WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE

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December 17, 2013

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

19 December 17, 2013

SACHI A. HAMAI
EXECUTIVE OFFICER

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 2014
ALL 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 2014.

IT IS RECOMMENDED THAT THE BOARD:

(1) Renew the Medicare Part B Premium Reimbursement Program for the 2014 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, 2015 with recommendations regarding the Medicare Part B reimbursement policy for the 2015 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 adjusted annually.

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 UnitedHealthcare) 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. 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 calendar year 2014.

Reimbursing retirees for participation in Medicare Part B is necessary in the absence of a policy requiring participation. Mandatory participation is one among several topics we are discussing with LACERA and labor unions as a means of reducing future retiree health care costs.

Program Overview

The County pays a subsidy toward the cost of retiree health 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 the minimum ten years of service receives a subsidy equal to 40 percent of premium costs or 40 percent of the benchmark plan rate, whichever is less. Beyond the 10 years, the subsidy increases 4 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 costs.

The benchmark rate is equal to the rates negotiated for the Anthem Blue Cross I and 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. If the premium of the health care plan selected by the retiree is greater than this benchmark rate, the retiree must pay the difference even if he has 25 years of service credit.

As noted in the previous section, LACERA currently administers three Medicare Risk HMOs and one Medicare Supplement Plan. There are an estimated 27,600 retirees and their dependents enrolled in these plans.

Under a Medicare Risk HMO, participants assign over all 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 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 that Medicare pays first on each claim. A Medicare Supplement Plan picks up where Medicare leaves off within the limitations set forth by Medicare.

2014 Premium Rates for Medicare Part B

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.

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, 2014.

For 2013, the standard premium rate (i.e., the minimum that all participants pay) is $104.90 per month. For 2014, the premium rates for each income bracket will remain unchanged from the 2013 rates.

Under the County's current Part B reimbursement policy, only the standard Part B premiums are reimbursed. We are recommending no change in that policy. Therefore, for the 2014 plan year, only the standard premium amount of the Part B monthly premium ($104.90) will be covered by the County (Attachment A).

Annual Re-Evaluation of Medicare Part B Premium Costs

The decision to pick-up Medicare Part B premiums is based upon an annual evaluation that considers, among other things, changes to the Part B program and premium costs. Since 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 and the Medicare Supplement Plan. The rationale for establishing and continuing this program remains the same. Specifically, the cost of the Part B coverage is more than offset by the reduction in premiums for the Medicare Part B program.

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 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. As such, it should be considered reaffirmed in these recommendations as well.

Recommended Pick-Up of January 1, 2014 Part B Premium

The additional County cost of picking up the basic 2014 Medicare Part B premium would cost an additional $4.6 million per year for a total of $45.4 million per annum (all funds). The key question is whether the potential savings will exceed the potential costs. In other words, is it prudent to spend $45.4 million to retain the current level of participation in the Medicare Risk HMOs or the Medicare Supplement Plan and thereby avoid more than $45.4 million in higher subsidy costs that could occur

through a possible migration out of these plans? We believe it is.

Eliminating the Part B reimbursement would likely cause a majority of the participants in the Medicare Part B Reimbursement Program to change their current coverage in favor of higher cost LACERA plans. Of the estimated 27,600 eligible participants currently in the program, approximately 12,000 retirees (17,200 total eligible participants) are receiving a 100 percent County subsidy because they have 25 or more years of County service. These individuals could enroll in any LACERA health plan and have the full premium paid by the County up to the aforementioned benchmark plan limits (Anthem Blue Cross I and II rates). There would be no obligation for these persons 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, has reviewed this program and submitted its analysis (Attachment B). According to their report, the likely impact of eliminating the Part B Reimbursement Program would cost the County approximately $30.4 million per annum. This would be in addition to the projected annual expenditures of $45.4 million estimated for 2014.

LACERA independently contracted with the firm of Aon Hewitt to review this issue as well. In its report, Aon Hewitt concurred that the overall County cost for retiree health care would be dramatically higher in the absence of the Part B reimbursement program (Attachment C).

The populations in Kaiser Senior Advantage and Anthem Blue Cross III represent over 90 percent of the total Medicare Part B reimbursement program participants. Accordingly, Attachments D through I provide a comparison of rates and benefit coverage between these plans and the alternative non-Medicare related Kaiser Excess I and Anthem Blue Cross I and II Plans.

Implementation of Strategic Plan Goals

The recommended action supports the Countywide Strategic Plan Goal of Operational Effectiveness, specifically fiscal sustainability and responsibility. 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 result in additional Medicare Part B reimbursement costs of approximately $4.6 million per year (all funds). However, the costs of not approving the recommendation could be much greater.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The recommended continuance of the Part B reimbursement would take effect on January 1, 2014 and be initially reflected in LACERA retiree warrants issued December 31, 2013. 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, 2015 with additional recommendations relating to Part B reimbursement policy for the 2015 calendar year.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

No impact on current services.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:BC:JA
MTK:VMH:mst

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Los Angeles County Employees Retirement Association

ATTACHMENT A

MEDICARE PART B PREMIUM COSTS FOR 2014

Yearly Income for 2012		2014 Rates
Filing Individually	**Filing Jointly**	
$85,000 or less	$170,000 or less	$104.90 *(standard rate)*
Above $85,000 up to $107,000	Above $170,000 to $214,000	$146.90
Above $107,000 up to $160,000	Above $214,000 to $320,000	$209.80
Above $160,000 up to $214,000	Above $320,000 to $428,000	$272.70
Above $214,000	Above $428,000	$335.70

Note: *Premium rates are based upon annual income from the two years prior to the plan year.*

ATTACHMENT B

buckconsultants

A Xerox Company

November 22, 2013

Ms. Valerie Hara
County of Los Angeles
Chief Administrative Office
784 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Re: Expected Impact of Suspending the 2014 Part B Reimbursement for Retirees

Dear Val:

This letter presents Buck Consultants LLC's (Buck's) analysis of the expected cost impact of suspending the current County practice of reimbursing retirees and their dependents for the Medicare Part B premium in 2014. This encourages retirees to enroll in the Blue Cross III Medicare Supplement Plan or in one of the Medicare 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 approximately $30.4 million for 2014.

In previous years, we have provided an analysis that developed the expected cost impact to the County under two scenarios. In the first scenario, we have historically estimated the impact to the County if it chose to freeze the Part B reimbursement at the previous year's premium level. However in 2014, the Part B premium is not changing from the current 2013 level of $104.90. Therefore, the first scenario we have historically provided is not necessary this year, and has thus been removed from our analysis. We will only show the second scenario we have historically provided, which determines the costs if the County elects to suspend the reimbursement of the Part B premium in total. For this scenario, we have assumed that the County will not cover the additional means tested Part B premium that became effective January 2007.

1455 Frazee Road, Suite 805 • San Diego, CA 92108-4320
619.725.1700 • 619.297.5220 fax

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 $146.08 under the Blue Cross Plan III, but would pay $361.70 under the Blue Cross Plan II, or an increase of $215.62 per month. Even if this individual had to pay the 2014 Part B premium of $104.90 he would still pay $110.72 less per month by remaining in the Blue Cross Plan III, or a savings of $1,328.64 per year as compared to dropping Part B coverage and electing the Blue Cross Plan II.

Of the approximately 27,600 participants in a Medicare Advantage or the Blue Cross III plan, 10,410 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 27,600 participants. In determining whether a retiree would elect to pay the 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 Part B premium to the medical premium payment for a non-Medicare Plan. Individuals in the Blue Cross III and SCAN HMO plans were compared to the Blue Cross II plan. Individuals in Kaiser, and UHC were compared to the available non-Medicare option for the particular HMO, Kaiser Excess I and UHC Advantage HMO. CIGNA participants are only in Arizona and currently only offered a Medicare plan.

We developed the cost impact of three election alternatives:

- Maximum cost impact – if the retiree cost of the current medical 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 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 – retirees remain in their current plans. There is no cost impact.

- Expected cost impact – this represents our expected outcome. For those where the retiree cost of the current medical plan 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 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.

In this analysis, 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 $135.89 per month in Part B premiums and penalties to remain in their current plans.

The cost impact to the County ranges from an additional $105.7 million under the maximum cost impact scenario, a savings of $44.8 million under the minimal cost impact and a cost of $30.4 million under the expected cost scenario. The attached exhibit summarizes the results of our analysis.

After your review, if you have any questions or comments, please feel free to call me at (619-725-1769).

Sincerely,

Kristi Olivas, FSA, MAAA, FCA
Director & Consulting Actuary

Exhibit I

County of Los Angeles
Cost Impact of Suspending the Part B Reimbursement Policy
Medicare Eligible Participants Only
Calendar Year 2014

		Scenario - No Part B Reimbursement		
	Current	Maximum	Minimum	Expected
Blue Cross	$54,522,670	$85,028,719	$37,721,774	$61,375,247
CIGNA	$461,307	$386,296	$386,296	$386,296
Kaiser	$60,602,120	$126,903,088	$36,807,237	$81,855,163
SCAN	$1,643,787	$2,483,150	$1,038,804	$1,760,977
UHC	$10,105,717	$18,215,869	$6,589,971	$12,402,920
Total	$127,335,601	$233,017,122	$82,544,082	$157,780,602
Cost/(Savings)		$105,681,521	($44,791,518)	$30,445,002

AON Hewitt

ATTACHMENT C

November 5, 2013

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

Subject: Medicare Advantage Prescription Drug Plans Savings Projections

Dear Cassandra:

Attached are the Medicare Advantage Prescription Drug Plans (MAPD) savings projections to evaluate the cost effectiveness of the County of Los Angeles (the County) continuing to offer MAPD Plans along with subsidized Medicare Part B premiums (standard rate) for LACERA retirees and their dependents enrolling in those plans. This analysis is for the plan year commencing July 1, 2013.

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 did not offer MAPD plans and subsidize Medicare Part B premiums for enrollees who participate in those plans. In all scenarios, we assumed no differences in utilization, of course, LACERA could continue to offer MAPD plans without the Part B premium subsidy, but our expectation would be that enrollment declines in those plans due to elimination of the Part B reimbursement incentive would at some point offset any savings the County might expect from eliminating the subsidy.

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.

Background of the Medicare Part B Premium

Current retirees who are enrolled in Medicare Part B are paying Social Security Administration (SSA) Medicare Part B premium of $104.90 per month in 2013. The Medicare Part B premium beginning on January 1, 2014 is $104.90 which is no change from 2013.

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Currently, the County covers Part B premiums (and Medicare late enrollment penalties [1]) for retiree and dependent participants in the Medicare Advantage Prescription Drug plan and Medicare Supplement plan to encourage enrollment in these more cost-effective plans. There are approximately 28,601 retirees in such plans. According to LACERA's Medicare Part B Reimbursement and Penalty Report provided to Aon Hewitt for the pay period 9/30/2013, the average amount paid for retirees and dependents including penalties, is $137.08 per retiree.

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 for the standard Medicare Part B premium amount and the late penalties for those who enrolled when the reimbursement plan was first introduced.

Projection Methodology

In this projection, the savings are determined by comparing LACERA's current total plan cost (medical, dental/vision and Part B premium/penalties) with the projected total cost assuming there were no Medicare Advantage or Supplement Plan offerings. 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 some scenarios. The County's contributions are based upon years of service. For the 2014 plan year, Aon Hewitt estimate the County is contributing 91.81% of the total plan costs. This represents the County's share of the total premium and Medicare Part B Reimbursement plus penalties. This methodology is consistent with the projections prepared last year by Aon Hewitt. Following is a description of each scenario along with the financial results.

[1] The late enrollment penalty amount is paid only to those who enrolled into one of the LACERA administered Medicare Advantage/Medicare Supplement plans prior to May1, 1993 when the reimbursement plan was first introduced.

AON Hewitt

Projection A - Migration Assumptions

This projection assumes the following:

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

Under this scenario LACERA's premium would increase approximately by **$192.M from current plan costs**

Projection B - Migration Assumptions

Migration B scenario assumes:

- All Medicare Advantage Prescription Drug Plan participants migrate from their current MAPD plans to Plan II,
- Plan III enrollment remains unchanged and
- County will continue to pay Part B premium for Plan III participants.

Under this scenario, LACERA's premium would increase by approximately **$151.3M** from the current plan costs.

Projection C - Migration Assumptions

This projection assumes:

- Medicare Advantage Prescription Drug Plan participant migration is split 50/50 between Plans II and III
- Plan III enrollment remains unchanged
- County will continue to pay Part B premium for Plan III participants.

Under this scenario, LACERA's premium would increase by approximately **$75.2M from current plan costs**

AON Hewitt

Projection D - Migration Assumptions

This scenario assumes:

- Medicare Advantage Prescription Drug Planand Plan III participants migrate to Plan II
- County will stop paying Part B premium for all members.

Under this scenario, LACERA's premium would increase by approximately **$225.5M from 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 Blue Cross Plan III) is financially beneficial to the County, and represents significant savings compared with the four scenarios in this analysis.

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

Sincerely,

Kirby Bosley
West Region H&B Practice Leader

Helen Batsalkin
AVP Consulting

cc: Debbie Donaldson, FSA, MAAA
Michael Muheisen

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LACERA
Medicare Advantage Savings Projections
Exhibit A

	July 1, 2013 through June 30, 2014							
Current Plan Cost (w/Part B Subsidy)								
County Share	$ 458,589,404	91.8%	$ 458,589,404	91.8%	$ 458,589,404	91.8%	$ 458,589,404	91.8%
Member Share	$ 40,917,014	8.2%	$ 40,917,014	8.2%	$ 40,917,014	8.2%	$ 40,917,014	8.2%
Total	$ 499,506,418	100%	$ 499,506,418	100%	$ 499,506,418	100%	$ 499,506,418	100%
Assumed Plan Cost (w/Migration and Benefit Options)	**Migration A**	**Percent**	**Migration B**	**Percent**	**Migration C**	**Percent**	**Migration D**	**Percent**
County Share	$ 629,295,156	91.0%	$ 591,988,305	91.0%	$ 522,759,610	91.0%	$ 659,502,218	91.0%
Member Share	$ 62,566,949	9.0%	$ 58,857,758	9.0%	$ 51,974,775	9.0%	$ 65,570,252	9.0%
Total	$ 691,862,105	100%	$ 650,846,063	100%	$ 574,734,384	100%	$ 725,072,469	100%
Annual Cost Differential								
County Share	$ 170,705,752		$ 133,398,901		$ 64,170,206		$ 200,912,814	
Member Share	$ 21,649,935		$ 17,940,744		$ 11,057,760		$ 24,653,237	
Total	$ 192,355,686		$ 151,339,645		$ 75,227,966		$ 225,566,051	
Percentage Difference								
County Share	37.22%		29.09%		13.99%		43.81%	
Member Share	52.91%		43.85%		27.02%		60.25%	
Total	38.51%		30.30%		15.06%		45.16%	

Notes:
Medicare Part B Premiums:
Assumes all current members Part B reimbursement is 104.90 for 2014

Migration A:
UHC/MA and Cigna Medicare Advantage members move to UHC and Cigna non-Medicare Advantage Plan
Kaiser Senior Advantage members move to the Kaiser Excess Plan
Anthem Plan III and SCAN members move to Anthem Blue Cross Plan II
County stops paying Medicare Part B premium for all members

Migration B:
UHC/MA, Cigna, Kaiser and SCAN Medicare Advantage members move to Anthem Blue Cross Plan II
Anthem Blue Cross Plan III members stay in Anthem Blue Cross Plan III
County continues to pay Medicare Part B premium for Plan III members

Migration C:
UHC/MA, Cigna, Kaiser and SCAN members move to Anthem Blue Cross Plans II and III (50%50%)
Anthem Blue Cross Plan III members stay in Anthem Blue Cross Plan III
County continues to pay Medicare Part B premium for Anthem Blue Cross Plan III members

Migration D:
UHC/MA, Cigna, Kaiser, SCAN, and Anthem Blue Cross Plan III members move to Anthem Blue Cross Plan II
County stops paying Medicare Part B premium for all members

LACERA
Medicare Part B Subsidy Projections
Exhibit B

Carriers	MA Lives	MA Premium	Per Retiree	Non MA Lives	Non MA Prem	Per Retiree		Combined Lives	Combined Premium
UnitedHealthcare/UHC MA	2,157	$ 1,098,083.87	$ 509.08	892	$ 1,200,645.46	$ 1,346.02		3,049	$ 2,298,729
								-	
Cigna Medicare Select Plus Rx	46	$ 32,557.73	$ 707.78	835	$ 1,255,751.58	$ 1,503.89		881	$ 1,288,309
								-	$ -
Kaiser/Kaiser Senior Advantage (Excess shown in Non MA colu	14,658	$ 6,270,220.05	$ 427.77	1845	$ 2,066,902.98	$ 1,120.27		16,503	$ 8,337,123
Other Kaiser (basic)				4290	$ 4,882,049.65	$ 1,138.01		4,290	$ 4,882,050
								-	$ -
SCAN	376	$ 137,949.92	$ 366.89	0	0	0		376	$ 137,950
								-	$ -
Anthem Plan III	0		0	10,329	$ 5,974,323.47	$ 578.40		10,329	$ 5,974,323
								-	$ -
Anthem Plan II	0	0	0	4,608	$ 6,056,460.50	$ 1,314.34		4,608	$ 6,056,461
								-	$ -
Anthem Plan I	0	0	0	1,738	$ 1,944,277.53	$ 1,118.69		1,738	$ 1,944,278
								-	$ -
Anthem Prudent Buyer	0	0	0	1,617	$ 1,440,862.06	$ 891.07		1,617	$ 1,440,862
Local 1014 Firefighters	0	0		1,581	$ 2,127,017.90	$ 1,345.36		1,581	$ 2,127,018
								44,972	$ 34,487,103
Totals	**17,237**	**$ 7,538,811.57**		**27,735**	**$ 26,948,291.13**			**44,972**	**$ 34,487,103**
Annual Premium									**$ 413,845,232.40**
Medicare Part B Reimbursement + Penalties for 2013/14									**$ 47,048,178**
Dental / Vision									$ 38,613,008
Total Annual Premium								**Current Scenario**	**$ 499,506,418.44**

Migration A	**Monthly**	Annual Premium	Contributions		
UHC & Cigna MA memb move to UHC& Cigna non MA	$ 2,972,533.68				
Kaiser MA memb move to Kaiser Excess Plan	$ 16,420,956.02		$ 629,295,156	County	90.96%
Plan III and SCAN move to plan II	$ 14,069,967.37		$ 62,566,949	Members	9.04%
County stops paying part B premium for all members			$ 691,862,105		
Remaining Premium for the rest of population	$ 20,973,967.66				
Outcome	**$ 54,437,424.73**	$ 653,249,096.76			
Dental / Vision	**$ 3,217,750.67**				
Combined Premium	$ 57,655,175.40	**$ 691,862,104.80**			

Migration B					
UHC, Cigna, Kaiser, and SCAN members move to Plan II	$ 22,655,210.43		$ 591,988,304.77	County	90.96%
Plan III members stay in Plan III	$ 5,974,323.47		$ 58,857,758	Members	9.04%
County continues to pay Part B premium for Plan III members	$ 1,415,919.70		$ 650,846,063.02		
Remaining Premium for the rest of population	$ 20,973,967.66				
Outcome	**$ 51,019,421.25**	$ 612,233,054.98			
Dental / Vision	**$ 3,217,750.67**				
Combined Premium	$ 54,237,171.92	**$ 650,846,063.02**			

Migration C					
UHC, Cigna, Kaiser, and SCAN members move to Plans II & III	$ 16,312,570.54		$ 522,759,609.71	County	90.96%
Plan III members stay in Plan III	$ 5,974,323.47		$ 51,974,775	Members	9.04%
County continues to pay part B prem. for Plan III members	$ 1,415,919.70		$ 574,734,384.35		
Remaining Premium for the rest of population	$ 20,973,967.66				
Outcome	**$ 44,676,781.36**	$ 536,121,376.31			
Dental / Vision	**$ 3,217,750.67**				
Combined Premium	$ 47,894,532.03	**$ 574,734,384.35**			

Migration D					
			$ 659,502,217.66	County	90.96%
UHC, Cigna, Kaiser, SCAN, and Plan III memb. move to Plan II	$ 36,230,987.44		$ 65,570,252	Members	9.04%
County stops paying Part B for all members			$ 725,072,469.26		
Remaining Premium for the rest of population	$ 20,973,967.66				
Outcome	**$ 57,204,955.10**	$ 686,459,461.22			
Dental / Vision	**$ 3,217,750.67**				
Combined Premium	$ 60,422,705.77	**$ 725,072,469.26**			

LACERA
MEDICARE PART B SUBSIDY CALCULATION
Exhibit C

2013 Subsidy Calculation

Part B Lives as of Sept 2013 (1)		28,601
Part B Premium (1)	$	3,918,995
Penalty (1)	$	1,687
Subsidy & Penalties (1)	$	3,920,682
Per Retiree Per Month	$	137.08
Annual Part B Premium & Penalty	$	47,048,178

All Plans (Medical/Dental/Vision/Local 1014)

Premium Amount (2)	$	37,704,853
County Share (2)	$	34,295,102
Medicare B prem. and penalties (1)	$	3,920,682
Total County Amount (2)	**$**	**38,215,784**
Member Amount (2)	**$**	**3,409,751**
Total (members + County)	$	41,625,535
Total County Share 2013		91.81%
Total Member Share 2013		8.19%

2013/2014 Projection

2013 Medicare B Premium	$	104.90
2014 Medicare B Premium	$	104.90

2013 Estimated Members Calculation

Medicare Part B Prem for ret w/o dependents	$	3,000,245
Member to Subscriber Ratio		1.3062
Estimated Members		**37,359**

Subsidy Projections 2013 /2014

		2013		2014
Estimated Members		37,359		37,359
Medicare B Premium	$	104.90	$	104.90
Monthly Premium	$	3,918,995	$	3,918,995
Monthly Penalty	$	1,687	$	1,687
Annual 2013/14 Medicare Premium (includes penalty)			**$**	**47,048,178**
Per Retiree per month			**$**	**137.08**

1- Per Medicare Part B Reimbursement and Penalty Report provided by LACERA for pay period as of 9/30/2013

2- Per Medical and Dental Vision Insurance Premiums Report of October 2013 provided by LACERA (pay period 9/30/2013)

ATTACHMENT D

KAISER MEDICARE AND NON-MEDICARE HEALTH PLAN RATE COMPARISON
(BASED ON JULY 1, 2013 TO JUNE 30, 2014 RATES)
RETIREE ONLY

		MEDICARE RISK HMO					HMO				
		KAISER SENIOR ADVANTAGE (Assigned both Parts A & B)					Kaiser Excess I (Assigned only Part A)				
	MAXIMUM COUNTY SUBSIDY FOR ALL PLANS	2014 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%)	$361.70	$104.90	$94.26	$199.16	$141.38	$235.64	$0.00	$357.98	$357.98	$536.97	$894.95
15 YOS (60%)	$542.55	$104.90	$141.38	$246.28	$94.26	$235.64	$0.00	$536.97	$536.97	$357.98	$894.95
20 YOS (80%)	$723.40	$104.90	$188.51	$293.41	$47.13	$235.64	$0.00	$715.96	$715.96	$178.99	$894.95
25 YOS (100%)	$904.25	$104.90	$235.64	$340.54	$0.00	$235.64	$0.00	$894.95	$894.95	$0.00	$894.95

ATTACHMENT E

KAISER TWO-PARTY MEDICARE HEALTH PLAN RATE COMPARISON
(BASED ON JULY 1, 2013 TO JUNE 30, 2014 RATES)
RETIREE AND SPOUSE *

		KAISER SENIOR ADVANTAGE (Retiree & Spouse Assigned both Parts A & B)					Kaiser Excess I (Retiree & Spouse Assigned only Part A)				
	MAXIMUM COUNTY SUBSIDY FOR ALL PLANS	2014 MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM	2014 MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM
10 YOS (40%)	$652.12	$209.80	$186.51	$396.31	$279.77	$466.28	$0.00	$652.12	$652.12	$1,070.94	$1,784.90
15 YOS (60%)	$978.19	$209.80	$279.77	$489.57	$186.51	$466.28	$0.00	$978.19	$978.19	$713.96	$1,784.90
20 YOS (80%)	$1,304.25	$209.80	$373.02	$582.82	$93.26	$466.28	$0.00	$1,304.25	$1,304.25	$356.98	$1,784.90
25 YOS (100%)	$1,630.31	$209.80	$466.28	$676.08	$0.00	$466.28	$0.00	$1,630.31	$1,630.31	$0.00	$1,784.90

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

ATTACHMENT F

ANTHEM BLUE CROSS MEDICARE AND NON-MEDICARE HEALTH PLAN RATE COMPARISON
(BASED ON JULY 1, 2013 TO JUNE 30, 2014 RATES)
RETIREE ONLY

		MEDICARE SUPPLEMENT					INDEMNITY PLAN			
		ANTHEM BLUE CROSS III (Assigned both Parts A & B)					ANTHEM BLUE CROSS I OR II (MEDICARE NOT REQUIRED)			
	MAXIMUM COUNTY SUBSIDY FOR ALL PLANS	2014 MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM
10 YOS (40%)	$361.70	$104.90	$146.08	$250.98	$219.12	$365.20	$361.70	$361.70	$542.55	$904.25
15 YOS (60%)	$542.55	$104.90	$219.12	$324.02	$146.08	$365.20	$542.55	$542.55	$361.70	$904.25
20 YOS (80%)	$723.40	$104.90	$292.16	$397.06	$73.04	$365.20	$723.40	$723.40	$180.85	$904.25
25 YOS (100%)	$904.25	$104.90	$365.20	$470.10	$0.00	$365.20	$904.25	$904.25	$0.00	$904.25

ATTACHMENT G

ANTHEM BLUE CROSS TWO-PARTY MEDICARE HEALTH PLAN RATE COMPARISON
(BASED ON JULY 1, 2013 TO JUNE 30, 2014 RATES)
RETIREE AND SPOUSE

		ANTHEM BLUE CROSS III (Retiree & Spouse Assigned both Parts A & B)					ANTHEM BLUE CROSS I OR II (MEDICARE NOT REQUIRED)				
	MAXIMUM COUNTY SUBSIDY FOR ALL PLANS	2014 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%)	$652.12	$209.80	$290.75	$500.55	$436.12	$726.87	$0.00	$652.12	$652.12	$978.19	$1,630.31
15 YOS (60%)	$978.19	$209.80	$436.12	$645.92	$290.75	$726.87	$0.00	$978.19	$978.19	$652.12	$1,630.31
20 YOS (80%)	$1,304.25	$209.80	$581.50	$791.30	$145.37	$726.87	$0.00	$1,304.25	$1,304.25	$326.06	$1,630.31
25 YOS (100%)	$1,630.31	$209.80	$726.87	$936.67	$0.00	$726.87	$0.00	$1,630.31	$1,630.31	$0.00	$1,630.31

ATTACHMENT H

KAISER MEDICARE AND NON-MEDICARE HEALTH PLAN BENEFITS COMPARISON

	MEDICARE RISK HMO	HMO (NON-MEDICARE)
	Kaiser Senior Advantage *(Assigned both Parts A & B)*	**Kaiser Excess I** *(Assigned only Part A)*
Expenses		
• Calendar Year Deductibles	None	
• Annual Maximum Out-of-Pocket Expenses	Maximum co-payments of $1,500 (individual) and $3,000 (family)	
• Lifetime Maximum Benefits	Unlimited	
Hospital Benefits		
• Room and Board	No charge	
• Surgical Services	No charge	No charge for inpatient; $5 copay for outpatient
• Hospital Services and Supplies	No charge	
Emergency Benefits		
• Inpatient	$5 copay; waived if admitted	No charge
• Outpatient	$5 copay; waived if admitted	
• Ambulance	No charge for emergency	
Outpatient Benefits		
• 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	
Vision/Hearing Care Benefits		
• Eye Exams	$5 copay	
• Lenses	Eyewear purchased from plan optical sales offices every 24 months; $150 allowance	Not covered
• Frames	Eyewear purchased from plan optical sales offices every 24 months; $150 allowance	Not covered
• Hearing Exams	$5 copay	
• Hearing Aids	Not covered	

ATTACHMENT I

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)*
Expenses			
• 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
Hospital Benefits			
• Room and Board	Pays all Medicare inpatient deductibles for approved Medicare days	$75/day max $150/day max special care unit	90% PPO hospital; 80% non-PPO for semi-private room; special care unit up to 2.5 times semi-private room rate
• Surgical Services		80%	80%
• Hospital Services and Supplies		100%	90% PPO hospital; 80% non-PPO hospital
Emergency Benefits			
• Inpatient	Pays all Medicare inpatient deductibles for approved Medicare days	$75/day max $150/day max 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
Outpatient Benefits			
• Doctor's Office Visit	20% of Medicare-approved charges	80%	
• Preadmission x-ray and lab tests	20% of Medicare-approved charges	100%	
• Routine checkups (CA only)	Not covered	**Adult:** $25 copay; covered in-network only; maximum $250 **Children under 17:** $25 copay in-network; 80% out of network	
• Immunizations	Not covered	Not covered except for 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	

ATTACHMENT I

BLUE CROSS MEDICARE AND NON-MEDICARE HEALTH PLAN BENEFITS COMPARISON (Continued)

	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)*
• Speech Therapy	20% of Medicare approved charges	80% in accordance with requirements	
• Prescription Drugs	Retail: 80% in-network, 60% out-of-network; Mail order: $10 generic/$30 brand/$50 non-preferred brand/$150 specialty copay for 90-day supply		
Vision/Hearing Care Benefits			
• 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 calendar year; 80%	Covered after accident only	
• Hearing Aids	50% up to $300 lifetime maximum	Covered after accident only	