

# State Health Benefit Plan Update

Board of Community Health  
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# SHBP OPEB Reduction Strategies Update



# Background on SHBP Policies that Address the OPEB Liability

- During the October 30<sup>th</sup> 2008 DCH Board meeting, three new policies were presented in order to address the \$16.4b OPEB liability
- These policies were:
  - Effective January 1, 2009, mandatory CDHP for new hires for their first calendar year on the plan
  - Effective July 1, 2009, higher premiums will apply to Medicare-eligible retirees who do not enroll in Medicare Part B
  - Effective January 1, 2010, Medicare-eligible retirees will be required to enroll in one of the Medicare Advantage options if they want to continue to receive the 75 percent state subsidy

# Current Medicare Advantage (MA) Plans- 2009

- Two Optional Private Fee-for-Service (PFFS) plans offered by UHC and CIGNA
- Automatically covers all parts of Medicare (A, B, and Part D Prescription drug coverage)
- These are customized plans for SHBP that offer enhanced benefits over standard Medicare:
  - \$1,000 annual out-of-pocket maximum and lower copayments
  - Unlimited inpatient hospital days
  - Prescription drug coverage with no deductible or “doughnut hole”
  - Routine Chiropractic and podiatry visits
  - Routine vision and hearing exams with hardware allowance for both
- Retirees enrolled in 2009: 3,275 (~5 percent of eligible retirees)

# Medicare Advantage Plans- January 1, 2010

- All Medicare-eligible retirees will be required to enroll in one of the Medicare Advantage options if they want to keep 75 percent state subsidy
- SHBP is looking into expanding options so retirees have a choice of four options (two from each vendor)
- The two new options would have lower co-pays and out-of-pocket costs, but higher monthly premiums
- Additionally, SHBP will expand the MA Plans to include "Part B Only" to accommodate retirees not enrolled in Medicare Part A (will be offered at same cost)

# Impact to Most Retirees

Coverage:	SHBP PPO with Medicare parts A,B & D		Medicare Advantage with Rx	
	Premiums paid to:	2009 monthly costs:	Premiums paid to:	2009 monthly costs:
Part A – Hospital	No cost	\$0	No cost	\$0
Part B - Physician	Average premium - must be paid directly to Medicare (CMS)	\$96.40	Average premium - must be paid directly to Medicare (CMS)	\$96.40
Part D – Rx	Average premium - must be purchased through private policy	\$30	No additional premium required – Rx is included in SHBP's MA Plan	\$0
SHBP coverage	Premium paid to SHBP for PPO single coverage	\$32.90	Premium paid to SHBP for MA single coverage	\$17.50
<b>Total cost for A,B, D and SHBP coverage</b>	Paid to three different entities: CMS, Part D private insurer, SHBP	<b>\$159.30</b>	Paid to two entities: CMS and SHBP	<b>\$113.90</b>

Monthly premium savings for most retirees under SHBP:

**\$159.30 - \$113.90 = \$45.40**

# Provider Access

- Medicare PFFS plans have deemed providers rather than contracted networks
- Any provider who accepts Medicare can become a deemed provider as long as s/he agrees to accept UHC or CIGNA's terms and conditions
- UHC and CIGNA reimburse providers at the Medicare rates, claims are paid faster than the Medicare Coordination of Benefits (COB) process and provider has added convenience of only filing the claim with the health carrier rather than with CMS and then the health carrier
- Using claims data, UHC has already identified and deemed over 91 percent of the providers who retirees have seen; CIGNA has deemed 47 percent
- UHC and CIGNA will continue to contact and educate providers throughout 2009

# Medicare Part B requirement

- Effective July 1, 2009, higher premiums will apply to Medicare-eligible retirees who do not enroll in Medicare Part B
- SHBP had approximately 2,600 members who did not have Part B
- SHBP provided communications and assistance to encourage these retirees to enroll in Part B coverage during the Medicare enrollment window of January 1 through March 31, 2009
- Retirees who choose not to enroll in part B will face a significant premium increase in July 2009 (\$300/month)
- They will also lose the 75 percent state subsidy on January 1, 2010 since they will be unable to move into an MA plan until they have enrolled in Medicare Part B
- SHBP will pay any late entry penalties for enrolling in Medicare Part B during the 2009 annual Medicare enrollment period of January 1 through March 31

# Next steps

- Finalize plan design for the new MA option and receive 2010 renewal rates from vendors
- UHC and CIGNA will file the new SHBP plans with CMS in June to obtain the new rates
- Over the summer SHBP will send communication packets to retirees impacted by this change
- SHBP will conduct extensive meetings and educational sessions statewide for the retirees
- Board resolution in May for July 1, 2009 retiree rates that consider Part B coverage