that current retirees for whom the retiree cost for the current Medicare Plan is less than the cost of the non-Medicare plan remain in their current Medicare plan and for all other retirees 50% elect to remain in the Medicare plan and 50% move to the non-Medicare plan.
November 17, 2016

Cassandra Smith
Director Health Care Benefits Program
LACERA
300 N. Lake Avenue, Suite 300
Pasadena, CA 91101

Subject: Medicare Part B Premium Reimbursement Analysis

Dear Cassandra:

This letter confirms the financial advantage to the County of Los Angeles to continue its practice of reimbursing Medicare Part B premiums for retirees and dependents enrolled in Medicare Advantage Prescription Drug Plans (MAPD) and the Medicare Supplement Plan (Anthem Plan III). This analysis uses current premium and enrollment information, and applies to the County’s 2017 calendar year Medicare Part B premium reimbursement program. Renewal increases for the 2017/18 plan year are not yet known, and could increase the projected amounts shown in this letter accordingly.

As in the past, because LACERA has a number of health plan options, we have included four “migration scenarios”. Each scenario is based upon a different set of migration assumptions of where the retirees might enroll if the County ceased to offer MAPD plans and ceased to subsidize Medicare Part B premiums for enrollees who participate in those plans. In all scenarios, we assumed no differences in utilization or change in the demographic mix. In addition we have included a fifth scenario that addresses the possibility that half of the members in MAPD plans remain in MAPD plans, and the other half enroll in corresponding non-MAPD plans.

Under all analyses and scenarios and based upon the underlying assumptions, Aon Hewitt’s analysis indicates it is in the County’s financial best interest to continue offering Medicare Advantage Prescription Drug Plans and subsidizing Part B premiums for enrollees in those plans.

Overview of the Medicare Part B Premium Reimbursement Arrangement

Current retirees enrolled in Part B and subject to the hold-harmless provision (described below) are paying a Medicare Part B premium of $104.90 per month in 2016. The remaining retirees enrolled in Part B and not subject to the hold-harmless provision are paying a 2016 rate of $121.80. The Medicare Part B premium beginning on January 1, 2017 will increase to an average of $109.00 for those...
participants who are “held harmless” from any increase in premiums above the increase in the cost-of-living adjustment (COLA) for Social Security benefits, which will be 0.3 percent for 2017. For retirees not subject to the hold-harmless provision, their rate will increase to $134.00. These numbers do not include retirees who are not collecting Social Security benefits, first-time Part B enrollees in 2017, dual eligible beneficiaries who have premiums paid by Medicaid, and retirees who pay an additional income-related premium).

Currently, the County covers Part B premiums (and Medicare late enrollment penalties) for retiree and dependent participants in the Medicare Advantage Prescription Drug plans and Medicare Supplement plan to encourage enrollment in these more cost-effective plans. There are approximately 32,645 members in such plans. According to LACERA’s Medicare Part B Reimbursement and Penalty Report provided to Aon Hewitt for the pay period 10/31/2016, the average Part B reimbursement amount paid for retirees and dependents, including penalties, is $140.52 per retiree per month.

**Income-Related Medicare Part B Premium**

As part of the Medicare Modernization Act, effective January 2007, Medicare Part B premiums are 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 for Part B expenditures. Effective January 2007, individuals over a certain income level are paying a minimum of twice the targeted premium. Our model assumes that the County will not reimburse the means-tested amounts of the Part B premiums. In other words, it assumes that the County will pay only up to the standard Medicare Part B premium amount ($134 per month) and the late penalties for those who enrolled when the reimbursement plan was first introduced.

**Projection Methodology**

In our projection, the savings are determined by comparing LACERA’s current total plan cost (medical and Part B premium/penalties) with the projected total cost assuming there were no Medicare Advantage Plan offerings (in most scenarios.) The projected costs are based on the migration of MAPD participants into non-MAPD plans and the discontinuance of Plan B reimbursement by the County in all scenarios. This methodology is consistent with the projections prepared last year by Aon Hewitt. This year, we have added a fifth scenario, shown under Projection A1, which assumes that LACERA retains all current plans, including the Medicare Advantage Plan offerings, and that half of the members remain in those plans even if the Part B premium reimbursement were to be eliminated. That is labeled Projection A1 and shown below.
The County’s contributions are based upon years of service. For 2016 plan year, Aon Hewitt estimates that the County is contributing 92.8% of the total plan costs. This represents the County’s share of the total premium and Medicare Part B Reimbursement plus penalties. This projection assumes that 70% of current Part B participants are “held harmless” from full premium increases in 2017. Due to the mix of Medicare-eligible and ineligible membership in the non-Medicare Advantage plans, the savings may be an overstatement. Following is a description of each scenario along with the financial results.

Projection A - Migration Assumptions

This projection assumes the following:

- All Medicare Advantage Prescription Drug Plan participants move from their current MAPD plan into the following corresponding non-MAPD plans:
  - Kaiser Senior Advantage participants migrate to the Kaiser Excess plan
  - SCAN, Anthem Blue Cross Plan III (Medicare Supplement), and United HealthCare participants migrate to Anthem Plan II.
  - CIGNA plan participants migrate into the non-Medicare CIGNA HMO plan
  - County will stop paying the Part B premium for all members.

Under this scenario, LACERA’s premium would increase approximately by $281.2 M from the current plan costs.

Projection A1 - Migration Assumptions

As a variation of Projection A, we have added one more scenario this year, which assumes that all Medicare Advantage Plans and the Medicare Supplement plan remain in place, and that 50% of enrollees in those plans elect to move into the plans listed above. In this case, we project that LACERA’s premium would increase by $53.2 M from the current plan costs.

Projection B - Migration Assumptions

This projection assumes the following:

- All Medicare Advantage Prescription Drug Plan participants migrate from their current MAPD plans to Anthem Plan II
• Current Anthem Plan III enrollment remains in Anthem Plan III
• County will stop paying the Part B premium for all members.

Under this scenario, LACERA’s premium would increase by approximately $210.2 M from the current plan costs.

Projection C - Migration Assumptions
This projection assumes the following:

• Medicare Advantage Prescription Drug Plan participant migration is split 50/50 between non-Medicare corresponding HMO plans and Anthem Plan II
• Current Anthem Plan III enrollment remains in Anthem Plan III
• County will stop paying the Part B premium for all members.

Under this scenario, LACERA’s premium would increase by approximately $186.6 M from the current plan costs.

Projection D - Migration Assumptions
This projection assumes the following:

• All Medicare Advantage Prescription Drug Plan and Anthem Plan III (Medicare Supplement) participants migrate to Anthem Plan II.
• County will stop paying Part B premium for all members.

Under this scenario, LACERA’s premium would increase by approximately $329.2 M from the current plan costs.
Summary of Findings

Based upon our analysis described above and its underlying assumptions, we conclude the current program, where the County is subsidizing Medicare Part B premiums for retirees and dependents enrolled in the Medicare Advantage Prescription Drug plans and Medicare Supplement Plan (Anthem Plan III) is financially beneficial to the County, and represents significant savings compared with the five scenarios in this analysis.

Please refer to the attachment for back-up calculations and documentation.

Sincerely,

Leslie McKee
Senior Vice President

Helen Batsalkin
Assistant Vice President

cc: Kirby Bosley, Senior Vice President
    Laura Peck, Vice President, FSA, MAAA
    Jim Park, Consultant, ASA, MAAA

11 The late enrollment penalty amount reimbursement is paid only to those who enrolled into one of the LACERA-administered Medicare Advantage/Medicare Supplement plans prior to May 1, 1993 when the reimbursement arrangement was first introduced.