



Study Session on Retiree Benefit Changes & Implementation of a Medicare Advantage Plan

October 1, 2015

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Retiree Health Care Benefits Strategy

- Goal of the strategy:
 - Manage continually increasing health care costs
 - Minimize exposure to the excise (aka Cadillac) tax
 - Avoid significant changes to the level of benefits offered
 - Minimize increases in costs incurred by retirees

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Retiree Benefits Strategy Discussions

- Group discussions included:
 - Human Resources
 - Retirement Fund
 - Budget Office
 - Treasury
 - Deloitte Consulting

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Current Health Benefits

	Active	Non-Medicare	Medicare
Medical Benefits			
PPO (Blue Cross)	√	√	√
HMO (Blue Cross)	√	√	√
Pharmacy Benefits			
Carved-out (Envision)	√	√	
Part D plan (Envision - EGWP)			√

* Medicare-eligible retirees must enroll in Medicare to participate in the District benefits

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Plan Design Changes for All Retirees

- Align the level of coverage for retirees and active employees
- Make changes to existing retiree PPO and HMO plans effective January 1, 2016

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Plan Design Changes for All Retirees

- Co-insurance for in-network services would be changed from 90% to 85%
 - Changed to 85% for active employees January 1, 2015
- Projected cost savings
 - Cost savings to the plan of approximately \$106,000/yr
 - Reduces exposure to the excise or Cadillac tax

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Plan Design Changes for All Retirees

- ~ Deductibles would be increased as follows:

	Current	Proposed
Single	\$300.00	\$350.00
Employee + One	\$600.00	\$700.00
Family	\$900.00	\$1050.00

- ~ Scheduled January 1, 2016 for active employees in accordance with collective bargaining agreements and benefits strategy approved Dec. 18, 2014
- ~ Projected Cost savings
 - ~ Cost savings to the plan of approximately \$55,500/yr
 - ~ Reduces exposure to the excise or %Cadillac+tax

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Plan Design Changes for All Retirees

- ~ Add fourth tier to prescription drug co-pay structure for specialty drugs
 - ~ Specialty drug co-pay of \$100.00
 - ~ Added for active employees January 1, 2015

	Current	Proposed
Generic	\$9.00	\$9.00
Brand (Formulary)	\$25.00	\$25.00
Brand (Non-formulary)	\$45.00	\$45.00
Specialty	-	\$100.00

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Non-Medicare Retiree Benefits

- ~ Non-Medicare retirees (currently 413) would remain on traditional PPO/HMO group plans
- ~ Revised coverage to be consistent with the current active employee plan design
- ~ Plan year would be changed to a calendar-year basis
- ~ Non-Medicare retirees would be transitioned to a Medicare Advantage Plan with Part D (MAPD) as they become Medicare-eligible

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Medicare Advantage Plan (MAPD)

- ~ Medicare-approved plan
- ~ Includes Part A (hospital), Part B (physician services) and Part D (prescription drug) coverage
- ~ District maintains control of plan design
- ~ Fully-insured plan administered by a major insurance carrier
- ~ Not just a Medicare supplement plan

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Impact of MAPD on the District

- ~ Improves OPEB funding status by reducing future retiree health care liability under GASB
- ~ Projected cost savings
 - ~ 45% reduction in plan costs (\$2.9M annually)
 - ~ Eliminates exposure to the excise or %Cadillac+tax for Medicare-eligible population (\$18,000 in 2018)

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Impact of MAPD on the Retiree

- ~ Medical and pharmacy benefits under one plan (single card, single contact)
- ~ Improved coordination of care and condition management programs
- ~ Additional hearing, vision and wellness benefits
- ~ Projected cost savings
 - ~ 45% savings for retirees (\$1.4M annually)
 - ~ e.g., \$75/mo. single coverage; \$150/mo. family
- ~ May see changes in provider network

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Implementation of MAPD Plan

- ~ Medicare-eligible retirees only (1537 retirees)
- ~ Build plan design similar to current PPO coverage for active employees
- ~ Change plan year to a calendar-year basis
- ~ Conduct RFP in early 2016 to select carrier
- ~ Effective date January 1, 2017

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Summary

- ~ Proposed strategy will help manage rising health care costs while maintaining a similar level of coverage for retirees
- ~ Positively impacts the OPEB liability moving forward
- ~ Provides consistency between active employee and retiree benefits
- ~ Introduces MAPD plan, significantly reducing costs
- ~ Reduces exposure to the excise (Cadillac+) tax

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Questions?

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