

# Health Plan Spotlight: Kaiser Permanente

## Overview

Founded in 1945, Kaiser Permanente combines health plan coverage with coordinated medical services. Its stated mission is to provide high-quality, affordable health care services to improve the health of its members and the communities they serve and to help shape the future of health care. They serve 12.6 million members in eight states and the District of Columbia.

Kaiser Permanente is the largest plan in the CalPERS Health Program with roughly 647,000 members, which is approximately 44% of our total membership. CalPERS is Kaiser Permanente's largest employer purchaser and represents 7% of their book of business. They are an integrated and coordinated Health Maintenance Organization (HMO) care model including pharmacy. Coverage is limited to Kaiser providers and facilities, except in an emergency, and prescriptions are filled in a Kaiser pharmacy.

CalPERS offers members Kaiser Permanente Basic HMO, Kaiser Permanente Senior Advantage, and Kaiser Permanente Senior Advantage Summit (the latter has a higher premium but offers its members \$0 copay for most services). Kaiser plans are available in 31 counties in California (see Service Areas map below). They offer out-of-state Basic and Medicare plans with limited availability in Colorado, Georgia, Hawaii, Maryland, Oregon, Washington, Virginia, and the District of Columbia. For 2025, Kaiser Permanente has proposed adding partial coverage of Monterey County for Basic members.

## Highlights

### Clinical Care

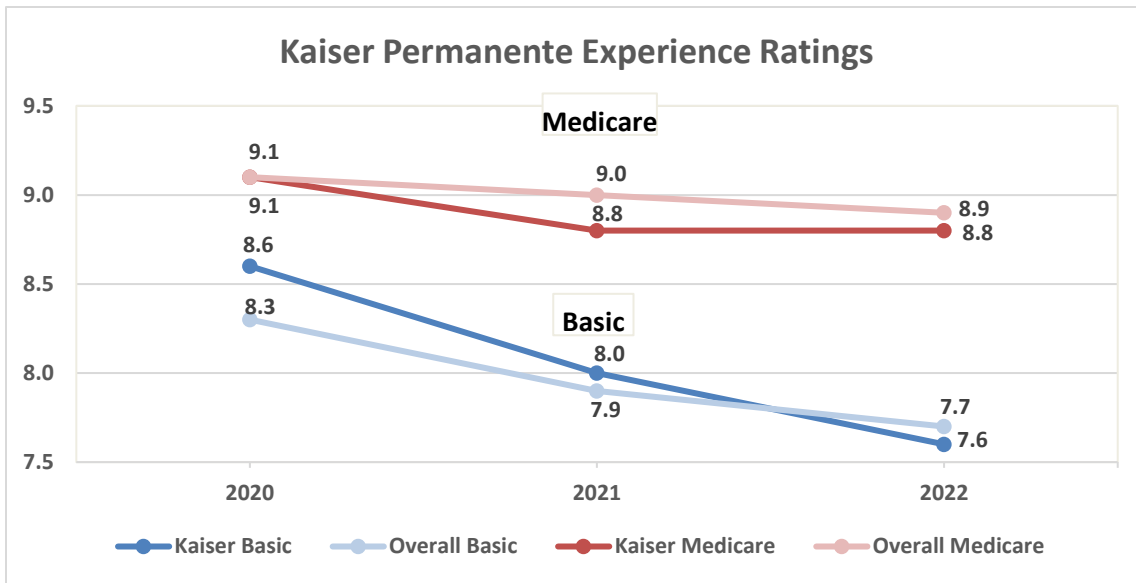
Kaiser Permanente is among the most highly ranked of all U.S. health insurers in most measures of quality. It is the only CalPERS Basic health plan and Medicare Advantage health plan to achieve a National Committee for Quality Assurance (NCQA) Health Plan Rating of 4.5 out of 5 stars for 2023 and the only CalPERS health plan to achieve the required benchmark for all clinical quality performance measures for calendar year 2022. For 2022, they achieved 90<sup>th</sup> percentile or above the 90<sup>th</sup> percentile on several preventive screening measures and measures related to care of chronic conditions.

Leveraging their integrated model, Kaiser Permanente is an innovator in promoting the use of biosimilar medications, which helps ensure cost effective and high-quality pharmacy care for their members. In 2023, Kaiser switched almost 90% of their commercial and Medicare members from Humira to the new biosimilar Amjevita. They anticipate realizing up to \$300 million in savings due to this switch alone.

Kaiser Permanente is also an innovator in assessing and improving disparities in care. They have collected race and ethnicity data for 97.5% of their CalPERS members and achieved NCQA Health Equity Accreditation for Kaiser Permanente Northern California ahead of the 2025 requirement CalPERS added to our new 5-year HMO contracts. They've demonstrated that continued efforts to reduce or eliminate disparities can be successful. For example, efforts to reduce colon cancer screening disparities led to an increased screening rate of 80%, higher than the national average. Kaiser Permanente now ranks in the top 10% nationwide for colon cancer screening rates for Black and Latino members.

## Member Experience

The annual CalPERS Health Plan Member Survey asks members to rate their health plan and overall health care satisfaction using a 10-point scale where 0 is the lowest and 10 is the highest possible rating. Nationally and among CalPERS health plans, member experience ratings have decreased since the pandemic. Both the Kaiser Permanente Basic and Medicare plan ratings also decreased and were rated similar to the overall CalPERS average ratings.



## Considerations

### Behavioral Health Access

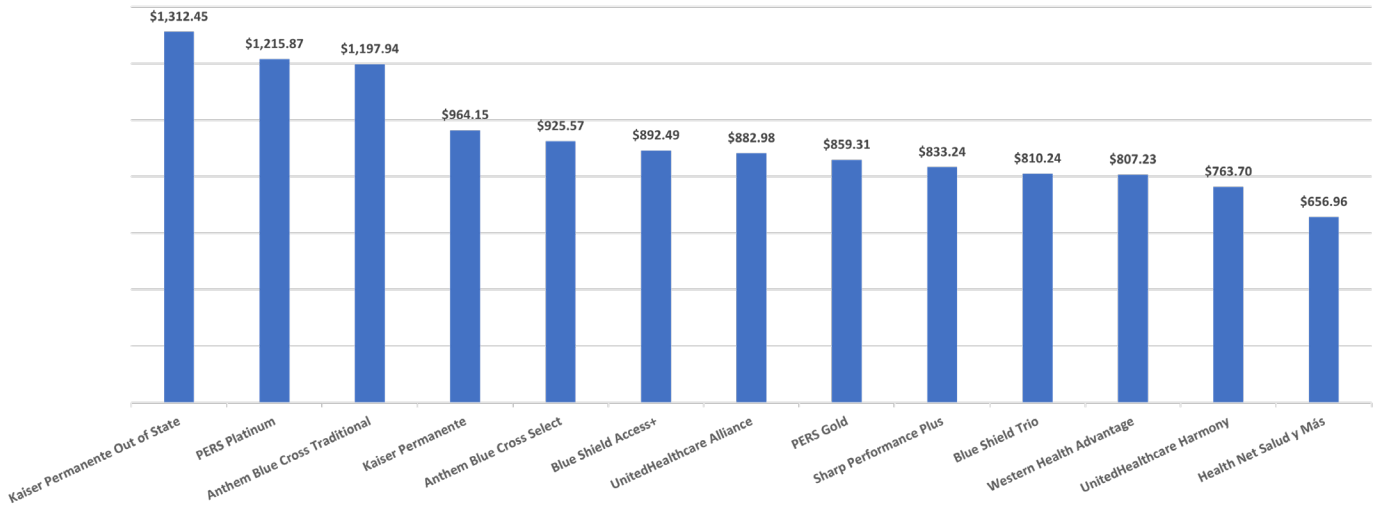
Despite consistently high marks on the quality of their health services, Kaiser Permanente has faced challenges with providing access to behavioral health care. As part of their responsibility to enforce the Knox-Keene Act and the Mental Health Parity and Addiction Equity Act (MHPAEA), the Department of Managed Health Care (DMHC) fined Kaiser Permanente \$4 million in 2013 and reached a settlement agreement in 2017 that required Kaiser Permanente to make significant improvements to the plan’s oversight of behavioral health care. More recently, in 2023, the DMHC conducted a non-routine audit of Kaiser Permanente’s behavioral health program and again identified issues with their delivery and oversight of behavioral health care including access to care. As a result, the DMHC and Kaiser Permanente reached a settlement agreement that includes a \$50 million fine and an agreement that Kaiser Permanente will invest an additional \$150 million to improve statewide access to behavioral health services over the next five years.

### Increasing Premiums

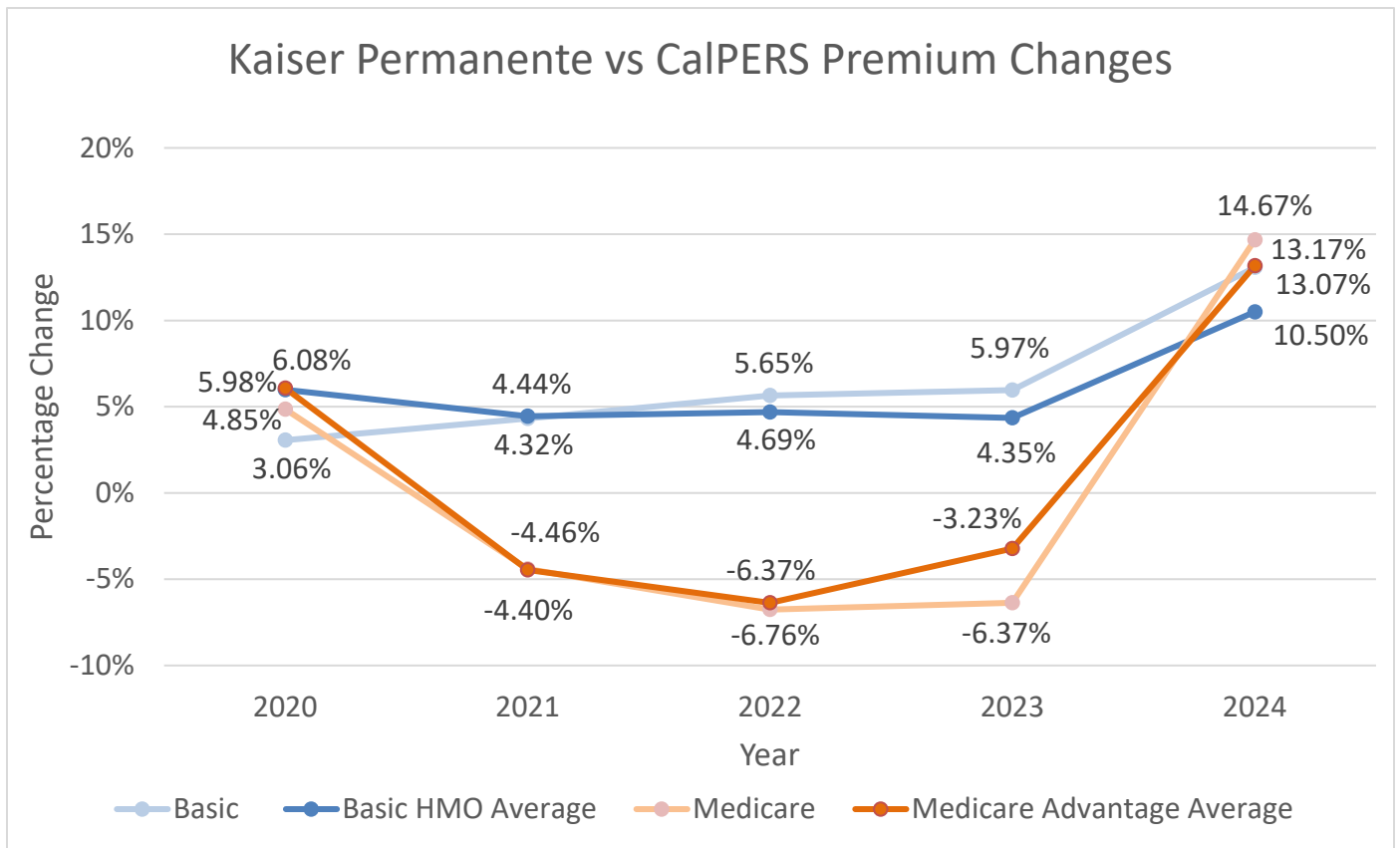
While historically Kaiser Permanente has balanced their strong clinical leadership with relatively moderate prices, their prices have become less competitive in relation to other plans in our program in recent years. This is concerning because of the high number of CalPERS members who choose Kaiser, but also because their model as an integrated system should be less expensive. Kaiser has more control over their network,

referrals, prescribing practices, and other cost drivers than do other health plans. Kaiser is currently the third most expensive in-state offering in the CalPERS portfolio.

2024 Portfolio Premium Levels - Basic HMO and PPO Plans

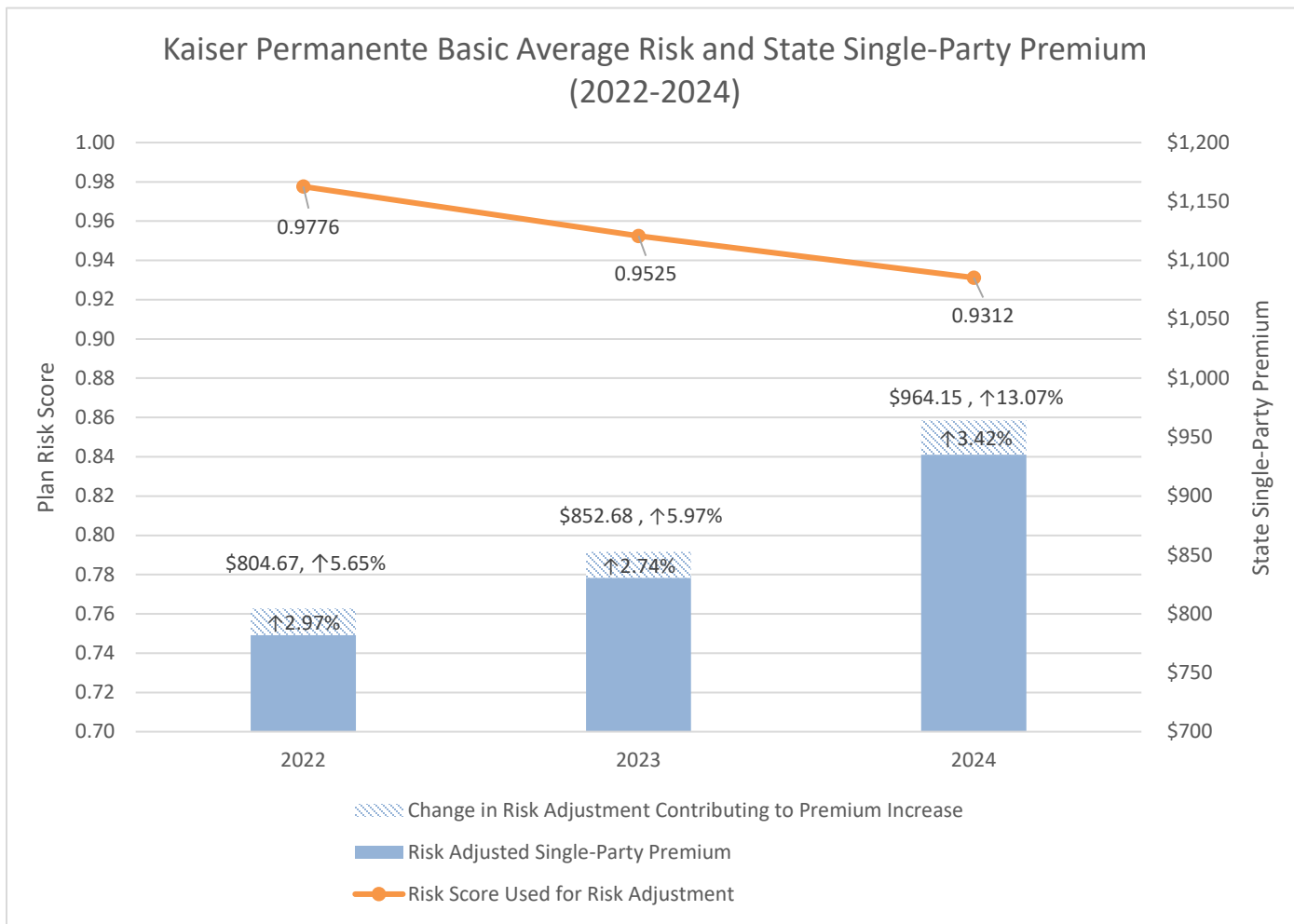


Kaiser’s 2024 premium increases for CalPERS averaged 13% for Basic plans and over 14% for the two Medicare plans.



### Risk Adjustment

Beginning with plan year 2022, CalPERS implemented a risk mitigation strategy to encourage Basic HMO and Preferred Provider Organization (PPO) plans to compete based on provider network and quality of care. This strategy was partially implemented with the 2022 premiums and fully implemented in plan year 2023. Starting in 2024, Basic HMO and PPO plans began a three-year transition into a single risk pool to further stabilize the Basic plan portfolio. The risk adjustment strategy increases premiums for plans with a healthier population than the overall Basic population, which Kaiser Permanente has. In 2024, risk adjustment contributed 3.4% of Kaiser Permanente’s 13% increase for Basic plans. Medicare plans are not included in the risk mitigation strategy.



The risk scores for each year include various adjustments unique to that year’s Rate Development Process. These adjustments account for service area expansions within the HMO Basic program as well as partial or complete implementation of the CalPERS risk mitigation strategy.

### Enrollment Change

Each year during Open Enrollment, CalPERS encourages members to shop health plans to find the one that best suits their needs. Given Kaiser Permanente’s significant rate increases for 2024, their enrollment decreased across both Basic and Medicare plans.

