

JOINT CERS AND KRS RETIREE HEALTH COMMITTEE
September 2, 2021, 10:00 a.m. EST
Live Videoconference/Facebook Live Agenda

1. Call to Order – *Jerry Powell, Committee Chair*
2. Reading of the Legal Statement – *Office of Legal Services*
3. Swearing in of New KRS Board and Retiree Health Plan Committee Member, Mr. Bruce Brown – *Office of Legal Services and Sherry Rankin*
4. CERS Roll Call - *Sherry Rankin*
KRS Roll Call
5. Public Comment - *Sherry Rankin*
6. Approval of Committee Minutes. May 11, 2021*- *Jerry Powell, Committee Chair*
7. Establish 2022 Health Insurance Plan Components and Health Insurance rates to be Paid by Kentucky Public Pensions System for non-Medicare Eligible Retirees * - *Connie Pettyjohn*
8. Establish 2022 Health Insurance Plan Components and Health Insurance Rates to be Paid by Kentucky Public Pensions Authority for Medicare Eligible Retirees* - *Humana/Connie Pettyjohn/GRS Representative*
 - a. GRS Equivalency letter – KRS 18A.225 to KRS 61.702 – *GRS*
 - b. GRS Medical Only and Mirror Premium Letter – *GRS*
9. Other Business
 - a. Timeline Draft for Request for Proposal KRS Medicare eligible plans and COBRA – 45A State Procurement – *Connie Pettyjohn and Rebecca Adkins*
10. Adjourn – *Jerry Powell, Committee Chair*

**CERS and KRS Board Action Required*

**KENTUCKY PUBLIC PENSIONS AUTHORITY
JOINT CERS-KRS BOARD OF TRUSTEES
RETIREE HEALTH PLAN COMMITTEE MEETING
May 11, 2021 at 10:00 A.M., E.D.T.
VIA LIVE VIDEO TELECONFERENCE DUE TO SB 150,
SIGNED INTO LAW BY THE GOVERNOR ON MARCH 30, 2020,
AND EXECUTIVE ORDER 2020-215 DECLARING A STATE OF
EMERGENCY EFFECTIVE MARCH 6, 2020 DUE TO COVID-19
1270 Louisville Road, Frankfort, Kentucky 40601**

At the May 11, 2021 meeting of the Retiree Health Plan Committee of the Joint CERS and KRS Board of Trustees, the following Committee members were present: CERS – Patricia Carver and Jerry Powell; KRS – John Chilton and Joe Grossman. KPPA Staff members present were David Eager, Erin Surratt, Rebecca Adkins, Connie Pettyjohn, Vicki Hale, Justin McNeil, and Abby Sutherland.

Mr. Eager called the meeting to order and Ms. Alane Foley called roll. Mr. Justin McNeil read the Legal Statement. Mr. Eager introduced the agenda item *Public Comment* and there being none moved forward with the next agenda item.

Mr. Eager introduced the agenda item *Chair Election*. Mr. Grossman nominated Mr. Powell. There were no other nominations made. Mr. Grossman made a motion to accept the nomination and name Mr. Powell as Chair and was seconded by Mr. Chilton. The motion passed unanimously.

Mr. Powell introduced the agenda item *Vice-Chair Election*. Mr. Powell nominated Mr. Grossman and Mr. Chilton seconded that nomination. There were no other nominations made. Mr. Powell made a motion to accept the nomination and name Mr. Grossman as Vice-Chair and was seconded by Mr. Chilton. The motion passed unanimously.

Mr. Powell introduced the agenda item *Joint Board Committee Structure Discussion*. Mr. Justin McNeil lead the discussion and it was agreed upon that when the Joint Boards meet, that the meeting will begin with a Call to Order and then both boards will do a Roll Call and will have to vote on any required actions throughout the meeting.

Mr. Powell introduced the agenda item *Approval of Committee Minutes- February 9, 2021*. Mr. Grossman made a motion to approve the minutes and was seconded by Mr. Chilton. The motion passed unanimously.

Mr. Powell introduced the agenda item *Humana Account Management Team*. Ms. Tracey Garrison, Larry Loew, and Christy Gala gave an informational presentation on 2021 Plan Performance, 2022 Renewal Planning Factors Expected to Impact 2022 Rates, Clinical Program Review, and enhanced customer service model. This item was presented for informational purposes, no action necessary.

Mr. Powell introduced the agenda item *Other Business*. Ms. Connie Pettyjohn and Ms. Cassandra Weiss presented a request for proposal KRS Medicare eligible plans and COBRA. There being no other business to discuss, no action was necessary for this agenda item. After Ms. Rebecca Adkins spoke about 45A State Procurement, Ms. Cassandra Weiss reviewed the proposal.

There being no further business, a motion to adjourn was made by Mr. Chilton and seconded by Mr. Grossman, the meeting adjourned.

CERTIFICATION

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

Recording Secretary

I, the Chair of the Joint Retiree Health Plan Committee of the Board of Trustees of the County Employees Retirement System and the Kentucky Retirement Systems, do hereby certify that the Minutes of the meeting held on May 11, 2021 were approved by the Joint Retiree Health Plan Committee on September 2, 2021.

Chair

I, _____, have reviewed the Minutes of the May 11, 2021 Joint Retiree Health Plan Committee meeting for form, content and legality.

Executive Director, Office of Legal Services



KPPPA
Kentucky Public Pensions Authority

Kentucky Public Pensions Authority

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

1994 Kentucky Kare Standard Plan

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

In assessing whether the benefits provided under the 2022 plan options meet the above standard, actuarial relative plan values were determined for the 2022 plan options and the 1994 Kentucky Kare Standard Plan as if it were offered at a reasonably similar actuarial value in 2022. This report provides the results of this actuarial assessment in order to document our understanding of whether the plans meet the above requirement.

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

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

Plans with higher relative values are actuarially expected, on average, to pay more claims than plans with lower relative values. Relative values are impacted by prevailing negotiated discounts and in-network utilization. We have assumed that the use of the term "benefits" in KRS Chapter 18A, Section 225(2)(a), means that we can apply the same assumptions on discounts and in-network utilization to all plans rather than try to synthesize the prevailing discount levels available in 1994. We are also assuming that, per the KRS Chapter 18A, Section 225(2)(a) use of the phrase "provided to", the conditions are met as long as at least one of the plan options offered in 2022 has a relative value equal to or greater than that of the Kentucky Kare Standard plan.

NOTE: *Relative Values have been added to slides 4-7 of this presentation.*

The 2022 LivingWell CDHP option has a relative value that is equal to that of the 1994 Kentucky Kare plans. It therefore appears that the 2022 plan options meet the KRS 1994 Kentucky Kare Standard Plan requirements, per our understanding.

Kentucky Employees' Health Plan (KEHP)

LivingWell PPO Plan(requires LivingWell Promise)

- ▶ Features co-pays for some medical services and all pharmacy services. There is no HRA.
- ▶ Deductible is \$1,000-single and \$1,750-family
- ▶ The Max Out of Pocket is \$3,000-single and \$5,750-family
- ▶ Separate pharmacy and medical maximum out of pocket.
- ▶ This plan offers the Value Formulary with two tiers.
- ▶ This plan meets the 1994 Standard of Care (Value 0.97)*

***The 1994 Kentucky Kare Standard Plan Value is 1.00**

LivingWell CDHP Plan(requires LivingWell Promise)

- ▶ HRA funds \$500-single and \$1,000-family
- ▶ Deductible is \$1,500-single and \$2,750-family
- ▶ Max Out of Pocket is \$3,000-single and \$5,750
- ▶ This plan offers a Value Formulary-with more generics and less brands. It has 2 tiers and the member pays a coinsurance.
- ▶ This plan equals the 1994 Standard of Care (Value 1.00)

LivingWell Basic CDHP Plan (requires the LivingWell Promise)

- ▶ This plan offers a Value Formulary- two tiers and the member pays a coinsurance.
- ▶ HRA funds are \$250-single and \$500-family
- ▶ Deductible is \$2,000-single and \$3,750-family
- ▶ Max Out of Pocket is \$4,000-single and \$7,750-family
- ▶ Plan covers 70% of coinsurance and Member covers 30%
- ▶ This plan has a value of 0.95 when compared to the 1994 Standard of Care plan.

LivingWell Limited High Deductible Plan (requires the LivingWell Promise)

- ▶ Catastrophic-type coverage; Value Formulary- two tiers with more generics and less brands.
- ▶ Deductible is \$4,250-single and \$8,250-family
- ▶ Max Out of Pocket \$5,250-single and \$10,250-family
- ▶ There is no HRA
- ▶ Co-insurance 50% Plan paid and 50% Member paid.
- ▶ This plan has a value of 0.87 when compared to the 1994 Standard of Care plan.

Default Plan -Option if no health insurance or waiver election is made as a new retiree.

- ▶ Plan Identified by Department of Employee Insurance (DEI) is the **LivingWell Limited High Deductible Plan** and this is the plan the KRS Board approved for 2021.

Tobacco Usage Fee:

Non-smoking premium incentive is unchanged for plan year 2022. It does include all tobacco products and covered spouses and dependents (age 18 or older).

Tobacco - means all tobacco products including, but not limited to, cigarettes, pipes, chewing tobacco, snuff, dip, and any other tobacco products regardless of the frequency or method of use.

Tobacco Use Fee:

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

LivingWell Promise

- ▶ **Failure to complete the LivingWell promise during 2022 Plan Year will result in the member not receiving the annual \$480 premium incentive (\$40/month) in the 2023 Plan Year. These individuals will pay \$40.00**
- ▶ Members will complete online the Health Assessment between January 1, 2022-July 1, 2022 or Complete a Biometric Screening.
- ▶ If the member is unable to fulfill the promise because of a physical or mental health condition, KEHP will work with them to develop an alternative way to qualify for either LivingWell plan option.
- ▶ Only the planholder is required to complete the LivingWell Promise. If a cross-reference option is selected the retiree and spouse must complete the Health Assessment or Biometric Screening.

BOARD DECISION POINTS NON-MEDICARE ELIGIBLE PLANS

1. Determine the 2022 Percentage Contribution Plan, the current contribution plan for 2021 is the LivingWell PPO Plan
 - a. Current contribution rate for 240 months of non-Hazardous and Hazardous Retiree Service Credit (100%) is \$753.76
 - b. Current contribution rate for Hazardous Spouse/Dependent (Couple \$1,653.10, Family \$1,841.08, Parent Plus \$1,075.44 for Hazardous)
 - c. Tobacco Use Fee/Discount - All retirees, eligible spouses/dependents.
 - d. Allow KRS Retirees to access the Consumer-Driven plans that includes an embedded health reimbursement account (HRA)?
 - e. LivingWell Promise Discount/Fee - If the Retiree or Eligible Dependents failed to fulfill the LivingWell Promise they will be charged an additional monthly fee for enrollment in a LivingWell Plan for 2022.
2. Determine a Default Plan, DEI will use the LivingWell Limited High Deductible Plan as the Default Plan for 2022.
 - a. New Retirees that fail to submit a health insurance enrollment form will be defaulted into this plan.
 - b. Retirees currently enrolled in a KEHP plan that fail to submit a health insurance application will be rolled over into the same plan at the same level of coverage they had in 2021.
3. Allow Cross Reference option for Retirees.

Appendix

Retirees by KEHP Plan ²⁵	2019	2020	2021
LivingWell CDHP	8,311	8,600	8,755
LivingWell PPO	16,363	16,034	15,183
LivingWell Basic	1,234	420	406
LivingWell High Deductible	496	915	785
Total	26,404	25,969	25,759

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General Information:

- ▶ Telehealth - LiveHealth Online Medical and Behavioral Health
FREE virtual office visits for individuals covered under the KEHP.
- ▶ Anthem - Medical Benefit
- ▶ CVS/Caremark - Pharmacy Benefit
- ▶ SmartShopper-price comparison tool
- ▶ HealthEquity - COBRA and HRA
- ▶ WebMD- Well-Being and the LivingWell Promise



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Kentucky Public Pensions Authority

2022 Group Medicare Advantage Renewal





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Benefit and Part D cost share changes

2022 Benefit and Part D cost share changes

Medical Benefit Changes

There are no standard medical benefit changes for 2022

Post Discharge Mandatory Supplemental Benefits (MSB)

- Humana Well Dine: 2 meals per day for 14 days
- Transportation: 12 one way trips per discharge
- Personal Home Care: 3 hours per day for up to 6 hours for certain in-home support

Acupuncture (MSB)

20 visits per year specific to low back pain diagnosis. Benefit to be offered at the plan specialist co-pay with a 20 visit limit (no authorizations or referrals required.)

Part D Defined Standard Parameter Changes

Stage	2021*	2022
Deductible	\$445	\$480
Initial Coverage Limit (ICL)	\$4,130	\$4,430
TrOOP	\$6,550	\$7,050
Catastrophic	Greater of \$3.70 (Generics), \$9.20 (Brands), or 5%	Greater of \$3.95 (Generics), \$9.85 (Brands), or 5%

2022 GAP Coverage:

Member coinsurance in the gap for generics will be 25% and for brands will be 25%

*KRS elected to hold the 2021 Essential Plan Rx deductible at the 2020 level which was \$435. 2022 renewal rate assumes \$435 deductible.

2022 COVID and Telehealth benefits – No change from 2021

All members are eligible for:



COVID-19 Vaccine covered at 100%



COVID-19 Testing covered at 100% at both in-network, and out-of-network providers



\$0 copay for telehealth visits for In-network PCP, Urgent Care, and Behavioral Health

Members with a COVID-19 diagnosis are eligible for:

- ✓ \$0 copay for treatment (Part A and B medical services)* at both in-network, and out of network providers
- ✓ COVID Care Package: 14 days of home delivered meals (28 meals)

*Non-Medicare covered MSB's (dental, vision, hearing, etc), Part D prescriptions, Diabetic monitoring supplies, and any claim that does not have the designated COVID diagnosis does not apply

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2022 Rate Renewal



2022 Rate Renewal Medicare Advantage Plans

Plan Name	2021 Humana Rate	2022 Humana Rate*	% change 2022 over 2021
Premium Plan Rate	\$222.74	\$227.03	1.9%
Average Membership	51,497	52,872**	
Estimated Annual Dollar Amount	\$137,645,301	\$144,042,362	
Essential Plan Rate	\$46.16	\$49.25	6.7%
Average Membership	5,113	5,203**	
Estimated Annual Dollar Amount	\$2,832,193	\$3,074,973	

*2022 rate cap provided with 2021 renewal

- Premium Plan \$239.29
- Essential Plan \$55.55

**Membership as of 4/30/2021

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2022 Renewal Components Medicare Advantage Premium Plan

MAPD Premium Plan	2018	2019	2020	2021	2022
Total Required Revenue	\$1,153.96	\$1,101.78	\$1,165.25	\$1,153.63	\$1,183.80
Projected Claims	\$1,082.23	\$1,048.68	\$1,097.72	\$1,100.13	\$1,130.30
Admin Fee	\$48.32	\$50.01	\$50.42	\$50.42	\$50.42
Profit/Risk Margin	\$4.83	\$3.09	\$3.09	\$3.08	\$3.08
ACA Health Insurer Fee (HIF)	\$36.88	\$0.00	\$29.06	\$0.00	\$0.00
Rx Regulatory Changes	N/A	N/A	N/A	N/A	N/A
Premium Stabilization Adjustment/Humana Business Decision	(\$18.30)	N/A	(\$15.04)	N/A	N/A
Net Government Reimbursement (CMS Reimbursement minus ACA fee)	\$872.40	\$881.67	\$914.50	\$924.20	\$956.77
Rate	\$281.56*	\$220.11	\$250.75	\$229.43**	\$227.03

*Final 2018 rate lowered to \$252.51 after benefit changes and additional Humana reduction.

** Final 2021 rate lowered to \$222.74 after in office therapy benefit change and additional Humana reduction.

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2022 Renewal Components Medicare Advantage Essential Plan

MAPD Essential Plan	2018	2019	2020	2021	2022
Total Required Revenue	\$827.54	\$825.61	\$849.72	\$863.69	\$901.12
Projected Claims	\$733.76	\$745.11	\$758.14	\$810.20	\$847.62
Admin Fee	\$48.32	\$50.01	\$50.42	\$50.42	\$50.42
Profit/Risk Margin	\$32.18	\$30.49	\$30.67	\$3.08	\$3.08
ACA Health Insurer Fee (HIF)	\$26.45	\$0.00	\$21.15	\$0.00	\$0.00
Rx Regulatory Changes	N/A	N/A	N/A	N/A	N/A
Premium Stabilization Adjustment-Humana Business Decision	(\$13.17)	N/A	(\$10.66)	N/A	N/A
Net Government Reimbursement (CMS Reimbursement minus ACA fee)	\$735.54	\$771.88	\$786.57	\$812.62	\$851.87
Rate	\$92.00*	\$53.73	\$63.15	\$51.07**	\$49.25

* Final 2018 rate lowered to \$53.73 after benefit changes and additional Humana reduction.

** Final 2021 rate lowered to \$46.16 after in office therapy benefit change, pharmacy deductible and additional Humana reduction.

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2022 Renewal KPPA Rates by Trust

Trust Combination Rates

Subgroup Name	Members	2022 Rate	*Estimated Annual Premium
KPPA - Trust 2 & 4 Essential (CERS)	3,332	\$43.49	\$1,738,904
KPPA - Trust 2 & 4 Premium (CERS)	29,303	\$223.00	\$78,414,828
KPPA - Trust 1, 3 & 5 Essential (KERS/SPRS)	1,871	\$59.52	\$1,336,343
KPPA - Trust 1, 3 & 5 Premium (KERS/SPRS)	23,569	\$232.03	\$65,624,581

2022 Renewal Rates

Premium	52,872	\$227.03	\$144,042,362
Essential	5,203	\$49.25	\$3,074,973

* Annual premium listed is based on membership as of 4/30/2021. Annual premium will change based on actual membership in 2022.

Long Term Financial Commitments to KPPA Medicare Advantage Plans

All financial commitments from the 2015 RFP carry through to the 2022 plan year.

Gain Share Agreement

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

Performance Guarantees

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

Rate Renewal Medical Only and Mirror Plan

Medical Only/Mirror Plan	2018	2019	2020	2021	2022
ASO Fee PMPM	\$31.70	\$32.89	\$32.08	\$33.43	\$35.05

Dental Fee	2018	2019	2020	2021	2022
ASO Fee PMPM	NA	NA	NA	\$2.30	\$4.80

PDP Essential	2018	2019	2020	2021	2022
Rate PMPM	\$49.87	\$39.70	\$38.74	\$31.11	\$36.45

PDP Premium	2018	2019	2020	2021	2022
Rate PMPM	\$165.20	\$140.07	\$138.50	\$125.74	\$136.30

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Renewal Exhibits



2022 Renewal: The Exhibits



Plan Design Exhibit

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



Renewal Exhibit

Describes how we calculated your premium



Claims Report

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



Rate Sheet

Provides 2022 renewal rate



Gain Sharing Agreement

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



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Appendix

Humana Plan and Membership Overview

Plan Name	Plan Description	CERS Membership	KERS/SPRS Membership	ASO Plan Membership	Current Membership
Medicare Advantage Premium Plan (Medical and Pharmacy)	The Medicare Advantage plans are “transitional” PPOs. This means the In Network and Out of Network benefits are the same. Members can see any provider or hospital as long as they accept Medicare assignment and will bill Humana. Claims are submitted to Humana and we pay Medicare’s part and the enhanced benefits provided by CERS KERS and SPRS.	29,185	23,474		52,872
Medicare Advantage Essential Plan (Medical and Pharmacy)		3,321	1,861		5,203
Medical Only (Pharmacy not Included)	Medicare Secondary. Original Medicare pays primary. Member may select this plan if a spouse has a Medicare Advantage plan, receive benefits from Tricare or VA, do not have Part B or do not want pharmacy benefits.			3,364	
Mirror Plan (Medical and Pharmacy)	Medicare Secondary. Original Medicare pays primary. This plan is for members who lose Part B at any time during the plan year. Members move in and out of this plan based on Part B status.			95	
Totals		32,506	25,335	3,459	61,300

Glossary of Terms

PMPM – Per Member Per Month

PDP – Prescription Drug Plan

MA – Medicare Advantage Plan

MAPD – Medicare Advantage Prescription Drug Plan

ASO Fee – Administrative Services Only Fee

MRA – Medicare Risk Adjustment

YTD – Year to Date

YOY – Year Over Year

CMS – Centers for Medicare & Medicaid Services

MOOP – Maximum Out of Pocket

MER – Medical Expense Ratio (revenue/claims)

TrOOP – True Out of Pocket Maximum



Kentucky Public Pensions Authority

Medicare Eligible Health Insurance Plans

Humana Medicare Advantage

BOARD DECISION POINTS MEDICARE ELIGIBLE PLANS

1. Medicare Advantage (MA) - Approval of Renewal/Premium
 - a) MA Premium Plan was chosen as the Contribution Plan for 2021 at \$252.51/\$222.74
 - b) The Contribution rate has been stabilized at \$252.51 since 2017
2. Contribution Plan for Haz Duty Dependents/Spouse
 - a) MA Premium Plan was chosen for 2021 at \$252.51/\$222.74
3. MA Essential Plan - set premium (for 2021 - \$75.56/\$46.16)
4. Medical Only - set self-insured premium
 1. See GRS Medical Only & Mirror Letter
5. Medicare Advantage Mirror Plans - set premium (see GRS Medical Only/Mirror Letter)
 - a) Allow Enrollment for No Part B and Exceptions
 - b) PDP premium - is a part of this plan in order to Mirror the MA plans.
6. Default Plan
 - a) Medical Only Plan was selected for 2021.



August 31, 2021

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

Re: Actuarial Equivalence of Medicare Plans

Dear Mr. Pettyjohn:

Thank you for choosing Gabriel, Roeder, Smith & Company ("GRS") to assist the Kentucky Public Pensions Authority ("KPPA") in conducting the actuarial equivalence study.

This report has been prepared for use by KPPA to determine whether the benefits offered by KPPA through the Premium Plan for Medicare eligible retirees are actuarially equivalent to the benefits provided by the 1994 Kentucky Kare Standard Plan. This report should not be distributed to any other third party without the prior written consent GRS. Any distribution of this report must be in its entirety, including all exhibits.

Our analysis shows that the combined benefits provided to Medicare retirees through the Medicare Advantage Plan and the Premium Prescription Drug Plan have an actuarial value greater than that of the 1994 Kentucky Kare Standard Plan.

ASSUMPTIONS & METHODOLOGY

GRS has prepared this report based on the 2021 schedule of benefits for the Medicare Advantage with Premium Prescription Drug Plan. GRS has relied on information from KPPA for plan benefits in the Medicare eligible plan.

In the following table, a summary of the 1994 Kentucky Kare Standard plan of benefits. Also shown is a summary of the KPPA benefit plans currently provided to the Medicare participants and used to conduct this analysis.

In-Network Benefits	Kentucky Kare Standard Plan (1994)	Humana Medicare Advantage Plan with Premium Prescription Drug Plan (2021)
Medical		
Deductible	\$400 / \$800	\$500 per person
Maximum Out-of-Pocket Limit	\$1,900 / \$4,300	\$1,200 per person
Maximum Lifetime Benefit	\$1,000,000	Unlimited
Coinsurance	80%/20%	96%/4%
Inpatient Hospital	85%/15% ¹	\$231 per admission
Outpatient Hospital	85%/15%	96%/4%
Skilled Nursing Facility Days 1-20 Days 21-100 Days 101-365	85%/15%	\$0 copay \$29 copay per day 80%/20% coinsurance
Emergency Room Visit	\$25 Copay plus 15% coinsurance	96%/4% (\$65 max copay)
Urgent Care	80%/20%	96%/4% (\$65 max copay)
Preventive Care	Maximum benefit of \$300	\$0
Physician's Office Visit Primary Care Physician Specialist	80%/20%	\$15 copay \$25 copay
Prescription Drug		
Maximum Out-of-Pocket	None	\$4,130 per person \$110 copay cap in catastrophic phase
Retail Pharmacy (1-30 days supply) Generic Preferred Brand Non-Preferred Brand Specialty	80%/20%	\$10 copay \$30 copay \$55 copay \$55 copay
Mail Order Pharmacy (Up to 90 days supply) Generic Preferred Brand Non-Preferred Brand Specialty	80%/20%	\$20 copay \$60 copay \$110 copay N/A

¹ Inpatient Hospital for Mental Health/Substance Abuse coverage includes \$200 copay per admission plus 15% coinsurance.

² Subject to minimum and maximum cost share amounts by drug type.



The benefit information for each plan shown above was entered into our Medicare benefits model, which is based on actual utilization and cost data of Medicare individuals for a large population of public sector retirees. To test the actuarial equivalence of the plans, we developed each plan's actuarial value, which is calculated as the total plan paid amount for medical and prescription drug benefits divided by the total allowed amount.

For Medicare Advantage enrollees, covered charges are paid by the participant, Medicare and the plan sponsor. In contrast, non-Medicare individuals in active employee plans do not benefit from a Medicare payment for cost sharing purposes. Because the 1994 Kentucky Kare Standard Plan would not incorporate any payments from Medicare, the actuarial value of the Medicare Advantage plan is calculated on only the benefits in addition to those provided by Medicare.

The following table provides the resulting actuarial values and the corresponding relativities to the 1994 Kentucky Kare Plan.

Plan	Actuarial Value	Relativity to 1994 KY Kare Standard Plan
1994 Kentucky Kare Standard Plan	0.869	1.000
2020 Medicare Advantage/Premium PDP	0.946	1.089

PROPOSED 2022 PLAN DESIGN CHANGES

It is our understanding that KPPA is not considering any plan design changes at this time.

CONCLUSION

Using the methodology described above, the actuarial value of the benefits provided by the Medicare Advantage and Premium PDP plan exceed those of the benefits provided by the 1994 Kentucky Kare Standard by approximately 8.9%.

Sincerely,



James Pranschke, FSA, MAAA, FCA
Senior Healthcare Consultant and Actuary



Mehdi Riazi, FSA, EA, FCA, MAAA
Senior Consultant and Actuary



Michael Reed
Senior Health Care Analyst





August 31, 2021

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

Re: Kentucky Public Pensions Authority - 2022 Medical Only and Mirror Plan Premiums

Dear Ms. Pettyjohn:

This report has been prepared for use by the Kentucky Public Pensions Authority ("KPPA") to assist in setting the Plan Year 2022 ("PY2022") premium rates for the Medical Only, and Mirror Plans and should not be used for any other purpose. It should not be distributed to any other third party without the prior written consent of Gabriel Roeder Smith & Company ("GRS"). Any distribution of this report must be in its entirety, including all exhibits. To the best of our knowledge and belief, there are no subsequent events that would affect this analysis and results as of the date of this report.

GRS has prepared this report based on covered plan participants for the Medical Only Plan, Mirror Premium Plan and Mirror Essentials Plan. GRS has relied on information from prior renewal reports as well as claims and eligibility data provided by Humana, the current provider of medical benefits, and KPPA.

In summary, our projections indicate that an increase in current medical only rates of 0.6% will be needed to fund projected PY2022 claim expenses.

DATA

For the purposes of projecting expected PMPM costs, GRS received medical claims and eligibility history for January 1, 2015 through June 30, 2021 from Humana. Medical claim data was provided in detail format and was reviewed for reasonableness. Enrollment data was provided in a summary outline based on month and plan eligibility. The data was checked for internal consistency but was not otherwise audited.

METHODOLOGY

Standard actuarial and underwriting methods were used to project PY2022 costs. PMPM rates were developed using a blend of three years of experience. These rates were then adjusted to reflect a 5.0% annual trend.

Claims starting in March 2020 were lower due to the COVID-19 pandemic suppressing utilization. In order to avoid under projection, a three-year blended claims experience was used instead of the prior two-year blend to avoid putting too much credibility on data during the pandemic. No additional load was added to account for COVID-19.

GRS assumed no medical plan design changes for the KPPA plans in PY2022.

Neither prescription drug benefits nor administrative costs are reflected in the claims cost. Humana has provided KPPA with a cost proposal for prescription drug benefits. In addition, Humana has quoted an ASO fee of \$35.05 PMPM for PY2022.

CONCLUSION

The GRS analysis of the medical claims resulted in an estimated PY2022 medical claims of \$151.82. When combined with the ASO Fee, the total cost for the Medical Only plan is \$186.87. The following table provides the PY2022 premiums developed for each plan assuming Humana's quotes for administrative fees and prescription drug benefit costs for PY2022.

Plan	Medical Claim Cost	Prescription Drug Plan (PDP) Cost	Administrative Fee	Total Premium 2022	Total Premium 2021	% Increase
Medical Only	\$151.82	N/A	\$35.05	\$186.87	\$184.30	1.4%
Essential Mirror	\$151.82	\$36.45	\$35.05	\$223.32	\$215.41	3.7%
Premium Mirror	\$151.82	\$136.30	\$35.05	\$323.17	\$310.04	4.2%

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

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

Sincerely,



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



Mehdi Riazi, FSA, EA, FCA, MAAA
Senior Consultant and Actuary



Michael Reed
Senior Health Care Analyst



Activity/Action	Primary Responsibility	Target Date	Complete
Request for Proposal Development and Analysis			
Meet with KPPA team, discuss timeline	Actuary/KPPA	11/19/2021	
Revise timeline as necessary	Actuary/KPPA	11/24/2021	
Send data requests—data required to solicit effective bids	Actuary/KPPA	12/17/2021	
Send RFP draft to all for review	Actuary/KPPA	1/14/2022	
Completion of data gathering needed for Request for Proposal (RFP)	Actuary/KPPA	1/17/2022	
Meet to discuss RFP content, draft and timeline	Actuary/KPPA	1/24/2022	
Finalize Recipients of RFP	Actuary/KPPA	1/31/2022	
Receive RFP edits from all	Actuary/KPPA	1/31/2022	
Finalize RFP	Actuary/KPPA	2/7/2022	
CMS (Centers for Medicare & Medicaid Services) Call letter due (February Letter is not final)	CMS	2/19/2022	
Release RFP	Finance Cabinet	2/25/2022	
Vendor question window closes	Actuary/KPPA	3/10/2022	
Vendor answers distributed	Actuary/KPPA	3/16/2022	
CMS Call letter due (April - Final - Letter)	CMS	4/6/2022	This date may change timeline
RFP responses due	Vendors	4/22/2022	
Analysis of RFP responses	Actuary/KPPA		
Pre-Work on Financials	Actuary/KPPA	4/25/2022-5/4/2022	
Finalize Financials	Actuary/KPPA	5/4/2022-5/11/2022	
Analyze Med Mgmt,	Actuary/KPPA	4/25/2022-5/11/2022	
Analyze Formulary and all other sections,	Actuary/KPPA	4/25/2022-5/11/2022	
Have analysis completed	Actuary/KPPA	5/11/2022	
Review presentation	Actuary/KPPA	5/9/2022-5/13/2022	
Send to all for review	Actuary/KPPA	5/18/2022	
Final packet/presentation to Connie (Division Director Retiree Health Care)	Actuary/KPPA	5/27/2022	
Request Best and Final Offers from Bidding Vendors (Due 6/1 - only Finalists will be used) and Outline requirements for Finalist Interviews	Actuary/KPPA	6/1/2022	
Present RFP results to RFP Team & Finance	Actuary/KPPA	6/6/2022	
Conduct finalist interviews & Present Best and Final Offers to KPPA Selecting Vendor is for Finance Cabinet/RFP Team	Actuary/KPPA	6/15/2022	
Present final results to the KPPA Board/RHP Committee	Actuary/KPPA	TBD	
Implementation	KPPA/Selected	7/15/2022-12/31/2022	moving to June 1st if possible
Open Enrollment	KPPA/Selected Vendor	Mid Oct - Nov 30st	
Effective date		1/1/2023	