



SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

December 17, 2019

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

26 December 17, 2019

CELIA ZAVALA
EXECUTIVE OFFICER

Dear Supervisors:

MEDICARE PART B PREMIUM REIMBURSEMENT PROGRAM FOR 2020 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 2020.

IT IS RECOMMENDED THAT THE BOARD:

1. Renew the Medicare Part B Premium Reimbursement Program for the 2020 calendar year for retirees enrolled in a LACERA-administered Medicare Risk Health Maintenance Organization (HMO) or Medicare Supplement Plan.
2. Instruct the Chief Executive Officer (CEO) to report back to the Board of Supervisors (Board) prior to January 1, 2021, with recommendations regarding the Medicare Part B reimbursement policy for the 2021 calendar year.
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 of Los Angeles (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 Reimbursement Program to reimburse qualified retirees/survivors, and their eligible dependents (Tier 1: up to two party; Tier 2: retiree/survivor only) 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 of the following eligibility criteria: 1) current enrollment in both Medicare Parts A and B; 2) current enrollment in one of the LACERA-administered Risk Health Maintenance Organizations (HMOs) (Kaiser Senior Advantage, Senior Care Action Network (SCAN), or United Healthcare Medicare Advantage) 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 Reimbursement 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 Reimbursement 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 Reimbursement Program through the 2020 calendar year.

Retiree Healthcare Benefits Program Premium Subsidy Overview

The County pays a subsidy toward the cost of retiree healthcare and dental/vision insurance, only if the retiree has at least ten 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 ten 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 ten 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. Retirees are responsible for any premium difference on premiums exceeding the benchmark amounts (including those with 25 years of service).

Currently, the benchmark rate is equal to the rates negotiated for the Anthem Blue Cross I and Anthem Blue Cross II plans. 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 benchmark plans for Tier 2 are Anthem Blue Cross Plans I and II for those not enrolled in Medicare and Anthem Blue Cross Plan III for those enrolled in Medicare. 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 healthcare plan selected by the retiree exceeds the benchmark rate, the retiree must pay the difference (for themselves and enrolled dependents under Tier 1 and for themselves under Tier 2, respectively) even if they have 25 years of service credit.

Medicare Risk HMO and Medicare Supplement Plan Overview

Since the inception of the Reimbursement 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 34,800 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 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 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.

2020 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 \$87,000 per annum. Therefore, these individuals must pay the higher Part B standard premium rate plus the means tested amount taking effect on January 1, 2020.

Since the 1992 Reimbursement 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).

Pursuant to the provisions of the Bipartisan Act of 2015, retirees not subject to the hold harmless provision would pay a slightly higher standard rate. Retirees who would pay the higher plan premium included those not collecting Social Security benefits, first time Part B enrollees, 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 \$87,000 for individuals and greater than \$174,000 for couples) (Attachment A). However, for 2020, CMS has issued a single standard Medicare premium rate (\$144.60 per month) effective January 1, 2020, due to the 1.6 percent Social Security COLA for 2020.

For the 2020 plan year, we recommend that the County's monthly reimbursement continue at the single standard Medicare Part B premium rate (\$144.60 for individuals and \$289.20 for couples filing jointly) for all plan participants. The County will pay eligible participants the lessor of the premium paid up to the standard amount \$144.60 (\$289.20 - two party) for Tier 1. For Tier 2, up to the standard amount \$144.60. The County will only reimburse the amount of the premium paid. For example, if that amount is less than the premium rate stated (\$144.60 for Tier 1) and the participant paid \$109.00, then only the \$109.00 would be reimbursed.

Implementation of Strategic Plan Goals

The recommended action supports the Countywide Strategic Plan Goal III.3 of Realizing Tomorrow's Government Today by pursuing operational effectiveness, fiscal responsibility and accountability to ensure sufficient funding of the County's retirement system. The County's Reimbursement 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 healthcare plan costs for the County.

FISCAL IMPACT/FINANCING

The recommended action would increase the Medicare Part B reimbursement costs by approximately \$5.4 million per year to a total of \$68.0 million (compared to the projected 2019 Reimbursement Program year costs of \$62.6 million). The potential cost of not approving the recommendation could be far greater.

Without the Reimbursement Program, a majority of the current Reimbursement Program participants would likely transfer into the more expensive LACERA medical plans. Of the estimated 34,800 eligible participants currently in the Reimbursement Program, approximately 15,800 retirees (23,300 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 Segal Consulting, respectively, to review this Reimbursement Program, including the potential impact of discontinuing the Reimbursement Program (Attachments B and C). Cheiron concluded that without the Reimbursement Program, the increase in retiree healthcare costs to the County would be approximately \$71.0 million per annum. Likewise, Segal Consulting 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 Reimbursement Program to better ensure that the cost savings can be realized.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

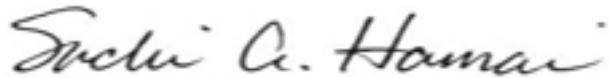
The recommended continuance of the Medicare Part B reimbursement would take effect on January 1, 2020, and will be initially reflected in LACERA retiree warrants issued on December 31, 2019. The amount reimbursed will include any late enrollment penalties paid by retirees who enrolled during the special open enrollment period prior to May 1993.

The CEO will report back prior to January 1, 2021, with additional recommendations relating to Part B reimbursement policy for the 2021 calendar year.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

No impact on current services.

Respectfully submitted,



SACHI A. HAMAI
Chief Executive Officer

SAH:FAD:MTK
SRM:LR: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 2020

Yearly Modified Adjusted Gross Income for 2018 ¹		2020 Rates for Individuals not Subject to “Hold Harmless” Provisions
Filing Individually	Filing Jointly	
\$87,000 or less	\$174,000 or less	\$144.60 <i>(standard rate)</i>
Above \$87,000 up to \$109,000	Above \$174,000 to \$218,000	\$202.40
Above \$109,000 up to \$136,000	Above \$218,000 to \$272,000	\$289.20
Above \$136,000 up to \$163,000	Above \$272,000 to \$326,000	\$376.00
Above \$163,000 and less than \$500,000	Above \$326,000 and less than \$750,000	\$462.70
Above \$500,000	Above \$750,000	\$491.60

¹Premium rates are based upon annual income from the two years prior to the plan year.

ATTACHMENT B

Via Electronic Mail

November 22, 2019

Ms. Leslie Rooney
Benefits, Classification and Compensation Division
Chief Executive Office
County of Los Angeles
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 784
Los Angeles, CA 90012

Re: *Projected Impact of Suspending the 2019 Part B Reimbursement for Retirees*

Dear Leslie:

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, 2020. The current practice is intended to encourage retirees to participate either in 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 2020, the standard Part B premium is increasing to \$144.60. Almost all retirees will see their part B premium increase to \$144.60 in 2020 as compared to \$135.50 for 2019. 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. The County contribution is based on the lower 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 34,660 retirees in this category as of October 31, 2019. Of these, 11,482 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 11,482 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 \$190.97 per month for coverage. If that individual was participating in the Anthem Blue Cross Plan I or II, the retiree would be paying \$468.11 per month for coverage. If the County stopped reimbursing the Medicare Part B premium (which will be \$144.60), the total cost of the Part B premium and the Anthem Blue Cross Plan III premium would be \$335.57, which is \$132.54 less per month than the cost under Anthem Blue Cross I or II. The retiree would save \$1,590 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

Ms. Leslie Rooney
November 22, 2019
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Based on these assumptions, Exhibit I shows the cost impact to the County ranges from a cost savings of \$79 million under Alternative 2 to an increased cost of \$221 million under Alternative 1 for 2020. Alternative 3 produces an additional cost to the County of \$71 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 \$71 million.

This analysis was prepared exclusively for the County for the purpose described herein. Other users of this analysis are not intended users as define 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.

The results of this letter rely on future plan experience conforming to the underlying assumptions and methods outlined in this report. To the extent that the actual plan experience deviates from the underlying assumptions and methods, or there are any changes in plan provisions or applicable laws, the results would vary accordingly.

This letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and my understanding of the Code of Professional Conduct, and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, as well as applicable laws and regulations. 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 2020

	<u>Current</u>	<u>Alternative 1</u>	<u>Alternative 2</u>	<u>Alternative 3</u>
Anthem Blue Cross	\$105,692,000	\$167,457,000	\$77,957,000	\$122,707,000
CIGNA	\$423,000	\$974,000	\$288,000	\$631,000
Kaiser	\$118,901,000	\$253,177,000	\$75,679,000	\$164,428,000
SCAN	\$2,297,000	\$4,247,000	\$1,358,000	\$2,803,000
United Healthcare	\$23,506,000	\$46,006,000	\$16,093,000	\$31,050,000
Total	\$250,819,000	\$471,861,000	\$171,375,000	\$321,619,000
Cost/(Savings)		\$221,042,000	(\$79,444,000)	\$70,800,000

Notes:

- 1) Current premium costs include the Medicare Part B premium reimbursement.
- 2) Alternative 1 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 all other retirees elect to move to the 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.



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T 818.956.6722 www.segalco.com

Paul C. Sadro, ASA, MAAA
Senior Actuary
psadro@segalco.com

November 15, 2019

Ms. Cassandra Smith
Director, Retiree Healthcare Division
LACERA
300 N. Lake Avenue, Suite 300
Pasadena, CA 91101

Dear Cassandra:

This analysis has been prepared for the Plan Sponsor, the County of Los Angeles (“County”), to demonstrate the cost effectiveness of reimbursing Medicare Part B premiums (standard rate) for retirees and eligible dependents enrolled in Medicare Advantage Prescription Drug Plans (MAPD) and the Medicare Supplement Plan (Anthem Blue Cross III) in the 2019/2020 plan year.

The enclosed analysis consists of possible “migration scenarios” resulting from an elimination of the LACERA-administered MAPD and Medicare Supplement (Anthem Blue Cross III) plans along with corresponding subsidies to enrollees for Medicare Part B premiums and penalties. The analysis consists of the established “migration scenarios” used in prior determinations. It is our opinion that these scenarios adequately cover the range of possible outcomes. As stated for prior years, it is expected that offering MAPD and Anthem Blue Cross III without the incentive of the Part B reimbursement (standard rate) would result in a decline in enrollment. The expected effect of such an enrollment decline would be an increase in the premiums exceeding the cost of the subsidies and a net loss to the County.

Based on the enclosed analysis, Segal recommends that the County continue to offer the MAPD and Anthem Blue Cross III plans incentivized with the Medicare Part B premium reimbursement to qualified enrollees.

Background Medicare Part B

The Centers for Medicare and Medicaid Services (CMS) announced the standard Part B premium amount in 2020 will be \$144.60 (or higher depending on income). However, some people who receive Social Security benefits pay less than this amount. Enrollees will pay the standard premium amount (or higher) if they:

- Enroll in Part B for the first time in 2020.
- Do not receive Social Security benefits.
- Are directly billed for their Part B premiums (meaning they are not taken out of their Social Security benefits).
- Have Medicare and Medicaid, and Medicaid pays their premiums (the state will pay the standard premium amount of \$144.60).
- Have modified adjusted gross income as reported on their IRS tax return from two years ago is above a certain amount. If so, they will pay the standard premium amount and an Income Related Monthly Adjustment Amount (IRMAA). IRMAA is an extra charge added to their premium.

The County reimburses Medicare Part B premiums (standard amount) for retirees and eligible dependents enrolled in the MAPD and Anthem Blue Cross III plans to incentivize enrollment. It is more cost effective for the County to enroll eligible participants in these plans. The County also covers the late enrollment penalties for retirees and eligible dependents who enrolled in the MAPD and the Anthem Blue Cross III plans prior to May 1, 1993 when the program was first introduced. The liability obligations have reduced year over year due to loss of membership. Based on four different migration scenarios, we estimate the County would save \$197-352 million annually by subsidizing Medicare Part B premiums.

Methodology

The cost effectiveness of the current offering is quantified as the annual cost differential between the current total plan cost and the projected total plan cost under each migration scenario. The total plan cost consists of Medical, Dental, Vision, and Medicare Part B subsidies for premiums and penalties for eligible individuals. The MAPD plans and corresponding Medicare Part B subsidies are eliminated in each scenario tested. The total premium is adjusted for the Retiree Drug Subsidy that would become available to the Plan for the migrations of Cigna, Kaiser, SCAN, and UHC members. Scenarios vary by the migration of enrollees in eliminated plans. Anthem Blue Cross III is eliminated in two of the four migration scenarios. The County contributions are determined by years of service. The County contribution as a percent of total cost is estimated at 92.6%, including Medicare Part B reimbursement and penalty. The Social Security cost of living adjustment is increasing by 1.6%, averaging \$24 per month nationally, as reported by the Social Security National Press office. The increase is over two times the standard Part B premium increase of \$9.10 per month for 2020. We have assumed that all of the County's enrollees will contribute the standard monthly Part B premium of \$144.60 in the 2020 plan year. This assumption is more stringent for testing than assuming a portion of the population

will pay a reduced premium due to the hold harmless provision. Moreover, the methodology excludes any insurer premium adjustment associated with changes in Plan demographics resulting from migration.

Results

The summary of testing results is summarized in this section. A more detailed development of the results can be found in Exhibits I-III attached to this memo.

Migration A

- > Cigna MAPD members move to Cigna non-MAPD
- > Kaiser MAPD members move to Kaiser Excess Plan
- > Anthem Blue Cross Plan III, SCAN, and UHC MA move to Anthem Blue Cross Plan II
- > County stops reimbursing Part B premium for all members

The MAPD and Anthem Blue Cross III plans are eliminated along with the Medicare Part B reimbursements (standard rate) resulting in an estimated increase of \$298.6 million in total annual cost to the County.

Migration B

- > UHC, Cigna, Kaiser, and SCAN members move to Anthem Blue Cross Plan II
- > Anthem Blue Cross Plan III members stay in Anthem Blue Cross Plan III
- > County stops reimbursing Part B premium for all members

The MAPD plan is eliminated along with the Medicare Part B reimbursements resulting in an estimated increase of \$220.0 million in total annual cost to the County.

Migration C

- > Half of UHC, Cigna, Kaiser, and all SCAN members move to Anthem Blue Cross Plan II
- > Half of UHC members move to Corresponding Plans
- > Half of Cigna members move to Corresponding Plans
- > Half of Kaiser members move to Corresponding Plans
- > Anthem Blue Cross Plan III members stay in Anthem Blue Cross Plan III
- > County stops reimbursing Part B premium for all members

The MAPD Plan is eliminated along with the Medicare Part B reimbursements resulting in an estimated increase of \$196.9 million in total annual cost to the County.

Ms. Cassandra Smith
Director, Retiree Healthcare Division
LACERA
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Migration D

- > UHC, Cigna, Kaiser, SCAN, and Anthem Blue Cross Plan III members move to Anthem Blue Cross Plan II
- > County stops reimbursing Part B premium for all members

The MAPD and Anthem Blue Cross III plans are eliminated along with the Medicare Part B reimbursements resulting in an estimated increase of \$351.7 million in total annual cost to the County.

Summary

The results indicate that maintaining the status quo results in a lower cost to the County compared to the four migration scenarios tested. It is our opinion that it is cost effective for LACERA to continue to offer the current Medicare Advantage and Medicare Supplement plans with the incentive of the Medicare Part B premium and penalty reimbursement program.

The projections in this report are estimates of future costs and are based on information available to Segal Consulting at the time the projections were made. Segal Consulting has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, trend rates, and claims volatility. The accuracy and reliability of projections decrease as the projection period increases. Unless otherwise noted, these projections do not include any cost or savings impact resulting from The Patient Protection and Affordable Care Act (PPACA) or other recently passed state or federal regulations.

Sincerely,



Paul C. Sadro, ASA, MAAA

Attachments (5601605)

cc: Jessica Kuhlman
Stephen Murphy
Richard Ward

LACERA
Medicare Advantage Savings Projections
Exhibit I

Projection Period:		July 1, 2019 through June 30, 2020							
Current Plan Cost (with Part B Subsidy)									
County Share	\$	605,697,770	92.6%						
Member Share		48,262,249	7.4%						
Total	\$	653,960,019	100%						
		Migration A	Percent	Migration B	Percent	Migration C	Percent	Migration D	Percent
Assumed Plan Cost (with Migration and Benefit Options)									
*County Share	\$	904,301,165	91.8%	\$ 825,747,238	91.8%	\$ 802,632,783	91.8%	\$ 957,431,447	91.8%
Member Share		81,098,383	8.2%	74,053,610	8.2%	71,980,689	8.2%	85,863,145	8.2%
Total	\$	985,399,548	100.0%	\$ 899,800,848	100.0%	\$ 874,613,472	100.0%	\$ 1,043,294,592	100.0%
Annual Cost Differential									
County Share	\$	298,603,395		\$ 220,049,468		\$ 196,935,013		\$ 351,733,677	
Member Share		32,836,134		25,791,361		23,718,440		37,600,895	
Total	\$	331,439,529		\$ 245,840,829		\$ 220,653,453		\$ 389,334,573	
Percentage Difference									
County Share		49.30%		36.33%		32.51%		58.07%	
Member Share		68.04%		53.44%		49.14%		77.91%	
Total		50.68%		37.59%		33.74%		59.53%	

Note: This analysis is based on the current retiree population. As Tier 2 provisions only apply to employees hired since June 30, 2014, all of the retirees are currently Tier 1 employees.
 *Excludes Medicare Part B Subsidy and assumes same County share percentage for all migrations.

Medicare Part B Premiums:

Assumes Part B reimbursement is \$144.60 per member in 2020.

Migration A:

- Cigna MAPD members move to Cigna non-MAPD
- Kaiser MAPD members move to Kaiser Excess Plan
- Anthem Blue Cross Plan III, SCAN, and UHC MA move to Anthem Blue Cross Plan II
- County will stop reimbursing Medicare Part B premium for all members

Migration B:

- UHC, Cigna, Kaiser, and SCAN members move to Anthem Plan II
- Anthem Blue Cross Plan III members stay in Anthem Blue Cross Plan III
- County will stop reimbursing Medicare Part B premium for all members

Migration C:

- Half of UHC, Cigna, Kaiser, and all SCAN members move to Anthem Blue Cross Plan II
- Half of UHC members move to Corresponding Plans
- Half of Cigna members move to Corresponding Plans
- Half of Kaiser members move to Corresponding Plans
- Anthem Blue Cross Plan III members stay in Anthem Blue Cross Plan III
- County will stop reimbursing Medicare Part B premium for all members

Migration D:

- UHC, Cigna, Kaiser, SCAN, and Anthem Blue Cross Plan III members move to Anthem Blue Cross Plan II
- County will stop reimbursing Medicare Part B premium for all members

LACERA
Medicare Part B Reimbursement and Savings Projection
Exhibit II

Carriers	Medicare Advantage (MA) Retirees	MA Monthly Premium	MA Monthly Premium Per Retiree	Non-MA Retirees	Non-MA Monthly Premium	Non-MA Monthly Premium Per Retiree	Total Retirees	Total Monthly Premium
United HealthCare	3,223	\$ 2,068,075	\$ 641.66	1,203	\$ 2,322,823	\$ 1,930.86	4,426	\$ 4,390,898
Cigna	58	45,134	778.17	440	902,751	2,051.71	498	947,884
Kaiser (Excess shown in Non-MA column)	19,010	9,567,165	503.27	2,463	3,649,330	1,481.66	21,473	13,216,495
Other Kaiser (basic & supplement)	-	-	N/A	3,372	5,441,685	1,613.79	3,372	5,441,685
SCAN	411	136,414	331.91	-	-	N/A	411	136,414
Anthem Blue Cross Plan III	-	-	N/A	12,104	9,059,749	748.49	12,104	9,059,749
Anthem Blue Cross Plan II	-	-	N/A	5,001	8,683,809	1,736.41	5,001	8,683,809
Anthem Blue Cross Plan I	-	-	N/A	1,096	1,619,049	1,477.23	1,096	1,619,049
Anthem Blue Cross Prudent Buyer	-	-	N/A	1,020	1,457,198	1,428.63	1,020	1,457,198
Local 1014 Firefighters	-	-	N/A	1,941	3,708,907	1,910.82	1,941	3,708,907
Total	22,702	\$ 11,816,788	N/A	28,640	\$ 36,845,302	N/A	51,342	\$ 48,662,090
Annual Premium								\$ 583,945,075
Medicare Part B Reimbursement								70,014,944
Total Annual Premium								\$ 653,960,019

	Retirees Enrollment	Non-MA Monthly Premium	Monthly Premium		Annualized Amount
Migration A (1)					
Cigna MAPD members move to Cigna Non-MAPD	58	\$ 2,051.71	\$ 118,999	Premium	\$ 985,399,548
Kaiser MAPD members move to Kaiser Excess Plan	19,010	1,481.66	28,166,367	Contributions	Cost Share %
Anthem Blue Cross Plan III, SCAN, and UHC MA move to Anthem Blue Cross Plan II	15,738	1,736.41	27,327,693	County	91.77%
Retiree Drug Subsidy (RDS) Adjustment for Cigna, Kaiser, SCAN, and UHC (2)	22,702	(56.47)	(1,281,982)	Retiree	8.23%
County stops reimbursing part B premium for all members			27,785,552	Total Contribution	\$ 985,399,548
Remaining Premium for the rest of population			\$ 82,116,629		
Outcome					
Migration B (1)					
UHC, Cigna, Kaiser, and SCAN members move to Anthem Blue Cross Plan II	22,702	\$ 1,736.41	\$ 39,420,084	Premium	\$ 899,800,848
Anthem Blue Cross Plan III members stay in Anthem Blue Cross Plan III	12,104	748.49	9,059,749	Contributions	Cost Share %
RDS Adjustment for Cigna, Kaiser, SCAN, and UHC (2)	22,702	(56.47)	(1,281,982)	County	91.77%
County stops reimbursing part B premium for all members			27,785,552	Retiree	8.23%
Remaining Premium for the rest of population			\$ 74,983,404	Total Contribution	\$ 899,800,848
Outcome					
Migration C (1)					
Half of UHC, Cigna, Kaiser, and all SCAN members move to Anthem Blue Cross Plan II	11,557	\$ 1,736.41	\$ 20,066,875	Premium	\$ 874,613,472
Half of UHC members move to Corresponding Plans	1,612	1,930.86	3,111,578	Contributions	Cost Share %
Half of Cigna members move to Corresponding Plans	29	2,051.71	59,499	County	91.77%
Half of Kaiser members move to Corresponding Plans	9,505	1,481.66	14,083,184	Retiree	8.23%
Anthem Blue Cross Plan III members stay in Anthem Blue Cross Plan III	12,104	748.49	9,059,749	Total Contribution	\$ 874,613,472
RDS Adjustment for Cigna, Kaiser, SCAN, and UHC (2)	22,702	(56.47)	(1,281,982)		
County stops reimbursing part B premium for all members			27,785,552		
Remaining Premium for the rest of population			\$ 72,884,456		
Outcome					
Migration D (1)					
UHC, Cigna, Kaiser, SCAN, and Anthem Blue Cross Plan III members move to Anthem Blue Cross Plan II	34,806	\$ 1,736.41	\$ 60,437,646	Premium	\$ 1,043,294,592
RDS Adjustment for Cigna, Kaiser, SCAN, and UHC (2)	22,702	(56.47)	(1,281,982)	Contributions	Cost Share %
County stops reimbursing part B premium for all members			27,785,552	County	91.77%
Remaining Premium for the rest of population			\$ 86,941,216	Retiree	8.23%
Outcome				Total Contribution	\$ 1,043,294,592

1- This analysis is based on the current retiree population. As Tier 2 provisions only apply to employees hired since June 30, 2014, all of the retirees are currently Tier 1 employees.
2- LACERA does not file for retiree drug subsidies for members enrolled in Medicare Advantage plans. The RDS adjustment represents additional retiree drug subsidies for members migrating out of Medicare Advantage plans.

LACERA
Medicare Part B Reimbursement Savings Calculation
Exhibit III

	2019	
Subsidy Calculation		
Part B Retirees as of Oct 2019 (1)		34,718
Part B Subsidy	\$	5,644,408
Penalty (1)		635
Subsidy & Penalties (1)	\$	5,645,043
Per Retiree Per Month	\$	162.60
Annual Part B Reimbursement & Penalty	\$	67,740,518
All Plans (Medical/Local 1014)		
Premium Amount (2)	\$	48,662,090
County Share (2)		44,656,769
Medicare B Subsidy and Penalties (1) (3)		5,645,043
Total County Amount (2)	\$	50,301,812
Member Amount (2)		4,005,320
Total (Members + County)	\$	54,307,133
	With B Subsidy	Without B Subsidy
Total County Share 2019	92.62%	91.77%
Total Member Share 2019	7.38%	8.23%

	2019	2020
Part B Premium Projection 2019/2020		
Average Part B Premium Per Member	\$ 135.50	\$ 144.60
2019 Estimated Members Calculation		
Medicare Part B Prem for Retiree w/o dependents		\$ 4,704,289
Member to Subscriber Ratio		1.1998
Estimated Members		41,656
Subsidy Projections 2019/2020		
Estimated Members	41,656	41,656
Medicare B Premium	\$ 135.50	\$ 144.60
Monthly Premium	\$ 5,644,408	\$ 6,023,479
Monthly Penalty	635	635
Annual 2019/2020 Medicare Premium (includes penalty)		\$ 70,014,944
Subsidy Per Retiree per Month		\$ 168.06
Retiree Drug Subsidy (RDS)		
	Actual	Estimated
	2017/2018	2019/2020 (4)
Anthem RDS Per Retiree Per Month	\$ 51.22	\$ 56.47

- 1 Per Medicare Part B Reimbursement and Penalty Report provided by LACERA for pay period as of 9/30/2019
- 2 Per Medical and Dental Vision Insurance Premiums Report of October 2019 provided by LACERA. County Share includes adjustments.
- 3 This analysis is based on the current retiree population. As Tier 2 provisions only apply to employees hired since June 30, 2014, all of the retirees are currently Tier 1 employees.
- 4 Estimated from Actual using 5% Annual Trend from 2019/2020 Prescription Drug Renewal Assumption