



Benefits Administration Committee Agenda

REGULAR MEETING

TUESDAY, AUGUST 9, 2022

TIME: 9:00 A.M.

MEETING LOCATION:

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Benefits Administration August 9, 2022 meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public

Information to call-in to listen and/or participate:

Dial: (669) 254-5252 or (669) 216-1590

Meeting ID# 161 490 0882

Instructions for call-in participants:

- 1- Dial in and enter Meeting ID
- 2- Automatically enter virtual "Waiting Room"
- 3- Automatically enter Meeting
- 4- During Public Comment, **press *9** to raise hand
- 5- Staff will call out the last 3-digits of your phone number to make your comment

Information to listen only: Live Committee Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

Chair: Michael R. Wilkinson

Committee Members: Annie Chao
Vacant

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counselor: City Attorney's Office
Public Pensions General
Counsel Division

Notice to Paid Representatives

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

Request for services

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at **(213) 855-9348** and/or email at ani.ghoukassian@lacers.org.

Disclaimer to participants

Please be advised that all LACERS Board and Committee Meeting proceedings are audio recorded.

[CLICK HERE TO ACCESS BOARD REPORTS](#)

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT - PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD*
- II. [APPROVAL OF MINUTES FOR THE MEETING OF JUNE 28, 2022 AND POSSIBLE COMMITTEE ACTION](#)
- III. [2023 HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE COMMITTEE ACTION](#)
- IV. [ANTHEM MEDICARE ADVANTAGE PLAN TRANSITION UPDATE](#)
- V. [INCOME-RELATED MONTHLY ADJUSTMENT AMOUNTS \(IRMAA\) AND MEDICARE PART B ONLY REIMBURSEMENT CONSIDERATION AND POSSIBLE COMMITTEE ACTION](#)
- VI. OTHER BUSINESS
- VII. NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while public health concerns relating to the novel coronavirus continue.
- VIII. ADJOURNMENT



LACERS

LA CITY EMPLOYEES'
RETIREMENT SYSTEM



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, AUGUST 9, 2022

TIME: 9:00 A.M.

MEETING LOCATION:

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Benefits Administration August 9, 2022 meeting will be conducted via telephone and/or videoconferencing.

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President: Vacant
Vice President: Sung Won Sohn

Commissioners: Annie Chao
Thuy T. Huynh
Elizabeth Lee
Nilza R. Serrano
Janna Sidley
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counsel: City Attorney's Office
Public Pensions General
Counsel Division

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- II. APPROVAL OF MINUTES FOR THE MEETING OF JUNE 28, 2022 AND POSSIBLE COMMITTEE ACTION
- III. 2023 HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE COMMITTEE ACTION
- IV. ANTHEM MEDICARE ADVANTAGE PLAN TRANSITION UPDATE
- V. INCOME-RELATED MONTHLY ADJUSTMENT AMOUNTS (IRMAA) AND MEDICARE PART BE ONLY REIMBURSEMENT CONSIDERATION AND POSSIBLE COMMITTEE ACTION
- VI. OTHER BUSINESS
- VII. NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while public health concerns relating to the novel coronavirus continue.
- VIII. ADJOURNMENT

MINUTES OF THE REGULAR MEETING
BENEFITS ADMINISTRATION COMMITTEE
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health and safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Benefits Administration June 28, 2022 meeting will be conducted via telephone and/or videoconferencing.

June 28, 2022

9:00 a.m.

PRESENT via Videoconferencing:	Chair:	Michael R. Wilkinson
	Committee Member:	Annie Chao
	Vice President:	Sung Won Sohn
	Executive Assistant:	Ani Ghoukassian
	Legal Counselor:	Miguel Bahamon
PRESENT at LACERS office:	Manager-Secretary:	Todd Bouey
ABSENT:	Committee Member:	Sandra Lee

The Items in the Minutes are numbered to correspond with the Agenda.

Vice President Sohn joined the meeting at 9:37 a.m. Any votes were taken by Benefits Administration Committee members only.

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA
PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD – Chair Wilkinson asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response.

II

APPROVAL OF MINUTES FOR THE MEETING OF MAY 27, 2022 AND POSSIBLE COMMITTEE ACTION – Committee Member Chao moved approval, adopted by the following vote: Ayes, Committee Members Chao and Chair Wilkinson -2; Nays, None.

III

Vice President Sohn joined the meeting at 9:37 a.m.

HEALTH MANAGEMENT DATA REPORT – James Kawashima, Senior Benefits Analyst, and Robin Rager, Vice President at Keenan and Associates, presented and discussed this item with the Committee for 50 minutes.

IV

VERBAL UPDATE ON 2023 HEALTH PLAN CONTRACT RENEWALS – Karen Freire, Chief Benefits Analyst, James Kawashima, Senior Benefits Analyst, and Bordan Darm, Senior Consultant with Keenan Associates, presented and discussed this item with the Committee for 5 minutes.

V

OTHER BUSINESS –There was no other business.

VI

NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time, and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while responding to public health concerns relating to the novel coronavirus continue.

VII

ADJOURNMENT – There being no further business before the Committee, Chair Wilkinson adjourned the Meeting at 9:57 a.m.

Michael R. Wilkinson
Chair

Todd Bouey
Manager-Secretary



REPORT TO BENEFITS ADMINISTRATION COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 9, 2022
ITEM: III

Neil M. Guglielmo

SUBJECT: 2023 HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee forward a recommendation to the Board to approve the proposed 2023 premium rates for LACERS medical, dental, and vision plans, allowing for minor premium adjustments.

Executive Summary

Recommendations for the health plan contract renewals have resulted in overall 2023 health plan (medical, dental, and vision) premium costs increasing by approximately \$1.4 million, or 0.8%, from \$164.4 million in 2022 to \$165.8 million.

The proposed 2023 carrier rate changes for LACERS medical, dental, and vision plans, are as follows:

- Anthem Blue Cross HMO: 9.50%
- Anthem Blue Cross PPO: 9.50%
- Anthem Blue Cross Medicare Preferred (PPO) Plan: 0.00%
- Kaiser Permanente HMO: 4.32%
- Kaiser Permanente Senior Advantage HMO: -9.22%
- SCAN Health Plan Medicare Advantage HMO: 0.00%
- UnitedHealthcare Medicare Advantage HMO: 1.46%
- Delta Dental HMO: 0.00%
- Delta Dental PPO: 0.00%
- Anthem Blue View Vision: 0.00%

Discussion

As part of the annual process, LACERS' Health and Welfare Consultant, Keenan & Associates (Keenan), released a Request for Renewal, requesting premium rate renewal data from LACERS' health plan carriers: Kaiser Permanente (Kaiser), Anthem Blue Cross (Anthem), UnitedHealthcare (UHC), Senior Care Action Network (SCAN), and Delta Dental (Delta). Data requested included

proposed 2023 premium rates, documentation to support the proposed premium rates, performance guarantees, as well as financial commitments toward LACERS' wellness program.

2023 Medical Plan Renewal Summary

For the Kaiser, Anthem, UHC, and SCAN programs, no changes to benefits for 2023 were requested. Maintaining the same health plans and benefit designs, the 2023 preliminary medical premiums was estimated to increase by \$3.7 million or 2.5%, from \$150.8 million to \$154.5 million. After negotiations by Keenan, the 2023 medical premium cost was reduced to \$152.2 million, an increase of approximately \$1.4 million or 0.9% from the 2022 medical premium cost. A breakdown of premium cost changes by carrier is included in the attached Keenan report.

2023 Dental Plan Renewal Summary

The Delta Dental PPO is self-funded by LACERS beginning on January 1, 2019. A review of the premiums and claims shows that the dental plan is operating at a surplus and the underwriting determined that the plan could withstand a premium reduction of 3.8%. It is recommended that the premium not change for 2023. By holding rates for 2023, Keenan projects that \$459,260 will be added to LACERS' reserves.

DeltaCare USA (HMO) premium costs will not change for 2023 as part of the second year of the three-year rate guarantee. Overall, the 2023 dental plan costs are not estimated to increase from last year's premium cost of \$12,735,526 based on current enrollment figures.

2023 Vision Plan Renewal Summary

The Anthem Blue View Vision is self-funded by LACERS beginning on January 1, 2022. Based on a review of the premiums and claims, the vision plan is operating at a surplus and the underwriting determined the plan could withstand a premium reduction of 9.5%. It is recommended that the premium not change for 2023. By holding rates for 2023, Keenan projects that \$83,316 will be added to LACERS' reserves.

Wellness Funding

The carriers will continue to fund the LACERS wellness program and provide a total of \$279,000. Kaiser's funding of \$150,000, SCAN's funding of \$10,500, UHC's funding of \$8,500, and Delta Dental's funding of \$10,000 remains at the same level as 2022. Anthem's funding of \$100,000 is less than last year's amount of \$250,000. Although the wellness funding is less than the previous year, LACERS *Well* is currently providing remote wellness programs resulting in lower expenditures and any additional funding will be provided from the premium reserve.

Conclusion

The 2023 annual health plan premium cost initially came in at \$168.2 million. Negotiations conducted by Keenan brought an overall cost decrease of \$2.4 million to \$165.8 million. Compared to 2022, the 2023 annual premium cost will increase by \$1.4 million, or 0.8%.

Current premium amounts will be maintained where plan premium costs are to decrease, and surplus premium dollars will be placed in the premium reserve of the 115 Trust to be used for future health plan management purposes.

The carriers will provide a total of \$279,000 for Wellness events and activities.

Occasionally, premiums are subject to change slightly after Board approval due to receipt of updated data. Staff recommends that the Board allow for any minor premium adjustments, with increases not to exceed \$5.00 per plan premium, to be included in the recommendations.

Staff and Keenan will be present to discuss the 2023 health plan renewal process and answer the Committee's questions.

Strategic Plan Impact Statement

The health plan contract renewal process assures that LACERS health plan premium changes support the Strategic Plan Goal to improve value and minimize costs of Members' health and wellness benefits.

Prepared By: James Kawashima, Senior Benefits Analyst, Health, Wellness and Buyback Division

NMG/DWN/KF/jk

Attachment: Keenan Report – 2023 Health Plan Renewal Final Report



BAC Meeting: 8/9/2022
Item: III
Attachment

Los Angeles City Employees' Retirement System

2023 Health Plan Renewal, Final Report

August 9, 2022

Respectfully Submitted by:

Ju Anderson, Senior Vice President | Bordan Darm, Senior Consultant
Erin Robinson, Service Consultant | Christine Hough, Actuary

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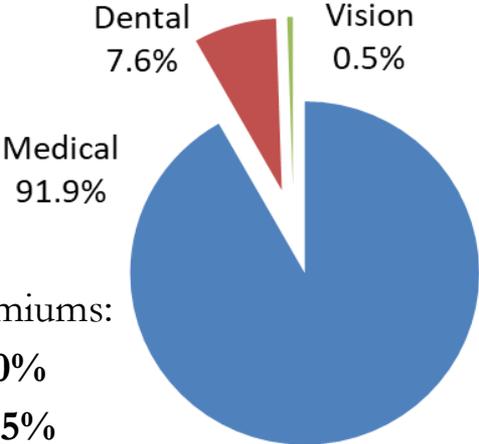
Introduction

- This report presents Los Angeles City Employees' Retirement System's (LACERS) 2023 final health plan renewals
- Anthem Blue Cross (Anthem), Kaiser Permanente (Kaiser), UnitedHealthcare (UHC), and SCAN have provided medical plan renewals
- Delta Dental's DHMO will be in the second year of a three-year rate guarantee for 2023
- The Delta Dental PPO plan has been self-funded since January 1, 2019. The PPO administration fee remains unchanged for 2023
- Anthem Blue View Vision self-funded for 2022
The vision administration fee remains unchanged for 2023
- No new benefits are being proposed for 2023
- Data provided by the current carriers for plan designs, rates, and enrollment



Executive Summary

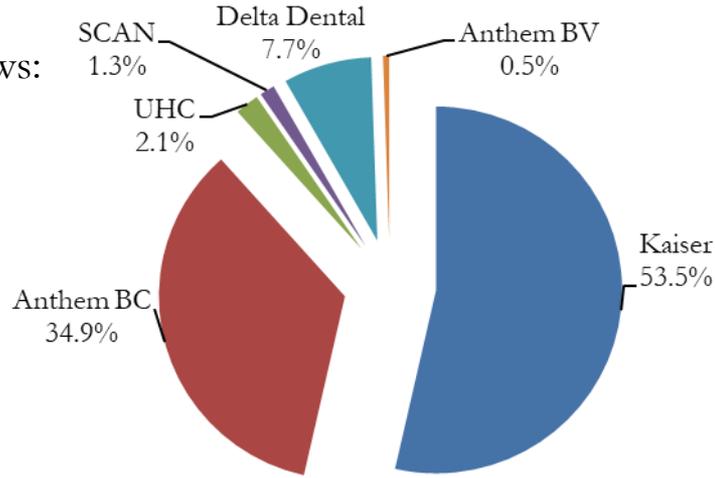
- The 2023 final renewal for the LACERS Health and Welfare Program without any plan design changes requires an increase in cost of \$1,390,751 or 0.8%, from \$164,408,774 to \$165,799,525
- The 2023 LACERS final renewal premium adjustments are as follows: Medical premiums: **\$1,390,751** or 0.9%, Dental premiums: **\$0** or **0.0%**, and Vision premiums: **\$0** or **0.0%** of LACERS' total premium: Medical represents **91.9%**, Dental **7.6%**, and Vision **0.5%**
- The Delta Dental PPO plan has completed its third year of self-funding with the following results:
 - 2021: \$1,806,681 reserve for a 94.3% loss ratio and a three-year total reserve accumulation of \$6,252,416, offset by an IBNR reserve liability of \$607,345, for a net position of \$5,645,071
- Keenan forecasts a reserve accumulation of \$6,306,969 if the multi-year rate strategy is continued for 2023



Overall - Final Renewal	Current	2022	2023 Renewal - Final			Negotiated
	Enrollment	Premium	Premium	\$ Change	% Change	Savings
MEDICAL	29,186	\$150,797,877	\$152,188,628	\$1,390,751	0.9%	\$2,366,558
DENTAL	24,851	\$12,735,526	\$12,735,526	\$0	0.0%	(\$0)
VISION	9,095	\$875,371	\$875,371	\$0	0.0%	\$0
GRAND TOTAL	63,132	\$164,408,774	\$165,799,525	\$1,390,751	0.8%	\$2,366,558
Overall - Preliminary Renewal	Current	2022	2023 Renewal - Preliminary			
	Enrollment	Premium	Premium	\$ Change	% Change	
MEDICAL	29,186	\$150,797,877	\$154,555,186	\$3,757,309	2.5%	
DENTAL	24,851	\$12,735,526	\$12,735,526	\$0	0.0%	
VISION	9,095	\$875,371	\$875,371	\$0	0.0%	
GRAND TOTAL	63,132	\$164,408,774	\$168,166,083	\$3,757,309	2.3%	

Executive Summary

- The 2023 LACERS final renewal cost change by carrier is as follows:
 - Anthem: **\$2,907,543** or **5.3%**
 - Kaiser: **-\$1,566,387** or **-1.7%**
 - UHC: **\$49,595** or **1.5%**
 - SCAN: **\$0** or **0.0%**
 - Delta Dental: **\$0** or **0.0%**
 - Anthem Blue View: **\$0** or **0.0%**
- Kaiser and Anthem comprise 88.4% of the total cost

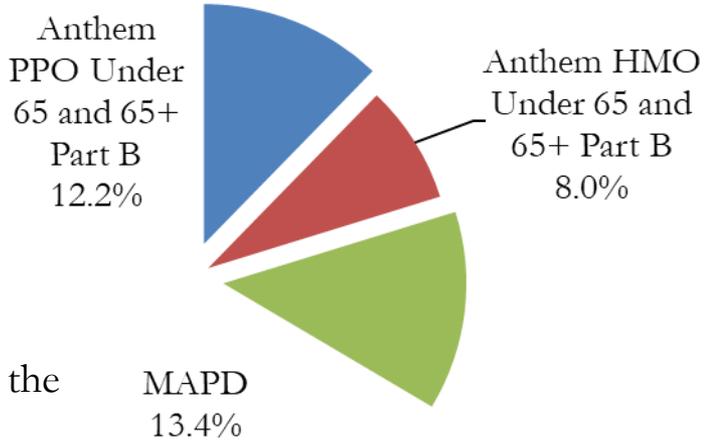


Carrier Final Renewal	Current Enrollment	2022 Premium	2023 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	
Anthem	7,939	\$54,922,294	\$57,829,837	\$2,907,543	5.3%	\$2,366,558
Kaiser	19,513	\$90,322,239	\$88,755,852	(\$1,566,387)	-1.7%	\$0
UnitedHealthcare	1,023	\$3,403,109	\$3,452,704	\$49,595	1.5%	\$0
SCAN	711	\$2,150,235	\$2,150,235	\$0	0.0%	\$0
Delta Dental	24,851	\$12,735,526	\$12,735,526	\$0	0.0%	(\$0)
Anthem Blue View	9,095	\$875,371	\$875,371	\$0	0.0%	\$0
GRAND TOTAL	63,132	\$164,408,774	\$165,799,525	\$1,390,751	0.8%	\$2,366,558
Carrier Preliminary Renewal			2023 Renewal - Preliminary			
			Premium	\$ Change	% Change	
Anthem			\$60,196,395	\$5,274,101	9.6%	
Kaiser			\$88,755,852	(\$1,566,387)	-1.7%	
UnitedHealthcare			\$3,452,704	\$49,595	1.5%	
SCAN			\$2,150,235	\$0	0.0%	
Delta Dental			\$12,735,526	\$0	0.0%	
Anthem Blue View			\$875,371	\$0	0.0%	
GRAND TOTAL			\$168,166,083	\$3,757,309	2.3%	

1) Current enrollments are member counts

Anthem Blue Cross Renewal

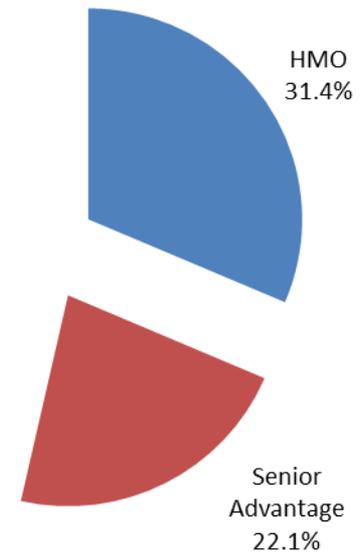
- Anthem Blue Cross comprises 34.9% of LACERS' premium costs
- Anthem proposes the following rate adjustments:
 - PPO Under 65 / 65+ Part B: **\$1,757,261** or **9.5%**
 - HMO Under 65 / 65+ Part B: **\$1,150,282** or **9.5%**
 - MAPD (Medical/Rx): **\$0** or **0.0%**
 - PDP (Rx Only): **\$0** or **0.0%**
 - An overall change of **\$2,907,543** or **5.3%**
- For 2022, LACERS moved from the Medicare Supplemental plan to the Passive PPO Medicare Advantage program
- The final renewal includes Anthem concession of \$2,366,558 (from 9.6% to 5.3%)
- Considerations for Anthem's renewal: A rate load in the PPO and HMO rates provides \$100,000 for wellness (no load for wellness was included in the MAPD rates)



Anthem Final Renewal	Current Enrollment	2022	2023 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	
PPO Under 65 and 65+ Part B	1,467	\$18,497,592	\$20,254,853	\$1,757,261	9.5%	\$1,403,971
HMO Under 65 and 65+ Part B	1,450	\$12,108,412	\$13,258,694	\$1,150,282	9.5%	\$962,587
MAPD (Medical and Rx)	4,468	\$22,265,116	\$22,265,116	\$0	0.0%	\$0
PDP (Rx Only)	554	\$2,051,174	\$2,051,174	\$0	0.0%	\$0
Total	7,939	\$54,922,294	\$57,829,837	\$2,907,543	5.3%	\$2,366,558
Anthem Preliminary Renewal	Current Enrollment	2022	2023 Renewal - Preliminary			
			Premium	\$ Change	% Change	
PPO Under 65 and 65+ Part B	1,467	\$18,497,592	\$21,658,824	\$3,161,232	17.1%	
HMO Under 65 and 65+ Part B	1,450	\$12,108,412	\$14,221,281	\$2,112,869	17.5%	
MAPD (Medical and Rx)	4,468	\$22,265,116	\$22,265,116	\$0	0.0%	
PDP (Rx Only)	554	\$2,051,174	\$2,051,174	\$0	0.0%	
Total	7,939	\$54,922,294	\$60,196,395	\$5,274,101	9.6%	

Kaiser Permanente Renewal

- Kaiser comprises 53.5% of LACERS' premium costs
- Kaiser requested the following rate adjustments:
 - HMO Under 65: \$2,155,522 or 4.3%
 - Senior Advantage: -\$3,721,910 or -9.2%
 - For an overall decrease of -\$1,566,387 or -1.7%
- Other considerations:
 - \$150,000 rate load for the wellness program
 - Kaiser is unwilling to provide a Security Breach performance guarantee (All other carriers have). When carrier security breaches occur, LACERS members typically call LACERS first, then the insurance carrier. This call and all associated communications with Members surrounding Members is the expense LACERS wants covered by the security breach.



Kaiser - Final Renewal	Current Enrollment	2022	2023 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	
HMO Under 65	4,931	\$49,948,181	\$52,103,703	\$2,155,522	4.3%	\$0
Senior Advantage	14,582	\$40,374,058	\$36,652,149	(\$3,721,910)	-9.2%	\$0
Total	19,513	\$90,322,239	\$88,755,852	(\$1,566,387)	-1.7%	\$0
Kaiser - Preliminary Renewal	Current Enrollment	2022	2023 Renewal - Preliminary			
			Premium	\$ Change	% Change	
HMO Under 65	4,931	\$49,948,181	\$52,103,703	\$2,155,522	4.3%	
Senior Advantage	14,582	\$40,374,058	\$36,652,149	(\$3,721,910)	3.0%	
Total	19,513	\$90,322,239	\$88,755,852	(\$1,566,387)	-1.7%	

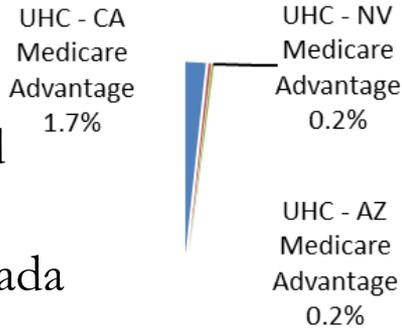
SCAN Renewal

SCAN
1.3%

- SCAN Medicare Advantage HMO is available to retired Members with Medicare Parts A and B
- SCAN comprises 1.3% of LACERS’ premium costs
- SCAN requested the following rate adjustments:
 - Medicare Advantage: **\$0** or **0.0%**
- Other considerations:
 - Wellness program contribution of \$10,500
 - SCAN reduced rates for 2022 by 3.0%. For 2022, the member rate did not reduce by 3.0%, but stayed at 0.0%.
 - LACERS may want to continue 2022 rates for 2023 and reserve the 3.0%.

SCAN Final Renewal	Current	2022	2023 Renewal - Final			Negotiated
	Enrollment	Premium	Premium	\$ Change	% Change	Savings
Medicare Advantage	711	\$2,150,235	\$2,150,235	\$0	0.0%	\$0
SCAN Preliminary Renewal	2023 Renewal - Preliminary					
			Premium	\$ Change	% Change	
Medicare Advantage	711	\$2,150,235	\$2,150,235	\$0	0.0%	

UnitedHealthcare Renewal



- UnitedHealthcare Medicare Advantage HMO is available to retired Members with Medicare Parts A and B
- UHC provides LACERS coverage in California, Arizona, and Nevada
- UHC comprises 2.1% of LACERS' premium costs
- UHC proposed a **\$49,595** or **1.5%** increase
 - CA 1.5% (\$40,239), NV 1.6% (\$5,381), AZ 1.2% (\$3,975)
- Other considerations:
 - Wellness program contribution of \$8,500

UnitedHealthcare	Current	2022	2023 Renewal - Final			Negotiated
Final Renewal	Enrollment	Premium	Premium	\$ Change	% Change	Savings
CA Medicare Advantage	830	\$2,735,215	\$2,775,454	\$40,239	1.5%	\$0
NV Medicare Advantage	111	\$326,820	\$332,201	\$5,381	1.6%	\$0
AZ Medicare Advantage	82	\$341,074	\$345,049	\$3,975	1.2%	\$0
Total	1,023	\$3,403,109	\$3,452,704	\$49,595	1.5%	\$0
UnitedHealthcare			2023 Renewal - Preliminary			
Preliminary Renewal			Premium	\$ Change	% Change	
CA Medicare Advantage	830	\$2,735,215	\$2,775,454	\$40,239	1.5%	
NV Medicare Advantage	111	\$326,820	\$332,201	\$5,381	1.6%	
AZ Medicare Advantage	82	\$341,074	\$345,049	\$3,975	1.2%	
Total	1,023	\$3,403,109	\$3,452,704	\$49,595	1.5%	

Delta Dental Renewal

Delta Dental
PPO
7.1%



Delta Dental
DHMO
0.5%

Delta Dental PPO and DHMO is available to all retired Members

- Delta Dental comprises 7.6% of LACERS’ premium costs
- LACERS started self-funding the Delta Dental PPO as of January 1, 2019
- The self-funded PPO requires no rate adjustment for 2023
- Delta Dental DHMO will be in the second year of a three-year rate guarantee and does not require a rate adjustment for 2023.
- Other considerations:
 - Wellness program contribution of \$10,000

Delta Dental	Current	2022	2023 Renewal - Final			Negotiated
Final Renewal	Enrollment	Premium	Premium	\$ Change	% Change	Savings
PPO	19,719	\$11,880,864	\$11,880,864	\$0	0.0%	(\$0)
DHMO	5,132	\$854,662	\$854,662	\$0	0.0%	\$0
Total	24,851	\$12,735,526	\$12,735,526	\$0	0.0%	(\$0)
Delta Dental			2023 Renewal - Preliminary			
Preliminary Renewal			Premium	\$ Change	% Change	
PPO	19,719	\$11,880,864	\$11,880,864	\$0	0.0%	
DHMO	5,132	\$854,662	\$854,662	\$0	0.0%	
Total	24,851	\$12,735,526	\$12,735,526	\$0	0.0%	

Delta Dental Self-Funded Renewal

2023 will be the fifth year of self-funding the PPO dental plan

The 2023 underwriting shows that projected costs are expected to be less than the current premium

- The underwriting for 2023 shows a rate decrease of -3.86% (without margin) and 0.59% with 5.0% margin
- Keenan recommends a rate pass for 2023 and allow the Dental PPO plan to continue building its reserve
- By holding rates for 2023 it is projected that LACERS will add \$459,260 to reserves

LACERS - Self-Funded Dental Renewal

Effective January 1, 2023 through December 31, 2023

Experience Data from May 1, 2021 through April 30, 2022

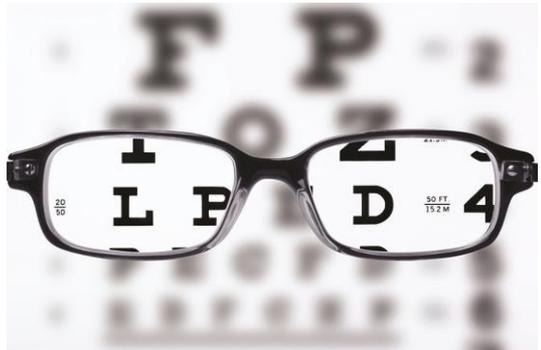
1	Paid Claims (5/1/2021 - 4/30/2022)		\$9,428,184
2	Beginning Reserve as of 5/1/2021		(539,192)
3	Ending Reserve as of 4/30/2022	8.0%	754,255
4	Incurred Claims		\$9,643,246
5	Covered Employees		165,299
6	Incurred Claims/EE/Month		\$58.34
7	Trend Factor	5.0%	1.0847
8	Expected Incurred Claims (1/1/2022 - 12/31/2023)		\$63.28
9	Administration		5.10
10	Calculated Funding Level Without Margin		\$68.38
11	Current Average Funding Level		\$71.13
12	Calculated Funding Action Without Margin = (10)/(11)		-3.86%
13	Recommended Margin = Margin % x (8)	5.0%	\$3.16
14	Calculated Funding Level With Margin = (10)+(13)		\$71.54
15	Current Average Funding Level = (11)		\$71.13
16	Calculated Funding Action With Margin = (14)/(15)		0.59%

Anthem Blue View Vision Renewal

Anthem
Blue View
0.5%

Anthem Blue View Vision is available to retired Members enrolled in Anthem, SCAN and UHC

- Anthem Blue View comprises 0.5% of LACERS premium costs
- Anthem Blue View moved to self-funded for 2022
- 2023 will be LACERS Anthem Blue View vision coverage's second year of self-funding
- Keenan recommends holding rates \$0 or 0.0% for 2023



Other considerations:

- Wellness program contribution is combined with Anthem medical

Anthem Blue View Final Renewal	Current Enrollment	2022 Premium	2023 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	
Vision	9,095	\$875,371	\$875,371	\$0	0.0%	\$0
Anthem Blue View Preliminary Renewal			2023 Renewal - Preliminary			
			Premium	\$ Change	% Change	
Vision	9,095	\$875,371	\$875,371	\$0	0.0%	

Anthem Blue View Vision Self-funded Option

- The 2023 underwriting shows that projected costs are expected to be less than the current premium
- The underwriting for 2023 shows a rate decrease of -9.52% (without margin) and -5.32% with 5.0% margin
- Keenan recommends a rate pass for 2023 and allow the Dental PPO plan to continue building its reserve
- By holding rates for 2023 it is projected that LACERS will add \$83,316 to reserves

LACERS - Self-Funded Vision Renewal
Effective January 1, 2023 through December 31, 2023
Experience Data from April 1, 2021 through March 31, 2022

1	Paid Claims (4/1/2021-3/31/2022)		\$657,472
2	Beginning Reserve as of 4/1/2021		(27,602)
3	Ending Reserve	6.0%	39,448
4	Incurred Claims		\$669,318
5	Covered Employees		82,595
6	Incurred Claims/EE/Month		\$8.10
7	Trend Factor	5.0%	1.0891
8	Expected Incurred Claims (1/1/2022 - 12/31/2022)		\$8.83
9	Administration		0.67
10	Calculated Funding Level Without Margin		\$9.50
11	Current Average Funding Level		\$10.50
12	Calculated Funding Action Without Margin = (10)/(11)		-9.52%
13	Recommended Margin = Margin % x (8)	5.0%	\$0.44
14	Calculated Funding Level With Margin = (10)+(13)		\$9.94
15	Current Average Funding Level = (11)		\$10.50
16	Calculated Funding Action With Margin = (14)/(15)		-5.32%

LACERS 2023 Renewal Projection

All Coverage	Current Enrollment	2022 Premium	2023 Renewal - Preliminary			2023 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
MEDICAL									
Anthem									
PPO Under 65 and 65+ Part B	1,467	\$18,497,592	\$21,658,824	\$3,161,232	17.09%	\$20,254,853	\$1,757,261	9.50%	\$1,403,971
HMO Under 65 and 65+ Part B	1,450	\$12,108,412	\$14,221,281	\$2,112,869	17.45%	\$13,258,694	\$1,150,282	9.50%	\$962,587
MAPD (Medical and Rx)	4,468	\$22,265,116	\$22,265,116	\$0	0.00%	\$22,265,116	\$0	0.00%	\$0
PDP (Rx Only)	554	\$2,051,174	\$2,051,174	\$0	0.00%	\$2,051,174	\$0	0.00%	\$0
Total Anthem	7,939	\$54,922,294	\$60,196,395	\$5,274,101	9.60%	\$57,829,837	\$2,907,543	5.29%	\$2,366,558
Kaiser									
HMO Under 65	4,931	\$49,948,181	\$52,103,703	\$2,155,522	4.32%	\$52,103,703	\$2,155,522	4.32%	\$0
Senior Advantage	14,582	\$40,374,058	\$36,652,149	(\$3,721,910)	-9.22%	\$36,652,149	(\$3,721,910)	-9.22%	\$0
Total Kaiser	19,513	\$90,322,239	\$88,755,852	(\$1,566,387)	-1.73%	\$88,755,852	(\$1,566,387)	-1.73%	\$0
UnitedHealthcare									
CA Medicare Advantage	830	\$2,735,215	\$2,775,454	\$40,239	1.47%	\$2,775,454	\$40,239	1.47%	\$0
NV Medicare Advantage	111	\$326,820	\$332,201	\$5,381	1.65%	\$332,201	\$5,381	1.65%	\$0
AZ Medicare Advantage	82	\$341,074	\$345,049	\$3,975	1.17%	\$345,049	\$3,975	1.17%	\$0
Total UnitedHealthcare	1,023	\$3,403,109	\$3,452,704	\$49,595	1.46%	\$3,452,704	\$49,595	1.46%	\$0
SCAN									
Medicare Advantage	711	\$2,150,235	\$2,150,235	\$0	0.00%	\$2,150,235	\$0	0.00%	\$0
Total SCAN	711	\$2,150,235	\$2,150,235	\$0	0.00%	\$2,150,235	\$0	0.00%	\$0
Medical Total	29,186	\$150,797,877	\$154,555,186	\$3,757,309	2.49%	\$152,188,628	\$1,390,751	0.92%	\$2,366,558
DENTAL									
Delta Dental PPO (self-funded)	19,719	\$11,880,864	\$11,880,864	\$0	0.00%	\$11,880,864	\$0	0.00%	(\$0)
Delta Dental HMO	5,132	\$854,662	\$854,662	\$0	0.00%	\$854,662	\$0	0.00%	\$0
Dental Total	24,851	\$12,735,526	\$12,735,526	\$0	0.00%	\$12,735,526	\$0	0.00%	(\$0)
VISION									
Anthem Blue View (self-funded)	9,095	\$875,371	\$875,371	\$0	0.00%	\$875,371	\$0	0.00%	\$0
Vision Total	9,095	\$875,371	\$875,371	\$0	0.00%	\$875,371	\$0	0.00%	\$0
GRAND TOTAL		\$164,408,774	\$168,166,083	\$3,757,309	2.29%	\$165,799,525	\$1,390,751	0.85%	\$2,366,558

1) Current enrollments are member counts

2023 Proposed Renewal Action

LACERS has maintained a multi-year strategy to smooth Member renewals by holding Member rates when carriers have requested rate decreases. This has enabled LACERS to build reserves to better serve retirees. The following member rate strategies are proposed:

- **Anthem** - pass the 9.50% HMO and PPO rate increases to Members, hold (0.00%) MAPD rates, reserve 12.64% (\$2,814,311)
- **Kaiser** – pass the 4.32% rate increase to Members, hold KPSA Member rates, reserve 9.22% (\$3,721,910)
- **UHC** – pass the 1.5% increase to Members
- **SCAN** – hold the HMO Member rate, reserve 3.0% (\$64,507)
- **Delta Dental** – hold the PPO Member rates (reserve \$459,260 margin), hold the DHMO Member rate
- **Blue View Vision** – hold Member rates (reserve \$83,316 margin)

2023 Renewal Summary - Rate Change Impact	2023 Rate Action %		Retained by LACERS	2023 Rate Action \$		Retained by LACERS
	Carrier Rate Δ	Member Rate Δ		Carrier Rate Δ	Member Rate Δ	
Anthem						
PPO	9.5%	9.50%	0.00%	\$ 1,757,261	\$ 1,757,261	\$ -
HMO	9.5%	9.50%	0.00%	\$ 1,150,282	\$ 1,150,282	\$ -
MAPD	0.0%	0.00%	12.64%	\$ -	\$ -	\$ 2,814,311
<u>PDP</u>	0.0%	0.00%	0.00%	\$ -	\$ -	\$ -
Total Anthem				\$ 2,907,543	\$ 2,907,543	\$ 2,814,311
Kaiser with Meal Delivery Benefit						
Kaiser HMO	4.32%	4.32%	0.00%	\$ 2,155,522	\$ 2,155,522	\$ -
<u>Kaiser Senior Advantage</u>	-9.22%	0.00%	9.22%	\$ (3,721,910)	\$ -	\$ 3,721,910
Total Kaiser				\$ (1,566,387)	\$ 2,155,522	\$ 3,721,910
UHC - HMO						
California	1.47%	1.47%	0.00%	\$ 40,239	\$ 40,239	\$ -
Nevada	1.65%	1.65%	0.00%	\$ 5,381	\$ 5,381	\$ -
<u>Arizona</u>	1.17%	1.17%	0.00%	\$ 3,975	\$ 3,975	\$ -
Total UHC				\$ 49,595	\$ 49,595	\$ -
SCAN - Medicare HMO						
SCAN HMO	0.00%	0.00%	3.00%	\$ -	\$ -	\$ 64,507
Delta Dental						
PPO	0.0%	0.0%	0.0%	\$ 0	\$ 0	\$ -
<u>DHMO</u>	0.0%	0.0%	0.0%	\$ -	\$ -	\$ -
Total Delta Dental				\$ 0	\$ 0	\$ -
Anthem Blue View						
Vision	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
Grand Total				\$ 1,390,751	\$ 5,112,660	\$ 6,600,727

Recommendations

- Accept the medical renewals as recommended
 - Anthem HMO and PPO 9.50%
 - Anthem MAPD 0.00%
 - Kaiser HMO 4.32%
 - KPSA -9.22%
 - UHC 1.5%
 - SCAN 0.00%
- Accept the dental renewals as recommended:
 - Hold the dental PPO rates (0.00%)
 - Reserve the projected \$459,260 in margin
- Accept the vision renewals as recommended:
 - Hold the vision rates (0.00%)
 - Reserve the projected \$83,316 in margin

Performance Standards

Keenan requested the carriers expand their performance guarantees to include reporting and measuring performance standards in the following areas:

- Disease management
- Clinical outcomes
- Security breach policy
- Enrollment and Eligibility system accuracy (Anthem only)

Performance standards remain the same from 2022 for 2023. The chart below outlines the carrier’s agreement to these guarantees and standards:

- UHC is not able to agree due to the limited enrollment in the three state plans UHC offers
- Kaiser continues to not offer employers a performance guarantee for security breaches
- Kaiser eliminated their 10-day ID card turnaround time, citing a new process for ID cards

2022 PROPOSED PERFORMANCE GUARANTEES

PG	Anthem	Kaiser	SCAN	UHC	Anthem Vision	Delta Dental
Incorporate measures specific to disease management, performance category, (HEDIS standards) and the financial implication for failing to meet performance standards	YES	YES	YES	NO	N/A	N/A
Incorporate measures specific to clinical outcomes performance category, (HEDIS standards) performance standard and the financial implication for failing to meet performance standards	YES	YES	YES	NO	N/A	N/A
Incorporate in the performance guarantee a standard, measurement, and penalty specific to your security breach policy	YES	NO	YES	YES	YES	YES
Add performance guarantees for enrollment and eligibility to ensure that Anthem’s eligibility system accurately reflects the LACERS enrollment (ANTHEM MEDICAL ONLY)	YES	N/A	N/A	N/A	N/A	N/A

Appendix

Anthem PPO Rates

Anthem		Carrier Rates			Member Rate			Amount Retained by LACERS	
		2022	2023	% Change	2022	2023	% Change	2021	2022
U65 and 65+ Part B PPO - Refunding									
Retiree Only									
U	Retiree < 65 or > 65 with only Part B of Medicare	\$1,328.85	\$1,455.09	9.50%	\$1,328.85	\$1,455.09	9.50%	\$0.00	\$0.00
Retiree and One Dependent									
UU	Retiree & Dependent both < 65 or both > 65 with Part B of Medicare	\$2,657.70	\$2,910.18	9.50%	\$2,657.70	\$2,910.18	9.50%	\$0.00	\$0.00
UM	Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	\$1,328.85	\$1,455.09	9.50%	\$1,328.85	\$1,455.09	9.50%	\$0.00	\$0.00
MU	Retiree > 65 with both parts A & B of Medicare & Dependent < 65	\$1,328.85	\$1,455.09	9.50%	\$1,328.85	\$1,455.09	9.50%	\$0.00	\$0.00
Retiree and Family (Family = 2 or more dependents)									
UUU	Retiree & Dependents all < 65 or > 65 with Part B of Medicare	\$3,122.80	\$3,419.46	9.50%	\$3,122.80	\$3,419.46	9.50%	\$0.00	\$0.00
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,793.95	\$1,964.37	9.50%	\$1,793.95	\$1,964.37	9.50%	\$0.00	\$0.00
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$1,793.95	\$1,964.37	9.50%	\$1,793.95	\$1,964.37	9.50%	\$0.00	\$0.00
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare (One or more Children)	\$465.10	\$509.28	9.50%	\$465.10	\$509.28	9.50%	\$0.00	\$0.00

* These rates include the Silver Sneakers program.

Anthem HMO Rates

Anthem		Carrier Rates			Member Rate			Amount Retained by LACERS	
		2022	2023	% Change	2022	2023	% Change	2022	2023
HMO - Refunding (Assumes Current Plan with Traditional HMO Network)									
Retiree Only									
U	Retiree < 65 or > 65 with only Part B of Medicare	\$1,059.91	\$1,160.60	9.50%	\$1,059.91	\$1,160.60	9.50%	\$0.00	\$0.00
Retiree and One Dependent									
UU	Retiree & Dependent both < 65 or both > 65 with Part B of Medicare	\$2,119.82	\$2,321.20	9.50%	\$2,119.82	\$2,321.20	9.50%	\$0.00	\$0.00
UM	Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	\$1,059.91	\$1,160.60	9.50%	\$1,059.91	\$1,160.60	9.50%	\$0.00	\$0.00
MU	Retiree > 65 with both parts A & B of Medicare & Dependent < 65	\$1,059.91	\$1,160.60	9.50%	\$1,059.91	\$1,160.60	9.50%	\$0.00	\$0.00
Retiree and Family (Family = 2 or more dependents)									
UUU	Retiree & Dependents all < 65 or > 65 with Part B of Medicare	\$2,755.77	\$3,017.56	9.50%	\$2,755.77	\$3,017.56	9.50%	\$0.00	\$0.00
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,695.86	\$1,856.96	9.50%	\$1,695.86	\$1,856.96	9.50%	\$0.00	\$0.00
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$1,695.86	\$1,856.96	9.50%	\$1,695.86	\$1,856.96	9.50%	\$0.00	\$0.00
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare (One or more Children)	\$635.95	\$696.36	9.50%	\$635.95	\$696.36	9.50%	\$0.00	\$0.00

* These rates include the Silver Sneakers program.

Anthem Passive PPO Medicare Advantage Rates

Anthem Medicare Supplement Plan - Refunding *		Carrier Rates			Member Rate			Amount Retained by LACERS	
		2022	2023	% Change	2022	2023	% Change	2022	2023
Retiree Only									
M	Retiree > 65 with both Parts A & B of Medicare	\$415.27	\$415.27	0.00%	\$485.53	\$485.53	0.00%	\$70.26	\$70.26
Retiree and One Dependent									
UM	Retiree < 65 & Dependent > 65 with both Parts A & B of Medicare	\$415.27	\$415.27	0.00%	\$485.53	\$485.53	0.00%	\$70.26	\$70.26
MU	Retiree > 65 with both Parts A & B of Medicare & Dependent < 65	\$415.27	\$415.27	0.00%	\$485.53	\$485.53	0.00%	\$70.26	\$70.26
MM	Retiree & Dependent both > 65 with both Parts A & B of Medicare	\$830.54	\$830.54	0.00%	\$971.06	\$971.06	0.00%	\$140.52	\$140.52
Retiree and Family (Family = 2 or more dependents)									
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$415.27	\$415.27	0.00%	\$485.53	\$485.53	0.00%	\$70.26	\$70.26
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$415.27	\$415.27	0.00%	\$485.53	\$485.53	0.00%	\$70.26	\$70.26
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$830.54	\$830.54	0.00%	\$971.06	\$971.06	0.00%	\$140.52	\$140.52
MMM	Retiree & Two Dependent both > 65 with both Parts A & B of Medicare	\$1,245.81	\$1,245.81	0.00%	\$1,456.59	\$1,456.59	0.00%	\$210.78	\$210.78

* These rates include the Silver Sneakers program.

KAISER Rates

Kaiser (with Active & Fit, Transportation, and Meal Delivery Benefit)		Carrier Rates			Member Rates			Amount Retained by LACERS	
		2022	2023	% Change	2022	2023	% Change	2022	2023
HMO									
Retiree Only									
U	Retiree < 65 or > 65 with only Part B of Medicare	\$900.24	\$939.09	4.32%	\$900.24	\$939.09	4.32%	\$0.00	\$0.00
M	Retiree with Medicare	\$230.73	\$209.46	-9.22%	\$262.47	\$262.47	0.00%	\$31.74	\$53.01
Retiree and One Dependent									
UU	Retiree & Dependent both < 65	\$1,800.48	\$1,878.18	4.32%	\$1,800.48	\$1,878.18	4.32%	\$0.00	\$0.00
UM	Retiree < 65 & Dependent with both Parts A&B of Medicare	\$1,130.97	\$1,148.55	1.55%	\$1,130.97	\$1,148.55	1.55%	\$0.00	\$0.00
MU	Retiree > 65 with both Parts A&B of Medicare & Dependent < 65	\$1,130.97	\$1,148.55	1.55%	\$1,130.97	\$1,148.55	1.55%	\$0.00	\$0.00
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$461.46	\$418.92	-9.22%	\$524.94	\$524.94	0.00%	\$63.48	\$106.02
Retiree and Family (Family = 2 or more dependents)									
UUU	Retiree & Dependents all < 65	\$2,340.62	\$2,441.63	4.32%	\$2,340.62	\$2,441.63	4.32%	\$0.00	\$0.00
UMU	Retiree < 65 & One Dependent > 65 with both Parts A&B of Medicare, & Dependents without Medicare	\$1,671.11	\$1,712.00	2.45%	\$1,671.11	\$1,712.00	2.45%	\$0.00	\$0.00
MUU	Retiree > 65 with both Parts A&B of Medicare & Dependents without Medicare	\$1,671.11	\$1,712.00	2.45%	\$1,671.11	\$1,712.00	2.45%	\$0.00	\$0.00
MMU	Retiree & One Dependent > 65 with both Parts A&B of Medicare & at least One Dependent without Medicare	\$1,001.60	\$982.37	-1.92%	\$1,036.98	\$1,036.98	0.00%	\$35.38	\$54.61
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$692.19	\$628.38	-9.22%	\$786.81	\$786.81	0.00%	\$94.62	\$158.43

* These rates include the Silver Sneakers program.

** Acupuncture upgrade U=\$0.48, UU=\$0.96, UUU-\$1.25, Senior Advantage M=\$0.48

*** Medicare Advantage prescription drug coverage – there is no catastrophic stage, all drugs are covered at the applicable copayment.

**** Meal Delivery Rider for Medicare Eligible Retirees

UHC Rates

UHC		Carrier Rates			Member Rates			Amount Retained by LACERS	
HMO MAPD with RX - (Assumes Current Plan)		2022	2023	% Change	2022	2023	% Change	2022	2023
California									
M	Retiree with Medicare	\$274.62	\$278.66	1.47%	\$274.62	\$278.66	1.47%	\$0.00	\$0.00
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$549.24	\$557.32	1.47%	\$549.24	\$557.32	1.47%	\$0.00	\$0.00
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$823.86	\$835.98	1.47%	\$823.86	\$835.98	1.47%	\$0.00	\$0.00
Nevada									
M	Retiree with Medicare	\$245.36	\$249.40	1.65%	\$245.36	\$249.40	1.65%	\$0.00	\$0.00
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$490.72	\$498.80	1.65%	\$490.72	\$498.80	1.65%	\$0.00	\$0.00
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$736.08	\$748.20	1.65%	\$736.08	\$748.20	1.65%	\$0.00	\$0.00
Arizona									
M	Retiree with Medicare	\$346.62	\$350.66	1.17%	\$346.62	\$350.66	1.17%	\$0.00	\$0.00
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$693.24	\$701.32	1.17%	\$693.24	\$701.32	1.17%	\$0.00	\$0.00
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$1,039.86	\$1,051.98	1.17%	\$1,039.86	\$1,051.98	1.17%	\$0.00	\$0.00

* Includes Acupuncture

** The rates include coverage in the Catastrophic Stage (member will continue to pay their standard copay when they reach this stage)

SCAN Rates

SCAN		Carrier Rates			Member Rates			Amount Retained by LACERS	
HMO		2022	2023	% Change	2022	2023	% Change	2022	2023
M	Retiree with Medicare	\$252.02	\$252.02	0.00%	\$259.81	\$259.81	0.00%	\$7.79	\$7.79
MM	Retiree & Dependent > 65 with both Parts A&B of Medicare	\$504.04	\$504.04	0.00%	\$519.62	\$519.62	0.00%	\$15.58	\$15.58
MMM	Retiree & Two Dependents > 65 with both Parts A&B of Medicare	\$756.06	\$756.06	0.00%	\$779.43	\$779.43	0.00%	\$23.37	\$23.37

Delta Dental Rates

Delta Dental		Carrier Rates			Member Rates			Amount Retained by LACERS	
Dental		2022	2023	% Change	2022	2023	% Change	2022	2023
Dental Self-funded PPO		Self-Funded Fee & Equivalent Rates							
	Dental ASO Fee PRPM	\$5.10	\$5.10	0.00%					
M	Retiree	\$51.16	\$51.16	0.00%	\$51.16	\$51.16	0.00%	\$0.00	\$0.00
MM	Retiree & Dependent	\$101.45	\$101.45	0.00%	\$101.45	\$101.45	0.00%	\$0.00	\$0.00
MMM	Retiree & Two Dependents	\$146.56	\$146.56	0.00%	\$146.56	\$146.56	0.00%	\$0.00	\$0.00
DHMO		Fully-Insured Rates							
M	Retiree	\$15.10	\$15.10	0.00%	\$15.10	\$15.10	0.00%	\$0.00	\$0.00
MM	Retiree & Dependent	\$28.19	\$28.19	0.00%	\$28.19	\$28.19	0.00%	\$0.00	\$0.00
MMM	Retiree & Two Dependents	\$32.59	\$32.59	0.00%	\$32.59	\$32.59	0.00%	\$0.00	\$0.00

Anthem Blue View Vision Rates

Anthem Blue View Vision		Carrier Rates			Member Rates			Amount Retained by LACERS	
Vision		2022	2023	% Change	2022	2023	% Change	2022	2023
Vision Self-funded		Self-Funded Fee & Equivalent Rates							
	Vision ASO Fee PRPM	\$0.67	\$0.67	0.00%					
M	Retiree	\$9.14	\$9.14	0.00%	\$9.14	\$9.14	0.00%	\$0.00	\$0.00
MM	Retiree & Dependent	\$13.25	\$13.25	0.00%	\$13.25	\$13.25	0.00%	\$0.00	\$0.00
MMM	Retiree & Two Dependents	\$23.67	\$23.67	0.00%	\$23.67	\$23.67	0.00%	\$0.00	\$0.00

Delta Dental – PPO Plan Experience

Date	Number of Claims	Paid Amount	Administration	Total Expenses	Total Primary Enrollees	Premium	Surplus / Deficit	Total Cost Loss Ratio
May-20	680	\$149,923	\$63,536	\$213,458	12,469	\$881,352	\$667,894	24.2%
Jun-20	2,241	\$448,055	\$63,551	\$511,606	12,454	\$879,801	\$368,194	58.2%
Jul-20	3,405	\$660,701	\$63,566	\$724,267	12,452	\$879,397	\$155,129	82.4%
Aug-20	2,720	\$552,036	\$63,413	\$615,449	12,447	\$878,669	\$263,220	70.0%
Sep-20	2,822	\$589,843	\$47,960	\$637,804	12,524	\$885,061	\$247,257	72.1%
Oct-20	3,803	\$756,617	\$48,310	\$804,926	12,595	\$889,347	\$84,420	90.5%
Nov-20	2,659	\$526,483	\$64,469	\$590,952	12,652	\$893,133	\$302,181	66.2%
Dec-20	3,249	\$680,862	\$64,959	\$745,820	12,710	\$897,668	\$151,848	83.1%
Jan-21	2,782	\$652,127	\$65,816	\$717,942	12,923	\$914,372	\$196,430	78.5%
Feb-21	3,071	\$704,101	\$66,621	\$770,723	13,074	\$926,913	\$156,190	83.1%
Mar-21	3,472	\$740,992	\$67,284	\$808,277	13,196	\$936,653	\$128,376	86.3%
Apr-21	4,412	\$947,377	\$68,187	\$1,015,564	13,385	\$951,408	-\$64,155	106.7%
May-21	3,602	\$732,683	\$69,095	\$801,778	13,548	\$964,791	\$163,012	83.1%
Jun-21	3,449	\$688,654	\$69,615	\$758,269	13,651	\$972,472	\$214,203	78.0%
Jul-21	4,240	\$840,385	\$69,834	\$910,219	13,692	\$975,831	\$65,611	93.3%
Aug-21	3,403	\$676,516	\$70,054	\$746,570	13,722	\$978,175	\$231,605	76.3%
Sep-21	4,321	\$841,246	\$70,105	\$911,351	13,758	\$980,806	\$69,455	92.9%
Oct-21	3,401	\$635,531	\$70,156	\$705,687	13,756	\$980,156	\$274,469	72.0%
Nov-21	3,299	\$621,601	\$70,049	\$691,649	13,747	\$978,962	\$287,313	70.7%
Dec-21	4,165	\$823,717	\$70,089	\$893,806	13,746	\$977,976	\$84,170	91.4%
Jan-22	3,133	\$690,889	\$70,967	\$761,856	13,921	\$991,204	\$229,348	76.9%
Feb-22	3,940	\$931,991	\$71,211	\$1,003,202	13,939	\$991,883	-\$11,319	101.1%
Mar-22	4,921	\$1,109,723	\$71,216	\$1,180,939	13,932	\$990,781	-\$190,158	119.2%
Apr-22	3,858	\$835,246	\$71,206	\$906,453	13,887	\$986,414	\$79,961	91.9%

Note: The Number of primary enrollees may change to include retroactive additions and/or deletions in eligibility

Anthem Blue View Vision – Plan Experience

Date	Paid Claim Amount	Administration Fee	Total Expenses	Subscribers	Premium	Surplus / Deficit	Total Cost Loss Ratio
Apr-20	-\$217	\$4,237	\$4,020	6,324	\$66,763	\$62,743	6.0%
May-20	\$6,583	\$4,250	\$10,833	6,344	\$66,290	\$55,457	16.3%
Jun-20	\$33,848	\$4,259	\$38,107	6,357	\$65,367	\$27,260	58.3%
Jul-20	\$37,211	\$4,255	\$41,466	6,350	\$66,242	\$24,777	62.6%
Aug-20	\$54,239	\$4,250	\$58,489	6,344	\$66,181	\$7,692	88.4%
Sep-20	\$30,164	\$4,275	\$34,439	6,381	\$66,070	\$31,631	52.1%
Oct-20	\$54,650	\$4,301	\$58,951	6,419	\$67,073	\$8,122	87.9%
Nov-20	\$61,519	\$4,303	\$65,822	6,422	\$67,308	\$1,486	97.8%
Dec-20	\$48,495	\$4,325	\$52,820	6,455	\$66,977	\$14,157	78.9%
Jan-21	\$38,601	\$4,377	\$42,978	6,533	\$68,007	\$25,029	63.2%
Feb-21	\$33,167	\$4,417	\$37,584	6,593	\$68,764	\$31,180	54.7%
Mar-21	\$61,771	\$4,457	\$66,228	6,652	\$69,920	\$3,692	94.7%
Apr-21	\$47,527	\$4,516	\$52,043	6,740	\$70,396	\$18,353	73.9%
May-21	\$55,810	\$4,554	\$60,364	6,797	\$71,479	\$11,115	84.4%
Jun-21	\$49,973	\$4,591	\$54,564	6,852	\$71,714	\$17,150	76.1%
Jul-21	\$56,695	\$4,596	\$61,291	6,860	\$72,218	\$10,927	84.9%
Aug-21	\$69,239	\$4,613	\$73,852	6,885	\$72,381	-\$1,471	102.0%
Sep-21	\$52,626	\$4,626	\$57,252	6,905	\$72,382	\$15,130	79.1%
Oct-21	\$56,940	\$4,629	\$61,569	6,909	\$72,598	\$11,029	84.8%
Nov-21	\$71,050	\$4,626	\$75,676	6,904	\$71,961	-\$3,715	105.2%
Dec-21	\$51,384	\$4,634	\$56,018	6,917	\$72,358	\$16,340	77.4%
Jan-22	\$58,621	\$4,656	\$63,277	6,949	\$72,978	\$9,701	86.7%
Feb-22	\$42,889	\$4,642	\$47,531	6,929	\$72,831	\$25,300	65.3%
Mar-22	\$44,718	\$4,644	\$49,362	6,932	\$72,906	\$23,544	67.7%

Note: The number of subscribers may change to include retroactive additions and/or deletions in eligibility.

Acknowledgement

Keenan & Associates would like to thank Ms. Karen Freire and the LACERS Health Benefits Administration staff for providing the necessary data and engaging in this renewal process. Their cooperation and guidance have been extremely valuable.

Questions and Answers



ANTHEM MEDICARE ADVANTAGE PLAN TRANSITION UPDATE

RECAP

- On July 27, 2021, the Board approved transitioning Members and their dependents who were on Anthem's Medicare Supplement A&B Plan to Anthem's Medicare Advantage Preferred PPO Plan (also known as Anthem's Medicare Preferred PPO).
- The change to Anthem Preferred PPO is estimated to save a premium cost of more than \$4.5 million.
- The Anthem Medicare Preferred PPO plan offers enhanced senior support benefits, with no annual deductible, and provides more integrated care. This new plan includes the following non-standard benefits: transportation, personal emergency response system, additional assisted devices, personal care, in-home caregiver relief, adult day care, etc.
- Most services under the new plan have \$0 co-pay.
- Under the new plan, Anthem subscribers can see any Anthem in-network provider and any out-of-network provider, that accepts Medicare, with no change in benefits. Out-of-network providers have the option not to accept the Anthem Medicare Preferred PPO plan. Because of this, coverage with the new plan could create disruptions when seeking service with an out-of-network provider. Out-of-network providers also have the option not to accept the Anthem Medicare Supplement plan.

TRANSITION SUCCESS AND CHALLENGES

Successes

- A total of 4,451 members were converted on January 1, 2022
- Established a marketing campaign to inform members of the new benefits
- Established regularly scheduled meetings with Anthem team to determine member transitional needs and resolve issues
- Established member tracking of issues and usage of various covered benefits
- Resolved approximately 72 escalated cases with no outstanding case

Challenge(s)

- Since the last update, LACERS has no outstanding case that is being monitored related to the Anthem Transition. We have some Members who called/emailed LACERS regarding their dissatisfaction on the transition; however, no specific issue regarding the benefits is currently being monitored or escalated. In addition, although some Members called regarding issues related to their benefits that they were attributing to the transition, upon review, the issues were Member-specific and were addressed appropriately.

MARKETING CAMPAIGN

The Anthem Team developed a marketing campaign focused on our Anthem Preferred Medicare Advantage Plan. LACERS has incorporated the coordination, review and tracking of this campaign with LACERS *Well*.

- The goal of the campaign is to provide information of the benefits available to Members and /or remind Members on where or how to access medical care
- From June through August, the campaign focuses on in-house support, preventative care, and medication adherence
- LACERS and Anthem Microsite to publish benefits-related documents and announcements
- Ongoing marketing reminder to members to use their new cards and sign-up for the Sydney app and Anthem.com



LACERS

Anthem Transition & Marketing
Update

Medicare Advantage Plan

August 9, 2022

Call Center

Call Purpose	Interactions Prior	Interactions Latest
Benefit Inquiry	1,403	2,349
ID Card Request or Inquiry	642	905
Claim Inquiry	511	1,209
Eligibility Information	217	360
Find a Provider	219	382
Authorization Inquiry	199	447
Pharmacy Inquiry	149	266
Question about Letter or Outbound Call	90	167
Web Support	43	63
Request Member Materials	43	70
Case Management Request	13	28
Other	570	914
Total count per call	4,099	7,160

*Data captured from 1/1/2022 – 6/30/2022- All calls to Anthem Customer Service

Recent Member Service kudos from LACERS Retirees!

- ❖ 6/3/22- “Service was polite, intelligent, timely and knowledgeable.”
- ❖ 6/7/22 – “I had a billing issue from my doctor and Linda resolved it in a timely and friendly manner. Because it was going to take some time, she called me back to check in with me and to follow up with the result. Great service.”
- ❖ 6/8/22 – “Did not wait long to get talking to an associate, not like DirecTV or CenturyLink. In the past 2 times, your Associates both were nice and knowledgeable to help my questions. I appreciate their help.”
- ❖ 6/29/22 – “The person that I spoke with was friendly and jumped right in, solved my problem very quickly, called the Doctor’s back and then called me to inform me of what she had done.”
- ❖ 6/29/22 – “Your customer service representative was professional and knowledgeable.”

LACERS Inquiries/Escalations Cases

Category (Open Items)	January	February	March	April	May	June	July
Ongoing							
Member Education							
Provider Education							
Find a Provider							
Claim Inquiry							
Authorizations							
Case Management Request							
Eligibility							

Resolved	January	February	March	April	May	June	July
Member Education	5	5	4	3	1	2	1
Provider Education	6	10	4			3	
Find a Provider		2				1	
Claim Inquiry							
Authorizations	1	2	3	2	1	1	
Case Management Request			1				
Eligibility	1						
Total							59

*Data captured from 1/1/2022-4/21/2022 - Member inquiries/escalations that involves contact from LACERS intervention and/or Anthem advocate.

Extra Covered Benefits

Additional Benefits	Description	January - June
Healthy Meal Deliveries	Discharge from inpatient stay/Elevated A1C/BMI	332 Meals sent
Fitness Tracker	Wearable fitness tracker to promote active lifestyle	21 Members received
Healthy Pantry/Nutritional Education (Kroger's)	Assists retirees with chronic illnesses manage their health conditions providing nutritional guidance.	17 Pantry Deliveries/7 Members
LiveHealth Online	Telehealth for common illnesses	9 Members Enrolled
House Calls	Member health evaluation in the member's home	169 Members Completed
In Home Support	Focuses on companionship & addresses senior isolation. Aids also assist seniors to live at home alone and care for themselves. (Meal prep, pet care, etc)	129 Enrolled/382 Completed Visits
Hearing Aids	Maximum of \$2,000 per ear 36 months	66 Members
Routine Transportation	12 one-way trips in 60 mile radius	43 Member Trips

*Data captured from 1/1/2022 – 6/30/2022

A close-up photograph of a person's hand holding a black pen, positioned over a laptop screen. The screen displays a blue bar chart with several bars of varying heights. The background is slightly blurred, showing the person's arm and the laptop's keyboard.

Anthem[®]

Communication Updates

LACERS communications timeline

2022 Proposed Campaigns & Timeline

	May	June	July	August
Custom Campaigns		<ul style="list-style-type: none"> In-home care options <ul style="list-style-type: none"> In-home support Personal home helper Adult day center 	<ul style="list-style-type: none"> Preventative care <ul style="list-style-type: none"> Annual Wellness Physical Examine My Care Checklist 	<ul style="list-style-type: none"> Medication Adherence <ul style="list-style-type: none"> 90-day supply Mail delivery
Core Communications <i>Many are "always on", triggered when relevant to member.</i>	<ul style="list-style-type: none"> Oncology Disease State Onboarding – Kit and EOC Digital Detail Reminder Predictive interventions House Calls 	<ul style="list-style-type: none"> Adhere Health 		



Medication Adherence Campaign

- Medication adherence refers to whether patients take their medications as prescribed (eg, twice daily), as well as whether they continue to take a prescribed medication.
- Members taking their medicine as prescribed is important for controlling chronic conditions, treating temporary conditions, and overall long-term health and well-being.
- A few of the ways we'd like to promote to help members adhere to their medications/prescriptions are:
 - 90-day supply
 - Home delivery
 - Two months copays for three-month supply (buy 2 get 1 free)

Condition	LACERS	GRS Average
	90-day / delivery	90-day / delivery
Diabetes	13% / 65%	15% / 70%
Cholesterol	13% / 84%	17% / 84%
Hypertension	12% / 82%	16% / 84%



Skip the drugstore – have your medicine delivered to your home!

Why wait in line at the drugstore if you don't have to? If you take prescribed medicine on a regular basis, you can get up to a 90-day supply delivered to your door.¹ And depending on your plan, you may save on copays because the cost of a 90-day supply of many drugs is usually less than three 30-day refills. Standard shipping is free, and you can even set up automatic refills and renewals, and get your medicine sent to you automatically before your next refill date.

Missing even one dose of your medicine that treats long-term conditions like high blood pressure or diabetes may lead to serious health problems and higher costs. That's why home delivery is a great way to make sure you get your prescription refills when you need them.

Plus, when you have home delivery, you can instead visit any CVS pharmacy for a 90-day supply and pay the same out-of-pocket cost you'd pay at the home delivery pharmacy!

Getting set up for home delivery is easy:

 **Go online to get started.**

Go to [anthem.com/ca](https://www.anthem.com/ca), log in and choose **Pharmacy**. On your personal pharmacy page, select **View Your Prescriptions** under **Switch to a 90-Day Supply**.

For the drugs you want to switch to home delivery, choose **Switch to a 90-day Supply** and then **Select Prescriber**. You can also add or update your shipping address, shipping options and payment method on this page.

 **Pay for your prescription.**

We make it easy. You can pay by credit or debit card, flexible spending account, health savings account or electronic funds transfer (EFT).

To set up your payments, select **Complete your Profile and Communication Preferences** from your personal pharmacy page, then **View Pharmacy Payment Methods** to choose how you'd like to pay, sign up to pay online or add/update your credit card on file.

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LACERS members Sydney/Web usage

Sydney gives members access to their plan information on the go along with other time and money sharing features.

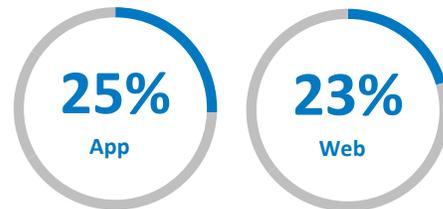
Usage



+2%

+2%

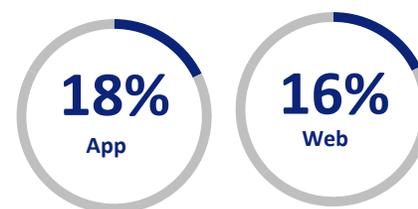
Claims



+2%

+2%

Finding care



+1%

+1%

ID cards



+2%

+2%

Increases in the month of May



Registrations – 50



Using claims – 104



ID cards – 103



REPORT TO BENEFITS ADMINISTRATION COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING:
ITEM: V

Neil M. Guglielmo

SUBJECT: INCOME-RELATED MONTHLY ADJUSTMENT AMOUNTS (IRMAA) AND MEDICARE PART B ONLY REIMBURSEMENT CONSIDERATION AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee provide direction on option(s) to recommend to the Board:

1. Authorize a budgetary expenditure and direct LACERS plan actuary, the Segal Company, to conduct an actuarial cost study to explore the Medicare Part B Income-Related Monthly Adjustment Amount (IRMAA) and the Medicare Part B (Medical) reimbursements; and/or
2. Share this report with the Office of the City Administrative Officer (CAO); and/or
3. Direct staff to explore additional Committee recommendations.

Executive Summary

LACERS consistently receives feedback from Members requesting a change to the LACERS benefit to allow for the medical subsidy to reimburse Members' *Medicare Part B Income-Related Monthly Adjustment Amounts* (IRMAAs), and to reimburse the *Medicare Part B basic premiums* for LACERS Members who started City employment prior to April 1, 1986 and are currently excluded from reimbursement. Due to the increased interest by our Members, and the largest City retiree association, LACERS conducted preliminary research and analysis of these two issues. To enact the requested benefit change, an actuarial cost study must be completed and an ordinance adopted by City Council and Mayor to effectuate the benefit.

This report provides a preliminary analysis of these issues and recommendation for the Committee to provide direction on the commission of the actuarial study and the consideration of the benefit changes. The key findings of the report include:

IRMAAs

- The Medicare Part B premium reimbursement benefit was adopted in the 1980s before IRMAAs were contemplated and introduced in 2007¹.
- In a survey of ten California pension plans, three plans, California Public Employees' Retirement system (CalPERS), Water and Power Employees' Retirement Plan (WPERP), and San Diego County Employees' Retirement System (SDCERS) provide reimbursement of Part B IRMAAs from Members' subsidies, while Los Angeles Fire and Police Pensions (LAFPP) and six other plans do not.
- In a survey of 9,874 LACERS Members to ascertain the cost of their IRMAAs, 3,089 or 32% responded with 791 or 26% of respondents paying IRMAAs.
- Using the percentage distribution of Members from the survey, applied to the 9,874 Members, the estimated additional costs of reimbursing IRMAAs in 2023, adjusted annually based on the current Centers for Medicare and Medicaid (CMS) rates and changes in Members' personal income bracket, are:
 - Medicare Parts A and B – \$17.5 million for Tiers I and II; \$20 million for Tiers I to III; and \$26 million for all tiers (Table 3)

Part B Only

- The 1973 ordinance establishing the Retiree Health Program included providing reimbursement of Medicare Part B reimbursement to Members enrolled in Medicare Parts A (Hospitalization) and B (Medical); however, the ordinance did not address reimbursements for Part B only enrollees.
- There are 1,386 Retired Members with Medicare Part B only. This group will decrease over time.
- Out of three City Pension Systems providing retiree health benefits, only the Department of Water and Power provides Medicare Part B only premium reimbursement.
- The estimated costs of providing Part B Members with reimbursement of basic rates plus IRMAA, to be adjusted annually based on CMS rates, are:
 - Medicare Part B only – \$2.5 million for Tiers I and II; \$2.8 million for Tiers I to III; and \$3.7 million for all tiers (Table 5)

The Los Angeles Administrative Code (LAAC) Section 4.1113 and 4.1128 authorizes LACERS to reimburse the Medicare Part B basic premium to Retired LACERS Members (Members) enrolled in Medicare Parts A and B, enrolled in a LACERS Senior Plan, and receiving LACERS medical subsidy. Any required Medicare premiums that Members must pay, outside of the authority listed in the LAAC, Members are not reimbursed. This includes Members who started employment prior to April 1, 1986, who did not contribute to Medicare Part A, and are also required to enroll in Medicare Part B, but are not reimbursed the basic premium.

Some Members pay additional premium amounts called the Income-Related Monthly Adjustment Amounts (IRMAAs) based on their taxable income and could be based not just on the Member's retirement allowance from LACERS, but also include: the spouse's income/retirement allowance, employment earnings, profit made from a business activity, investment income from properties or investments, capital gains on the sale of property or any related income reported to the Internal

¹ Section 1839 of the Social Security Act (as amended by section 811 of the Medicare Modernization Act) creates an income-related reduction in Part B premium subsidies effective January 2007.

Revenue Service (IRS). For Members to comply with Medicare, they are required to not just pay for the basic Medicare Part B premium, but if required, also the IRMAA. Because the IRMAA is based on the Member’s taxable income, LACERS is unable to determine the number of Members who pay IRMAA. Therefore, LACERS conducted a survey to determine the number of Members impacted by IRMAA, as well as the annual cost for IRMAA reimbursement.

Discussion

IRMAA

LACERS administers medical insurance plans for its early retirees (age 55 – 64) and Medicare-eligible retirees (age 65+). For Medicare-eligible retired Members and their health plan dependents, LACERS offers medical plans that integrate Medicare Part B and Medicare Parts A and B benefits. LACERS refers to these plans as “senior plans.” When a Member or their dependent enrolls in a LACERS senior plan, they also enroll in Medicare Part D (Prescription Drug).

On or after April 1, 1986, the City of Los Angeles (City) and its employees are required to pay into Medicare for employees hired when the requirement for all agencies to pay into Medicare was enacted. For these employees, once they achieved 40 credits with Medicare, they are eligible to receive Medicare Part A at no cost. Employees hired before this date are not eligible for Medicare Part A through their City employment but may be eligible through a spouse or employment outside of the City.

Once a Member or health plan dependent qualifies for Medicare, in order to continue coverage in a LACERS medical plan, the LAAC requires them to enroll in Medicare Part B (Medical), and if eligible to receive it for free, Part A (Hospitalization).

When enrolling in Medicare Part B, Members and their dependents must pay the Part B premium out-of-pocket. The premium cost can change every year and the amount can be different for each person. There is a basic premium that everyone must pay and, depending on income and tax filing status, there may be additional premium costs called Income-Related Monthly Adjustment Amounts (IRMAAs). For 2022, the basic premium is \$170.10 and premiums with IRMAAs range from \$238.10 to \$578.30. The premiums fall into six premium tiers as listed in Table 1.

Table 1. 2022 Medicare Part B Premiums Members’ income in 2020 (for what Members pay in premiums in 2022)				
Premium Tier	Filed individual tax return	Filed joint tax return	Filed married & separate tax return	Member Monthly Premium (in 2022)*
I	\$91,000 or less	\$182,000 or less	\$91,000 or less	\$170.10
II	above \$91,000 up to \$114,000	above \$182,000 up to \$228,000	Not applicable	\$238.10
III	above \$114,000 up to \$142,000	above \$228,000 up to \$284,000	Not applicable	\$340.20
IV	above \$142,000 up to \$170,000	above \$284,000 up to \$340,000	Not applicable	\$442.30

V	above \$170,000 and less than \$500,000	above \$340,000 and less than \$750,000	above \$91,000 and less than \$409,000	\$544.30
VI	\$500,000 or above	\$750,000 or above	\$409,000 or above	\$578.30

Note: IRMAAs are calculated based on the highest income of the tax returns filed two years prior.

Medicare's coverage of Part A (Hospitalization) significantly lowers LACERS' cost for premiums for senior plans, which may be the reason that Members enrolled in both Medicare Parts A and B are reimbursed for the monthly Medicare Part B basic premiums. This benefit is only available to the retired Member, not their health plan dependents or survivors.

Cost of IRMAAs

LACERS requires that Members show proof of Medicare enrollment when enrolling in a LACERS senior plan or participating in the Medical Premium Reimbursement Program. Acceptable proof is a copy of their Medicare card or entitlement letter from Social Security. These documents indicate that a Member has been successfully enrolled in Medicare, but does not provide insight into their Medicare Part B premium cost. LACERS has no access to each Member's Medicare Part B premium, which is needed to determine the potential cost of reimbursing Medicare Part B premiums beyond the standard premium. Therefore, in 2021 the Board authorized staff to conduct a survey to determine the Members' out-of-pocket Part B premium costs, including IRMAAs, and to provide the information to the City for consideration in amending the current Part B premium reimbursement benefit.

On November 1, 2021, a Medicare Part B Premium Survey was mailed out to Members receiving a Medicare Part B premium reimbursement to determine Members' actual Part B premium cost.

Survey Methodology

With the assistance of the LACERS health and welfare consultant, Keenan & Associates, staff created a two-question Medicare Part B Premium Survey and distributed by first-class mail to 9,784 Retired Members who are currently receiving a Part B premium reimbursement. To maintain confidentiality, code numbers were used to identify the completed surveys and no personal identifiers were used.

In addition, the self-mailer contained an explanation of the purpose of the survey and instructions for completing the survey by mail or by accessing an online version provided through a link to the LACERS website. Members were asked two questions: 1) are you a retired LACERS Member currently enrolled in Medicare Parts A and B and receiving a Medicare Part B premium reimbursement? 2) what amount best describes your Medicare Part B premium, including any IRMAA costs (do not include Medicare Part D IRMAAs)?

Survey Results

A total of 3,089 completed surveys (2,551 or 82.6% via mail and 538 or 17.4% online) were received, or a 32% response rate, which is considered an acceptable percentage for validity based on the size of the population surveyed. A breakout of the responses is shown in Table 2.

Table 2. Medicare Part B Premium Survey Results

2021 Part B Premium Tier	Member Reported Premium Amounts*	Number of Members Paying Premium Tier	Percentage of Members Paying Premium Tier
I (Basic)	\$148.50	2,298	74.4%
II	\$207.90 to \$279.70	283	9.2%
III	\$297.00 to \$348.00	193	6.2%
IV	\$386.10 to \$462.70	143	4.6%
V and VI**	\$475.20 to \$494.67 and \$504.90 to \$545.90	172	5.6%
Totals		3,089	100.0%

*The bolded amounts in this column are the usual premium for Members within the associated income bracket. Although most Members within the different income brackets pay the usual amount, a few Members reported different premiums. Some Members pay amounts other than those listed for various reasons, such as the “hold harmless provision,” the late Part B enrollment penalty or the Medicare Part D IRMAA (Tiers II to VI). The “hold harmless provision” limits annual Medicare Part B premium increases for certain individuals to an amount that does not decrease their Social Security benefit. This provision comes into effect when the Social Security cost-of-living adjustment is low, and the Medicare Part B premium increase is greater than a person’s Social Security benefit increase.

**Tiers V and VI were combined because the difference between the premium amounts is much less than between the other tiers.

As shown in Table 3, LACERS has identified 9,784 Members who are receiving a Medicare Part B premium reimbursement. Based on the survey responses, it is estimated that about 26% of LACERS Members pay IRMAAs.

Table 3. Estimated 2022 and 2023* Part B Premium Payments**

2022 Part B Premium Tier	Basic/IRMAA Premium Amounts	Estimated Number of Members Paying Premium Amount	% of Members Paying Premium Amount	Total Monthly Basic/IRMAA Payment Estimate (Tier II-VI incremental)	Total Annual Basic/IRMAA Payment Estimate (Tier II-VI incremental)	Running Total of Part B with IRMAA Premium Costs
I (Basic)	\$170.10	7,280	74.4%	\$1,238,328	\$14,859,936	\$14,859,936
II	\$238.10	900	9.2%	\$ 214,290	\$ 2,571,480	\$17,431,416
III						

	\$340.20	606	6.2%	\$ 206,161	\$ 2,473,932	\$19,905,348
IV	\$442.30	450	4.6%	\$ 199,035	\$ 2,388,420	\$22,293,768
V and VI	\$544.30 and \$578.30 (ave. \$561.30)	548	5.6%	\$ 307,592	\$ 3,691,104	\$25,984,872
Totals		9,784	100%	\$2,165,406	\$25,984,872	
Projected Cost of IRMAAs				\$ 927,078	\$11,124,936	

Projecting future costs can be difficult because the number of LACERS Members enrolled in Medicare Parts A and B change continuously, and the Part B premiums and IRMAA income brackets can change annually, as can Members' income or tax filing status. For example, in 2022, the income threshold used to assess IRMAAs changed from \$88,000 to \$91,000 for those filing individual tax returns. Additionally, when IRMAAs are assessed, both Medicare Part B and Medicare Part D premiums are increased by the surcharge.

*** Centers for Medicare and Medicaid (CMS) released a report recently and projected no increase in the 2023 Medicare Part B standard/basic premium.

MEDICARE PART B ONLY

The City began reimbursing Medicare Part B basic premium to retirees who had Medicare Parts A and B in accordance with the ordinance which established the Retiree Health Insurance Program in October 1973. Retired Members with Medicare Part B only are not reimbursed their Part B basic premium as the Los Angeles Administrative Code Section 4.1113 (b) limits the reimbursement to Retired Members with Medicare Parts A and B. The reason that only those who have Medicare Parts A and B have been reimbursed may be that Medicare Part A's hospitalization coverage and capitation payments significantly lowers medical plan premium costs, i.e. the senior plans which require enrollees to have Parts A and B have much lower premiums than non-senior Part B only plans.

As of June 30, 2022, there are 1,386 retired Members with Medicare Part B only enrolled in a LACERS-sponsored medical plan. These retired Members were hired before April 1, 1986, when the requirement for all agencies to pay into Social Security pay the Medicare Part A (Medicare tax) was enacted. At that time, the City decided not to give these employees the option to pay into their Medicare tax; hence, they are not eligible for premium-free Medicare Part A through their City employment. Currently, there are 212 full-time and 6 part-time Active Members hired before this date. Based on LACERS' records, they are not currently eligible for premium-free Medicare Part A through a spouse or employment outside of the City.

The Part B only population is very small and decreasing each year, with reimbursement costs expected to follow this same trend. Using the same percentages as the Medicare Part B IRMAA survey was used, Table 4 shows an estimate of reimbursement costs of Part B basic premium to the Retired Members who have Medicare Part B only.

Table 4. Estimated 2022 Medicare Part B Basic Premium Payments Reimbursement – Retired Members with Medicare Part B only (see Table 1 for the Tiers’ income range)					
2022 Part B Premium Tier	Basic/IRMAA Premium Amounts	Estimated Number of Members Paying Premium Amount	% of Members Paying Premium Amount	Total Monthly Basic Premium Payment Estimate	Total Annual Basic Premium Payment Estimate
I (Basic)	\$170.10	1,031	74.4%	\$175,373	\$2,104,476
II	\$238.10	128	9.2%	\$21,773	\$261,276
III	\$340.20	86	6.2%	\$14,629	\$175,548
IV	\$442.30	64	4.6%	\$10,886	\$130,632
V and VI	\$544.30 and \$578.30	77	5.6%	\$13,098	\$157,176
Totals		1,386	100.0%	\$235,759	\$2,829,108

Table 5 shows a breakout of the reimbursement costs of Part B basic premium and Part B IRMAAs to the Retired Members who have Medicare Part B only.

Table 5. Estimated 2022 Medicare Part B Basic Premium and IRMAA Payments Reimbursement – Retired Members with Medicare Part B only						
2022 Part B Premium Tier	Basic/IRMAA Premium Amounts	Estimated Number of Members Paying Premium Amount	% of Members Paying Premium Amount	Total Monthly Basic/IRMAA Payment Estimate (Tier II-VI incremental)	Total Annual Basic/IRMAA Payment Estimate (Tier II-VI incremental)	Running Total of Part B with IRMAA Premium Costs
I (Basic)	\$170.10	1,031	74.40%	\$175,373	\$2,104,476	\$2,104,476
II	\$238.10	128	9.20%	\$30,477	\$365,724	\$2,470,200
III	\$340.20	86	6.20%	\$29,257	\$351,084	\$2,821,284
IV	\$442.30	64	4.60%	\$28,307	\$339,684	\$3,160,968
V and VI	\$544.30 and \$578.30 (ave. \$561.30)	77	5.60%	\$43,220	\$518,640	\$3,679,608

Totals		1,386	100%	\$306,634	\$3,679,608	
Projected Cost of IRMAAs				\$131,261	\$1,575,132	

Survey of other Retirement Systems

IRMAA

In July 2021, LACERS conducted an informal survey of other California public retirement systems to determine retirements systems that were providing IRMAA reimbursements. Of the 10 agencies that had participated, the Department of Water and Power (WPERP), the San Diego County Employees Retirement System (SDCERA), and the California Public Employees' Retirement System (CalPERS) reimburse their Retired Members their Medicare premiums, including Medicare Part B IRMAAs, with the limitation that the reimbursement cannot exceed each Member's medical subsidy amount.

CalPERS State of CA	KCERA Kern County	LACERA LA County	LAFPP LA Fire Police	OCERS Orange County
Reimburses Part B IRMAA if there is excess subsidy	No plans to reimburse Part B IRMAA	No plans to reimburse Part B IRMAA	No plans to reimburse Part B IRMAA	No plans to reimburse Part B IRMAA
SBCERA San Bernardino	SBCERS Santa Barbara	SDCERA San Diego	SFERS San Francisco	WPERP LA Water Power
No plans to reimburse Part B IRMAA	No plans to reimburse Part B IRMAA	Reimburses Part B IRMAA if there is excess subsidy	No plans to reimburse Part B IRMAA	Reimburses Part B IRMAA if there is excess subsidy

Medicare Part B Only Members

LACERS surveyed LAFPP and WPERP on their reimbursements for Members with Part B Only. The Los Angeles Fire and Police Pension currently does not reimburse basic Medicare Part B premiums for their Part B only members and the Department of Water and Power Health Benefits, which administers health benefits for both their active and retired employees, does reimburse Medicare Part B basic premiums, as well as IRMAA, for their Part B only members.

California, State and Nationwide Public Retirement Systems

LACERS also reached out to the California Association of Public Retirement Systems (CALAPRS), the State Association of County Retirement Systems (SACRS), and National Conference on Public Employee Retirement Systems (NCPERS) and received confirmation that no survey had been conducted on other public retirement systems' approaches in providing Part B IRMAA and/or Part B only reimbursements to retirees. Staff is in the process of creating a short survey so that NCPERS can distribute to their members.

RECOMMENDATION

Los Angeles Administrative Code Section 4.1113 (a) states “Reimbursement shall be limited to the Medicare Part B basic premium (Medical). No reimbursement shall be paid for Medicare Part B costs that exceed the basic premium.”

LACERS requires that Members enroll in Medicare Part B to maintain coverage in a LACERS medical plan. Only Members who are enrolled in Medicare Parts A and B are reimbursed the Part B basic premium. However, LACERS consistently receives feedback from two other groups of Members - those who are enrolled in Medicare Parts A and B and paying Part B IRMAA premium; and those who are enrolled in Medicare Part B only and paying Part B basic and/or Part B IRMAA premiums. Members pay Part B premiums out-of-pocket and, although LACERS subsidizes medical plan premiums based on years of Service Credit with the City, the required out-of-pocket IRMAA and/or Part B only premium expense is not currently subsidized and essentially reduces the value of a Member’s medical subsidy.

IRMAAs did not exist and were not contemplated as part of the benefit when it was adopted. Members who were hired before April 1, 1986 lost their eligibility for premium-free Medicare Part A through their City employment. As changes occur in the health care environment, it is reasonable that we review our benefits program to ensure that we are continuing to provide benefits as they were intended.

The additional annual costs that could be generated if Medicare Part B IRMAA premiums were to be reimbursed cannot be determined by LACERS alone, hence the survey of 9,784 Retired Members was conducted with a 32% response rate providing an estimated number of Retired Members who are currently paying Medicare Part B IRMAA premiums. This same breakdown of respondents’ income tiers was used to estimate the number of Retired Members, out of the 1,386 Retired Members with Medicare Part B only and enrolled in a LACERS-sponsored medical plan, who are paying Part B basic and/or Part B IRMAA premium. Therefore, staff is recommending that LACERS or the CAO, on behalf of the plan sponsor, commission a cost study using actuarial methods to more accurately identify costs of reimbursing the basic Medicare Part B for Part B Only Members and IRMAAs for Members who have surplus subsidy.

Strategic Plan Impact Statement

The IRMAA and Medicare Part B reimbursement recommendation, supports LACERS Strategic Plan Goal to improve value and minimize costs of Members’ health and wellness benefits.

Prepared By: Ada Lok, Senior Benefits Analyst I, Glen Malabuyoc, Senior Benefits Analyst I, Margaret Drenk, Senior Benefits Analyst II, and Karen Freire, Chief Benefits Analyst.

NMG/DW/AL

Attachment: Report to Board of Administration dated June 8, 2021



REPORT TO BOARD OF ADMINISTRATION
From: Neil M. Guglielmo, General Manager

MEETING: JUNE 8, 2021
ITEM: VI-A

Neil M. Guglielmo

SUBJECT: FEDERAL LEGISLATION IMPACTING RETIREE INCOME AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board authorize staff to:

Communicate to the Mayor and the City Council the Board's recommendation that the City take a position in support of HR 82, Social Security Fairness Act of 2021, and any other bills that would rectify inequities resulting from the Windfall Elimination and Government Pension Offset provisions.

Direct staff, in consultation with City Attorney's Office, to communicate to the City Council regarding the impact of excluding Income-Related Adjustment Amounts in Medicare Part B reimbursements for LACERS members, and to assist Council in considering an ordinance to amend Los Angeles Administrative Code Section 4.1113 to include this reimbursement while continuing to exclude penalties. If the Administrative Code is amended, staff would also prepare proposed changes to LACERS Board Rule HBA 9 for the Board's approval.

Executive Summary

If a Member receives a pension from LACERS and is eligible for Social Security benefits from previous work outside of the City of Los Angeles, Social Security's Windfall Elimination and Government Pension Offset provisions reduce Social Security benefits received by Members. This is not applied universally and can have significant financial implications for Members, especially those with lower income.

Discussion

Background

Recently, staff received a complaint from a retired Member about his Social Security benefit being significantly reduced because he was receiving a pension from LACERS. This is done in compliance with the Social Security Administration's Windfall Elimination Provision (WEP), which has been challenged in the past. The Member inquired if LACERS has taken a position on this provision.

LACERS can not take positions on political or legislative issues, but can alert the City of any issues that might impact retirement benefits. Staff recommends that the Board submit a request to the Mayor's Office and City Council to review and possibly take a position to rectify the inequities resulting from the WEP.

Windfall Elimination and Government Pension Offset Provisions

The WEP allows Social Security to reduce someone's benefit if they receive a pension from an employer that did not pay Social Security taxes. City of Los Angeles employees do not pay Social Security taxes and are subject to this provision. More specifically, the WEP applies to those who:

- Reached age 62 after 1985; or
- Became disabled after 1985; and
- First became eligible for a monthly pension based on working for the City after 1985.

However, this provision does not apply to everyone. Exceptions include:

- Federal workers first hired after December 31, 1983;
- Employees of a non-profit organization who were exempt from Social Security coverage on December 31, 1983, unless the non-profit organization waived exemption and did pay Social Security taxes, but then the waiver was terminated prior to December 31, 1983;
- Those whose only pension is for railroad employment;
- Employees whose only work performed without paying Social Security taxes was before 1957;
- People with 30 or more years of substantial earnings under Social Security.

Although LACERS makes many efforts to inform Members of the potential reduction of their Social Security benefits, many are not aware of the WEP until they are close to retirement or when they get their first Social Security benefit. It can be alarming, as they may be relying on their full Social Security benefit, which they have worked for and contributed towards, in order supplement their LACERS benefit. Retirees are predominantly on a reduced fixed income and a reduction in their Social Security benefits can create financial hardship.

Example:

A single person paid into Social Security for 15 years, earning an average annual income of \$50,000 from 1986 to 2000, and then worked for the City from 2001 to 2021, earning an average annual income of \$129,500, and retiring at the age of 67 with a pension of \$4662 (approximately the average LACERS service retirement pension). The Social Security benefit before the WEP reduction would be \$1,911. After applying the WEP reduction (based in part on the LACERS pension amount), the benefit would be reduced by \$537, or 28%, to \$1,374.*

*Estimate based on a Social Security benefit calculator on the AARP website. The Social Security website will only allow someone to estimate their own benefit.

In December 2020, about 1.9 million people (or about 3% of all Social Security beneficiaries) were affected by the WEP. The WEP is not applied universally, but anyone who worked for the City of Los Angeles is likely to experience a reduction of their Social Security benefit. These reductions can be substantial, up to one-half of one's pension, and research has shown that the WEP reduces benefits

disproportionately for lower-earning households (*Social Security: The Windfall Elimination Provision*, Congressional Research Services, February 4, 2021, <https://fas.org/sgp/crs/misc/98-35.pdf>).

The Windfall Elimination Provision only affects the benefit of the retiree. However, an employee's spouse may be eligible to also receive a benefit based on the retiree's work history and earnings and there is another provision called the Government Pension Offset that will reduce the benefit received by a retiree's spouse or surviving spouse who is receiving a government pension from employment where Social Security taxes were not paid.

The spousal benefit was considered a "dependent benefit," intended to provide support to spouses that did not work, which was the norm when the benefit was created in the 1930s. Because today it is more common for both spouses in a household to be working and earning a pension, this provision adjusts a retiree's spouse/survivor benefit by two-thirds of the government pension amount the spouse/survivor is receiving, possibly reducing it to \$0. If the spouse is receiving a Social Security pension, the spousal benefit is reduced by the entire pension amount.

Example:

An active Member is preparing to retire with a LACERS pension of \$5,300. Her spouse worked in the private sector and based on his employment history has earned a pension for himself and a spousal benefit of \$1,500 for his wife, the LACERS Member. However, because his spouse is receiving a pension from LACERS, this spousal benefit will be reduced by two-thirds of her pension amount, or \$3,533. The reduction is greater than the spousal benefit, so she would not receive this benefit.

Legal/Political Action

Over the years, legislation has been introduced to repeal or amend these provisions. There is bipartisan support in eliminating these provisions and last year, President Biden included in his legislative agenda repealing these provisions.

In the 116th Congress, several acts in relation to the WEP/GPO were presented to Congress, but not acted upon. In the current 117th Congress, HR 82 (Social Security Fairness Act of 2021) has been introduced to repeal the WEP and GPO. In 2016 (the most recent estimate available), Social Security Administration's Office of the Chief Actuary (OCACT) projected that repealing both the WEP and the GPO would reduce the long-range actuarial balance (i.e., increase the net long-term cost) of the combined Social Security trust funds by 0.13% of taxable payroll. In 2018, the OCACT estimated that repealing only the WEP would reduce the long-range actuarial balance of the combined trust funds by 0.08% of taxable payroll. Repealing just the GPO would reduce these funds by 0.06% of taxable payroll.

On March 1, 2021, the Supreme Court agreed to hear a case regarding the WEP. In **Babcock v. Saul**, Dkt. No. 20-480, the Court will address the statutory interpretation of the Social Security Act's windfall elimination provision and whether a civil service pension received for federal civilian employment as a "military technician" constitutes a "payment based wholly on service as a member of a uniformed service." The petitioner was formerly employed as a National Guard dual-status technician. When he applied for social security benefits, he was granted Social Security but his benefits were decreased under the Windfall Elimination Provision of the Social Security Act because of his Civil Service

Retirement System pension. The petitioner is arguing that he should qualify for the uniformed-services exception to the WEP. Since this case concerns a narrow issue of statutory interpretation, the Court's ruling will not impact the application of the WEP to LACERS members. The case is currently being briefed and is scheduled to be argued before the Court during the October 2021 term.

Medicare Premium Income-Related Monthly Adjustment Amounts

When Members turn age 65, in order to receive a LACERS medical subsidy, they need to enroll in Medicare and are responsible for paying out-of-pocket the premium cost of Medicare Part B. The Los Angeles Administrative Code (LAAC) allows for Members enrolled in both Medicare Parts A and B to be reimbursed the basic/standard Medicare Part B premium. Originally, the LAAC indicated that the reimbursement would be for the "basic" premium, but the language was updated to reflect "basic/standard" in subsequent technical changes. The term "basic" or "standard" premium is not defined or referenced in the LAAC, although CMS does refer to the Part B premium, not including late enrollment penalties or Income Related Adjustment Amounts (IRMAAs), as "standard." And the Board Rules do indicate that the Part B premium reimbursement will not include IRMAAs.

IRMAAs were introduced in 2007 and are additional premium costs that were added to Medicare Part B premiums based on income reported to the Internal Revenue Service two years earlier and whether you file individually, separately, or jointly. In 2021, IRMAAs are assessed for people with income over \$88,000. The more income one has, the higher the amount of additional premium cost. We regularly receive complaints from Members about these IRMAAs because they increase their medical costs and create the perception that their medical subsidy is devalued. The cost of living varies between states and California is the third most expensive state to live in (<https://worldpopulationreview.com/state-rankings/most-expensive-states-to-live-in>), so although some of our retirees may be considered "high income," their expenses are likely higher than people living in other states. The vast majority of Members enrolled in a LACERS health plan reside in California.

2021 Medicare Part B Premiums

If your yearly income in 2019 (for what you pay in 2021) was			You pay each month (in 2021)
File individual tax return	File joint tax return	File married & separate tax return	
\$88,000 or less	\$176,000 or less	\$88,000 or less	\$148.50
above \$88,000 up to \$111,000	above \$176,000 up to \$222,000	Not applicable	\$207.90
above \$111,000 up to \$138,000	above \$222,000 up to \$276,000	Not applicable	\$297.00
above \$138,000 up to \$165,000	above \$276,000 up to \$330,000	Not applicable	\$386.10
above \$165,000 and less than \$500,000	above \$330,000 and less than \$750,000	above \$88,000 and less than \$412,000	\$475.20
\$500,000 or above	\$750,000 and above	\$412,000 and above	\$504.90

Example:

A 64-year-old retiree with an income of \$115,000, 25 years of Service Credit, and enrolled in the Kaiser HMO plan receives a subsidy amount sufficient to provide full coverage of the \$853 premium. The next year, when eligible for Medicare, this same retiree will enroll in the Kaiser Senior Advantage plan and receive full coverage of the \$262 premium, will have to pay the standard Medicare Part B premium of \$148.50, plus the IRMAA of \$148.50 per month. If the Member has Medicare Part A, the standard premium of \$148.50 will be reimbursed, but not the IRMAA. So, this Member went from having full coverage of premium costs to paying out of pocket \$148.50/month, even though the cost of the plan is now \$591 less. Of course, Members with greater income will pay even more out of pocket, up to \$356/month in IRMAAs.

Based on the attached chart from the 2019 Actuarial Valuation, approximately 2,000 retired Members would be assessed IRMAAs. This is only according to their LACERS pension. Staff has no way of knowing if they have additional income from other sources, what their household income or their tax filing status is.

This benefit was established long before 2007 and did not take into account IRMAAs because they did not exist at the time; it was meant to not reimburse late-enrollment penalty costs. When IRMAAs were introduced, LACERS updated its Board Rules and recommended technical changes based on the original language of reimbursing only the "basic" premium. However, it is possible that the original intent was to exclude reimbursement for penalties but to provide reimbursement of the premium cost, including IRMAAs. Staff researched Council files trying to find the report creating the benefit in order to shed more light on the legislative intent of the Council at the time the benefit was created, however, it could not be located.

Below is the relevant Ad Code Section and Board Rule for reference.

Sec. 4.1113. Medicare Part B Basic Premium Reimbursement Program.

This program is provided to reimburse the cost of the Medicare Part B basic premium to eligible retirees, as hereafter defined.

(a) **Reimbursement.** Reimbursement shall be limited to the Medicare Part B basic/standard premium (Medical Insurance). No reimbursement shall be paid for Medicare Part B costs that exceed the basic/standard premium.

(b) **Eligible Retiree.** In order to participate in the Medicare Part B Basic Premium Reimbursement Program, a retiree must be eligible to receive a medical plan premium subsidy, enrolled in Medicare Parts A and B, and either enrolled in a Medicare supplemental or coordinated plan administered by the Board or be a participant in the Medical Premium Reimbursement Program. Only retired employees may participate in this program.

(c) **Verification of Eligibility for Reimbursement.** Premium reimbursement shall be paid to a retiree who qualifies to participate in this program when sufficient proof of the retiree's Medicare Part A and Part B enrollment, coverage, and premium payment has been made as required by the Board.

(d) **No Dependent Reimbursement.** Premium reimbursement may not be applied toward coverage for dependents of retirees.

SECTION HISTORY

Added by Ord. No. 182,629, Eff. 7-25-13.

Amended by: Ord. No. 184,134, Eff. 1-22-16; Subsec. (a) amended and Subsec. (d) added, Ord. No. 184,853, Eff. 4-6-17.

LACERS Board Rule

HBA 9: The requirements and rules related to Medicare Insurance plan coverage are as follows:

- The medical plan premiums of a LACERS Senior Plan will only include Medicare "basic or standard" premiums covering only those portions of the Medicare premiums that do not include Income-Related Monthly Adjustment Amounts (IRMAAs).
- LACERS will not cover Eligible Primary Subscriber costs or provide reimbursements for any Medicare premium-related IRMAAs.
- Eligible Primary Subscribers and their dependents subject to a Medicare Part D Late Enrollment Penalty, charged by the Centers for Medicare and Medicaid Services (CMS), shall have this penalty amount deducted from an Eligible Primary Subscriber's monthly LACERS allowance or continuance payments to the dependent(s).

(Revised: June 14, 2016)

Conclusion

The WEP and GPO negatively impact the amount of Social Security benefits Members would receive because they have earned a pension solely from their employment with the City of Los Angeles, an employer that does not pay into Social Security. Additionally, not all employees are subject to the WEP; certain federal workers and railroad employees are exempted. City employees being denied entitlement to their full Social Security benefit could have serious fiscal implications for lower wage earners.

When Members enroll in Medicare Parts A and B, LACERS health plan premiums are significantly reduced, yet depending on a Member's taxable income, their cost of enrolling in a LACERS medical plan may actually increase as a result of Medicare Part B IRMAAs.

Staff is recommending that the Board take the above-recommended actions, in coordination with the City Council and the City Attorney, for the best interests of the LACERS membership.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst, Health Benefits and Wellness Division

NMG/AR:ar

- Attachments:
1. Windfall Elimination Provision Information Sheet
 2. Government Pensions Offset Information Sheet
 3. Retiree Monthly Amounts Chart



Windfall Elimination Provision

Board Meeting of 6/8/2021

Item No.: VI-A

Attachment 1

Your Social Security retirement or disability benefits can be reduced

The Windfall Elimination Provision can affect how we calculate your retirement or disability benefit. If you work for an employer who doesn't withhold Social Security taxes from your salary, such as a government agency or an employer in another country, any retirement or disability pension you get from that work can reduce your Social Security benefits.

When your benefits can be affected

This provision can affect you when you earn a retirement or disability pension from an employer who didn't withhold Social Security taxes **and** you qualify for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes.

The Windfall Elimination Provision can apply if:

- You reached age 62 after 1985; or
- You became disabled after 1985; and
- You first became eligible for a monthly pension based on work where you didn't pay Social Security taxes after 1985. This rule applies even if you're still working.

This provision also affects Social Security benefits for people who performed federal service under the Civil Service Retirement System (CSRS) after 1956. We won't reduce your Social Security benefit amounts if you only performed federal service under a system such as the Federal Employees' Retirement System (FERS). Social Security taxes are withheld for workers under FERS.

How it works

Social Security benefits are intended to replace only some of a worker's pre-retirement earnings.

We base your Social Security benefit on your average monthly earnings adjusted for average wage growth. We separate your average earnings into three amounts and multiply the amounts using three factors to compute your full Primary Insurance Amount (PIA). For example, for a worker who turns 62 in 2021, the first \$996 of average monthly earnings is multiplied by 90 percent; earnings between \$996 and \$6,002 are multiplied by 32 percent; and the balance by 15 percent. The sum of the three amounts equals the PIA, which is then decreased or increased depending

on whether the worker starts benefits before or after full retirement age (FRA). This formula produces the monthly payment amount.

When we apply this formula, the percentage of career average earnings paid to lower-paid workers is greater than higher-paid workers. For example, workers age 62 in 2021, with average earnings of \$3,000 per month could receive a benefit at FRA of \$1,537 (approximately 50 percent) of their pre-retirement earnings increased by applicable cost of living adjustments (COLAs). For a worker with average earnings of \$8,000 per month, the benefit starting at FRA could be \$2,798 (approximately 35 percent) plus COLAs. However, if either of these workers start benefits earlier than their FRA, we'll reduce their monthly benefit.

Why we use a different formula

Before 1983, people whose primary job wasn't covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job for which they didn't pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

Under the provision, we reduce the 90 percent factor in our formula and phase it in for workers who reached age 62 or became disabled between 1986 and 1989. For people who reach 62 or became disabled in 1990 or later, we reduce the 90 percent factor to as little as 40 percent.

Some exceptions

The Windfall Elimination Provision doesn't apply if:

- You're a federal worker first hired after December 31, 1983.
- You're an employee of a non-profit organization who was exempt from Social Security coverage on December 31, 1983, unless the non-profit organization waived exemption and did pay Social Security taxes, but then the waiver was terminated prior to December 31, 1983.
- Your only pension is for railroad employment.
- The only work you performed for which you didn't pay Social Security taxes was before 1957.
- You have 30 or more years of substantial earnings under Social Security.

The Windfall Elimination Provision doesn't apply to survivors benefits. We may reduce spouses, widows, or widowers benefits because of another law. For more information, read *Government Pension Offset* (Publication No. 05-10007).

Social Security years of substantial earnings

If you have 30 or more years of substantial earnings, we don't reduce the standard 90 percent factor in our formula. See the first table that lists substantial earnings for each year.

The second table shows the percentage used to reduce the 90 percent factor depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, we reduce the 90 percent factor to between 45 and 85 percent. To see the maximum amount we could reduce your benefit, visit www.ssa.gov/benefits/retirement/planner/wep.html.

A guarantee

The law protects you if you get a low pension. We won't reduce your Social Security benefit by more than half of your pension for earnings after 1956 on which you didn't pay Social Security taxes.

Contacting Social Security

The most convenient way to do business with us from anywhere, on any device, is to visit www.ssa.gov. There are several things you can do online: apply for benefits; get useful information; find publications; and get answers to frequently asked questions.

When you open a personal *my* Social Security account, you have more capabilities. You can review your *Social Security Statement*, verify your earnings, and get estimates of future benefits. You can also print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, get a replacement SSA-1099/1042S, and request a replacement Social Security card (if you have no changes and your state participates).

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

A member of our staff can answer your call from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience a high rate of busy signals and longer hold times to speak to us. We look forward to serving you.

Year	Substantial earnings	Year	Substantial earnings	Year	Substantial earnings
1937–1954	\$900	1989	\$8,925	2013	\$21,075
1955–1958	\$1,050	1990	\$9,525	2014	\$21,750
1959–1965	\$1,200	1991	\$9,900	2015–2016	\$22,050
1966–1967	\$1,650	1992	\$10,350	2017	\$23,625
1968–1971	\$1,950	1993	\$10,725	2018	\$23,850
1972	\$2,250	1994	\$11,250	2019	\$24,675
1973	\$2,700	1995	\$11,325	2020	\$25,575
1974	\$3,300	1996	\$11,625	2021	\$26,550
1975	\$3,525	1997	\$12,150		
1976	\$3,825	1998	\$12,675		
1977	\$4,125	1999	\$13,425		
1978	\$4,425	2000	\$14,175		
1979	\$4,725	2001	\$14,925		
1980	\$5,100	2002	\$15,750		
1981	\$5,550	2003	\$16,125		
1982	\$6,075	2004	\$16,275		
1983	\$6,675	2005	\$16,725		
1984	\$7,050	2006	\$17,475		
1985	\$7,425	2007	\$18,150		
1986	\$7,875	2008	\$18,975		
1987	\$8,175	2009–2011	\$19,800		
1988	\$8,400	2012	\$20,475		

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent



Securing today
and tomorrow

Social Security Administration

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Windfall Elimination Provision

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Government Pension Offset

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Item No.: VI-A
Attachment 2

A law that affects spouses and widows or widowers

If you receive a retirement or disability pension from a federal, state, or local government based on your own work for which you didn't pay Social Security taxes, we may reduce your Social Security spouses or widows or widowers benefits. This fact sheet provides answers to questions you may have about the reduction.

How much will my Social Security benefits be reduced?

We'll reduce your Social Security benefits by two-thirds of your government pension. In other words, if you get a monthly civil service pension of \$600, two-thirds of that, or \$400, must be deducted from your Social Security benefits. For example, if you're eligible for a \$500 spouses, widows, or widowers benefit from Social Security, you'll get \$100 a month from Social Security ($\$500 - \$400 = \$100$). If two-thirds of your government pension is more than your Social Security benefit, your benefit could be reduced to zero.

If you take your government pension annuity in a lump sum, Social Security will calculate the reduction as if you chose to get monthly benefit payments from your government work.

Why will my Social Security benefits be reduced?

Benefits we pay to spouses, widows, and widowers are "dependent" benefits. Set up in the 1930s, these benefits were to compensate spouses who stayed home to raise a family and were financially dependent on the working spouse. It's now common for both spouses to work, each earning their own Social Security retirement benefit. The law requires a person's spouse, widow, or widower benefit to be offset by the dollar amount of their own retirement benefit.

For example, if a woman worked and earned her own \$800 monthly Social Security benefit, but was also due a \$500 spouse's benefit on her husband's record, we couldn't pay that spouse's benefit because her own benefit offsets it. Before enactment of the Government Pension Offset law, if that same woman was a government employee who didn't pay into Social Security and earned an \$800 government pension, there was no offset. We had to pay her a full spouse's benefit and her full government pension.

If this person's government work had been subject to Social Security taxes, we would reduce any spouse, widow, or widower benefit because of their own Social Security retirement benefit. The Government Pension Offset ensures that we calculate the benefits of government employees who don't pay Social Security taxes the same as workers in the private sector who pay Social Security taxes.

When won't my Social Security benefits be reduced?

Generally, we won't reduce your Social Security benefits as a spouse, widow, or widower if you:

- Receive a government pension that's not based on your earnings; or
- Are a federal (including Civil Service Offset), state, or local government employee and your government pension is from a job for which you paid Social Security taxes; and:
 - Your last day of employment (that your pension is based on) is before July 1, 2004; or
 - You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time); or
 - You paid Social Security taxes on your earnings during the last 60 months of government service. (Under certain

conditions, we require fewer than 60 months for people whose last day of employment falls after June 30, 2004, and before March 2, 2009.)

There are other situations for which we won't reduce your Social Security benefits as a spouse, widow, or widower; for example, if you:

- Are a federal employee who switched from the Civil Service Retirement System (CSRS) to the Federal Employees' Retirement System (FERS) after December 31, 1987; and:
 - Your last day of service (that your pension is based on) is before July 1, 2004;
 - You paid Social Security taxes on your earnings for 60 months or more during the period beginning January 1988 and ending with the first month of entitlement to benefits; or
 - You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time).
- Received, or were eligible to receive, a government pension before December 1982 and meet all the requirements for Social Security spouse's benefits in effect in January 1977; or
- Received, or were eligible to receive, a federal, state, or local government pension before July 1, 1983, and were receiving one-half support from your spouse.

Note: A Civil Service Offset employee is a federal employee, rehired after December 31, 1983, following a break in service of more than 365 days, with five years of prior CSRS coverage.

What about Medicare?

Even if you don't get benefit payments from your spouse's work, you can still get Medicare at age 65 on your spouse's record if you aren't eligible for it on your own record.

Can I still get Social Security benefits from my own work?

The offset applies only to Social Security benefits as a spouse, or widow, or widower. However, we may reduce your own benefits because of another provision. For more information, go online to read *Windfall Elimination Provision* (Publication No. 05-10045).

Contacting Social Security

The most convenient way to contact us anytime, anywhere is to visit www.socialsecurity.gov. There, you can: apply for benefits; open a *my* Social Security account, which you can use to review your *Social Security Statement*, verify your earnings, print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, and get a replacement SSA-1099/1042S; obtain valuable information; find publications; get answers to frequently asked questions; and much more.

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

If you need to speak to a person, we can answer your calls from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience higher than usual rate of busy signals and longer hold times to speak to us. We look forward to serving you.



Securing today
and tomorrow

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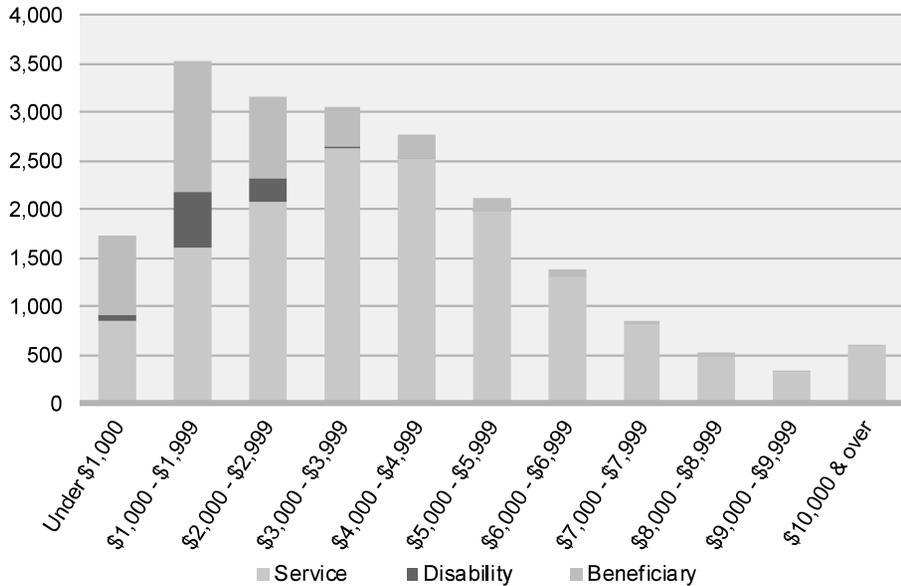
Retired Members and Beneficiaries

As of June 30, 2019, 16,053 retired members and 3,981 beneficiaries were receiving total monthly benefits of \$78,965,717. For comparison, in the previous valuation, there were 15,477 retired members and 3,902 beneficiaries receiving monthly benefits of \$73,339,309.

As of June 30, 2019, the average monthly benefit for retired members and beneficiaries is \$3,942, compared to \$3,784 in the previous valuation. The average age for retired members and beneficiaries is 72.5 in the current valuation, compared with 72.5 in the prior valuation.

Distribution of Retired Members and Beneficiaries as of June 30, 2019

RETIRED MEMBERS AND BENEFICIARIES BY TYPE AND MONTHLY AMOUNT



RETIRED MEMBERS AND BENEFICIARIES BY TYPE AND AGE

