

**JOINT CERS AND KRS RETIREE HEALTH PLAN COMMITTEE**  
**September 3, 2024, 10:00 a.m. ET (9:00 a.m. CT)**  
**Live Videoconference/Facebook Live**

**Agenda**

1. Call to Order – *Jerry Powell*
2. Opening Video Teleconference Statement – *Office of Legal Services*
3. Roll Call – *Sherry Rankin*
4. Public Comment – *Sherry Rankin*
5. Approval of Committee Minutes – May 8, 2024\* – *Jerry Powell*
6. Establish 2025 Health Insurance Components and Health Insurance Rate to be paid by Kentucky Public Pensions Authority that will be used to define 100% Contribution for non-Medicare Eligible Retirees\* – *Connie Pettyjohn*
7. Establish 2025 Health Insurance Plan Components and Health Insurance Rate to be paid by Kentucky Public Pensions Authority that will be used to define 100% Contribution for Medicare Eligible Retirees\* – *Humana, Connie Pettyjohn, GRS Representative*
  - a. CY2025 KPPA Medical Only Renewal – *GRS*
  - b. Actuarial Analysis of MA Premium Impact – *GRS*
8. Other Business
9. Adjourn\* – *Jerry Powell*

*\*Board Action Required*

**KENTUCKY PUBLIC PENSIONS AUTHORITY  
JOINT CERS-KRS BOARD OF TRUSTEES  
RETIREE HEALTH PLAN COMMITTEE MEETING  
MAY 8, 2024, at 10:00 A.M., E.S.T.  
VIA LIVE VIDEO TELECONFERENCE**

At the May 8, 2024, Regular Meeting of the Retiree Health Plan Committee of the Joint CERS and KRS Boards of Trustees, the following members were present: CERS – Jerry Powell (Chair) and J.T. Fulkerson; KRS – Keith Peercy. Staff members present were CERS CEO Ed Owens, III, KRS CEO John Chilton, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Vicki Hale, Carrie Bass, Connie Pettyjohn, Abby Sutherland, Ashley Gabbard, Brian Towles, Katie Park, Shaun Case, and Sherry Rankin. Others in attendance included Tracey Garrison, Larry Loew, Carla Whaley, Penny Hahn and Carrie Lovell with Humana and Kasey Rasmussen and Jose Corral with Personify Health.

Mr. Powell called the meeting to order.

Ms. Bass read the Opening Video Teleconference Statement.

Ms. Park called Roll.

There being no **Public Comment**, Mr. Powell introduced **Elections** (Video 00:07:00 to 00:08:39). Mr. Powell requested nominations for the position of Chair of the Joint Retiree Health Plan Committee. Mr. Peercy nominated Mr. Jerry Powell for Chair. Mr. Fulkerson seconded the nomination. There being no further nominations, Mr. Jerry Powell was elected as Chair of the Joint Retiree Health Plan Committee.

Next, Mr. Powell requested nominations for the position of Vice-Chair of the Joint Retiree Health Plan Committee. Mr. Peercy nominated Dr. Crystal Miller for Vice-Chair. Mr. Fulkerson seconded the nomination. There being no further nominations, Dr. Crystal Miller was elected as Vice-Chair of the Joint Retiree Health Plan Committee.

Mr. Powell introduced the agenda item *Approval of Committee Minutes – February 15, 2024* (Video 00:08:40 to 00:09:09). A motion was made by Mr. Fulkerson and seconded by Mr. Peercy to approve the minutes as presented. The motion passed unanimously.

Mr. Powell introduced the agenda item *Account Management Review* (Video 00:09:10 to 00:52:09). Ms. Tracey Garrison with Humana began with an Introduction of Personify, formerly known as HealthComp, and stated that Personify Health will be the new administrator working with KPPA beginning January 1, 2025. She introduced Jose Corral who reviewed the Humana and Personify Health Solution partnership. Mr. Corral explained the purpose of the partnership with Humana and provided an overview of the program. Ms. Rasmussen spoke about the merger that became Personify Health and stated that they are excited to work with KPPA staff in order to better serve KPPA members.

Next, the Humana representatives presented information on the following: 2023 Plan Performance, 2025 Renewal Planning, the impact on costs due to the Inflation Reduction Act, 2025 Maximum Out-of-Pocket Smoothing, CMS Rate Announcement, and the Renewal Impact.

There being no further business, Mr. Powell *adjourned* the meeting.

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**CERTIFICATION**

I hereby certify that I was present at this meeting, and I have recorded above the action of the Committee on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in connection with this meeting.

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Recording Secretary

I, Jerry Powell, the Chair of the Joint Retiree Health Plan Committee of the Board of Trustees of the County Employees Retirement System and the Kentucky Retirement Systems, do hereby certify that the Minutes of the meeting held on May 8, 2024, were approved by the Joint Retiree Health Plan Committee on September 3, 2024.

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Committee Chair

I have reviewed the Minutes of the May 8, 2024, Joint Retiree Health Plan Committee meeting for form, content, and legality.

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Executive Director  
Office of Legal Services



# Non-Medicare Eligible Health Insurance Plans Kentucky Employees' Health Plan (KEHP)

Joint Retiree Health Plan Committee  
September 3, 2024

## 1994 Kentucky Kare Standard Plan



KRS Chapter 18A, Section 225(2)(a) states: " Health insurance coverage provided to state employees under this section shall, at a minimum, contain the same benefits as provided under Kentucky Kare Standard as of January 1, 1994, and shall include a mail-order drug option as provided in subsection (13) of this section. All employees and other persons for whom the health care coverage is provided or made available shall annually be given an option to elect health care coverage through a self-funded plan offered by the Commonwealth."

In assessing whether the benefits provided under the 2025 plan options meet the above standard, actuarial relative plan values were determined for the 2025 plan options and the 1994 Kentucky Kare Standard Plan as if it were offered at a reasonably similar actuarial value in 2025. This report provides the results of this actuarial assessment in order to document Aon's understanding of whether the plans meet the above requirement.

*(KRS 61.702 and KRS 78.5536 now includes KRS 18A language, effective 4/1/21)*



Actuarially benefit "value" is defined by expected average claims payments for the year. "Value" does not include any subjective components such as access to specific doctors or services (other than mail order prescription drugs per KRS Chapter 18A, Section 225(2)(a)) or member satisfaction. This analysis was conducted by an evaluation of each plan option's benefits using Aon propriety benefit valuation modeling tool. The model determines health plan benefit values by evaluating plan provisions (such as deductibles, copays, coinsurance, etc.) for covered pharmacy and medical services and producing the expected cost of coverage for the plan, based on an underlying database of expected medical and pharmacy claims. The underlying claims database is based on the full book of business for UnitedHealthcare and is comprised of experience for more than 9 million members.

Plans with higher relative values are actuarially expected, on average, to pay more claims than plans with lower relative values. Relative values are impacted by prevailing negotiated discounts and in-network utilization. We have assumed that the use of the term "benefits" in KRS Chapter 18A, Section 225(2)(a), means that we can apply the same assumptions on discounts and in-network utilization to all plans rather than try to synthesize the prevailing discount levels available in 1994. We are also assuming that, per the KRS Chapter 18A, Section 225(2)(a) use of the phrase "provided to", the conditions are met as long as at least one of the plan options offered in 2023 has a relative value equal to or greater than that of the Kentucky Kare Standard plan.

NOTE: *Relative Values have been added to slides 4-6 of this presentation.*

**The 2024 LivingWell CDHP option has a relative value that is equal to that of the 1994 Kentucky Kare plans.** It therefore appears that the 2025 plan options meet the KRS 1994 Kentucky Kare Standard Plan requirements, per our understanding.

# Kentucky Employees' Health Plan (KEHP)



## LivingWell PPO Plan:

Plan Details	Single	Family
Medical Co-Pays		Yes
Prescription Co-Pays		Yes
Health Reimbursement Account (HRA)	No	No
Deductible	\$1,000	\$1,750
Maximum-Out-of-Pocket	\$3,000	\$5,750
Separate medical and pharmacy maximum-out-of-pockets		
Plan offers the Value Formulary with two (2) tiers and member pays co-payments		
Requires LivingWell Promise		Yes
Co-Insurance		75%
Member Cost		25%
Relative Value		0.98

# Kentucky Employees' Health Plan (KEHP)



## LivingWell CDHP Plan:

Plan Details	Single	Family
Health Reimbursement Account (HRA)	\$500	\$1,000
Deductible	\$1,500	\$2,750
Maximum-Out-of-Pocket	\$3,000	\$5,750
Plan offers a Value Formulary with more generics and less brands. It has two (2) tiers and member pays co-insurance.		
Requires LivingWell Promise		Yes
Co-Insurance		80%
Member Cost		20%
Relative Value		1.02

# Kentucky Employees' Health Plan (KEHP)



## LivingWell Basic CDHP Plan:

Plan Details	Single	Family
Health Reimbursement Account (HRA)*	\$250	\$500
Deductible	\$2,000	\$3,750
Maximum-Out-of-Pocket	\$4,000	\$7,750
Plan offers a Value Formulary with two (2) tiers and member pays co-insurance.		
Requires LivingWell Promise		Yes
Co-Insurance		70%
Member Cost		30%
Relative Value		0.97

# Kentucky Employees' Health Plan (KEHP)



## LivingWell High Deductible Health Plan (HDHP) :

Plan Details	Single	Family
Health Reimbursement Account (HRA)*	\$0	\$0
Deductible	\$2,000	\$3,750
Maximum-Out-of-Pocket	\$4,000	\$8,000
Plan offers a Value Formulary with two (2) tiers and member pays co-insurance.		
Requires LivingWell Promise	Yes	
Co-Insurance	70%	
Member Cost	30%	
Relative Value	Not available	

## Default Plan – Options for 2025 Plan Year



### 1. LivingWell Basic CDHP

Offers all benefits

Premium is slightly higher (\$65.62 a month) than the LW HDHP below.

### 2. Living Well High Deductible Health Plan (HDHP)

Does not offer access to LiveHealth Online, Hinge Health, Carrum Health or UK Acupuncture Program.

Premium is less than the LW Basic CDHP

New retirees who do not elect to enroll in a health insurance plan or complete a waiver election form are automatically enrolled in the default plan.

## Tobacco Usage



The Tobacco Fee is unchanged for plan year 2025. It includes tobacco use for retirees, covered spouses and dependents (age 18 or older).

“Tobacco” is defined as all tobacco products including, but not limited to: cigarettes, pipes, chewing tobacco, snuff, dip, and any other tobacco products regardless of the frequency or method of use.

### Tobacco Use:

- ▶ \$40 Tobacco Fee for Retiree Single Coverage
- ▶ \$80 Tobacco Fee for Retiree Couple, Parent Plus or Family Coverage

## LivingWell Promise



- ▶ The LivingWell (LW) Promise is a part of the overall KEHP wellness program. By completing the LW Promise the member can access the best benefit options, learn about their health status and history, learn about and understand their health risks, and take action to get and stay healthy.
- ▶ **Failure to complete the LW Promise during 2025 Plan Year will result in the member not receiving the annual \$480 premium incentive (\$40/month) in the 2026 Plan Year. These individuals will pay \$40.00.**
- ▶ Members must complete the online health assessment between January 1, 2025-July 1, 2025 to receive the premium incentive.
- ▶ If the member is unable to fulfill the LW Promise because of a physical or mental health condition, KEHP will work with them to develop an alternative way to qualify for either LW plan option.
- ▶ Only the planholder is required to complete the LW Promise. If a cross-reference option is selected, both the retiree and spouse must complete the online health assessment.

## LivingWell Promise Notifications



To ensure KEHP retirees are properly notified of the requirements to receive the LivingWell Promise premium incentive, KPPA publishes detailed information each year in its publications and increases communication as the July 1 deadline approaches.

- ▶ New Retiree KEHP Insurance Book
- ▶ Annual KEHP Open Enrollment Materials
- ▶ KPPA non-Medicare eligible website
- ▶ Social Media posts
- ▶ Online KEHP Enrollment application
- ▶ Reminder email is sent in June to all retirees on a KEHP plan who have not completed the LW Promise advising the online assessment must be completed by the due date to receive the premium incentive.

## Cross Reference Option



The cross-reference payment option will no longer be available for new hires/new retirees to elect starting 1/1/2025. Sunsetting the cross-reference payment option is due to ongoing system and process complications.

Members currently enrolled in a cross-reference payment option will continue. Cross-reference plans active on 12/31/2024 or selected during Open Enrollment will be allowed to continue into 2025.

## 2024 Premiums – No change for 2025



Plan	Single	Couple	Parent Plus	Family
LivingWell PPO	\$949.04	\$1,981.62	\$1,320.40	\$2,185.78
LivingWell CDHP	\$930.76	\$1,866.24	\$1,269.28	\$2,078.08
LivingWell Basic CDHP	\$901.04	\$1,863.04	\$1,234.80	\$2,069.88
LivingWell High Deductible Health Plan (HDHP)	Not available	Not available	Not available	Not available

**2025 Premiums remain the same as 2024. The Department of Employee Insurance completed a Request for Proposal for the Medical Benefit in this calendar year.**

## Board Decision Points Non-Medicare Eligible Plans



1. Determine the 2025 Percentage Contribution Plan (the **current contribution plan for 2024** is the LivingWell PPO Plan)
  - a. Set contribution rate for 240 months of Nonhazardous and Hazardous Retiree Service Credit (100%)
  - b. Set contribution rate for Hazardous Spouse/Dependent (Couple, Family, and Parent Plus)
  - c. Tobacco Fee - All retirees, eligible spouses/dependents.
  - d. Allow KPPA Retirees to access the Consumer-Driven plans that includes an embedded (HRA).
  - e. LivingWell Promise Premium Incentive- The premium incentive will not be applied to enrollments in a LivingWell Plan for 2026 for retirees or eligible dependents who fail to fulfill the LivingWell Promise in 2025.
2. Default Plan-select the Default Plan for 2025.
  - a. New Retirees that fail to submit a health insurance enrollment form will be defaulted into this plan.
  - b. Retirees currently enrolled in a KEHP plan that fail to submit a health insurance application will be rolled over into the same plan at the same level of coverage they had in 2024.
3. Allow Cross-Reference option for retirees during the 2025 Open Enrollment.
4. Set premium for KEHP Medicare Secondary Payer (MSP) Plan.

# Retirees by KEHP Plan



KEHP Plan	2023	2024
LivingWell CDHP	8,762	8,492
LivingWell PPO	15,355	14,964
LivingWell Basic CDHP with HRA	1,012	946
LivingWell High Deductible Health Plan (HDHP) without HRA*	N/A plan not offered	NA New Plan 2025
<b>Total:</b>	<b>25,129</b>	<b>24,402</b>

## General Information



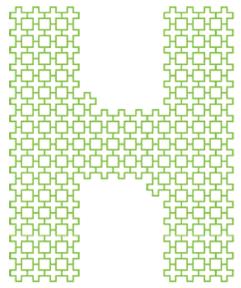
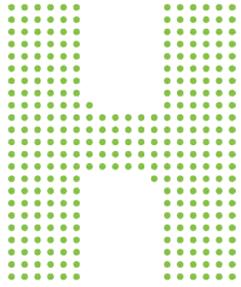
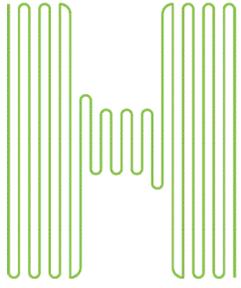
- ▶ Telehealth - LiveHealth Online Medical and Behavioral Health FREE virtual office visits for individuals covered under the KEHP.
- ▶ Anthem - Medical Benefit
- ▶ CVS/Caremark - Pharmacy Benefit
- ▶ SmartShopper - Price comparison tool
- ▶ HealthEquity – COBRA and HRA
- ▶ Castlight– Well-Being and the LivingWell Promise
- ▶ Alight – Dependent verification vendor for KEHP plans



# Kentucky Public Pensions Authority 2025 Plan Renewal

September 2024



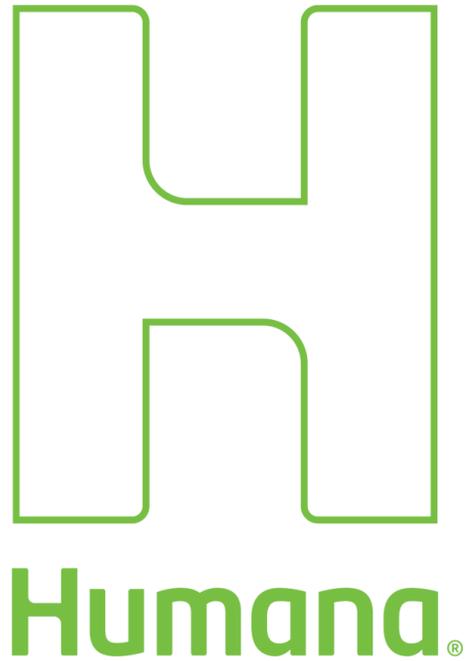


## Agenda

- 01 | Plan Changes
- 02 | Rate Renewal
- 03 | Renewal Exhibits
- 04 | Appendix

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# Plan Changes

## Part D Cost Share Changes

### Defined Standard Parameter Changes

	2024	2025
Deductible	\$545	\$590*
Initial Coverage Limit (ICL)	\$5,030	Not Applicable
Out-of-pocket threshold	\$8,000	\$2,000 (required by IRA)

\*KPPA elected to hold the 2021 Essential Plan Rx deductible at the 2020 level which was \$435. 2025 renewal rate assumes \$435 deductible.

### 2025 Part D Redesign

- All plans will have an out-of-pocket threshold of \$2,000. Incurred costs used to meet the threshold include member cost share and costs incurred for Part D drugs reimbursed through insurance or a group health plan
- Members will have the ability to smooth the out-of-pocket over the year
- The coverage gap will be eliminated

## 2025 Maximum Out-of-Pocket (MOOP) Smoothing

MOOP Smoothing - aka Medication Prescription Payment Plan (MPPP, MP3, M3P)  
- allows beneficiaries to smooth their cost sharing (also known as out-of-pocket costs or OOP) over the course of the year.

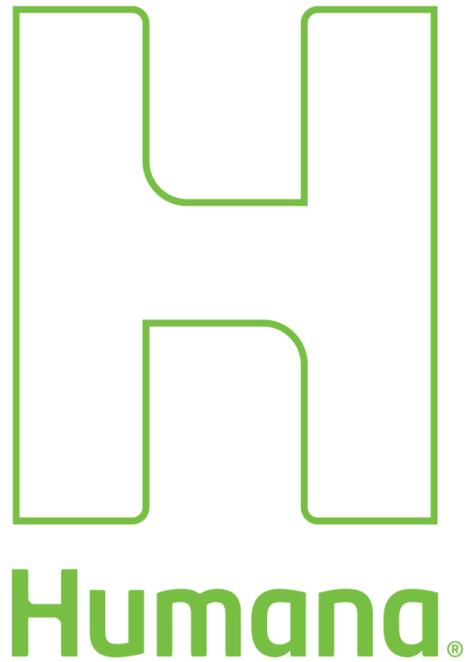
- Potential impacts of MPPP include increased utilization, particularly of high-cost specialty treatments
- How does it work for the member at point of sale (POS)
  - For members that opt-in to the program, claims will adjudicate for \$0 at point of sale, and the member will receive a monthly statement regarding their responsibility
  - Monthly statements continue until full repayment is completed or based on MPPP repayment guidance
  - Members are not required to participate in the MPPP program

## 2025 Benefit changes

### Special Supplemental Benefits for the Chronically Ill (SSBCI) Meal Program

- Members diagnosed with chronic conditions and meeting criteria such as participation in care management programs, recent inpatient hospital admissions and screened positive for food insecurities were eligible for 2 meals per day for 12 weeks.
- This benefit was introduced as a pilot in 2019 at no cost to KPPA. After the conclusion of the pilot Humana continued to provide this benefit at no cost.
- Effective 1/1/2025 the benefit is being discontinued.
- In 2023 there were 196 KPPA members who utilized the benefit.

Note: KPPA members continue to be eligible for 2 meals per day for 14 days after being discharged from a hospital or skilled nursing facility for any covered medical condition or diagnosis.



# Rate Renewal

## Medicare Advantage Rate Renewal

	2022 Humana Rate	2023 Humana Rate	2024 Humana Rate	2025 Humana Rate
Premium Plan Rate	\$227.03	\$89.28	\$93.35	\$144.91
Average Membership	54,114	54,608	55,508	56,274
Estimated Annual Dollar Amount	\$147,426,017	\$58,504,827	\$62,180,061	\$97,855,984
Essential Plan Rate	\$49.25	\$0.00	\$4.07	\$0.00
Average Membership	5,249	5,233	5,088	5,029
Estimated Annual Dollar Amount	\$3,102,159	\$0.00	\$248,497	\$0.00

\*2024 average as of 03/31/2024

\*\* Premium Plan membership estimate based on three-year average membership growth of 766

\*\*\* Essential Plan membership estimate based on three-year average membership reduction of 59

## Renewal Components Medicare Advantage Premium Plan

MAPD Premium Plan	2025
Total Required Revenue	\$1,307.59
Projected Claims	\$1,231.20
Total Net Regulatory Claims Impact	\$103.61
Retention	\$55.31
CMS Reimbursement Medical*	\$1,078.44
CMS Reimbursement Rx**	\$84.24
<b>Rate</b>	<b>\$144.91</b>

\*Less 2025 CMS Normalization Change

\*\*CMS Rx Reimbursement includes impacts due to changes as mandated in Inflation Reduction Act

## Renewal Components Medicare Advantage Essential Plan

MAPD Premium Plan	2025
Total Required Revenue	\$1,035.05
Projected Claims	\$925.59
Total Net Regulatory Claims Impact	\$28.50
Retention	\$83.21
CMS Reimbursement Medical*	\$979.93
CMS Reimbursement Rx**	\$55.12
<b>Rate</b>	<b>\$0.00</b>

\*Less 2025 CMS Normalization Change

\*\*CMS Rx Reimbursement includes impacts due to changes as mandated in Inflation Reduction Act

## Long Term Financial Commitments to KPPA for 2025 Medicare Advantage Plans

### Gain Share Agreement

An arrangement in which a percentage of overages are shared between the carrier and client in the event actual MER results are more favorable than projected. Actual annual MER target will be determined based on renewal and benefits.

### Performance Guarantees

Humana agrees to service level commitments on administrative services with financial penalties should we fail to deliver on those commitments.

## ASO Fee Renewal Medical Only and Mirror Plan

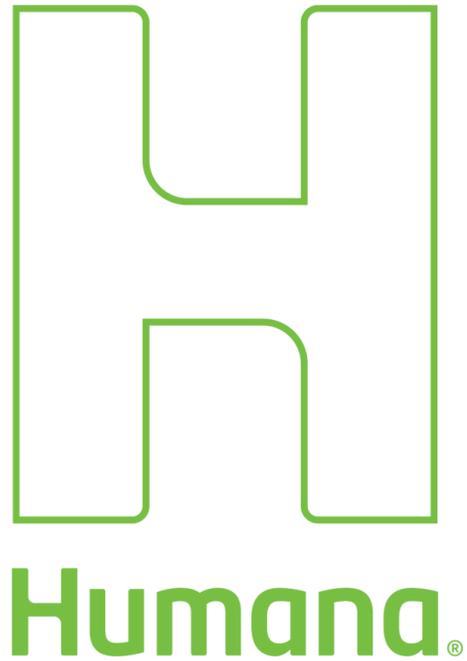
Medical Only/Mirror Plan	2022	2023	2024	2025
ASO Fee PMPM	\$35.05	\$28.50	\$29.88	\$31.37*

Dental Fee	2022	2023	2024	2025
ASO Fee PMPM	\$4.80	\$4.80	\$5.04	\$5.29

PDP Essential	2022	2023	2024	2025
Rate PMPM	\$36.45	\$36.18	\$40.25	\$10.74

PDP Premium	2022	2023	2024	2025
Rate PMPM	\$136.30	\$135.31	\$139.38	\$149.64

\*Medical Only and Mirror Plans will be administered by Personify Health beginning January 2025.



## Renewal exhibits

## 2025 Renewal: The exhibits



### Plan Design Exhibit

Provides a high-level description of the coverage and any changes in the plan from the prior year



### Rate Sheet

Provides the 2024 renewal rate



### Claims Report

Provides the claims and enrollment used to calculate the premium in the renewal exhibit



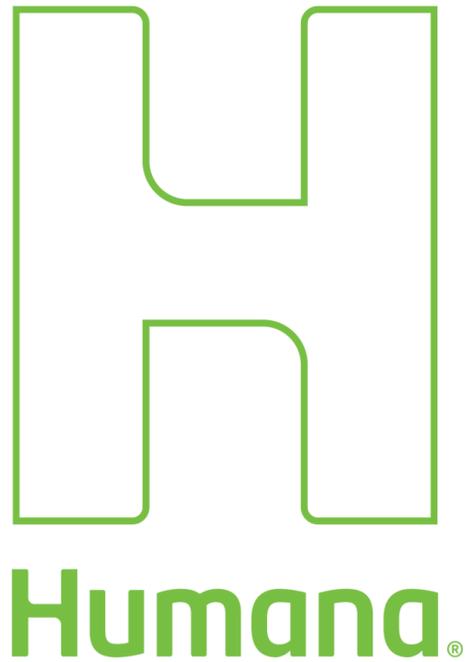
### Renewal Exhibit

Describes how we calculated your premium



### Gain Sharing Agreement

Describes how Humana would reimburse surplus premium paid by the group if MER was lower than expected



# Appendix

## CMS Rate Announcement

Final rate notice launched Monday, April 1, 2024.



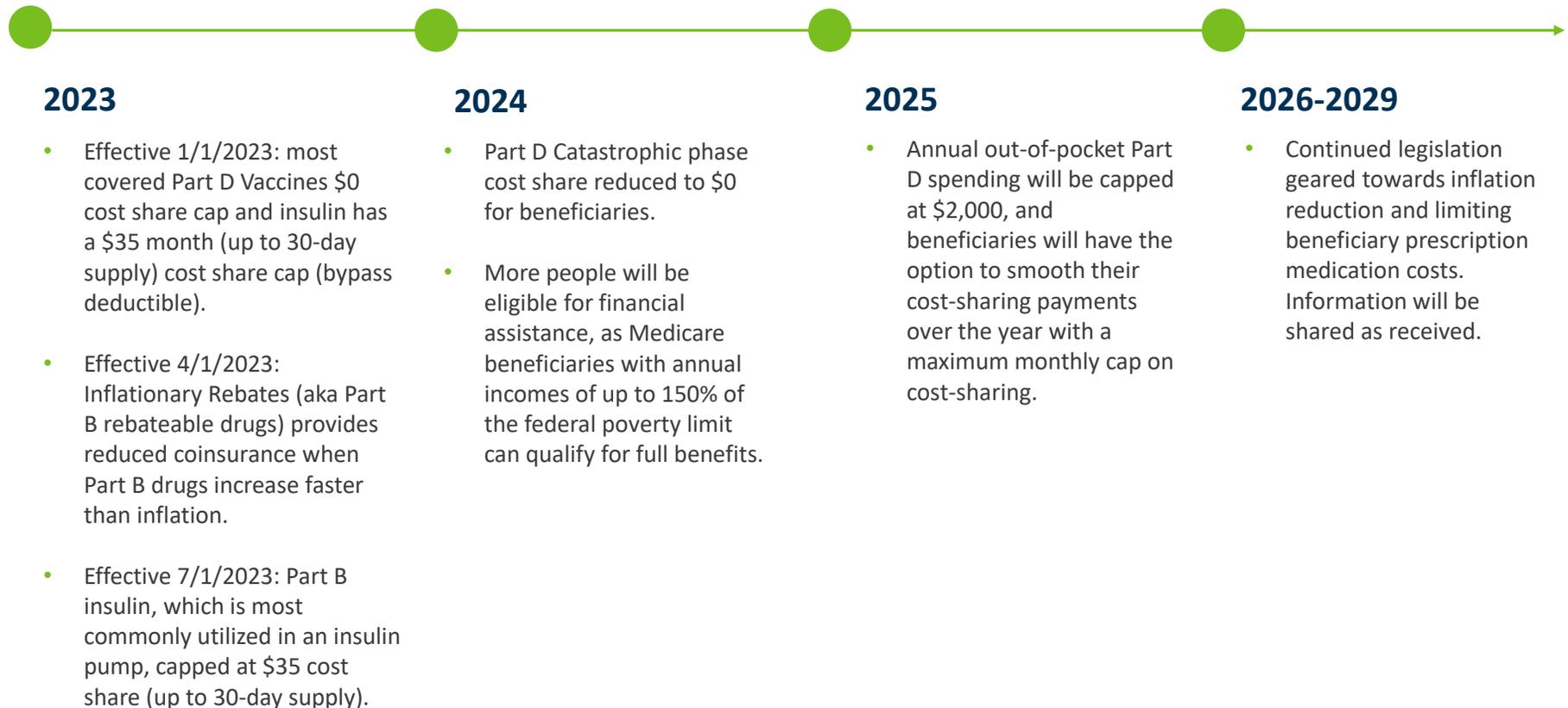
### Medicare Advantage Payment Policies

According to Centers for Medicare & Medicaid Services (CMS), 2025 county benchmarks are estimated to increase by 2.33%.

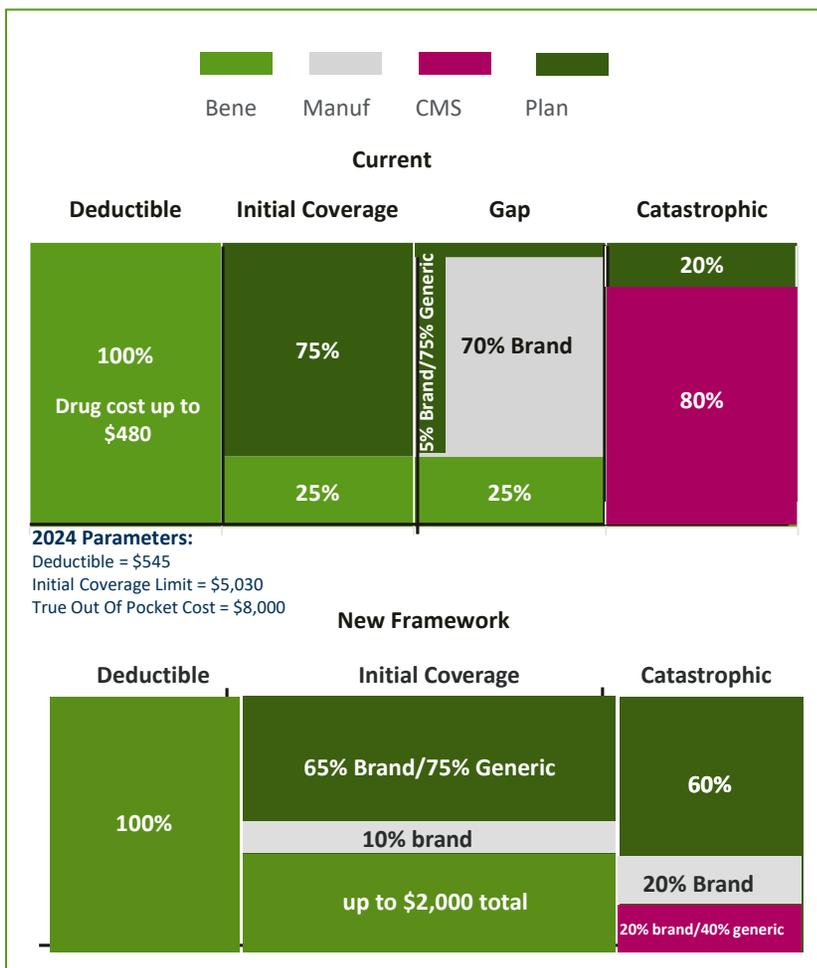
- CMS incorporated data from Q4 2023.
- CMS updated their risk score normalization methodology to account for the FFS risk score trend since the beginning of the COVID-19 pandemic. CMS estimates the risk score normalization impact to the MA rates to be -2.45%.
- In total, CMS estimates the net payment increase for Medicare Advantage (MA) plans on average will be -0.16%.
- The net payment change is not sufficient to cover the current increase in medical cost trends experienced by the broader Medicare Advantage market creating headwinds, which, will likely result in the need to reduce benefit amounts or raise premiums.

## How the Inflation Reduction Act will impact costs for certain medications

The IRA aims, in part, to reduce prescription medication costs for some popular drugs and here are some of the following changes:



## Redesign of the Part D Benefit



### Part D Redesign Features Starting in 2025

- **Beneficiary payments** will be capped at \$2,000 per plan year and smoothed out over the year
  - The \$2,000 out-of-pocket threshold will be indexed with inflation in future years
  - **Incurred costs** will determine what applies to the \$2,000 out-of-pocket threshold. Incurred costs include member out of pocket and plan enhancements.
- The coverage gap will be eliminated
- **Manufacturer payments** updated to:
  - 10% of applicable brand allowed in the Initial Coverage phase
  - 20% of applicable brand allowed in the catastrophic phase
- **Reinsurance** will be reduced to 20% of brand allowed and 40% of generic allowed in the catastrophic phase

## IRA Phasing Example – Member Out-of-Pocket (MOOP)

Assume two members enter a pharmacy to fill a prescription for the same brand drug with an allowed cost of \$8,000.

Member A has a **defined standard plan**:

- Deductible: \$590
- Coinsurance: 25%



- Total Member out-of-pocket: \$2,000
- Out of Pocket threshold level: \$2,000

### **Calculations:**

Member out of Pocket = \$2,000

- OOP for deductible (ded.): \$590
- Allowed after ded. is met: \$7,410
- 25% of remaining allowed: \$1,852.50
- Max to get to \$2,000 cap: \$1,410
- The max payment remaining is lower than 25% of remaining allowed so member payment maxed at \$1,410

Member B has a **rich Employer Group Waiver Plan**:

- Deductible: \$0
- Copay: \$50



- Total Member out-of-pocket: \$50
- Out of Pocket threshold level: \$2,000

### **Calculations:**

Out of Pocket threshold: \$2,000

- Member OOP: \$50
- Plan Covers as Benefit Enhancement to Defined Standard: \$1950
  - Deductible: \$590
  - ICL Amount (\$1410) subtracting Member Copay (\$50) = \$1360
- Total Benefit Enhancement is applied to the CMS Out of Pocket \$2000 Threshold.
- Applying CMS' methodology and adding member's cost share to the benefit enhancement covered by the plan equates to the \$2000 MOOP being met.

## Glossary of Terms

PMPM – Per Member Per Month

PDP – Prescription Drug Plan

MA – Medicare Advantage Plan

MAPD – Medicare Advantage Prescription Drug Plan

ASO Fee – Administrative Services Only Fee

MRA – Medicare Risk Adjustment

YTD – Year to Date

YOY – Year Over Year

CMS – Centers for Medicare & Medicaid Services

MOOP – Maximum Out of Pocket

MER – Medical Expense Ratio (revenue/claims)

TrOOP – True Out of Pocket Maximum

Thank you!

**Humana**<sup>®</sup>



# Medicare Eligible Health Insurance Plans Humana Medicare Advantage

Joint Retiree Health Plan Committee  
September 3, 2024

## Board Decision Points Medicare Eligible Plans



### 1. Medicare Advantage (MA) – Approval of Renewal/Premium

#### a) Select Contribution Plan\*

i. Medical Only Plan was chosen for 2024

#### b) Set the Contribution Rate\*

i. The contribution rate for 2024 was \$188.73

#### c) Select the Contribution Plan for Hazardous duty spouse/dependents\*

i. Medical Only Plan was chosen for 2024 at \$188.73

#### d) Approve Premium for MA Premium & Essential Plan\*

i. Premium for 2024 was \$93.35 & \$4.07 for the MA Premium and MA Essential, respectively

### 2. Medical Only and MA Mirror Plans – See GRS Medical Only and Mirror Letter

#### a) Set Medical Only/MA Mirror Medical Benefit Premium\*

#### b) Allow enrollment for No Part B and exceptions\*

### 3. Default Plan

#### a) Select Default Plan

i. Medical Only Plan was selected for 2024\*



August 16, 2024

Ms. Connie Pettyjohn R.N.  
Director of Retiree Health Care  
Kentucky Public Pensions Authority  
Perimeter Park West  
1260 Louisville Road  
Frankfort, KY 40601-6124

**Re: Kentucky Public Pensions Authority - 2025 Medical Only and Mirror Plan Premiums**

Dear Ms. Pettyjohn:

This report has been prepared for use by the Kentucky Public Pensions Authority ("KPPA") to assist in setting the Plan Year 2025 ("PY2024") premium rates for the Medical Only, and Mirror Plans.

In summary, our projections indicate that an increase in current medical only rates of 1.1% will be needed to fund projected PY2025 claim expenses. Due to the signing of the Inflation Reduction Act in 2022, rates for prescription drug costs have fluctuated based on plan designs. Additionally, there was an increase in administrative costs resulting in a \$26.29 net decrease in the monthly premiums from 2024 to 2025 for the Essential Mirror Plan and a \$13.48 increase in the Premium Mirror Plan from 2024 to 2025.

**DATA**

For the purposes of projecting expected PMPM costs, GRS received medical claims and eligibility history for January 1, 2015 through June 30, 2024 from Humana. Medical claim data was provided in detail format and was reviewed for reasonableness. Enrollment data was provided in a summary outline based on month and plan eligibility. The data was checked for internal consistency but was not otherwise audited.

**METHODOLOGY**

Standard actuarial and underwriting methods were used to project PY2025 costs. PMPM rates were developed using a blend of the three years of experience ending December 31, 2023. These rates were then adjusted to reflect a 7.0% annual trend.

GRS assumed no medical plan design changes for the KPPA plans in PY2025.

Neither prescription drug benefits nor administrative costs are reflected in the claims cost. Humana has provided KPPA with a cost proposal for prescription drug benefits. In addition, Humana has quoted an ASO fee of \$31.37 PMPM for PY2025.

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**CONCLUSION**

The GRS analysis of the medical claims resulted in an estimated PY2025 medical claims of \$160.58. When combined with the ASO Fee, the total cost for the Medical Only plan is \$191.95. The following table provides the PY2025 premiums developed for each plan assuming Humana’s quotes for administrative fees and prescription drug benefit costs for PY2025.

Plan	Medical Claim Cost	Prescription Drug Plan (PDP) Cost	Administrative Fee	Total Premium 2025	Total Premium 2024	% Increase
Medical Only	\$160.58	N/A	\$31.37	\$191.95	\$188.73	1.7%
Essential Mirror	\$160.58	\$10.74	\$31.37	\$202.69	\$228.98	-11.5%
Premium Mirror	\$160.58	\$149.64	\$31.37	\$341.59	\$328.11	4.1%



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**CERTIFICATION**

This report should not be used for any other purpose and should not be distributed to any other third party without the prior written consent of Gabriel Roeder Smith & Company (“GRS”). Any distribution of this report must be in its entirety, including all exhibits. To the best of our knowledge and belief, there are no subsequent events that would affect this analysis and results as of the date of this report. GRS has prepared this report based on covered plan participants for the Medical Only Plan, Mirror Premium Plan and Mirror Essentials Plan. GRS has relied on information from prior renewal reports as well as claims and eligibility data provided by Humana, the current provider of medical benefits, and KPPA.

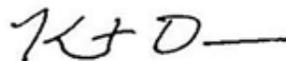
Jim Pranschke and Kurt Dosson are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

This communication shall not be construed to provide tax advice, legal advice or investment advice.

Sincerely,



Jim Pranschke, FSA, MAAA, FCA  
Senior Health Care Consultant and Actuary



Kurt Dosson, ASA, MAAA, FCA  
Health Care Consultant and Actuary



Michael Reed  
Senior Health Care Analyst



## Kentucky Public Pensions Authority Estimated impact of 2025 Medicare Premiums

	June 30, 2023 Valuation (1)	Estimate with 2025 Medicare Premiums (2)	Impact of 2025 Medicare Premiums (3)
<b><u>Unfunded Accrued Liability (\$millions)</u></b>			
KERS Non-Haz	\$344	\$558	\$214
KERS Haz	(\$256)	(\$232)	\$24
SPRS	(\$1)	\$14	\$15
CERS Non-Haz	(\$806)	(\$513)	\$293
CERS Haz	(\$11)	\$78	\$89
<b>Total</b>			<b>\$635</b>
<b><u>Funded Ratio</u></b>			
KERS Non-Haz	81.7%	73.3%	8.4%
KERS Haz	170.4%	160.1%	10.3%
SPRS	100.5%	94.8%	5.7%
CERS Non-Haz	131.5%	118.0%	13.5%
CERS Haz	100.7%	95.5%	5.2%
<b><u>Employer Contribution Rate</u></b>			
KERS Haz	23.74%	23.74%	0.00%
SPRS	68.10%	70.30%	2.20%
CERS Non-Haz	19.71%	19.71%	0.00%
CERS Haz	38.61%	39.81%	1.20%
<b><u>Annual Employer Contribution (\$millions)</u></b>			
KERS Non-Haz	\$993	\$1,015	\$22
KERS Haz	\$50	\$50	\$0
SPRS	\$45	\$47	\$2
CERS Non-Haz	\$583	\$583	\$0
CERS Haz	\$267	\$275	\$8
<b>Total</b>			<b>\$32</b>

**Notes and Comments:**

- Except where noted, analysis based on the results of the June 30, 2023 Actuarial Valuation.  
Please see the June 30, 2023 Actuarial Valuation report for a summary of the assumptions, methods, plan provisions and data used for this analysis.
- Analysis provides estimated impact of the 2025 Medicare premiums presented at the Sept. 3 Joint CERS-KRS Retiree Health Plan Committee.

