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COUNTY OF LOS ANGELES

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, CA 90012
(213) 974-1101 ceo.lacounty.gov

Chief Executive Officer

Fesia A. Davenport

"To Enrich Lives Through Effective and Caring Service"

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

28 December 17, 2024

December 17, 2024

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:

EDWARD YEN
EXECUTIVE OFFICER

**MEDICARE PART B PREMIUM REIMBURSEMENT PROGRAM FOR 2025
ALL DISTRICTS
(3 VOTES)**

SUBJECT

Recommendation to adopt renewal of the Medicare Part B Reimbursement Program (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 2025.

IT IS RECOMMENDED THAT THE BOARD:

1. Renew the Medicare Part B Premium Reimbursement Program (Program) for the 2025 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, 2026, with recommendations regarding the Medicare Part B reimbursement policy for the 2026 calendar year.
3. Reaffirm the Board's right to change or terminate the 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 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 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 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 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 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 2025 calendar year.

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 or Medicare Supplement Plan. LACERA currently administers three Medicare Risk HMOs and one Medicare Supplement Plan. There are an estimated 38,700 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.

2025 Premium Rates for Medicare Part B

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. 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 \$106,000 for individuals and greater than \$212,000 for couples) (Attachment A). However, for 2025, CMS has issued a single standard Medicare premium rate (\$185.00 per month) effective January 1, 2025. The increase is mainly due to projected price changes and assumed utilization increases that are consistent with historical experience.

For the 2025 plan year, we recommend that the County’s monthly reimbursement continue at the single standard Medicare Part B premium rate (\$185.00 for individuals and \$370.00 for couples filing jointly) for all plan participants. The County will pay eligible participants the lesser of the premium paid up to the standard amount \$185.00 (\$370.00 - two party) for Tier 1. For Tier 2, up to the standard amount \$185.00. The County will only reimburse the amount of the premium paid. For example, if that amount is less than the premium rate stated (\$185.00 for Tier 1) and the participant paid \$109, then only the \$109 would be reimbursed.

Of the estimated 38,700 eligible participants currently enrolled in the Medicare Part B Program, approximately 17,800 retirees (27,000 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. Therefore, without the Program, about half of the current Program participants would likely transfer into the more expensive LACERA medical plans.

The County and LACERA independently contracted with the actuarial consulting firms of Cheiron and Segal Consulting, respectively, to review this Program including the potential impact of discontinuing the Program (Attachments B and C). Cheiron concluded that without the Program, the County would pay an additional \$237 million in medical plan premium reimbursements but see a cost savings of \$114.0 million in Part B premium reimbursements for a net County cost of \$123.0 million per year. 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 Program to better ensure that the cost savings can be realized.

Implementation of Strategic Plan Goals

The recommended action is directly responsive to the County’s Los Angeles’ Strategic Plan North Star 3 Realize Tomorrow’s Government Today Focus Area Goal G Internal Controls and Processes by strengthening our internal controls and processes while being cognizant of efficiency to continue

good stewardship of the public trust and fiscal 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 increase the Medicare Part B reimbursement costs by approximately \$8.3 million per month to a total of \$100.0 million annually (compared to the projected 2024 Reimbursement Program year costs of \$97.0 million). This results in a projected savings/cost avoidance of \$123.0 million per year.

The Fiscal Year 2024-25 Final Adopted Budget includes \$838.2 million for retiree health, and funding for the Program is already included in the retiree health insurance budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The County pays a subsidy toward the cost of retiree healthcare and dental/vision insurance 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 with the subsidy increasing 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.

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 themselves and enrolled dependents under Tier 1 and for themselves under Tier 2, respectively) even if they have 25 years of service credit.

The recommended continuance of the Medicare Part B reimbursement would take effect on January 1, 2025, and will be initially reflected in LACERA retiree warrants issued on December 31, 2024. 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, 2026, with additional recommendations relating to Part B reimbursement policy for the 2026 calendar year.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

No impact on current services.

The Honorable Board of Supervisors

12/17/2024

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Fesia A. Davenport". The signature is fluid and cursive, with a large initial "F" and "D".

FESIA A. DAVENPORT

Chief Executive Officer

FAD:JMN:JDS

LR:rfm

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 2025

Yearly Modified Adjusted Gross Income for 2023¹		2025 Rates
Filing Individually	Filing Jointly	
\$106,000 or less	\$212,000 or less	\$185.00 <i>(standard rate)</i>
Above \$106,000 up to \$133,000	Above \$212,000 to \$266,000	\$259.00
Above \$133,000 up to \$167,000	Above \$266,000 to \$334,000	\$370.00
Above \$167,000 up to \$200,000	Above \$334,000 to \$400,000	\$480.90
Above \$200,000 and less than \$500,000	Above \$400,000 and less than \$750,000	\$591.90
Above \$500,000	Above \$750,000	\$628.90

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

ATTACHMENT B*Via Electronic Mail*

November 20, 2024

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

Re: *Projected Impact of Suspending the 2025 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, 2025. 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 2025, the standard Part B premium is increasing to \$185.00. Almost all retirees will see their part B premium increase to \$185.00 in 2025 as compared to \$174.70 for 2024. 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 39,959 retirees in this category as of June 30, 2024. Of these, 12,096 had less than 25 years of service at retirement and were making some level of contribution towards their retiree coverage.

While the current Medicare plans have much lower premiums than the Anthem Blue Cross I and II plans, depending on a retiree's year of service, the total cost of the current premium for the Medicare plan they have chosen plus the Medicare Part B premium cost could be more than what they would have to pay if they elected the Anthem Blue Cross I or II plan due to the amount of retiree contribution subsidy provided by the County.

As an example, a retiree with 25 years of service and currently participating in the Anthem Blue Cross Plan III will be paying nothing for coverage in 2025. If that individual participates in the Anthem Blue Cross Plan I or II, the retiree will also pay nothing for coverage. If the County stopped reimbursing the Medicare Part B premium (which will be \$185.00), the total cost to the individual would be the Part B premium given that the Anthem Blue Cross Plan III premium is fully subsidized. The cost under the Anthem Blue Cross I or II would be \$0 since the retiree is not required to enroll in Medicare for those plans. Therefore, the retiree would spend \$2,220 more per year by paying the Part B premium and remaining in their current plan.

Conversely, a retiree with 15 years of service and currently participating in the Anthem Blue Cross Plan III will be paying \$240.55 per month for coverage in 2025. If that individual participates in the Anthem Blue Cross Plan I or II, the retiree will be paying \$590.85 per month for coverage. If the County stopped reimbursing the Medicare Part B premium (which will be \$185.00), the total cost of the Part B premium and the Anthem Blue Cross Plan III premium would be \$425.55, which is \$165.30 less per month than the cost under Anthem Blue Cross I or II. The retiree would save \$1,984 per year by paying the Part B premium and remaining in their 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 Basic 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 the cost impact to the County ranges from a cost savings of \$114 million under Alternative 2 to an increased cost of \$360 million under Alternative 1 and \$123 million under Alternative 3 for 2025. Exhibit I shows the split between the Part B premium reimbursement savings and the medical plan premium reimbursements.

Currently the County is expected to pay \$219 million in medical plan premium reimbursement and \$114 million in Part B premium reimbursement in 2025 for a total cost of \$332 million for the Medicare-eligible membership. Under all three alternatives, the County is assumed to no longer pay the \$114 million in Part B premium reimbursement. Under Alternatives 1 and 3, the County would have increased costs for medical plan premiums due to members shifting from the Medicare plans to the non-Medicare plans.

Under Alternative 1, the County would pay an additional \$473 million in medical plan premium reimbursements but see a savings of \$114 million in Part B premium reimbursement for a net County cost increase of \$360 million. Under Alternative 2, the County would not have any additional medical plan premium reimbursements but see a savings of \$114 million in Part B premium reimbursement for a net County cost savings of \$114 million. Under Alternative 3, the County would pay an additional \$237 million in medical plan premium reimbursements but see a savings of \$114 million in Part B premium reimbursement for a net County cost increase of \$123 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 \$123 million per year.

This analysis was prepared exclusively for the County of Los Angeles 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.

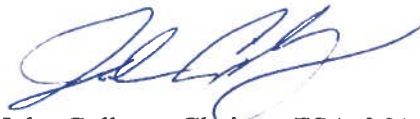
Ms. Leslie Rooney
November 20, 2024
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Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

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 credentialed actuaries, we 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. We are not attorneys, 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 us at (703) 893-1456, extension 1101 (John) or 1176 (Stephen).

Sincerely,
Cheiron



John Colberg, Cheiron, FSA, MAAA, EA
Principal Consulting Actuary



Stephen Giordano, Cheiron, FSA, MAAA
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 2025

	<u>Current</u>	<u>Alternative 1</u>	<u>Alternative 2</u>	<u>Alternative 3</u>
Anthem Blue Cross	\$152,937,000	\$245,705,000	\$113,021,000	\$179,363,000
CIGNA	\$483,000	\$1,251,000	\$301,000	\$776,000
Kaiser	\$144,749,000	\$367,497,000	\$84,205,000	\$225,851,000
SCAN	\$2,457,000	\$5,004,000	\$1,303,000	\$3,153,000
United Healthcare	\$31,514,000	\$72,459,000	\$19,759,000	\$46,109,000
Total	\$332,140,000	\$691,916,000	\$218,589,000	\$455,252,000
Premiums	\$218,589,000	\$691,916,000	\$218,589,000	\$455,252,000
Part B Reimbursement	\$113,551,000	\$0	\$0	\$0
Total Cost/(Savings)		\$359,776,000	(\$113,551,000)	\$123,112,000
Premiums		\$473,327,000	\$0	\$236,663,000
Part B Reimbursement		(\$113,551,000)	(\$113,551,000)	(\$113,551,000)

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.





Deborah Donaldson, FSA, MAAA
Senior Vice President
M 303.908.9031
Ddonaldson@segalco.com

7951 E Maplewood Avenue
Suite 327
Greenwood Village, CO 80111-4774
segalco.com

ATTACHMENT C

November 15, 2024

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

Re: LACERA: 2024-2025 Part B Premium Reimbursement Analysis

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 (i.e., Anthem Blue Cross III) in the 2024/2025 plan year.

The enclosed analysis consists of possible "migration scenarios" resulting from an elimination of the LACERA-administered MAPD and Medicare Supplement (i.e., Anthem Blue Cross III) plans along with corresponding subsidies and penalties to enrollees for Medicare Part B premiums. 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 Medicare Supplement (i.e., Anthem Blue Cross III) plans without the incentive of the Part B reimbursement (standard rate) would likely result in a decline in enrollment in these plans. As illustrated in the Exhibits, eliminating these plan options would result in increased costs to the County.

Based on the enclosed analysis, Segal recommends that the County continue to offer the MAPD and Medicare Supplement (i.e., 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 2025 will be \$185.00 (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 2025.
- 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 \$185.00).
- 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 Medicare Supplement (i.e., Anthem Blue Cross III) plans to incentivize enrollment. It is more cost effective for the County to enroll eligible participants in these plans. The benefits provided under the MAPD and Medicare Supplement plans, taking Medicare Parts A and B into consideration, are at least as generous from a relative value perspective as the plans in which the enrollees would be migrating under the migration scenarios. Based on three different migration scenarios, we estimate the County would save \$359 - \$555 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. The Medicare Supplement (i.e., Anthem Blue Cross III) plan is eliminated in two of the three migration scenarios.

The County contributions are determined by years of service. The County contribution as a percent of total cost is estimated at 93.4%, including Medicare Part B reimbursement and penalty. The Social Security cost of living adjustment is increasing by 2.5%, averaging \$49 per month nationally, as reported by the Social Security National Press office. We have assumed that all of the County's enrollees will contribute the standard monthly Part B premium of \$185.00 in the 2025 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
- Anthem Blue Cross Plan III (Medicare Supplement Plan), Kaiser MAPD, SCAN MAPD, and UHC MAPD move to Anthem Blue Cross Plan II
- County stops reimbursing Part B premium for all members

The MAPD and Medicare Supplement (i.e., Anthem Blue Cross III) plans are eliminated along with the Medicare Part B reimbursements (standard rate) resulting in an estimated increase of \$554.7 million in total annual cost to the County.

Migration B

- Cigna MAPD, Kaiser MAPD, SCAN MAPD, and UHC MAPD members move to Anthem Blue Cross Plan II
- Anthem Blue Cross Plan III (Medicare Supplement Plan) members stay in Anthem Blue Cross Plan III (Medicare Supplement Plan)
- 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 \$359.5 million in total annual cost to the County.

Migration C

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

The MAPD and Medicare Supplement (i.e., Anthem Blue Cross III) plans are eliminated along with the Medicare Part B reimbursements resulting in an estimated increase of \$554.6 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 three 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.

Ms. Cassandra Smith
LACERA
November 15, 2024
Page 4

Sincerely,



Debbie Donaldson, FSA, MAAA
Senior Vice President

cc: Leilani Ignacio
Stephen Murphy
Richard Ward
Jessica Kuhlman

This document has been prepared for the exclusive use and benefit of LACERA, based upon information provided by you and your other service providers or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. Except as required by law or required for the Client's proper administration, this document should not be copied, reproduced, or shared with other parties without Segal's consent and, in such instances, should only be shared in its entirety. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

**LACERA
Medicare Advantage Savings Projections
Exhibit I**

Projection Period:		July 1, 2024 through June 30, 2025					
Current Plan Cost (with Part B Subsidy)							
County Share	\$ 805,974,729	93.4%					
Member Share	56,860,866	6.6%					
Total	\$ 862,835,594	100.0%					
			Migration A	Percent	Migration B	Percent	
Assumed Plan Cost (with Migration and Benefit Options)							
*County Share	\$ 1,360,638,386	92.5%	\$ 1,165,428,648	92.5%	\$ 1,360,616,157	92.5%	
Member Share	109,845,118	7.5%	94,085,724	7.5%	109,843,323	7.5%	
Total	\$ 1,470,483,504	100.0%	\$ 1,259,514,372	100.0%	\$ 1,470,459,480	100.0%	
Annual Cost Differential							
County Share	\$ 554,663,657		\$ 359,453,919		\$ 554,641,428		
Member Share	52,984,252		37,224,858		52,982,457		
Total	\$ 607,647,910		\$ 396,678,778		\$ 607,623,886		
Percentage Difference							
County Share	68.8%		44.6%		68.8%		
Member Share	93.2%		65.5%		93.2%		
Total	70.4%		46.0%		70.4%		

Note: This analysis is based on the current retiree population. As Tier 2 provisions only apply to employees hired since June 30, 2014, the majority of 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 \$185.00 per member in 2025.

Migration A:

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

Migration B:

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

Migration C:

- Anthem Blue Cross Plan III (Medicare Supplement Plan), Cigna MAPD, Kaiser MAPD, SCAN MAPD, UHC MAPD 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	4,049	\$ 2,692,823	\$ 665.06	1,449	\$ 3,504,157	\$ 2,418.33	5,498	\$ 6,196,980
Cigna	64	41,806	653.21	298	674,034	2,254.29	362	715,840
Kaiser (Excess shown in Non-MA column)	20,883	10,553,531	505.38	2,496	4,156,751	1,669.37	23,379	14,720,282
Other Kaiser (basic & supplement)	-	-	N/A	3,564	7,564,193	2,122.39	3,564	7,564,193
SCAN	403	136,131	337.79	-	-	N/A	403	136,131
Anthem Blue Cross Plan III	-	-	N/A	13,755	12,998,882	945.03	13,755	12,998,882
Anthem Blue Cross Plan II	-	-	N/A	5,625	12,504,488	2,223.02	5,625	12,504,488
Anthem Blue Cross Plan I	-	-	N/A	847	1,653,988	1,952.76	847	1,653,988
Anthem Blue Cross Prudent Buyer	-	-	N/A	759	1,218,316	1,605.16	759	1,218,316
Local 1014 Firefighters	-	-	N/A	2,345	5,543,652	2,364.03	2,345	5,543,652
Total	25,399	\$ 13,424,291	N/A	31,139	\$ 49,828,460	N/A	56,538	\$ 63,252,751
Annual Premium								\$ 759,033,015
Medicare Part B Reimbursement								103,802,580
Total Annual Premium								\$ 862,835,594

	Retirees Enrollment	Non-MA Monthly Premium	Monthly Premium		Annualized Amount
Migration A (1) (2)					
Cigna MAPD members move to Cigna Non-MAPD	64	\$ 2,254.29	\$ 144,275	Premium	\$ 1,470,483,504
Anthem Blue Cross Plan III (Medicare Supplement Plan), Kaiser MAPD, SCAN MAPD, and UHC MAPD members move to Anthem Blue Cross Plan II	39,090	2,223.02	86,897,854	Contributions	Cost Share %
Retiree Drug Subsidy (RDS) Adjustment for Cigna MAPD, Kaiser MAPD, SCAN, and UHC MAPD (3)	25,399	(52.42)	(1,331,416)	County	92.5%
County stops reimbursing part B premium for all members				Retiree	7.5%
Remaining Premium for the rest of population			36,829,579	Total Contribution	\$ 1,360,638,386
Outcome			\$ 122,540,292		109,845,118
Migration B (1)					
Cigna MAPD, Kaiser MAPD, SCAN MAPD, and UHC MAPD members move to Anthem Blue Cross Plan II	25,399	\$ 2,223.02	\$ 56,462,486	Premium	\$ 1,259,514,372
Anthem Blue Cross Plan III (Medicare Supplement Plan) members stay in Anthem Blue Cross Plan III (Medicare Supplement Plan)	13,755	945.03	12,998,882	Contributions	Cost Share %
RDS Adjustment for Cigna MAPD, Kaiser MAPD, SCAN MAPD, and UHC MAPD (3)	25,399	(52.42)	(1,331,416)	County	92.5%
County stops reimbursing part B premium for all members				Retiree	7.5%
Remaining Premium for the rest of population			36,829,579	Total Contribution	\$ 1,165,428,648
Outcome			\$ 104,959,531		94,085,724
Migration C (1)					
Anthem Blue Cross Plan III (Medicare Supplement Plan), Cigna MAPD, Kaiser MAPD, SCAN MAPD, and UHC MAPD, members move to Anthem Blue Cross Plan II	39,154	\$ 2,223.02	\$ 87,040,127	Premium	\$ 1,470,459,480
RDS Adjustment for Cigna MAPD, Kaiser MAPD, SCAN MAPD, and UHC MAPD (3)	25,399	(52.42)	(1,331,416)	Contributions	Cost Share %
County stops reimbursing part B premium for all members				County	92.5%
Remaining Premium for the rest of population			36,829,579	Retiree	7.5%
Outcome			\$ 122,538,290	Total Contribution	\$ 1,360,616,157
					109,843,323

1- This analysis is based on the current retiree population. As Tier 2 provisions only apply to employees hired since June 30, 2014, the majority of retirees are currently Tier 1 employees.
2- Effective July 1, 2021, the Kaiser Excess plan was closed to members eligible for Medicare. Migration assumption previously assumed Kaiser MAPD members would move to Kaiser Excess plan.
3- 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

		2024
Subsidy Calculation		
Part B Retirees as of Oct 2024 (1)		39,177
Part B Subsidy	\$	8,402,485
Penalty (1)		-
Subsidy & Penalties (1)	\$	8,402,485
Per Retiree Per Month	\$	214.47
Annual Part B Reimbursement & Penalty	\$	100,829,819
All Plans (Medical/Local 1014)		
Premium Amount (2)	\$	63,252,751
County Share (2)		58,527,677
Medicare B Subsidy and Penalties (1) (3)		8,402,485
Total County Amount (2)	\$	66,930,162
Member Amount (2)		4,725,074
Total (Members + County)	\$	71,655,236
	With B Subsidy	Without B Subsidy
Total County Share 2024	93.4%	92.5%
Total Member Share 2024	6.6%	7.5%

		2024	2025
Part B Premium Projection 2024/2025			
Average Part B Premium Per Member	\$	174.70	\$ 185.00
2024 Estimated Members Calculation			
Medicare Part B Prem for Retiree w/o dependents			\$ 6,844,222
Member to Subscriber Ratio			1.2277
Estimated Members			48,097
Subsidy Projections 2024/2025			
Estimated Members		48,097	48,097
Medicare B Premium	\$	174.70	\$ 185.00
Monthly Premium	\$	8,402,485	\$ 8,897,945
Monthly Penalty		-	-
Annual 2024/2025 Medicare Premium (includes penalty)			\$ 103,802,580
Subsidy Per Retiree per Month			\$ 220.80
Retiree Drug Subsidy (RDS)			
		Actual	Estimated
		2022/2023	2024/2025 (4)
Anthem RDS Per Retiree Per Month	\$	39.75	\$ 52.42

- 1 Per Medicare Part B Reimbursement and Penalty Report provided by LACERA for pay period as of 10/31/2024
- 2 Per Medical and Dental Vision Insurance Premiums Report of October 2024 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, the majority of retirees are currently Tier 1 employees.
- 4 Estimated from Actual using 14.8% Annual Trend from the 24/25 Anthem Prescription Drug Renewal Assumption.