

TO: Dr. Bernard Taylor, Jr., Superintendent of Schools

FROM: Catherine Fletcher, Chief Business Operations Officer *Catherine*

CC: File

DATE: April 9, 2013

RE: **Healthcare Options Update**

I am providing you a copy of the PowerPoint presentation for the Advisory Group for Insurance on Thursday, April 11, 2013. Also, below are our talking points for each of the six slides.

Slide 1. Presentation to encompass Actives and Retirees. There are 4,678 Active Employees and 4,848 Retirees. Some of those Retirees return to work for brief periods - currently around 158 - and are included in the Retiree population for head count.

Slide 2. Address Actives first as a separate group. Their claims experience has been analyzed on a standalone basis and based on most recent twelve months of claims experience projected forward into 2014 with full trend factors applied. There is no need for a budgeted rate adjustment to this population. This analysis included \$508,250 in expected Health Care Reform fees - entirely attributable to the Active population and not applied to Retirees.

Slide 3. Separate the Retiree population into two categories: those with Medicare and those without Medicare. There are approximately 1,958 Retirees (plus dependents) without Medicare and 2,890 with Medicare. These two categories were analyzed separately - as they are both of sufficient size to stand alone from a claims credibility standpoint, and they represent two distinctly different types of liability for EBRPSS. Average annual cost per Retiree (composite including dependents) without Medicare is projected to be \$13,148 and with Medicare is \$7,522. The Retirees with Medicare can be broken down further to split those who have Part A only vs. Part A and B. We are waiting for data from Blue Cross to accomplish that breakout. None of this included any allocation toward funding the actuarial accrued liability for Retiree Medical/Rx benefits of \$1.35 Billion (GASP 45).

Slide 4. No notes.

Slide 5. These are picture graphs of the two types of Retiree plans provided today in 2013, as outlined above, the Retiree without Medicare and the Retiree with Medicare vs. what is posed for 2014: To continue to offer the two types of Retiree plans provided today, plus a more cost effective option (for both retiree and EBRPSS) of Medicare Advantage for those Retirees who are enrolled in Parts A and B. There are approximately 2,732 Retirees (plus spouses), who would be eligible for the Medicare Advantage program. We do not yet indicate whether this MA program is to be offered in lieu of the EBRPSS plan or as a choice between the two. This will be determined later.

Slide 6. These would be some common questions that may be helpful to keep in mind, while listening to the presentations from Humana and United Healthcare. Answers follow:

1. How did we arrive at the projected budget for 2014?

Projected Budget for 2014 was calculated based on most recent twelve months of claims experience projected forward into 2014 with full trend factors applied.

2. What is the cost for a retiree to enroll in Plan B in order to be eligible for Medicare Advantage?

Cost to enroll in Plan B is approximately \$104/month for newly eligible, plus 10% penalty for each year not enrolled. Higher premiums are charged for recipients with incomes above \$85K/year.

3. Will the drug formulary change under Medicare Advantage?

Yes, the drug formulary would be different, though not drastically, under MA vs. current Blue Cross/Medco plans.

4. Will my medical provider be covered under a Medicare Advantage Plan?

Yes, though you would need to check the MA provider directory to determine if the provider is in or out of network. Better benefits are provided in network.

5. Can I split families into separate plans if one person is under 65 and the spouse is over 65? One person (spouse/employee) enrolled in Medicare Advantage Plan and one person not.

Yes, families could be split with eligible family member (enrolled in Medicare Parts A and B) enrolling in MA, while spouse and dependent children who are not eligible for the MA plan remain under the EBRPSS plan.



Medical/Rx Benefits 2014 Planning

EBRPSS Advisory Group Meeting
April 11, 2013

- Active Employees
- Retirees

Active Costs Projection Overview

Actives: Combined Core and Buy-up Plans	
Projected Budgeted Premium Required Calendar Year 2014	\$40,107,978
Current Budgeted Premium Annualized	\$40,270,466
2014 Required Medical / Rx Budget Decrease (%)	-0.4%
2014 Required Medical / Rx Budget Decrease (\$)	-\$162,488

*2014 Projected Premium includes PPACA fees

Retiree Costs Projection Overview

Retirees Without Medicare	
Projected Budgeted Premium Required Calendar Year 2014	\$25,744,757
Current Budgeted Premium Annualized	\$23,433,704
2014 Required Medical / Rx Budget Increase (%)	10%
2014 Required Medical / Rx Budget Increase (\$)	\$2,311,053

Retirees With Medicare Part A or Part A & B	
Projected Budgeted Premium Required Calendar Year 2014	\$21,738,931
Current Budgeted Premium Annualized	\$17,337,256
2014 Required Medical / Rx Budget Increase (%)	25%
2014 Required Medical / Rx Budget Increase (\$)	\$4,401,675

NOTE: Most recent analysis of unfunded actuarial accrued liability for Retiree Medical/Rx benefits is \$1.35 Billion

EBRPSS Post 65 Retiree Categories

- Member enrolled in Part A and Part B
- Member enrolled in Part A only
 - Retired and age 65 prior to June 2005
 - Either not retired or not reached age 65 prior to June 2005
- Member not eligible for Medicare

Note: Member must be enrolled in both Part A and Part B to be eligible for Medicare Advantage plan option.

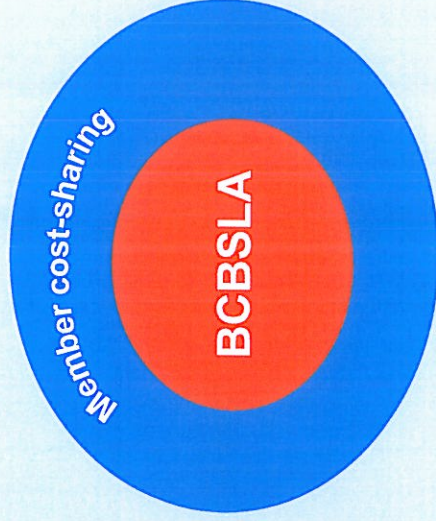
Medicare Advantage Approach for Eligible Retiree Medical Plan Participants*

Retirees with Medicare
Part A only or Part A & B



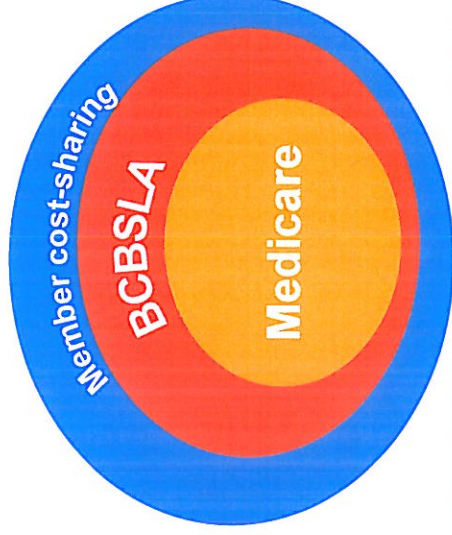
Current
2013

Retiree without Medicare

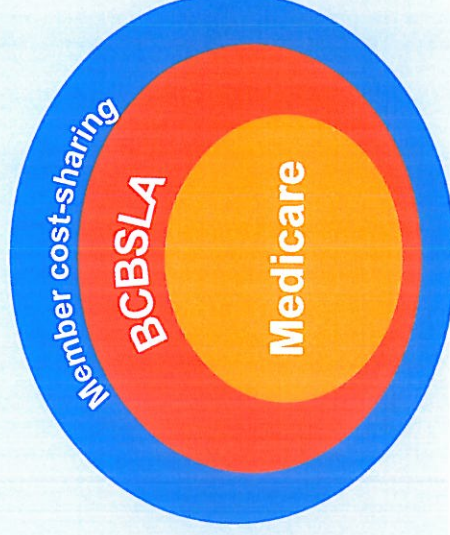


Illustrative
2014

Retirees with Medicare



Retirees with
Medicare Part A & B



Key Issues and Questions for Consideration

- How did we arrive at the projected budget for 2014?
- What is cost for a retiree to enroll in Plan B in order to be eligible for Medicare Advantage?
- Will drug formulary change under Medicare Advantage?
- Will my medical provider be covered under a Medicare Advantage Plan?
- Can I split families into separate plans if one person is under 65 and the spouse is over 65? One person (Spouse/Employee) enrolled in Medicare Advantage Plan and one person not.