

Medicare Conversion Project Background

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In 2012, California Public Employees' Retirement System (CalPERS) and Kaiser Permanente (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 Kaiser Permanente Senior Advantage (KPSA) with only a Medicare Part B eligibility, this program targets members in protected categories (see table below) that have chosen not to move. For 2013, CalPERS and Kaiser proposed to reach out to members in the protected population who are: 1) retired; 2) either have no Medicare, Medicare Part A or Part B, or have both Medicare Parts A and B; and, 3) live in a KPSA service area.

Retired Members Age 65 and older in Basic Plans

Four categories of members age 65 and older remain in a CalPERS Basic health plan:

Category	Description
Not Eligible for Part A Without Cost	Not eligible for premium-free Medicare Part A under federal law because they or their spouses did not work for at least 10 years (40 or more quarters) in Social Security-covered employment.
Pre-1985 Exempt	First eligible for Medicare prior to January 1, 1985, and exempt under PEMHCA section 22844, which defines who shall enroll in a CalPERS Medicare plan and who may remain in a Basic plan.
Pre-1998 Exempt	Exempt under PEMHCA regulation 559.517, which allows members who were continuously enrolled in a CalPERS Basic health plan and first eligible for Medicare between January 1, 1985, and January 1, 1998, to remain in a Basic plan.
Pre-2001 California State University (CSU) Exempt	Exempt under PEMHCA regulation 559.517, which allows CSU members who were continuously enrolled in a CalPERS Basic health plan and eligible for Medicare prior to January 1, 2001 to remain in a Basic plan.

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Payment of Surcharges for Late Enrollment in Medicare

Under the Kaiser plan, if Medicare-eligible members do not enroll in Kaiser's Medicare Advantage plan, Kaiser cannot receive the per member per month (PMPM) "capitated" premium from the Centers for Medicare and Medicaid Services (CMS). The PMPM premium is paid to the Medicare Advantage plan to administer the federal health insurance benefits and services on behalf of the CMS. Kaiser's rating methodology passes the loss in federal revenue, for the unassigned Senior Advantage members, back to the purchaser for their potentially Medicare-eligible members.

Kaiser Surcharge for the CalPERS population

CMS adds 10 percent penalty to the standard Part B premium for each 12-month period that the beneficiary could have enrolled in Part B, but did not enroll. Therefore, members who failed to enroll at the time they were eligible will have to pay this additional 10 percent monthly for the duration of their Medicare enrollment. Kaiser imposes a premium surcharge for CalPERS members who are 65 and older and still enrolled in a CalPERS Basic health plan. This surcharge is based upon the CMS Medicare reimbursement Kaiser would have received for each Medicare-eligible member and the difference in the premium Kaiser receives from CalPERS. The surcharge is calculated as the difference between what CMS and CalPERS would have paid for retirees if they were in KPSA, and Basic premium received:

Kaiser Plan	CalPERS Premium	CMS Supplement	Received by Kaiser
Senior Advantage	\$288	\$1,102	\$1,391
Basic	\$609	\$0.00	\$609
		Surcharge:	\$781

*Kaiser applies the surcharge to all three tiers in its basic plan: single party, two party and family.

Benefits to Member Enrolling In KPSA

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- Copayment will be \$10 (lower than the current \$15 copayment for Basic)
 - Chiropractic care for \$10 per visit, up to 20 visits per calendar year (currently not a benefit for Basic)
 - Additional \$175 allowance for eyeglasses and contact lenses every 24 months
 - No charge for eyeglasses and contact lenses following cataract surgery in accordance with Medicare guidelines
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