



Public Pensions Oversight Board

September 23, 2025

Retiree Health Update

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Overview



Non-Medicare Eligible Health Insurance Coverage:

Coverage is provided through the Kentucky Employees Health Plan (KEHP)

The CERS and KRS Boards select a contribution plan and set a monthly contribution rate

The KEHP LivingWell PPO Plan has been selected as the contribution plan since 2014

Medicare Eligible Health Insurance Coverage:

Coverage is provided through Humana

Medicare Advantage (MA) Plans are offered

The Medical Only Plan is a self-insured plan

The CERS and KRS Boards select a contribution plan and set a monthly contribution rate

Medicare Advantage Premium Plan has been selected for 2026

KEHP Premiums



	2022 Rate	2023 Rate	2024 Rate	2025 Rate	2026 Rate
LivingWell PPO Single	\$772.16	\$833.64	\$949.04	\$949.04	\$1,105.54
% Change from Previous Year	2.4%	8.0%	13.8%	0.0%	16.5%
LivingWell PPO Parent Plus	\$1,101.08	\$1,177.30	\$1,320.40	\$1,320.40	\$1,514.46
LivingWell PPO Couple	\$1,691.64	\$1,792.42	\$1,981.62	\$1,981.62	\$2,238.22
LivingWell PPO Family	\$1,883.60	\$1,988.62	\$2,185.78	\$2,185.78	\$2,453.16

KEHP Plan Enrollment - 23,697

MA Premiums



	2022 Rate	2023 Rate	2024 Rate	2025 Rate	2026 Rate
Premium Plan Rate	\$227.03	\$89.28	\$93.35	\$144.91	\$199.94
% Change from Previous Year	1.9%	-60.7%	4.6%	55.2%	38.0%
Average Membership	54,114	54,608	55,508	56,518*	57,319**

*2025 average as of 03/31/2025

**Premium Plan membership estimated based on three-year average membership growth of 801.

Renewal Components MA Premium Plan



MAPD Premium Plan	2026
Total Required Revenue	\$1,447.13
Projected Claims	\$1,463.42
Retention	\$56.04
Humana Business Decision / Retention Reduction	(\$72.33)
Projected CMS Medical Reimbursement	\$1,151.46
Projected CMS Rx Reimbursement	\$95.73
Rate	\$199.94

Annual Premium Impacts as a Result of the IRA



Implementation of Part D Redesign

- Maximum out-of-pocket \$2,000, increasing to \$2,100 in 2026
- Mandated benefit enhancements shift additional costs to plan sponsors
- Plans are now responsible for a larger share of catastrophic drug costs
- Drug manufacturers must provide discounts in the catastrophic phase, altering plan revenue models
- Less CMS reinsurance to offset higher specialty cost

Higher Utilization Driving Costs

- Prescription drug cost continue to rise, especially for specialty medications
- Increased availability and utilization of higher-cost therapies (e.g., for diabetes, cancer, weight loss) will drive higher Rx trend over next several years
- As retirees reach their maximum out-of-pocket cost, utilization could increase as retirees have no additional financial liability

The Inflation Reduction Act (IRA) lowered Out-of-pocket Part D (prescription drugs) in 2025

2024 Out-of-pocket Part D threshold was \$8,000

2025 Out-of-pocket Part D threshold is \$2,000

2026 Out-of-pocket Part D threshold is \$2,100

KPPA Member by Phase Report 2024 vs. 2025



		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2024	Member Months	60,597	60,573	60,596	60,639	60,720	60,805	60,959	61,153	61,293	61,356	61,414	61,489
	Catastrophic Members	122	163	389	781	1,159	1,490	1,955	2,465	3,039	3,824	4,533	5,321
2025	Member Months	61,624	61,617	61,645	61,633	61,665	61,676						
	Catastrophic Members	1,055	1,919	3,197	5,332	7,640	9,732						

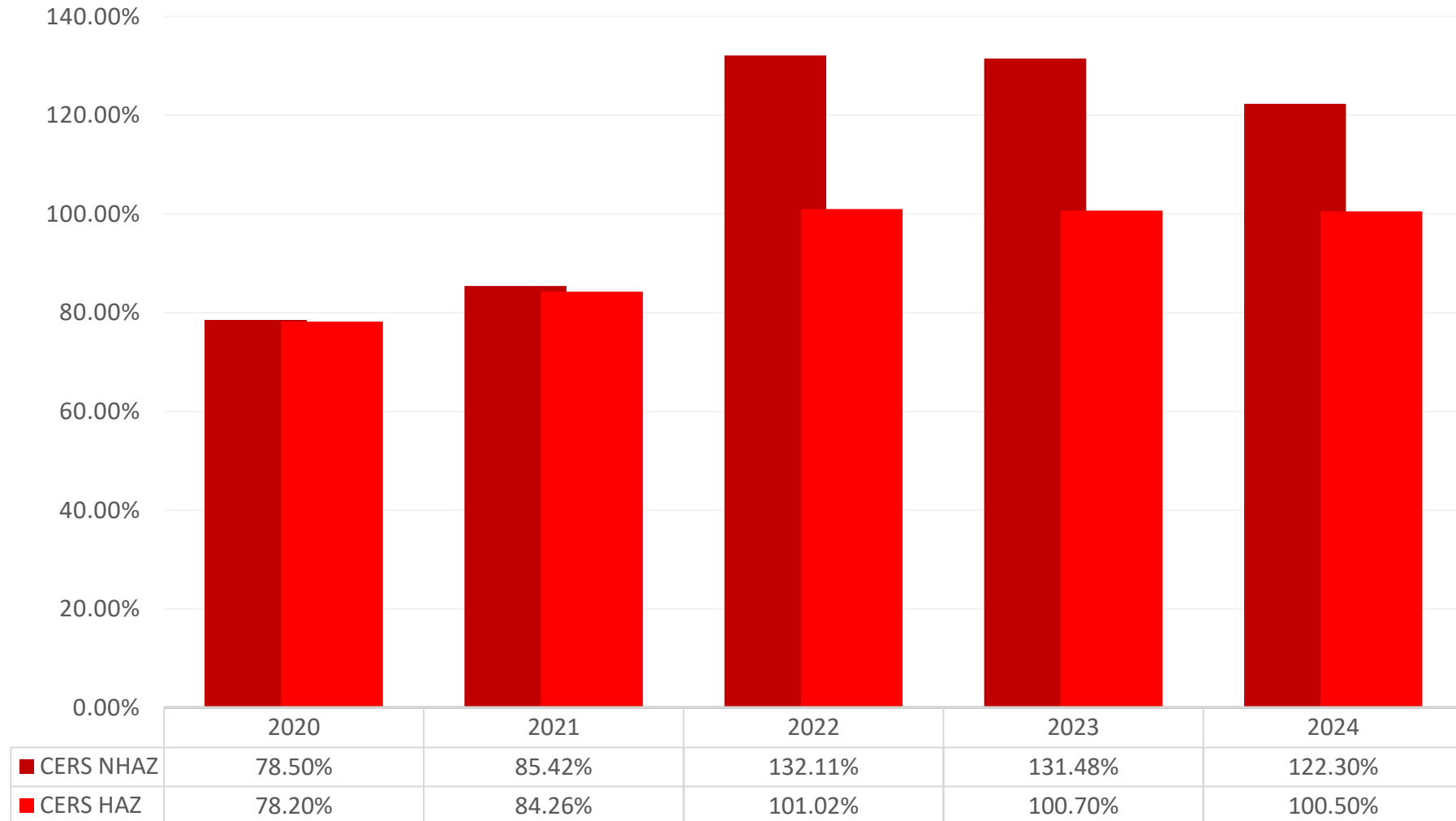
- 8.66 % (5,321mbrs) of KPPA members reached catastrophic threshold by December 31, 2024
- 2024 average member cost share when catastrophic threshold is met: \$867
- 15.78% (9,732 mbrs) of KPPA members reached the \$2000 threshold by June 30, 2025
- 2025 average member cost share when catastrophic threshold is met: \$471
- 12.8% of Group Medicare MAPD members reached the \$2000 threshold by June 30, 2025

Insurance Funding Ratios



CERS Funding Ratios

■ CERS NHAZ ■ CERS HAZ

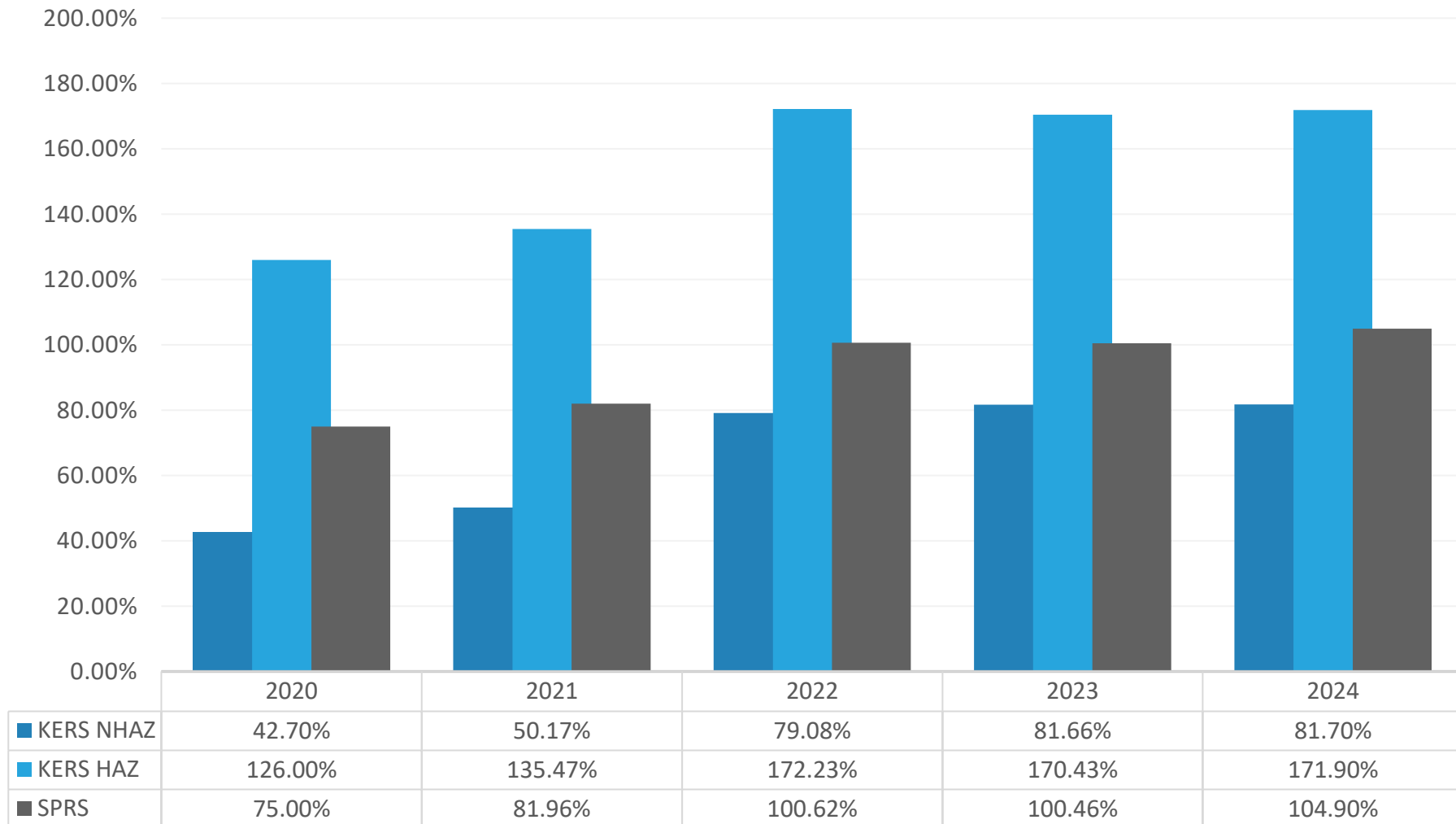


Insurance Funding Ratios



KRS Funding Ratios

■ KERS NHAZ ■ KERS HAZ ■ SPRS



Actuarial Impact



**June 30, 2024
Valuation
(1)**

**Estimate with
2026 Premiums
(2)**

**Impact of
2026 Premiums
(3)**

Unfunded Accrued Liability (\$ millions)	KERS NonHaz	\$383	\$667	\$284
	KERS Haz	(\$273)	(\$234)	\$39
	SPRS	(\$12)	\$15	\$27
	CERS NonHaz	(\$648)	(\$276)	\$372
	CERS Haz	(\$8)	\$159	\$167
	Total			\$889
Funded Ratio	KERS NonHaz	81.7%	72.0%	-9.7%
	KERS Haz	171.9%	156.1%	-15.8%
	SPRS	104.9%	94.7%	-10.2%
	CERS NonHaz	122.3%	108.5%	-13.8%
	CERS Haz	100.5%	91.4%	-9.1%

Actuarial Impact



**June 30, 2024
Valuation
(1)**

**Estimate with
2026 Premiums
(2)**

**Impact of
2026 Premiums
(3)**

Employer Contribution Rate	KERS NonHaz			
	KERS Haz	20.68%	20.68%	0.00%
	SPRS	59.37%	63.17%	3.80%
	CERS NonHaz	18.62%	18.92%	0.30%
	CERS Haz	35.73%	37.73%	2.00%

Annual Employer Contribution (\$ millions)	KERS NonHaz	\$1,015	\$1,045	\$30
	KERS Haz	\$54	\$54	\$0
	SPRS	\$44	\$47	\$3
	CERS NonHaz	\$596	\$604	\$8
	CERS Haz	\$271	\$286	\$15
	Total			\$56

Review of Historic Medical Trend Experience



Non-Medicare	2022	2023	2024	2025	2026
LivingWell PPO Single Premium	\$772.16	\$833.64	\$949.04	\$949.04	\$1,105.54
Actual Medical Trend	2.4%	8%	13.8%	0.0%	16.5%
Expected Medical Trend	6.4%	6.3%	6.2%	6.8%	7.1%
Actual Medical Trend – 5 Years			5.4%	5.3%	8.0%
Expected Medical Trend – 5 Years			6.4%	6.4%	6.6%

Medicare	2022	2023	2024	2025	2026
Medicare Advantage Premium	\$227.03	\$89.28	\$93.35	\$144.91	\$199.94
Actual Medical Trend	1.9%	-60.7%	4.6%	55.2%	38.0%
Expected Medical Trend	2.9%	6.3%	9.0%	8.5%	8.0%
Actual Medical Trend – 5 Years			-15.8%	-10.4%	-2.1%
Expected Medical Trend – 5 Years			5.7%	6.4%	6.9%



Q & A