



Consent

Agenda Item 5f

February 20, 2013

ITEM NAME: Kaiser Medicare Conversion Project

PROGRAM: Health Benefits

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

This report is to inform the Pension and Health Benefits Committee regarding the Kaiser Medicare Conversion Project, which is a result of the 2013 Rate Renewal with Kaiser Permanente (Kaiser). As part of the 2013 Rate Renewal, Kaiser and the California Public Employees' Retirement System (CalPERS) agreed to conduct a voluntary campaign to convert at least 100 protected, Medicare-eligible members from the Kaiser Basic plan to Kaiser Permanente Senior Advantage (KPSA) by July 1, 2013. By converting CalPERS Medicare-eligible members from the Basic plan into the KPSA plan, the Kaiser premium will be lowered, reducing health care costs for members and employers, and saving approximately \$937,495.

STRATEGIC PLAN

This agenda item supports the objective "Ensure high-quality, accessible and affordable health benefits" in Goal A ("Improve long-term pension and health benefit sustainability") of the 2012–17 Strategic Plan.

BACKGROUND

California Public Employees' Medical and Hospital Care Act (PEMHCA) section 22844 governs the enrollment of members and their families into a CalPERS Medicare health plan. This section coordinates the CalPERS Health Benefits Program with the federal Medicare program to achieve both member and employer savings. Enrollment in Medicare Part A (hospital insurance) and Part B (medical services insurance) is voluntary. If individuals are not eligible for premium-free Medicare Part A or not enrolled in Medicare Part B, they can purchase these Medicare benefits but are subject to late enrollment penalties if not enrolled in accordance with the Centers for Medicare and Medicaid Services (CMS) requirements.

In general, section 22844 provides that employees, annuitants, and their family members who become eligible to enroll in Medicare Part A and Part B may not be enrolled in a CalPERS Basic health plan. In addition, PEMHCA Regulation 599.517 defines Medicare-eligible as "eligible for Medicare Part A without cost and Part B,"

and allows Medicare-age retirees not eligible for premium-free Medicare Part A to remain enrolled in a Basic plan. These CalPERS members are the protected population and cannot be forced to sign up for Medicare even if enrolled in Medicare Part A and Part B.

In 2009, CalPERS gave members the opportunity to join KPSA with only Medicare Part B eligibility. There are members in our Basic plans with Medicare Part B only who could voluntarily enroll in the KPSA plan, but choose not to.

ANALYSIS

Statutory and regulatory exemptions allow some Medicare-eligible members to remain in a CalPERS Basic health plan. CalPERS Basic plan premiums increase by having these Medicare-eligibles in the risk pool and CalPERS bears 100 percent of the cost of care. When the member is moved in to a Medicare plan, CMS bears approximately 80 percent of the cost of care. The cost for 2,081 Kaiser members age 65 and older to remain in the Kaiser Basic plan is approximately \$19.5 million annually, which increased the Kaiser single Basic premium an additional \$4.66 for 2013. This additional premium is called the Kaiser surcharge. Reducing the Medicare-eligible members in the Kaiser Basic plan by 100 will result in an annual savings of \$937,495 and a premium reduction of approximately 23 cents per subscriber per month.

Beginning in 2012, CalPERS and Kaiser established a project team that began meeting in September 2012, to develop a plan for member outreach and transition. Kaiser has approximately 2,081 protected members in the Basic plan. Unlike the 2009 Medicare Part B Waiver program which gave members the opportunity to join KPSA with only a Medicare Part B eligibility, this program targets members in protected categories that have chosen not to move. For 2013, CalPERS and Kaiser proposed to reach out to members in the protected, surcharged population who are: 1) retired; 2) either have no Medicare, Medicare Part A or Part B, or have both Medicare Parts A and Part B; and, 3) live in a KPSA service area.

Current Status of Medicare Conversion Project

The project team has identified specific groups of members to target for outreach. The primary focus will be on members between the ages 65-75. This group of members is more likely to be willing to enroll in Medicare and will have lower penalties. More aged members may not comprehend or comply with complex enrollment, transition, and payment requirements, and may be more resistant to change. The project team is developing letters to encourage members to enroll in Medicare and switch to KPSA based on enhanced benefits and services, often with lower out-of-pocket costs.

As of December 2012, 89 CalPERS members have either moved into KPSA, have been reported as deceased, or have moved into another CalPERS plan or terminated

CalPERS coverage all together, reducing the number of surchargable CalPERS members. The annual savings for 89 surcharge members is \$834,370. The Kaiser Medicare Conversion Project is a continual commitment for both Kaiser and CalPERS to provide a proven strategy towards minimizing future rate increases for Kaiser's Basic membership. The project team will continue to reach out to the protected Medicare-eligible Kaiser members and move members voluntarily to KPSA to meet or exceed the 100 member target.

ATTACHMENT

Attachment 1 – Medicare Conversion Project Background

KATHY DONNISON, Chief
Health Plan Administration Division

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning