

POST 65 MEDICARE RETIREE HEALTH PLANS



Prepared for:
City of West Allis



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Report and Recommendation to the City of West Allis Regarding Post 65 Medicare Retiree Health Plans

The Horton Group has been tasked with making a recommendation regarding post 65 retiree health plans. There is a great need to find alternatives to the retirees remaining on the current self-insured health plans due to costs rising at an unusually high level, the OPEB liability associated with this group currently and in the future as well as the costs and administrative needs due to running so many different health insurance programs.

We have also been tasked with responding to the question of whether or not these programs can completely match each and every benefit that each retiree group had, down to the standard of each line item of covered expenses. Health Insurance covered items change annually. For example, drugs that used to only be available by prescription, such as Benadryl, are no longer covered as they are available over the counter without a prescription. Therefore, we have attempted to match or improve covered expenses that are in line with the Medicare (or better) standards of today. We will acknowledge that in some cases the copayments might be different from what each retiree is paying today for such items as prescription drugs. However, we have included a 100% plan with no-payments for any medical service, we have broadened the network to include any provider that accepts Medicare Assignment and we have added benefits and value added services at a greatly reduced cost. It is the professional opinion of The Horton Group that this will provide a substantially similar benefit to those the retirees experience today and justifies the change to the recommended policy herein.

The Horton Group went to two distinct markets for potential solutions in this area. The first is the Medicare Advantage market with the second being the Medicare Supplement carriers that were well known to us. It is important to note that should the City move in this direction, the program selected must be a total replacement to all health programs offered to this population by the City.

The Medicare Advantage marketplace has two benefits over the Medicare Supplement space: (1) They are promoted and sold by well-known insurance carriers such as Humana, United Healthcare, and Anthem; and (2) The plan participant has one identification card. There is no further need to manage claims through Medicare first and then a secondary carrier. Everything is handled by the Medicare Advantage Plan. Medicare Part B premiums continue to be paid, but they are paid to the carrier and the carrier manages all benefits for the individuals.

Medicare Supplement plans are more flexible than their Medicare Advantage counterparts and in some cases are more cost effective over the long term. Renewals have been more affordable and more consistent with this market as you will see from the solutions presented herein.

Medicare Advantage Plans

The Horton Group sent requests for proposals out to the following markets for Medicare Advantage programs:

- United HealthCare
- Humana
- Anthem Blue Cross and Blue Shield

United HealthCare offered the lowest rate, however it was a guaranteed rate for the shortest period of time. Additionally UHC offered the lowest co-pays for prescription drugs with all generics being in Tier one and they added a bonus drug list. Additionally, they included items that retirees are currently covered for under the City's fully insured plan including: eye exams, hearing aid riders, six podiatry visits and a couple of other non-Medicare covered items. They also included Silver Sneakers, Disease Management and all Utilization Review items. Drugs would be subject to normal edits such as step therapy, quantity limits and prior authorization.

Anthem Blue Cross offered the highest rates, however they are for the longest period of time. Their timeframe is from 7/1/18 through 6/30/20. However, Anthem will continue to apply in-network vs. out of network benefits to their Medicare Advantage plan, while both UHC and Humana will allow any provider that accepts Medicare assignment to be “in network.” Anthem also had more and higher co-payments for ambulance and emergency room than the other two carriers quoted and had higher prescription drug copayments. Anthem did include their open formulary listing. However, prescription drugs would be subject to normal edits under Part D, such as step therapy, quantity limits and prior authorization.

Humana has offered an 18-month rate (7/1/18 through 12/31/19). They have included one plan across the U.S. with a single price offering and a passive PPO. Essentially this means that plan members can utilize any physician they wish as long as that doctor accepts Medicare Assignment and remain in network. They have also provided a customized prescription drug program that is effective in all 50 states and Puerto Rico. This program includes their most robust open formulary. In addition, Humana has offered and included in its program all of the following:

- Go365 (Robust wellness program and seniors can earn gift cards up to a value of \$500 for doing things like getting their annual physicals, dental and vision exams, as well as maintaining a healthy lifestyle including physical fitness, etc.)
- Humana Achieve (weight loss programs)
- Silver Sneakers (free memberships to local fitness centers)
- Humana First (nurse hotlines)
- Humana at Home Chronic Care Management
- Discounts on Alternative Medical Services (lifeline medical alert, complementary and alternative medicine, etc.)

Additionally Humana will offer the City of West Allis, Plan Compass reports showing utilization of these programs and how well they are running.

		Humana Option #1 Medicare Advantage
Per Member Per Month (Post 65)	389	\$479.76
Estimated Monthly Premium		\$186,626.64
Annual Premium		\$2,239,519.68
Individual Deductible		\$0
Out-of-Pocket Maximum		\$1,000 (CMS Requirement)
Inpatient Hospitalization		\$0 Copay
Skilled Nursing Facility		\$0 Copay
Physician Office Visits		\$0 Copay
Specialist Office Visits		\$0 Copay
Outpatient Surgery		\$0 Copay
Ambulance		\$0 Copay
Emergency Room		\$0 Copay
Urgent Care		\$0 Copay
Podiatry Routine Visits	Limit 6	\$0 Copay
Hearing Aid Allowance		\$250 Allowance (\$0 Copay Exam)
Prescription Drugs – Retail*		
	Level 1	\$12 Copay
	Level 2	\$25 Copay
	Level 3	\$35 Copay
	Specialty	5% Coinsurance (Max \$75)
	Mail Order	\$37.50 / \$62.50 / \$87.50 / N/A
	Gap Coverage	Full Gap Coverage
	Formulary	Robust Open Formulary
	Catastrophic Coverage	Once Rx out of pocket costs reach \$5,000, then member pays the greater of 5% or \$3.35 for generic, 5% or \$8.35 for all other drugs
	Misc. Notes	<ul style="list-style-type: none"> - Assumes Employer Pays 50% of Premium - Full Replacement - 7/1/2018 – 12/31/2019 Period -Includes \$0 Copay Routine Eye Exam

This proposal is an overview of benefits only. Final proposals will be subject to the terms and conditions of the insurance contracts which will be the final determination of benefits.

* These copayments are subject to change (decrease per request).

Medicare Supplement Programs

The Horton Group also went to the Medicare Supplement Market. We looked at United American, Transamerica and The Hartford. All offered the same benefits initially, with both Transamerica and Hartford being 10% to 20% higher in cost than United American. Because of this, we have chosen to concentrate our progressive marketing efforts on United American only.

United American is one of the largest U.S. and Canadian insurers offering Supplemental Health Plans to employers, wishing to sponsor group products and programs that are cost effective, long lasting and easy to understand. They have a high financial ranking with all major services and they have shown the most flexibility.

This plan would be a supplement to Medicare. Much like the City's retirees do today, the claim would be run through and sent to Medicare to pay first, then on to the supplemental carrier to pay secondary on any remaining charges. These programs also use the "any physician accepting Medicare Assignment" standard to determine what an in-network charge is. If an individual should go out of network (rare) those charges would be paid in accordance with Federal rules.

Initially these plans quoted a Standard Medicare D formulary with no lifestyle drugs. Now they have offered four different prescription drug programs. These vary in price and range from \$229.57 to \$290.67) with these costs needing to be added to the medical portion of the plan of \$202.00. Therefore the total costs of the four health plans with United American would range from \$431.57 to \$467.97. This would still make the programs very cost effective against what is being paid today.

We asked if we could dual choice the drug programs, with those retirees wanting the more robust drug plans paying the higher premium and those wanting standard Medicare Part D being able to pay a more affordable cost. Unfortunately, they are unable to dual choice the drug plans.

The prescription drug program is through Express Scripts (the City's former PBM). We sent the data to them and if we go with the highest cost drug program, drugs would be matched and there would be no "gap" in coverage. The program would NOT include edits such as step therapy, prior authorizations etc. but would work much like the program the retirees are used to today. In addition United American offered a variety of copayments that we could choose from to help allay cost issues.

The primary advantage that a Medicare Supplement program has to offer is that they are far easier to change than a Medicare Advantage plan. Should a Medicare Advantage program become unaffordable, there would be a need to market and switch the entire program out. If a Medicare Supplement program becomes less cost effective we can simply change the benefits, including the drug program to make it more affordable. Although Medicare Supplement plans are heavily regulated by Medicare, Medicare continues to stand alone. The required benefits and legal filings are greatly reduced on the Supplement programs. Lastly, there are fewer changes to the supplement to confuse the retirees where Humana, for example under their Medicare Advantage program may change the Go365 program or others as they see fit. These changes are not always communicated effectively when made.

		United American Option #5 Medicare Supplement
Per Member Per Month (Post 65)	389	\$467.97
Estimated Monthly Premium		\$182,040.33
Annual Premium		\$2,184,483.96
Individual Deductible		\$0
Out-of-Pocket Maximum		\$1,000 (Rx Only)
Inpatient Hospitalization		\$0 Copay
Skilled Nursing Facility		\$0 Copay
Physician Office Visits		\$0 Copay
Specialist Office Visits		\$0 Copay
Outpatient Surgery		\$0 Copay
Ambulance		\$0 Copay
Emergency Room		\$0 Copay
Urgent Care		\$0 Copay
Hearing Aid Allowance		None
Prescription Drugs – Retail *		
	Level 1	\$2 Copay
	Level 2	\$15 Copay
	Level 3	\$35 Copay
	Specialty	\$25 Copay
	Mail Order	\$4 / \$30 / \$70 / \$70
	Gap Coverage	Full Gap Coverage
Formulary		No Utilization Management, Includes Coverage for Lifestyle Drugs
Catastrophic Coverage		Once Rx out of pocket costs reach \$5,000, then member pays the greater of 5% or \$3.35 for generic, 5% or \$8.35 for all other drugs
Misc. Notes		<ul style="list-style-type: none"> - Assumes Employer Pays 50% of Premium - Full Replacement - 6/1/2018 - 12/31/2019 Period - Vision Plan Offered at an Additional \$2.20 PMPM

This proposal is an overview of benefits only. Final proposals will be subject to the terms and conditions of the insurance contracts which will be the final determination of benefits.

Overall Considerations

The Horton Group would lay out the following advantages and disadvantages for the program as follows:

Medicare Advantage Plans – Advantages

- One ID card and one plan
- Many value added programs are included
- High CMS ratings for Humana has led to lower costs over time
- Recognized carrier name across the U.S.
- Retiree comfort with a carrier they are familiar with
- Dedicated team to work with the City's retirees

Medicare Advantage Plans – Disadvantages

- Unpredictable Renewals
- Programs may change at Humana's direction in regard to optional offerings
- The City must continue to pay 50% of the premium so as future retirees want this program at age 65 with no City subsidy, we could experience challenges with putting them on the plan. This is a current requirement to have the program and I do not have the ability to guess if Humana will relinquish this requirement in the future.

Medicare Supplement Programs – Advantages

- Works much like the current plan of benefits that the City and the Retirees have today
- Very flexible, the programs will only change at the City's direction (Remember neither the City, Horton nor United American have any control over Medicare Changes)
- Renewals are predictable
- Very plug and play (as renewals go higher the plan design can change)
- Will allow the City to change payment structure in the future
- Dedicated team to work with the City's retirees

Medicare Supplement Programs – Disadvantages

- Dedicated team is a third party (Mercer)
- Not as recognized of a carrier as Medicare Advantage Plans
- Two ID cards

Flexibility in plan design translates to costs and if benefits need to change in the future, retirees may believe we have not delivered on the promises made at retirement. As mentioned in the introduction, should benefits need to change to create an affordable option, retirees may see these “adjustments” as stepping away from the promises made to them at retirement. At that point just as today, they could elect to drop the City offered plan and find their own individual program.

RECOMMENDATION

The Horton Group, after discussion with City Staff and the Employee Benefits Committee, it is the recommendation that the City offer the Humana Medicare Advantage Plan. This recommendation is made for the following reasons:

- Humana has offered a 100% plan for medical services – there are no copayments, deductibles and there is no co-insurance.
- Humana recognizes a broad and passive network across the United States that includes every provider that accepts Medicare Assignment (Generally 95% of all providers in the U.S.)
- Humana has opened their prescription drug formulary to include at least two approved medications in every therapeutic class, including lifestyle medications. This represents a much broader scope of covered medications than a standard Medicare Part D program would.
- Humana offers a multitude of additional value added services for retirees, such as Go365, Silver Sneakers, etc.
- Humana is a fully recognized carrier across the globe, giving retirees comfort in their coverage.
- Humana has offered a dedicated customer service team to the City of West Allis retirees.
- Humana has the best Star Rating from CMS that can be achieved.

It should be noted that Humana will require 90 days for implementation, as that is the standard that Medicare requires. To achieve the effective date of 7/1/18 quoted we would need to give Humana notice on or before April 1, 2018.

RESPECTFULLY SUBMITTED:

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