

**JOINT CERS AND KRS RETIREE HEALTH PLAN COMMITTEE**  
**September 5, 2023, 10:00 a.m. EST**  
**Live Videoconference/Facebook Live Agenda**

1. Call to Order – *Jerry Powell*
2. Opening Video Teleconference Statement – *Office of Legal Services*
3. Roll Call – *Sherry Rankin*
4. Public Comment – *Sherry Rankin*
5. Approval of Committee Minutes. May 11, 2023\* – *Jerry Powell*
6. Establish 2024 Health Insurance Components and Health Insurance Rate to be Paid by Kentucky Public Pensions Authority that will be used to define 100% Contribution for non-Medicare Eligible Retirees \* – *Connie Pettyjohn*
7. Establish 2024 Health Insurance Plan Components and Health Insurance Rate to be Paid by Kentucky Public Pensions Authority that will be used to define 100% Contribution for Medicare Eligible Retirees\* – *Humana/Connie Pettyjohn/GRS Representative*
  - a. GRS Medical Only and Mirror Premium Letter – *GRS*
  - b. GRS Equivalency letter (2021) – *Connie Pettyjohn*
  - c. Actuarial Analysis of Change to Monthly Contribution Rate – *GRS*
8. Other Business
9. Adjourn\* – *Jerry Powell*

*\*Action Required*

**KENTUCKY PUBLIC PENSIONS AUTHORITY  
JOINT CERS-KRS BOARD OF TRUSTEES  
RETIREE HEALTH PLAN COMMITTEE MEETING  
MAY 11, 2023, at 10:00 A.M., E.S.T.  
VIA LIVE VIDEO TELECONFERENCE**

At the May 11, 2023, Regular Meeting of the Retiree Health Plan Committee of the Joint CERS and KRS Boards of Trustees, the following members were present: CERS – Jerry Powell (Chair) and J.T. Fulkerson; KRS – Keith Percy and Dr. Crystal Miller. Staff members present were CERS CEO Ed Owens, III, KRS CEO John Chilton, David Eager, Erin Surratt, Michael Board, Michael Lamb, Connie Pettyjohn, Abby Sutherland, Ashley Gabbard, Brian Towles, Katie Park, Phillip Cook, and Sherry Rankin. Others in attendance included Tracey Garrison, Larry Loew, Andrea Biesel, Megan Cecil, and Carla Whaley with Humana.

Mr. Powell called the meeting to order.

Mr. Board read the Opening Video Teleconference Statement.

Ms. Rankin called Roll.

There being no ***Public Comment***, Mr. Powell introduced ***Elections*** (*Video 00:07:18 to 00:08:48*). Mr. Powell requested nominations for the position of Chair of the Joint Retiree Health Plan Committee. Mr. Percy nominated Mr. Jerry Powell for Chair. Dr. Miller seconded the nomination. Mr. Fulkerson made a motion to close nominations and was seconded by Mr. Percy. Mr. Powell was elected as Chair of the Joint Retiree Health Plan Committee.

Next, Mr. Powell requested nominations for the position of Vice-Chair of the Joint Retiree Health Plan Committee. Mr. Percy nominated Dr. Crystal Miller for Vice-Chair. Mr. Fulkerson seconded the nomination. Dr. Miller stated that she was willing to serve the

Committee as Vice-Chair; therefore, Dr. Miller was elected as Vice-Chair of the Joint Retiree Health Plan Committee.

Mr. Powell introduced the agenda item ***Approval of Minutes - February 16, 2023*** (Video 00:08:49 to 00:09:16). A motion was made by Mr. Percy and seconded by Dr. Miller to approve the minutes as presented. The motion passed unanimously.

Mr. Powell introduced the agenda item ***Account Management Review*** (Video 00:08:50 to 00:53:48). Tracey Garrison, Larry Loew, Andrea Biesel, Megan Cecil, and Carla Whaley with Humana were presented information on the following: 2022 Plan Performance, 2022 CMS Star Performance, Inflation Reduction Act/CMS Final Notice Updates, Employer Group Commercial Exit, Humana Community Navigator and Product Updates.

Mr. Powell introduced the agenda item ***Other Business*** (Video 00:53:49 to 00:57:12). Ms. Connie Pettyjohn provided a brief Medicare Secondary Payer Act Reimbursement Update. She presented Medicare Secondary Payer Act Reimbursement statistics. Ms. Pettyjohn reported that 158 members had been reimbursed for a total amount of \$728,667.02. Approximately 400 members had yet to respond; these members have until the end of June to respond, said Ms. Pettyjohn.

Mr. Powell stated that he is the representative to the Kentucky Employees' Health Plan. He asked if any members of the Joint Retiree Health Plan Committee wished to serve. The Committee did not request a change in representation.

Mr. Powell ***adjourned*** the meeting.

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### **CERTIFICATION**

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

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Recording Secretary

I, Jerry Powell, the Chair of the Joint Retiree Health Plan Committee of the Board of Trustees of the County Employees Retirement System and the Kentucky Retirement Systems, do hereby certify that the Minutes of the meeting held on May 11, 2023, were approved by the Joint Retiree Health Plan Committee on September 5, 2023.

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Committee Chair

I have reviewed the Minutes of the May 11, 2023, Joint Retiree Health Plan Committee meeting for form, content and legality.

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Executive Director  
Office of Legal Services



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

Joint Retiree Health Plan Committee  
September 5, 2023

# 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 2024 plan options meet the above standard, actuarial relative plan values were determined for the 2024 plan options and the 1994 Kentucky Kare Standard Plan as if it were offered at a reasonably similar actuarial value in 2024. 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 2023 has a relative value equal to or greater than that of the Kentucky Kare Standard plan.

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

**The 2024 LivingWell CDHP option has a relative value that is equal to that of the 1994 Kentucky Kare plans.** It therefore appears that the 2023 plan options meet the KRS 1994 Kentucky Kare Standard Plan requirements, per our understanding.

# Kentucky Employees' Health Plan (KEHP)



## LivingWell PPO Plan:

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



# Kentucky Employees' Health Plan (KEHP)



## LivingWell CDHP Plan:

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

# Kentucky Employees' Health Plan (KEHP)



## LivingWell Basic CDHP Plan:

Plan Details	Single	Family
Health Reimbursement Account (HRA)*	\$250	\$500
Deductible	\$2,000	\$3,750
Maximum-Out-of-Pocket	\$4,000	\$7,750
Plan offers a Value Formulary with two (2) tiers and member pays co-insurance.		
Requires LivingWell Promise	Yes	
Co-Insurance	70%	
Member Cost	30%	
Relative Value	0.98	

\*Not allowed if defaulted to plan

# Default Plan



The default plan identified by Department of Employee Insurance (DEI) is the **LivingWell Basic CDHP Plan without the Health Reimbursement Arrangement (HRA).**

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

# Tobacco Usage



The Tobacco Fee is unchanged for plan year 2024. It includes tobacco use for retirees, covered spouses and dependents (age 18 or older).

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

## Tobacco Use:

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

# LivingWell Promise



- ▶ The LivingWell (LW) Promise is a part of the overall KEHP wellness program. By completing the LW Promise the member can access the best benefit options, learn about their health status and history, learn about and understand their health risks, and take action to get and stay healthy.
- ▶ **Failure to complete the LW Promise during 2024 Plan Year will result in the member not receiving the annual \$480 premium incentive (\$40/month) in the 2025 Plan Year. These individuals will pay \$40.00.**
- ▶ Members must complete the online health assessment between January 1, 2024-July 1, 2024 to receive the premium incentive.
- ▶ If the member is unable to fulfill the LW Promise because of a physical or mental health condition, KEHP will work with them to develop an alternative way to qualify for either LW plan option.
- ▶ Only the planholder is required to complete the LW Promise. If a cross-reference option is selected, both the retiree and spouse must complete the online health assessment.

# LivingWell Promise Notifications



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

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

# 2024 Premium Changes



## 2023 Premiums

Plan	Single	Couple	Parent Plus	Family
LivingWell PPO	\$833.64	\$1,792.42	\$1,177.30	\$1,988.62
LivingWell CDHP	\$813.02	\$1,608.24	\$1,117.34	\$1,794.34

## 2024 Premium Increases

Plan	Single	Couple	Parent Plus	Family
LivingWell PPO	13.84%	10.55%	12.15%	9.91%
LivingWell CDHP	14.48%	16.04%	13.60%	15.81%

# 2023 Plan Enrollments



## Number of Hazardous Plans with 100% Contribution

Plan	Single	Couple	Parent Plus	Family
LivingWell PPO	1,937	1,167	306	1,223
LivingWell CDHP	686	395	125	379

## Number of Nonhazardous Plans with 100% Contribution

Plan	Single	Couple	Parent Plus	Family
LivingWell PPO	8,731	141	404	54
LivingWell CDHP	2,959	397	320	151

## Number of Nonhazardous Spouse/Beneficiary Plans

Plan	Single	Couple	Parent Plus	Family
LivingWell PPO	195	-	13	1
LivingWell CDHP	186	-	22	2



# Board Decision Points

## Non-Medicare Eligible Plans



1. Determine the 2024 Percentage Contribution Plan (the **current contribution plan for 2023** is the LivingWell PPO Plan)
  - a. Set contribution rate for 240 months of Nonhazardous and Hazardous Retiree Service Credit (100%)
  - b. Set contribution rate for Hazardous Spouse/Dependent (Couple, Family, and Parent Plus)
  - c. Tobacco Fee - All retirees, eligible spouses/dependents.
  - d. Allow KPPA Retirees to access the Consumer-Driven plans that includes an embedded (HRA).
  - e. LivingWell Promise Premium Incentive- The premium incentive will not be applied to enrollments in a LivingWell Plan for 2025 for retirees or eligible dependents who fail to fulfill the LivingWell Promise in 2024.
2. Default Plan/DEI will use the LivingWell Basic CDHP Plan as the Default Plan for 2024.
  - 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 2023.
3. Allow Cross-Reference option for retirees.
4. Set premium for KEHP Medicare Secondary Payer (MSP) Plan.

# Retirees by KEHP Plan



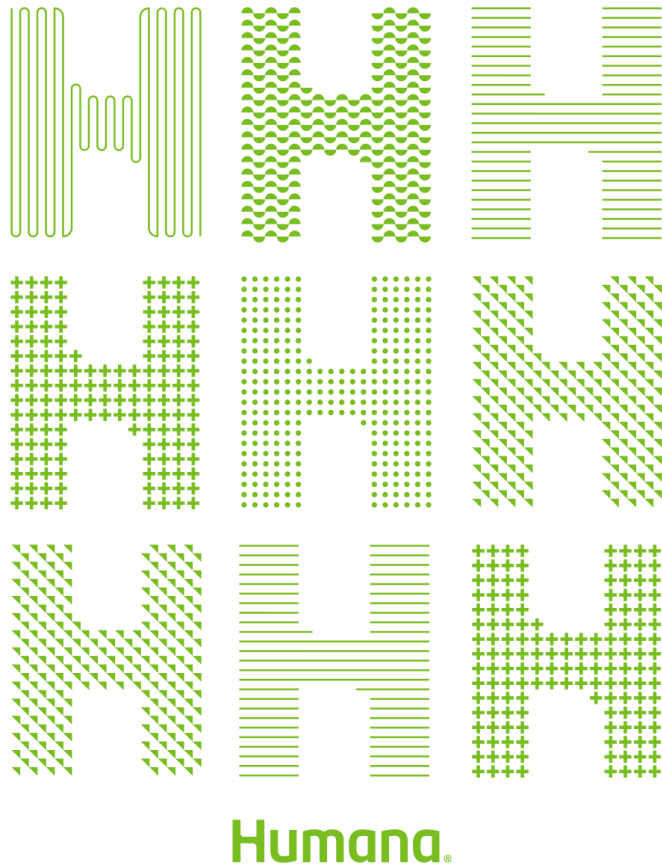
KEHP Plan	2022	2023
LivingWell CDHP	8,817	8,762
LivingWell PPO	15,492	15,355
LivingWell Basic CDHP with HRA	419	922
LivingWell Basic CDHP without HRA*	N/A	90
Total:	25,452	25,129

\*Default plan for 2023

# General Information



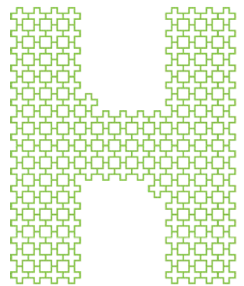
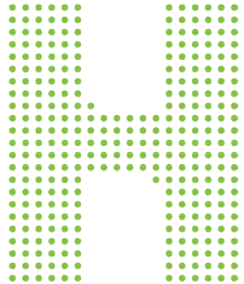
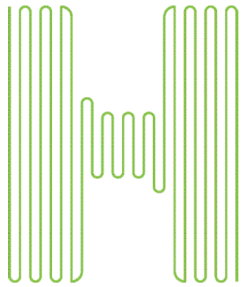
- ▶ Telehealth - LiveHealth Online Medical and Behavioral Health FREE virtual office visits for individuals covered under the KEHP.
- ▶ Anthem - Medical Benefit
- ▶ CVS/Caremark - Pharmacy Benefit
- ▶ SmartShopper - Price comparison tool
- ▶ HealthEquity – COBRA and HRA
- ▶ Castlight – Well-Being and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



# Kentucky Public Pensions Authority

Retiree Health Plan Committee Meeting  
September 5, 2023



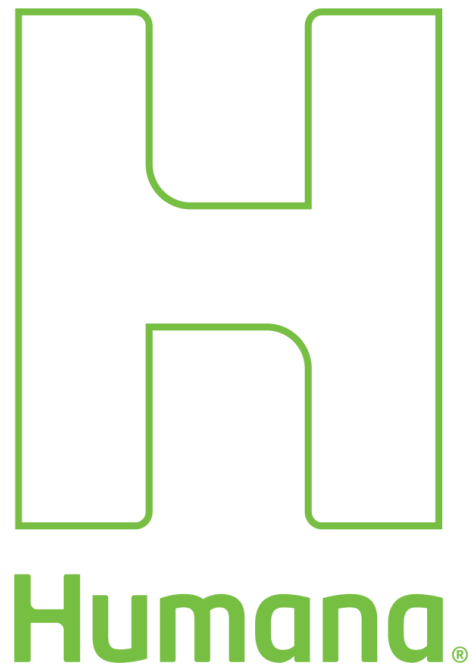


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## Agenda

- 01 | 2024 Renewal
- 02 | Benefit Enhancement Options
- 03 | Part D Cost Share Changes
- 04 | Baptist Health Medical Group Contract
- 05 | Appendix



## 2024 Renewal

## What we incorporate & the impact on your renewal



### PPO medical claims cost trend

The trend of medical claims, including any additional clinical programs that could impact your members, medical technology advancements and new Part B drugs.



### Pharmacy claims cost trend

The overall trend of pharmacy claims including any new pipeline drugs, formulary changes, coverage level, generic usage and drug utilization



### CMS reimbursement changes

Adjustments will be made for risk scores, sequestration, hospice, ESRD payments and any CMS reimbursement methodology changes.



### Benefit changes

Factor in any requested plan changes to your current program



### Other changes

CMS mandated coverage, enrollment demographics, offering environment, ER contribution strategy, other legislative or regulatory changes



### Credibility weighting

The weighting applied towards a group's experience within the rating model

## Medicare Advantage Renewal

	2022 Humana Rate	2023 Humana Rate	2024 Humana Rate
<b>Premium Plan Rate</b>	\$227.03	\$89.28	\$93.35
Average Membership	54,114	54,608*	55,613**
Estimated Annual Dollar Amount	\$147,426,017	\$58,504,827	\$62,297,683
<b>Essential Plan Rate</b>	\$49.25	\$0.00	\$4.07
Average Membership	5,249	5,233*	5,335***
Estimated Annual Dollar Amount	\$3,102,159	\$0	\$260,561

\*2023 average as of 02/28/2023

\*\* Estimate based on three-year membership growth average of 1,005

\*\*\* Estimate based on three-year membership growth average of 102



## Long Term Financial Commitments to KPPA Medicare Advantage Plans

### 2024 and 2025 Rate Guarantee

Humana's rate includes a 5% annual increase cap for 2024 and 2025.

### Gain Share Agreement

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

### Performance Guarantees

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

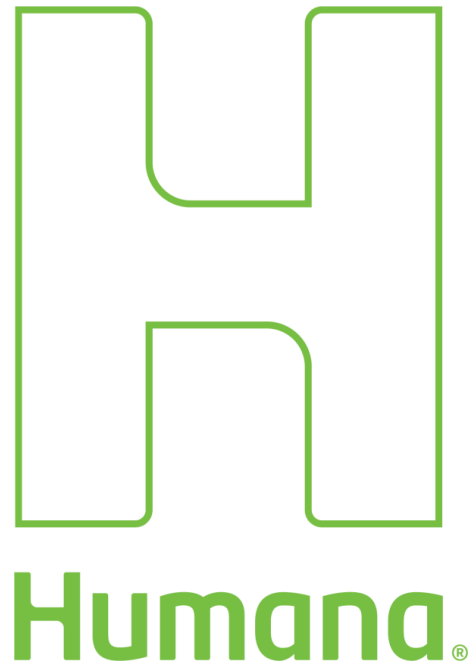
## ASO Fee Renewal Medical Only and Mirror Plan

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

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

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

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



## Benefit Enhancement Options

## Pharmacy – Enhanced Benefit Options

### Current Coverage

- Varies based on prescription benefit and medication tier.

Benefit	In-Network and Out-of-Network	Premium Impact (pmpm)
Stars Generic Medication Adherence	Coverage includes select generic medications from the three Stars drug classes for Medication Adherence (diabetes, hypertension, and statins).  \$0 copayment per prescription for a 90-day supply at both retail and mail	Premium Plan \$2.51
		Essential Plan \$3.99
Preventative Medications	Coverage Includes: <ul style="list-style-type: none"> <li>Select smoking cessation products</li> <li>Select bowel prep products</li> <li>Select generic statin medications</li> <li>Select breast cancer prevention medications</li> <li>Select HIV medications</li> </ul> \$0 copayment per prescription	Premium Plan \$0.71
		Essential Plan \$1.09
Stars and Preventative	Includes all medications listed for Stars Generic adherence and preventative medications listed above.  \$0 copayment per prescription	Premium Plan \$2.62
		Essential Plan \$4.13

## Vision – Enhanced Benefit Options

### Current Coverage - Limited to Medicare Covered services

- Outpatient physician services for the diagnosis and treatment of diseases and injuries of the eye.
- For people with diabetes, screening for diabetic retinopathy is covered once per year.
- One pair of eyeglasses or contact lenses after each cataract surgery that includes insertion of an interocular lens.

Benefit Code	In-Network	Out-of-Network	Premium Impact (pmpm)
VIS204	\$0 copayment for routine exam up to 1 per year.	\$175 combined maximum benefit coverage amount per year for routine exam. \$0 copayment for routine exam up to 1 per year. Benefits received out-of-network are subject to any in-network benefit maximums, limitations, and/or exclusions.	\$0.80
VIS200	\$0 copayment for routine exam up to 1 per year. \$100 combined maximum benefit coverage amount per year for contact lenses, eyeglasses -lenses and frames, fitting for eyeglasses-lenses and frames. Eyeglasses include ultraviolet protection and scratch resistant coating.	\$175 combined maximum benefit coverage amount per year for routine exam. \$0 copayment for routine exam up to 1 per year. \$100 combined maximum benefit coverage amount per year for contact lenses, eyeglasses -lenses and frames, fitting for eyeglasses -lenses and frames. Eyeglasses include ultraviolet protection and scratch resistant coating. Benefits received out-of-network are subject to any in-network benefit maximums, limitations, and/or exclusions.	\$1.60
VIS207	\$0 copayment for routine exam up to 1 per year. \$150 combined maximum benefit coverage amount per year for contact lenses, eyeglasses -lenses and frames, fitting for eyeglasses-lenses and frames. Eyeglasses include ultraviolet protection and scratch resistant coating.	\$175 combined maximum benefit coverage amount per year for routine exam. \$0 copayment for routine exam up to 1 per year. \$150 combined maximum benefit coverage amount per year for contact lenses, eyeglasses -lenses and frames, fitting for eyeglasses -lenses and frames. Eyeglasses include ultraviolet protection and scratch resistant coating. Benefits received out-of-network are subject to any in-network benefit maximums, limitations, and/or exclusions.	\$2.36

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## Hearing – Enhanced Benefit Options

### Current Coverage - Limited to Medicare Covered services

- Diagnostic hearing and balance evaluations to determine if you need medical treatment are covered as outpatient care when provided by a physician, audiologist

Benefit Code	In-Network and Out-of-Network*	Premium Impact (pmpm)
HER218	\$0 copayment for routine hearing exams up to 1 per year. \$500 maximum benefit coverage amount for each hearing aid(s) (all types) up to 1 per ear per year. Note: Includes 80 batteries per aid and 3-year warranty.	\$0.39
HER219	\$0 copayment for routine hearing exams up to 1 per year. \$1,000 maximum benefit coverage amount for each hearing aid(s) (all types) up to 1 per ear per year. Note: Includes 80 batteries per aid and 3-year warranty.	\$2.58
HER220	\$0 copayment for routine hearing exams up to 1 per year. \$1,500 maximum benefit coverage amount for each hearing aid(s) (all types) up to 1 per ear per year. Note: Includes 80 batteries per aid and 3-year warranty.	\$5.92

\*Vendor is TruHearing and TruHearing provider must be used for in and out-of-network hearing aid benefit. Benefits received out-of-network are subject to any in-network benefit maximums, limitations, and/or exclusions.

## OTC Hearing aids – TruHearing Solution\*

### OTC-H Overview\*

- Budget friendly options
  - Sony CRE-C10 - \$799 (MSRP=\$999)
  - Jabra Enhance Plus - \$749 (MSRP=\$799)
  - Sony CRE-E10 – available 2023
- Self-programmed with app
- Hearing assessment with app
- Hearing aid app
- [shop.TruHearing.com](https://shop.TruHearing.com)

\* MAPD benefit allowances cannot be used to pay for OTC Hearing aids

\*OTC pricing currently available without a prescription



## Dental – Current Coverage

### Medicare Covered services

- Surgery of the Jaw or related structures
- Setting fractures of the jaw or facial bones
- Extraction of teeth to prepare jaw for radiation or neoplastic disease

### Supplemental Covered routine services

- \$1000 maximum benefit per year
- 100% coverage, one per year: bitewing x-rays, oral exam, prophylaxis (cleaning)
- 100% coverage one every three years: oral evaluation or periodontal exam
- 50% coverage, one per year filing



## Dental - Enhanced Benefit Options

Benefit Code:		DEN414	DEN415
Service	Frequency:	\$1,000 maximum In network and out of network combined	\$2,000 maximum In and out of network combined
Cleaning	2 per year	100%	100%
Periodic Exam	2 per year; align w/ cleaning frequency	100%	100%
Comprehensive Exam	1 every 3 years, combined w/ periodontal exam frequency	100%	100%
Periodontal Exam	1 every 3 years, combined w/ comprehensive exam frequency	100%	100%
Bite-wing	1 set per year	100%	100%
Full Mouth and Pano	1 every 5 years; covered when extractions or higher added to plan	100%	100%
Intraoral	1 per year; covered when extractions or higher added to plan	100%	100%
Amalgam & Composite	1 or 2 per year	80%	80%
Simple & Surgical	1 or 2 per year w/o dentures; unlimited per year w/ dentures	80%	80%
Oral Surgery	2 per year	50%	50%
Crowns	1 or 2 per year	50%	50%
Inlays and Onlays	2 per year; combined with crown frequency	50%	50%
Root Canal	1 per year	50%	50%
Periodontal Maintenance	4 per year	50%	50%
Scaling & Root Planing	1 per quadrant every 3 years	50%	50%
Dentures	1 every 5 years	50%	50%
Repair, Rebase, Realign	1 per year; separate frequencies for each category (i.e., 1 repair per year, 1 rebase per year...)	50%	50%
2024 Premium Impact (PMPM)		\$4.73	\$5.50

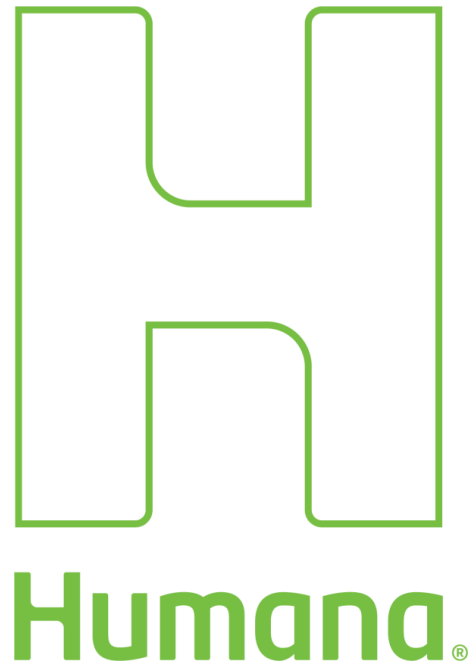
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## Medical Deductible – Enhanced Benefit Options

### Current Coverage

- \$500 Annually

Benefit	Premium Impact (pmpm)
\$400	\$7.40
\$320	\$13.45



## Part D cost share changes

## 2024 Part D cost share changes

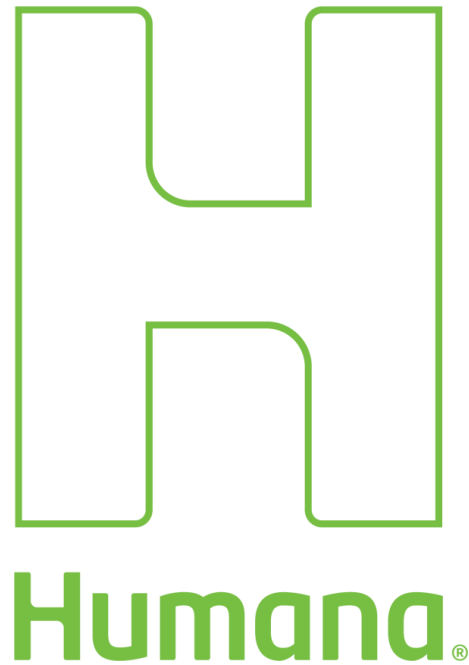
### Defined Standard Parameter Changes

Stage	2023	2024
Deductible*	\$505	\$545
Initial Coverage Limit (ICL)	\$4,660	\$5,030
TrOOP	\$7,400	\$8,000
Catastrophic	Greater of \$4.15(Generics), \$10.35(Brands), or 5%	\$0.00

### 2024 GAP Coverage:

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

\*KPPA elected to hold the Essential Plan Rx deductible at the 2020 level which was \$435. 2024 renewal rate assumes \$435 deductible.



## Baptist Health Medical Group Contract



## Appendix

## Glossary of Terms

PMPM – Per Member Per Month

PDP – Prescription Drug Plan

MA – Medicare Advantage Plan

MAPD – Medicare Advantage Prescription Drug Plan

ASO Fee – Administrative Services Only Fee

MRA – Medicare Risk Adjustment

YTD – Year to Date

YOY – Year Over Year

CMS – Centers for Medicare & Medicaid Services

MOOP – Maximum Out of Pocket

MER – Medical Expense Ratio (revenue/claims)

TrOOP – True Out of Pocket Maximum

Thank you!

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# Medicare Eligible Health Insurance Plans Humana Medicare Advantage

Joint Retiree Health Plan Committee  
September 5, 2023

## Board Decision Points Medicare Eligible Plans



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

#### a) Select Contribution Plan\*

- i. MA Premium Plan was chosen for 2023

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

- i. The contribution rate has been stabilized at \$252.51 since 2017

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

- i. MA Premium Plan was chosen for 2023 at \$252.51

#### d) Set Premium for MA Essential Plan

- i. Premium for 2023 was \$75.56

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

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

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

### 3. Default Plan

#### a) Select Default Plan

- i. Medical Only Plan was selected for 2023



August 25, 2023

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 - 2024 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 2024 ("PY2024") premium rates for the Medical Only, and Mirror Plans.

In summary, our projections indicate that an increase in current medical only rates of 4.8% will be needed to fund projected PY2024 claim expenses. There are also increases in the prescription drug plan cost and administrative service fees that will result in a \$12.66 net increase in the monthly premiums from 2023 to 2024.

**DATA**

For the purposes of projecting expected PMPM costs, GRS received medical claims and eligibility history for January 1, 2015 through June 30, 2023 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 PY2024 costs. PMPM rates were developed using a blend of the three years of experience ending March 31, 2023. These rates were then adjusted to reflect a 7.0% annual trend.

Claims starting in March 2020 were lower due to the COVID-19 pandemic suppressing utilization. As this experience is within the base period, a three-year blended claims experience was used to account for pandemic experience with a lower weight assigned to the early pandemic experience and not rely on the suppressed utilization after the onset of COVID-19. No additional load was added to account for COVID-19.

GRS assumed no medical plan design changes for the KPPA plans in PY2024.

Ms. Connie Pettyjohn  
 August 25, 2023  
 Page 2

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 \$29.88 PMPM for PY2024.

## CONCLUSION

The GRS analysis of the medical claims resulted in an estimated PY2024 medical claims of \$158.85. When combined with the ASO Fee, the total cost for the Medical Only plan is \$188.73. The following table provides the PY2024 premiums developed for each plan assuming Humana's quotes for administrative fees and prescription drug benefit costs for PY2024.

Plan	Medical Claim Cost	Prescription Drug Plan (PDP) Cost	Administrative Fee	Total Premium 2024	Total Premium 2023	% Increase
Medical Only	\$158.85	N/A	\$29.88	\$188.73	\$180.14	4.8%
Essential Mirror	\$158.85	\$40.25	\$29.88	\$228.98	\$216.32	5.9%
Premium Mirror	\$158.85	\$139.38	\$29.88	\$328.11	\$315.45	4.0%

In PY2024, KPPA is considering several options to enhance the benefits of the Medical Only Plan. These options have not been considered in the estimated PY2024 premium of \$158.85. With estimates provided by Humana, an additional 0.2% - 5.2% may be added depending on the level of enhanced benefits elected. This increase results in an additional premium of \$0.39 to \$8.28.



Ms. Connie Pettyjohn  
August 25, 2023  
Page 3

## CERTIFICATION

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

Jim Pranschke and Piotr Krekora 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



Piotr Krekora, ASA, EA, 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: 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.

Ms. Connie Pettyjohn  
August 31, 2021  
Page 2

In-Network Benefits	Kentucky Kare Standard Plan (1994)	Humana Medicare Advantage Plan with Premium Prescription Drug Plan (2021)
<b>Medical</b>		
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% <sup>1</sup>	\$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
<b>Prescription Drug</b>		
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

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

<sup>2</sup> Subject to minimum and maximum cost share amounts by drug type.



Ms. Connie Pettyjohn  
August 31, 2021  
Page 3

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 Riazzi, FSA, EA, FCA, MAAA  
Senior Consultant and Actuary



Michael Reed  
Senior Health Care Analyst





**Kentucky Public Pensions Authority**  
**Estimated Financial Cost of Decreasing Contribution Rate for the Medicare plan**

**Exhibit 1: Monthly Contribution Rate is Equal to the Premium Amount**  
(\$ in Thousands)

	<b>KERS Non-Hazardous</b>		<b>KERS Hazardous</b>		<b>SPRS</b>		<b>CERS Non-Hazardous</b>		<b>CERS Hazardous</b>	
	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate
1. Projected FY 2025 Covered Payroll	\$ 1,355,267	\$ 1,355,267	\$ 165,637	\$ 165,637	\$ 47,885	\$ 47,885	\$ 2,799,894	\$ 2,799,894	\$ 646,020	\$ 646,020
<b>Estimated 2023 Liability and Assets - Insurance</b>										
2. Actuarial Accrued Liability	\$ 1,721,100	\$ 1,799,805	\$ 340,224	\$ 344,078	\$ 230,450	\$ 230,741	\$ 2,349,626	\$ 2,502,790	\$ 1,505,707	\$ 1,509,341
3. Actuarial Value of Assets	1,529,973	1,529,973	617,152	617,152	241,782	241,782	3,343,384	3,343,384	1,598,635	1,598,635
4. Unfunded Liability	\$ 191,127	\$ 269,832	\$ (276,928)	\$ (273,074)	\$ (11,332)	\$ (11,041)	\$ (993,758)	\$ (840,594)	\$ (92,928)	\$ (89,294)
5. Increase in Insurance Liability		\$ 78,705		\$ 3,854		\$ 291		\$ 153,164		\$ 3,634
6. Funded Ratio	88.9%	85.0%	181.4%	179.4%	104.9%	104.8%	142.3%	133.6%	106.2%	105.9%
<b>Estimated FYE 2025 Contribution Requirement</b>										
7. Normal Cost Rate	1.58%	1.58%	2.62%	2.62%	6.36%	6.36%	1.78%	1.78%	3.62%	3.63%
8. Amortization Cost	N/A	N/A	-15.64%	-15.42%	-5.21%	-5.15%	-3.59%	-3.13%	-2.19%	-2.15%
9. Insurance Employer Contribution Rate	1.58%	1.58%	0.00%	0.00%	1.15%	1.21%	0.00%	0.00%	1.43%	1.48%
10. Pension Employer Contribution Rate	7.32%	7.32%	28.13%	28.13%	79.63%	79.63%	20.46%	20.46%	38.16%	38.16%
11. Total Employer Contribution Rate	8.90%	8.90%	28.13%	28.13%	80.78%	80.84%	20.46%	20.46%	39.59%	39.64%
12. Increase in FYE 2025 Contribution Rate		0.00%		0.00%		0.06%		0.00%		0.05%
13. Estimated FYE 2025 Amortization Cost	\$ 819,036	\$ 819,036 <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
14. Increase in FYE 2025 Amortization Cost		\$ - <sup>1</sup>								
15. Estimated FYE 2025 Contributions	\$ 939,655	\$ 939,655	\$ 46,594	\$ 46,594	\$ 38,682	\$ 38,710	\$ 572,858	\$ 572,858	\$ 255,759	\$ 256,082
16. Increase in FYE 2025 Contributions		\$ -		\$ -		\$ 28		\$ -		\$ 323

<sup>1</sup> Note, the proposed changes increase the amortization cost for the insurance fund by \$7,567,000 but does not result in the amortization cost for the insurance fund to exceed \$0.  
Therefore, the net impact on the contributions payable by the employers is \$0.

**Notes and Comments:**

- The calculations are based on the results of the June 30, 2022 actuarial valuation and reflect the recommended actuarial assumptions documented in the 2022 experience study report and adopted by the Boards on May 9, 2023 and June 5, 2023 for use in the actuarial valuations that will be performed as of June 30, 2023.
- The calculations are further based upon preliminary asset information as of May 31, 2023, provided to us on June 12, 2023 by the Kentucky Public Pensions Authority. The asset information as of May 31, 2023 was rolled forward to June 30, 2023 to reflect expected net cash flow and investment return for the month of June.
- Projected payroll based on the June 30, 2022 valuation, assuming no increase in covered payroll for the KERS Hazardous or SPRS Funds, and a 2% annual increase in covered payroll for the CERS Funds.



**Kentucky Public Pensions Authority**  
**Estimated Financial Cost of Decreasing Contribution Rate for the Medicare plan**

**Exhibit 2: Monthly Contribution Rate is Equal to the 5 Year Average of the Actual Premium Cost (\$65 Reduction)**  
(\$ in Thousands)

	<b>KERS Non-Hazardous</b>		<b>KERS Hazardous</b>		<b>SPRS</b>		<b>CERS Non-Hazardous</b>		<b>CERS Hazardous</b>	
	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate
1. Projected FY 2025 Covered Payroll	\$ 1,355,267	\$ 1,355,267	\$ 165,637	\$ 165,637	\$ 47,885	\$ 47,885	\$ 2,799,894	\$ 2,799,894	\$ 646,020	\$ 646,020
<b>Estimated 2023 Liability and Assets - Insurance</b>										
2. Actuarial Accrued Liability	\$ 1,721,100	\$ 1,777,063	\$ 340,224	\$ 343,048	\$ 230,450	\$ 230,671	\$ 2,349,626	\$ 2,460,833	\$ 1,505,707	\$ 1,508,439
3. Actuarial Value of Assets	1,529,973	1,529,973	617,152	617,152	241,782	241,782	3,343,384	3,343,384	1,598,635	1,598,635
4. Unfunded Liability	\$ 191,127	\$ 247,090	\$ (276,928)	\$ (274,104)	\$ (11,332)	\$ (11,111)	\$ (993,758)	\$ (882,551)	\$ (92,928)	\$ (90,196)
5. Increase in Insurance Liability		\$ 55,963		\$ 2,824		\$ 221		\$ 111,207		\$ 2,732
6. Funded Ratio	88.9%	86.1%	181.4%	179.9%	104.9%	104.8%	142.3%	135.9%	106.2%	106.0%
<b>Estimated FYE 2025 Contribution Requirement</b>										
7. Normal Cost Rate	1.58%	1.58%	2.62%	2.62%	6.36%	6.36%	1.78%	1.78%	3.62%	3.63%
8. Amortization Cost	N/A	N/A	-15.64%	-15.48%	-5.21%	-5.16%	-3.59%	-3.25%	-2.19%	-2.16%
9. Insurance Employer Contribution Rate	1.58%	1.58%	0.00%	0.00%	1.15%	1.20%	0.00%	0.00%	1.43%	1.47%
10. Pension Employer Contribution Rate	7.32%	7.32%	28.13%	28.13%	79.63%	79.63%	20.46%	20.46%	38.16%	38.16%
11. Total Employer Contribution Rate	8.90%	8.90%	28.13%	28.13%	80.78%	80.83%	20.46%	20.46%	39.59%	39.63%
12. Increase in FYE 2025 Contribution Rate		0.00%		0.00%		0.05%		0.00%		0.04%
13. Estimated FYE 2025 Amortization Cost	\$ 819,036	\$ 819,036 <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
14. Increase in FYE 2025 Amortization Cost		\$ - <sup>1</sup>								
15. Estimated FYE 2025 Contributions	\$ 939,655	\$ 939,655	\$ 46,594	\$ 46,594	\$ 38,682	\$ 38,705	\$ 572,858	\$ 572,858	\$ 255,759	\$ 256,018
16. Increase in FYE 2025 Contributions		\$ -		\$ -		\$ 23		\$ -		\$ 259

<sup>1</sup> Note, the proposed changes increase the amortization cost for the insurance fund by \$5,380,000 but does not result in the amortization cost for the insurance fund to exceed \$0.  
Therefore, the net impact on the contributions payable by the employers is \$0.

**Notes and Comments:**

- The calculations are based on the results of the June 30, 2022 actuarial valuation and reflect the recommended actuarial assumptions documented in the 2022 experience study report and adopted by the Boards on May 9, 2023 and June 5, 2023 for use in the actuarial valuations that will be performed as of June 30, 2023.
- The calculations are further based upon preliminary asset information as of May 31, 2023, provided to us on June 12, 2023 by the Kentucky Public Pensions Authority. The asset information as of May 31, 2023 was rolled forward to June 30, 2023 to reflect expected net cash flow and investment return for the month of June.
- Projected payroll based on the June 30, 2022 valuation, assuming no increase in covered payroll for the KERS Hazardous or SPRS Funds, and a 2% annual increase in covered payroll for the CERS Funds.



**Kentucky Public Pensions Authority**  
**Estimated Financial Cost of Decreasing Contribution Rate for the Medicare plan**

**Exhibit 3: Monthly Contribution Rate is Reduced by \$25**  
(\$ in Thousands)

	<b>KERS Non-Hazardous</b>		<b>KERS Hazardous</b>		<b>SPRS</b>		<b>CERS Non-Hazardous</b>		<b>CERS Hazardous</b>	
	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate
1. Projected FY 2025 Covered Payroll	\$ 1,355,267	\$ 1,355,267	\$ 165,637	\$ 165,637	\$ 47,885	\$ 47,885	\$ 2,799,894	\$ 2,799,894	\$ 646,020	\$ 646,020
<b>Estimated 2023 Liability and Assets - Insurance</b>										
2. Actuarial Accrued Liability	\$ 1,721,100	\$ 1,746,142	\$ 340,224	\$ 341,539	\$ 230,450	\$ 230,558	\$ 2,349,626	\$ 2,400,436	\$ 1,505,707	\$ 1,506,986
3. Actuarial Value of Assets	1,529,973	1,529,973	617,152	617,152	241,782	241,782	3,343,384	3,343,384	1,598,635	1,598,635
4. Unfunded Liability	\$ 191,127	\$ 216,169	\$ (276,928)	\$ (275,613)	\$ (11,332)	\$ (11,224)	\$ (993,758)	\$ (942,948)	\$ (92,928)	\$ (91,649)
5. Increase in Insurance Liability		\$ 25,042		\$ 1,315		\$ 108		\$ 50,810		\$ 1,279
6. Funded Ratio	88.9%	87.6%	181.4%	180.7%	104.9%	104.9%	142.3%	139.3%	106.2%	106.1%
<b>Estimated FYE 2025 Contribution Requirement</b>										
7. Normal Cost Rate	1.58%	1.58%	2.62%	2.62%	6.36%	6.36%	1.78%	1.78%	3.62%	3.62%
8. Amortization Cost	N/A	N/A	-15.64%	-15.57%	-5.21%	-5.19%	-3.59%	-3.43%	-2.19%	-2.18%
9. Insurance Employer Contribution Rate	1.58%	1.58%	0.00%	0.00%	1.15%	1.17%	0.00%	0.00%	1.43%	1.44%
10. Pension Employer Contribution Rate	7.32%	7.32%	28.13%	28.13%	79.63%	79.63%	20.46%	20.46%	38.16%	38.16%
11. Total Employer Contribution Rate	8.90%	8.90%	28.13%	28.13%	80.78%	80.80%	20.46%	20.46%	39.59%	39.60%
12. Increase in FYE 2025 Contribution Rate		0.00%		0.00%		0.02%		0.00%		0.01%
13. Estimated FYE 2025 Amortization Cost	\$ 819,036	\$ 819,036 <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
14. Increase in FYE 2025 Amortization Cost		\$ - <sup>1</sup>								
15. Estimated FYE 2025 Contributions	\$ 939,655	\$ 939,655	\$ 46,594	\$ 46,594	\$ 38,682	\$ 38,691	\$ 572,858	\$ 572,858	\$ 255,759	\$ 255,824
16. Increase in FYE 2025 Contributions		\$ -		\$ -		\$ 9		\$ -		\$ 65

<sup>1</sup> Note, the proposed changes increase the amortization cost for the insurance fund by \$2,408,000 but does not result in the amortization cost for the insurance fund to exceed \$0.  
Therefore, the net impact on the contributions payable by the employers is \$0.

**Notes and Comments:**

- The calculations are based on the results of the June 30, 2022 actuarial valuation and reflect the recommended actuarial assumptions documented in the 2022 experience study report and adopted by the Boards on May 9, 2023 and June 5, 2023 for use in the actuarial valuations that will be performed as of June 30, 2023.
- The calculations are further based upon preliminary asset information as of May 31, 2023, provided to us on June 12, 2023 by the Kentucky Public Pensions Authority. The asset information as of May 31, 2023 was rolled forward to June 30, 2023 to reflect expected net cash flow and investment return for the month of June.
- Projected payroll based on the June 30, 2022 valuation, assuming no increase in covered payroll for the KERS Hazardous or SPRS Funds, and a 2% annual increase in covered payroll for the CERS Funds.



**Kentucky Public Pensions Authority**  
**Estimated Financial Cost of Decreasing Contribution Rate for the Medicare plan**

**Exhibit 4: Monthly Contribution Rate is \$100**  
(\$ in Thousands)

	<b>KERS Non-Hazardous</b>		<b>KERS Hazardous</b>		<b>SPRS</b>		<b>CERS Non-Hazardous</b>		<b>CERS Hazardous</b>	
	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate	Current Plan FY 2025 Budget	Decrease Contribution Rate
1. Projected FY 2025 Covered Payroll	\$ 1,355,267	\$ 1,355,267	\$ 165,637	\$ 165,637	\$ 47,885	\$ 47,885	\$ 2,799,894	\$ 2,799,894	\$ 646,020	\$ 646,020
<b>Estimated 2023 Liability and Assets - Insurance</b>										
2. Actuarial Accrued Liability	\$ 1,721,100	\$ 1,797,738	\$ 340,224	\$ 343,989	\$ 230,450	\$ 230,735	\$ 2,349,626	\$ 2,499,146	\$ 1,505,707	\$ 1,509,266
3. Actuarial Value of Assets	1,529,973	1,529,973	617,152	617,152	241,782	241,782	3,343,384	3,343,384	1,598,635	1,598,635
4. Unfunded Liability	\$ 191,127	\$ 267,765	\$ (276,928)	\$ (273,163)	\$ (11,332)	\$ (11,047)	\$ (993,758)	\$ (844,238)	\$ (92,928)	\$ (89,369)
5. Increase in Insurance Liability		\$ 76,638		\$ 3,765		\$ 285		\$ 149,520		\$ 3,559
6. Funded Ratio	88.9%	85.1%	181.4%	179.4%	104.9%	104.8%	142.3%	133.8%	106.2%	105.9%
<b>Estimated FYE 2025 Contribution Requirement</b>										
7. Normal Cost Rate	1.58%	1.58%	2.62%	2.62%	6.36%	6.36%	1.78%	1.78%	3.62%	3.63%
8. Amortization Cost	N/A	N/A	-15.64%	-15.42%	-5.21%	-5.15%	-3.59%	-3.14%	-2.19%	-2.15%
9. Insurance Employer Contribution Rate	1.58%	1.58%	0.00%	0.00%	1.15%	1.21%	0.00%	0.00%	1.43%	1.48%
10. Pension Employer Contribution Rate	7.32%	7.32%	28.13%	28.13%	79.63%	79.63%	20.46%	20.46%	38.16%	38.16%
11. Total Employer Contribution Rate	8.90%	8.90%	28.13%	28.13%	80.78%	80.84%	20.46%	20.46%	39.59%	39.64%
12. Increase in FYE 2025 Contribution Rate		0.00%		0.00%		0.06%		0.00%		0.05%
13. Estimated FYE 2025 Amortization Cost	\$ 819,036	\$ 819,036 <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
14. Increase in FYE 2025 Amortization Cost		\$ - <sup>1</sup>								
15. Estimated FYE 2025 Contributions	\$ 939,655	\$ 939,655	\$ 46,594	\$ 46,594	\$ 38,682	\$ 38,710	\$ 572,858	\$ 572,858	\$ 255,759	\$ 256,082
16. Increase in FYE 2025 Contributions		\$ -		\$ -		\$ 28		\$ -		\$ 323

<sup>1</sup> Note, the proposed changes increase the amortization cost for the insurance fund by \$7,368,000 but does not result in the amortization cost for the insurance fund to exceed \$0.  
Therefore, the net impact on the contributions payable by the employers is \$0.

**Notes and Comments:**

- The calculations are based on the results of the June 30, 2022 actuarial valuation and reflect the recommended actuarial assumptions documented in the 2022 experience study report and adopted by the Boards on May 9, 2023 and June 5, 2023 for use in the actuarial valuations that will be performed as of June 30, 2023.
- The calculations are further based upon preliminary asset information as of May 31, 2023, provided to us on June 12, 2023 by the Kentucky Public Pensions Authority. The asset information as of May 31, 2023 was rolled forward to June 30, 2023 to reflect expected net cash flow and investment return for the month of June.
- Projected payroll based on the June 30, 2022 valuation, assuming no increase in covered payroll for the KERS Hazardous or SPRS Funds, and a 2% annual increase in covered payroll for the CERS Funds.

