

Document Submitted

By

Bob Clarkin

Dear SEBC Members,

During the 3/20/23 SEBC meeting, the Committee voted to raise the premium rates for all four active and non-medicare retiree plans by 9.4% each year during FY24-FY26 using an aggregate rate increase methodology regardless of individual plan performance (deficit/surplus positions) or plan funding (active employee/OPEB funding). The committee decided to smooth the rate increase over three years instead of raising the rates by 16.8% during FY24.

Evidenced by the WTW presentations during the 4/24/23 SEBC meeting and the 5/15/23 Financial/Planning Subcommittee meeting, the committee is now proposing to raise the Medicfill/RX rate during FY24, and most likely during both FY25 and FY26, by 9.4% using the same aggregate rate increase methodology. This action would raise the monthly Medicfill/RX premium rate from \$459.38 to \$502.56 during FY24, an increase of \$43.18 per month (\$24.48 for Medicfill and \$18.70 for CVS/RX).

During FY22, the Medicfill/RX ProgramCost / MedicareRetiree / Year was \$4,632.00, or \$386.00 per month. With the FY22 premium set at \$459.38, this resulted in a **\$25,692,641 Medicfill/RX (OPEB) surplus.**

During the first nine months of FY23, the Medicfill/RX ProgramCost / MedicareRetiree / Year was \$4,692.00, or \$391.00 per month. With the FY23 premium set at \$459.38, this resulted in a **\$18,214,560 Medicfill/RX (OPEB) surplus.**

With FY22 and FY23 Medicfill/RX plan performance producing large surpluses due to the fact that the premium is set much higher than actual plan costs require, it makes no business sense whatsoever to raise the premium by 9.4%.

FY23 performance to date indicates that the monthly Medicfill/RX premium is artificially high by \$68.38 ($\$459.38 - \$391.00 = \68.38).

Instead of raising the Medicfill/RX premium during your 5/22 meeting, it makes more sense to lower it.

During the same meetings, a presentation was made with options to increase the Part D CVS prescription co-pays during FY24. This again makes no business sense.

During FY22, the Part D CVS prescription ProgramCost / MedicareRetiree / Year was \$2,292, or \$191.00 per month. With the FY22 prescription premium set at \$198.94, this contributed to a **\$25,692,641 Medicfill/RX (OPEB) surplus.**

During the first six months of FY23, the Part D CVS prescription ProgramCost / MedicareRetiree / Year was \$2,304.00, or \$195.00 per month. With the FY23 prescription premium set at \$198.94, this contributed to a **\$18,214,560 Medicfill/RX (OPEB) surplus.**

With FY22 and FY23 Medicfill/RX plan performance producing large surpluses due to the fact that the premiums are set higher than actual plan costs require, it makes no business sense whatsoever to raise the prescription co-pays.

FY23 performance to date indicates that the monthly Part D CVS prescription premium is artificially high by \$3.94 ($\$198.94 - \$195.00 = \3.94).

Again, instead of raising the Part D CVS prescription premium during your 5/22 meeting, it makes more sense to lower it.

Bob Clarkin
Retiree

Document Submitted
By
Mary Graham

PREPARED FOR SEBC MEETING 5/22/23

**SUPPLEMENT TWO TO PRESENTATION TO RHBAS ON
FINANCES BY FOUR STATE RETIREES:
SETTING OF PREMIUMS FOR MEDICARE RETIREES**

May 21, 2023

Robert J. Clarkin (Retired State Employee)

Steven LePage (Retired State Employee, USAF Veteran)

Karen E. Peterson (Retired State Employee, Retired State Senator)

Mary B. Graham (Presenter, Spouse of Retired UD Professor)

DELAWARE EMPLOYEE/RETIREE HEALTHCARE PREMIUMS: AGGREGATION OBSCURES TRUE COSTS & BENEFITS

For premiums, the Administration “aggregates” costs of all GHIP claims (medical and Rx) and then advocates increasing premiums by same percent across all groups and plans. Current proposal based on aggregation: increase Medicare retiree state premiums by 9.4% because premium increased by 9.4% for other groups.

WHY IS AGGREGATION FOR SETTING PREMIUMS PROBLEMATIC?

- Lacks reasoned basis tied to any principle of fairness.
- Beneficiaries themselves cannot understand true benefit dollars they are getting – or not getting.
- Obscures true costs of each plan/group which can misdirect policy efforts to address healthcare costs.
- Misdirection happened with Administration-instigated change to Medicare Advantage. Medicfill is least costly State healthcare benefit! *See Slide 10.*
- Causes great disproportion where actives and pre-Medicare retirees have significant deficits and Medicare Retirees have surplus (*see e.g. Slide 12 for FY2022. Medicare Retirees have had surplus for the last seven years. See Slide 13 (per participant basis). Substantial surplus predicted for FY2023.*
- If premiums for Medicare Retirees exceed that group’s costs (true for last 7 years), that surplus cannot pay for active employees; the excess must stay in OPEB trust. It could benefit non-Medicare Retirees but **why is it a good thing to collect premiums for Medicare and then put the money to use for a non-Medicare benefit?** This only continues to obscure the true cost of non-Medicare retiree benefit.

DISAGGREGATION SHOWS MEDICARE RETIREE PREMIUM SET TOO HIGH FOR YEARS

As shown in Slide 13 (based on WTW data), the \$459 state premium for Medicfill + Rx has resulted in significant surpluses for last seven years for Medicare Retirees. **For FY2022, the premium exceeded the cost per Medicare Retiree by \$73.88!** FY2023 data on track for another year of significant surplus. See <https://dhr.delaware.gov/benefits/sebc/documents/2023/0522-financial-reporting.pdf#page=16>

WHY WOULD YOU INCREASE MEDICARE RETIREE PREMIUMS WHEN THEY HAVE BEEN TOO HIGH FOR YEARS? ILLOGICAL and NOT PRODUCTIVE.

Moreover, the methodology further exacerbates existing distortions:

- **Proposed increase of 9.4% would only apply to about 35% of Medicare Retiree group. (As shown on Slide 5, 65.24% of Medicare Retiree pool *pays no premium* - i.e. see two subgroups retired before July 1, 2012 who pay 0\$.)**
- **Meanwhile, some people (unaware they are overpaying?) have been paying \$459 premium per month to Delaware – already too high by \$73.88 per month in FY2022! So 9.4% increase would make things even worse for them without any principled justification.**

THE SUBSTANTIAL FEDERAL PREMIUMS PAID BY MEDICARE PARTICIPANTS SHOULD NOT BE IGNORED

The payment of Medicare premiums by all Medicare retirees to the Federal government is substantial (minimum \$165/mo). This is more than any other Delaware plan or group member pays in premiums. In addition, approx. 1/3 of Medicare Retirees pay a state premium on top of that for Medicfill (and Rx).

Slide 5 shows premiums of all subgroups of Medicare Retirees to the Federal government - *shows the significant important financial consequence to Medicare Retirees* of this federal premium (applicable even for Medicare Advantage).

Slides 6 and 7 compare premiums for Highmark PPO plan (actives and pre-Medicare) with Medicare benefit. (Highmark PPO comes closest to Medicare + Medicfill benefit.)

- For Highmark PPO – participants pay \$114/mo and State pays \$748/mo (FY2023).
- For Medicare Retirees – about 87% of pool pays \$165 – 188/mo (includes premiums paid to Federal government) with State paying \$436-459/mo. (Others pay more.)

Medicare State Retiree Healthcare Benefit: Premium Cost Sharing (FY2023)

| State Premiums | | | | | | | Federal Premiums | | | Combined Premiums (State + Federal) | | |
|---|-----------------------------------|-----------------------------------|---------------|---------------------------------|----------------------|--------------------|---------------------------------|----------------------|---------------------|--|----------|---------------------|
| Health Plan | State % Paid of State Premiums | # of Participants ¹ | % of Pool | Participant Premium Payments | | | Participant Premium Payments | | | Participant Premium Payments | | |
| | | | | Annual ¹ | Monthly ¹ | Total | Annual | Monthly ² | Total | Annual | Monthly | Total |
| Pensioners Retired After July 1, 2012 | | | | | | | | | | | | |
| Special Medicfill w/Rx | 95% | 5,818 | 23.69% | \$275.52 | \$22.96 | \$1,602,975 | \$1,978.80 | \$164.90 | \$11,512,658 | \$2,254.32 | \$187.86 | \$13,115,634 |
| Special Medicfill w/Rx | 71% | 1,035 | 4.21% | \$1,584.78 | \$132.07 | \$1,640,247 | \$1,978.80 | \$164.90 | \$2,048,058 | \$3,563.58 | \$296.97 | \$3,688,305 |
| Special Medicfill w/Rx | 48% | 466 | 1.90% | \$2,894.04 | \$241.17 | \$1,348,623 | \$1,978.80 | \$164.90 | \$922,121 | \$4,872.84 | \$406.07 | \$2,270,743 |
| Special Medicfill w/Rx | 0% | 85 | 0.35% | \$5,512.56 | \$459.38 | \$468,568 | \$1,978.80 | \$164.90 | \$168,198 | \$7,491.36 | \$624.28 | \$636,766 |
| Special Medicfill w/Rx | Double State Share * | 325 | 1.32% | \$271.20 | \$22.60 | \$88,140 | \$1,978.80 | \$164.90 | \$643,110 | \$2,250.00 | \$187.50 | \$731,250 |
| SubTotal | | 7,729 | 31.47% | | | \$5,148,553 | | | \$15,294,145 | | | \$20,442,698 |
| Pensioners Retired On or Prior to July 1, 2012 | | | | | | | | | | | | |
| Special Medicfill w/o Rx | 95% | 98 | 0.40% | \$156.00 | \$13.00 | \$15,288 | \$1,978.80 | \$164.90 | \$193,922 | \$2,134.80 | \$177.90 | \$209,210 |
| Special Medicfill w/o Rx | 71% | 40 | 0.16% | \$898.32 | \$74.86 | \$35,933 | \$1,978.80 | \$164.90 | \$79,152 | \$2,877.12 | \$239.76 | \$115,085 |
| Special Medicfill w/o Rx | 48% | 33 | 0.13% | \$1,640.64 | \$136.72 | \$54,141 | \$1,978.80 | \$164.90 | \$65,300 | \$3,619.44 | \$301.62 | \$119,442 |
| Special Medicfill w/o Rx | 0% | 19 | 0.08% | \$3,125.28 | \$260.44 | \$59,380 | \$1,978.80 | \$164.90 | \$37,597 | \$5,104.08 | \$425.34 | \$96,978 |
| Special Medicfill w/o Rx | Double State Share * | 6 | 0.02% | \$156.00 | \$13.00 | \$936 | \$1,978.80 | \$164.90 | \$11,873 | \$2,134.80 | \$177.90 | \$12,809 |
| SubTotal | | 196 | 0.80% | | | \$165,678 | | | \$387,845 | | | \$553,523 |
| Pensioners Retired On or Prior to July 1, 2012 | | | | | | | | | | | | |
| Special Medicfill w/Rx | 100% | 15,581 | 63.45% | \$0 | \$0 | \$0 | \$1,978.80 | \$164.90 | \$30,831,683 | \$1,978.80 | \$164.90 | \$30,831,683 |
| Special Medicfill w/Rx | 75% | 311 | 1.27% | \$1,378.14 | \$114.85 | \$428,602 | \$1,978.80 | \$164.90 | \$615,407 | \$3,356.94 | \$279.75 | \$1,044,008 |
| Special Medicfill w/Rx | 50% | 224 | 0.91% | \$3,031.91 | \$252.66 | \$679,148 | \$1,978.80 | \$164.90 | \$443,251 | \$5,010.71 | \$417.56 | \$1,122,399 |
| Special Medicfill w/Rx | 0% | 33 | 0.13% | \$5,512.56 | \$459.38 | \$181,914 | \$1,978.80 | \$164.90 | \$65,300 | \$7,491.36 | \$624.28 | \$247,215 |
| SubTotal | | 16,149 | 65.76% | | | \$1,289,664 | | | \$31,955,641 | | | \$33,245,305 |
| Special Medicfill w/o Rx | 100% | 440 | 1.79% | \$0 | \$0 | \$0 | \$1,978.80 | \$164.90 | \$870,672 | \$1,978.80 | \$164.90 | \$870,672 |
| Special Medicfill w/o Rx | 75% | 3 | 0.01% | \$781.32 | \$65.11 | \$2,344 | \$1,978.80 | \$164.90 | \$5,936 | \$2,760.12 | \$230.01 | \$8,280 |
| Special Medicfill w/o Rx | 50% | 21 | 0.09% | \$1,562.64 | \$130.22 | \$32,815 | \$1,978.80 | \$164.90 | \$41,555 | \$3,541.44 | \$295.12 | \$74,370 |
| Special Medicfill w/o Rx | 0% | 18 | 0.07% | \$3,125.28 | \$260.44 | \$56,255 | \$1,978.80 | \$164.90 | \$35,618 | \$5,104.08 | \$425.34 | \$91,873 |
| SubTotal | | 482 | 1.96% | | | \$91,414 | | | \$953,782 | | | \$1,045,196 |
| Total | | 24,556 | 100% | | | \$6,695,309 | | | \$48,591,413 | | | \$55,286,722 |

Medicare Source:

1 <https://dhr.delaware.gov/benefits/sebc/documents/rhba-subcommittee-2023/0403-medicare-marketplace-overview.pdf#page=9>

1 <https://dhr.delaware.gov/benefits/medicare/documents/plan-rates-23.pdf>

2 <https://www.medicare.gov/basics/costs/medicare-costs>

MEDICARE RETIREES ALREADY PAY THE MOST IN PREMIUMS OF ANY GROUP AS THEY PAY A SUBSTANTIAL MONTHLY FEDERAL PREMIUM OVER AND BEYOND THEIR STATE PREMIUMS

FY2023 Premium Costs - Actives v. Non-Medicare Retirees v. Medicare Retirees*

| | HighMark PPO* Plan | | | | Medicare with Medicfill | | | | Medicare Retirees Pay More Difference | |
|-------------------|---------------------|------------|-----------------------|------------|---------------------------------------|---------------|---------------|--------------|---------------------------------------|------------|
| | Actives | | Non-Medicare Retirees | | Medicare Retirees Before July 1, 2012 | | | | Monthly | Yearly |
| | Monthly (Bi-Weekly) | Yearly | Monthly | Yearly | Federal Monthly | State Monthly | Monthly Total | Yearly Total | | |
| Employee | \$114.30 (\$57.15) | \$1,371.60 | \$114.30 | \$1,371.60 | \$164.90 | \$0.00 | \$164.90 | \$1,978.80 | \$50.60 | \$607.20 |
| Employee + Spouse | \$237.20 (\$118.60) | \$2,846.40 | \$237.20 | \$2,846.40 | \$329.80 | \$0.00 | \$329.80 | \$3,957.60 | \$92.60 | \$1,111.20 |
| | | | | | Medicare Retirees After July 1, 2012 | | | | | |
| | | | | | Federal Monthly | State Monthly | Monthly Total | Yearly Total | | |
| Employee | | | | | \$164.90 | \$22.96 | \$187.86 | \$2,254.32 | \$73.56 | \$882.72 |
| Employee + Spouse | | | | | \$329.80 | \$45.92 | \$375.72 | \$4,508.64 | \$138.52 | \$1,662.24 |

* Highmark PPO is most expensive plan for Actives/Non-Medicare Retirees and closest to Medicare + Medicfill as to benefits. So provides best comparison for costs/premiums. Some post-2012 Medicare Retirees pay more than \$22.96 in state premiums.

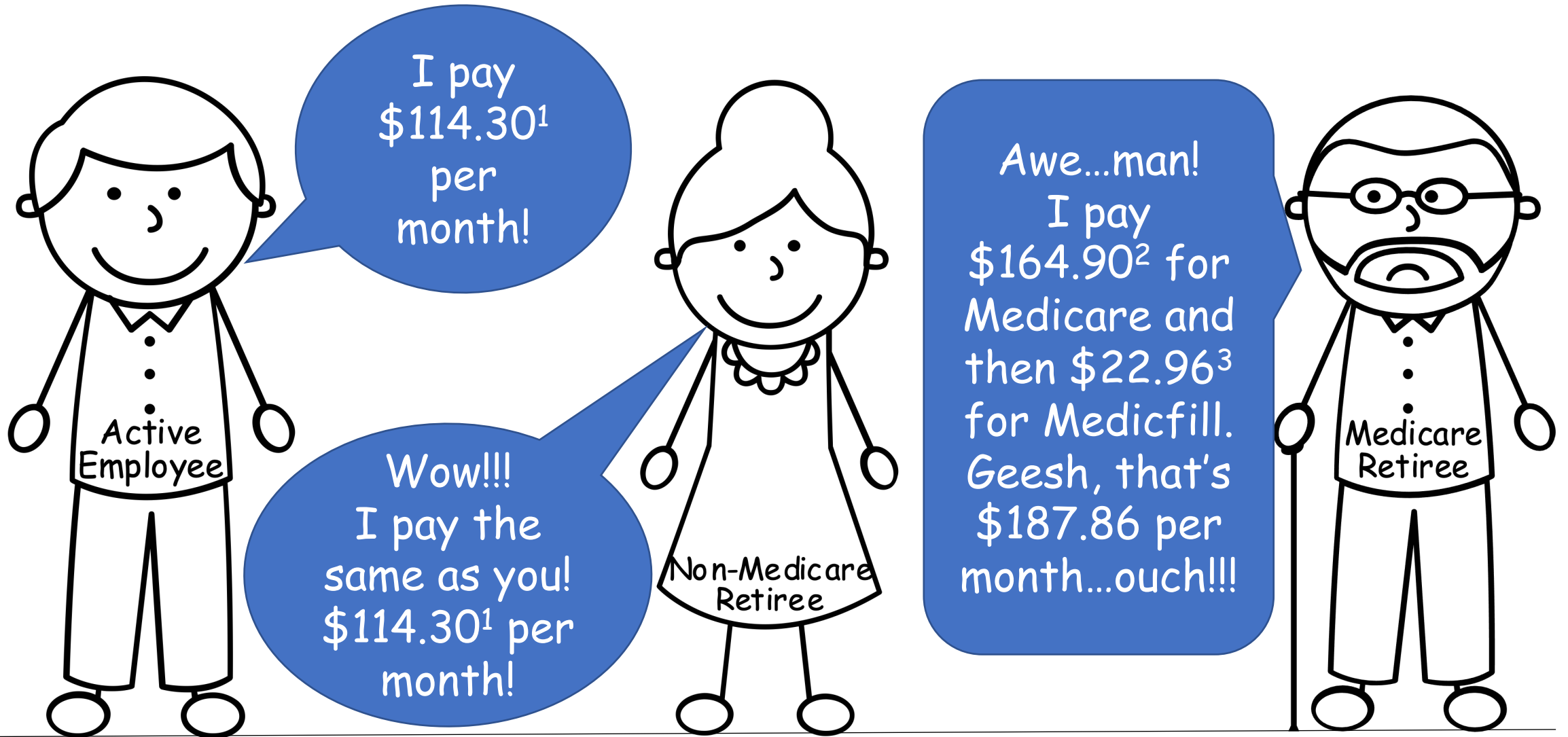
Active Source: <https://dhr.delaware.gov/benefits/medical/documents/fy23-health-plan-comparison-chart.pdf>

Non-Medicare Source: <https://dhr.delaware.gov/benefits/medical/documents/highmark/health-rates-nonmed-pensioners-fy23.pdf>

Medicare Source: <https://dhr.delaware.gov/benefits/medicare/documents/plan-rates-23.pdf>

<https://www.medicare.gov/basics/costs/medicare-costs>

What do you pay in premiums for your healthcare benefit?



1 - FY2023 Highmark Comprehensive PPO Individual Plan Premium Rate

2 - CY2023 Medicare Federal Premium Rate (minimum \$164.90)

3 - FY2023 Medicfill Premium for State Retirees after July 1, 2012 – some pay more

ADDITIONAL BACKGROUND ON FINANCES OF DELAWARE'S HEALTHCARE BENEFIT

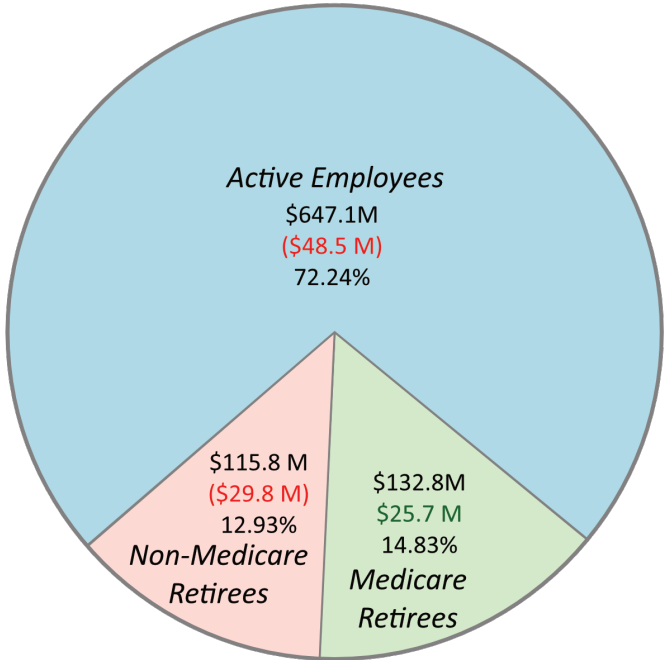
The next slides provide (for FY2022):

- Pie chart showing overall expenses attributable to each group (active employees, pre-Medicare retirees, and Medicare retirees). Shows that biggest piece by far of cost pie is active employees. *See Slide 9.*
- Cost to GHIP per person in each group. Medicare Retirees are roughly 1/4 the cost per person compared to actives employees and pre-Medicare retirees. *See Slide 10.*
- Relative healthcare costs, premiums paid by participants and premiums paid by the State broken out by groups. ***The only group with a surplus is Medicare Retirees.*** *See Slide 11.*
- Bar graph depicting relative surpluses and deficits for the three groups. Active employees do NOT subsidize Medicare retirees, contrary to statements of the Administration. *See Slide 12.*

Slide 13 shows that ***surplus created by Medicare Retirees has persisted for the last seven years.*** A surplus is projected for FY2023.

Employee/Retiree Healthcare State Claims FY2022 (after Medicare)

Medical + Rx + Operational Expenses

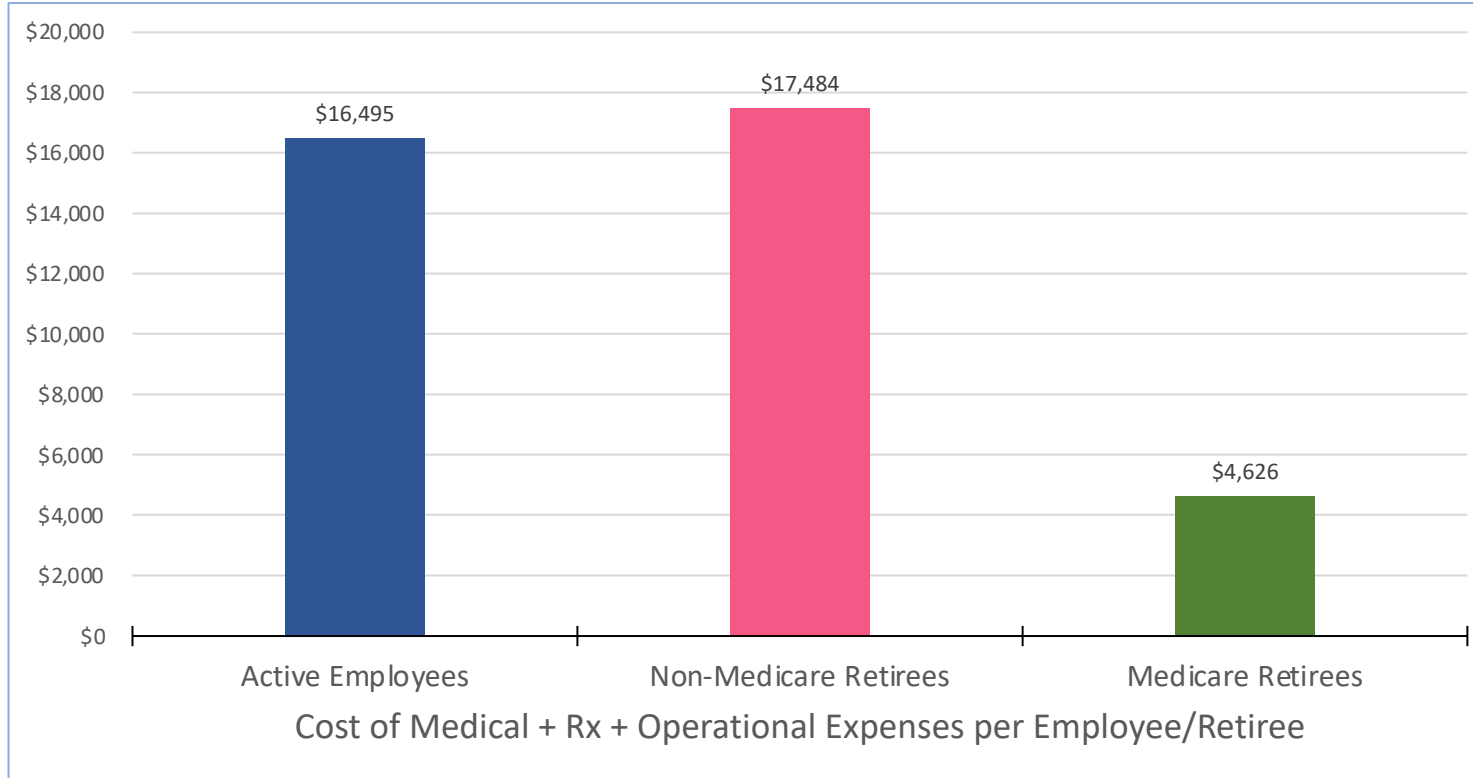


| | Type | Medical | Rx | Medical + Rx | Operational Expenses | Total Costs | Premiums Paid | Deficit/Surplus |
|--|--------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------------|
| ■ | Active | \$548,902,075 | \$96,570,260 | \$645,472,335 | \$1,660,077 | \$647,132,412 | \$598,614,204 | *(\$48,518,211) |
| ■ | Non-Medicare | \$95,107,526 | \$20,420,965 | \$115,528,491 | \$301,028 | \$115,829,519 | \$86,049,302 | (\$29,780,217) |
| ■ | Medicare | \$65,909,026 | \$65,690,250 | \$131,599,276 | \$1,228,029 | \$132,827,305 | \$158,519,947 | * \$25,692,641 |
| | Total | \$709,918,627 | \$182,681,475 | \$892,600,102 | \$3,189,134 | \$895,789,236 | \$895,789,236 | (\$52,605,787) |

* Actual (\$48,518,208) - WTW Worksheet Shows \$3 more due to Worksheet Rounding Issues - * Actual \$25,692,641 - WTW Worksheet Shows \$1 less due to Worksheet Rounding Issues

Medicare Retirees - Least Expensive!

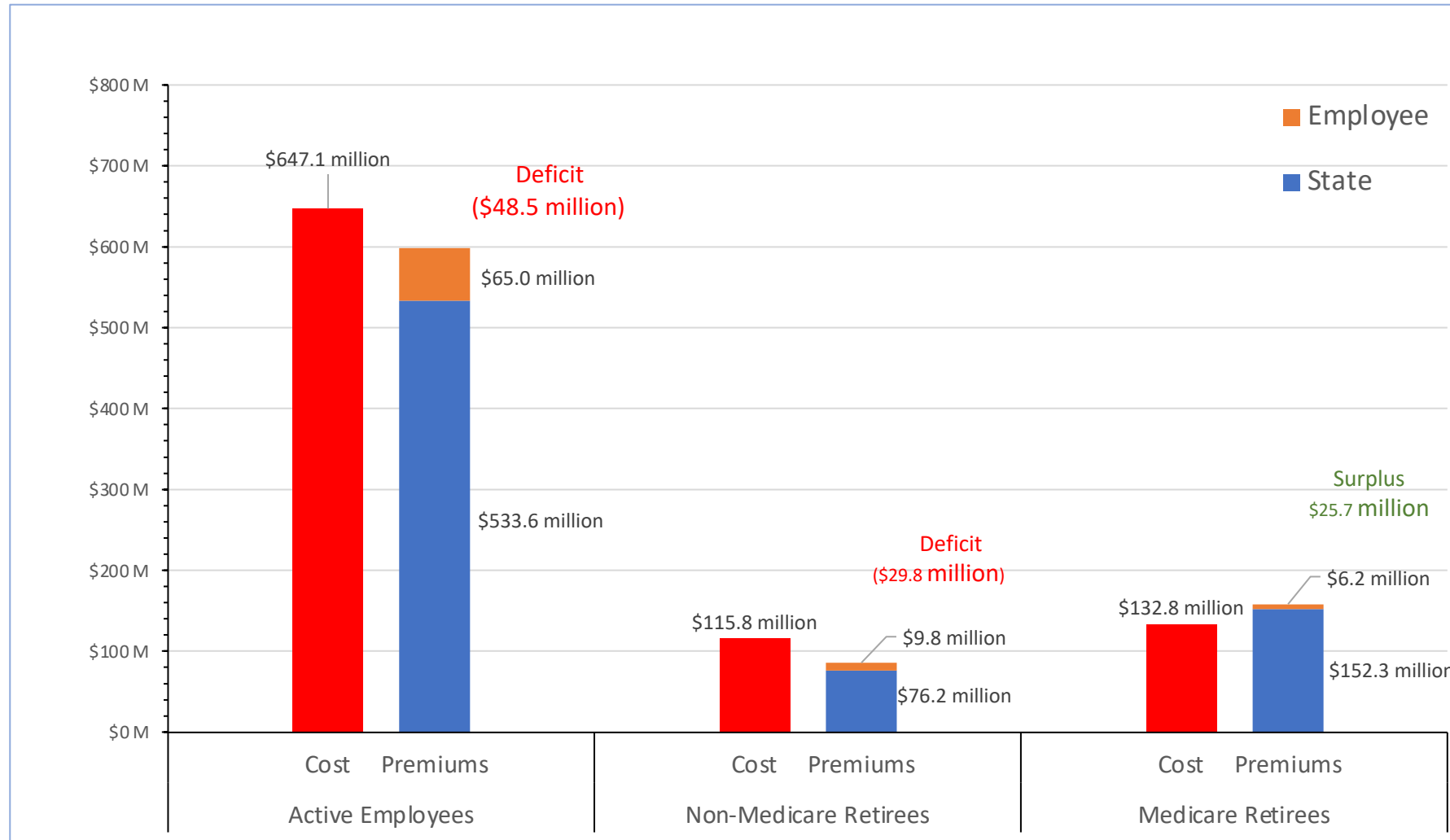
Comparative Cost To Delaware GHIP Per Employee/Retiree FY2022



| | Active Employees | Non-Medicare Retirees | Medicare Retirees |
|---------------------------|------------------|-----------------------|-------------------|
| Total Cost Per Group | \$647,132,413 | \$115,829,519 | \$132,827,306 |
| # of Employee/Retirees | 39,232 | 6,625 | 28,713 |
| Cost per Employee/Retiree | \$16,495 | \$17,484 | \$4,626 |

SOURCE: <https://dhr.delaware.gov/benefits/sebc/documents/2022/0822-financial-reporting.pdf#page=4>

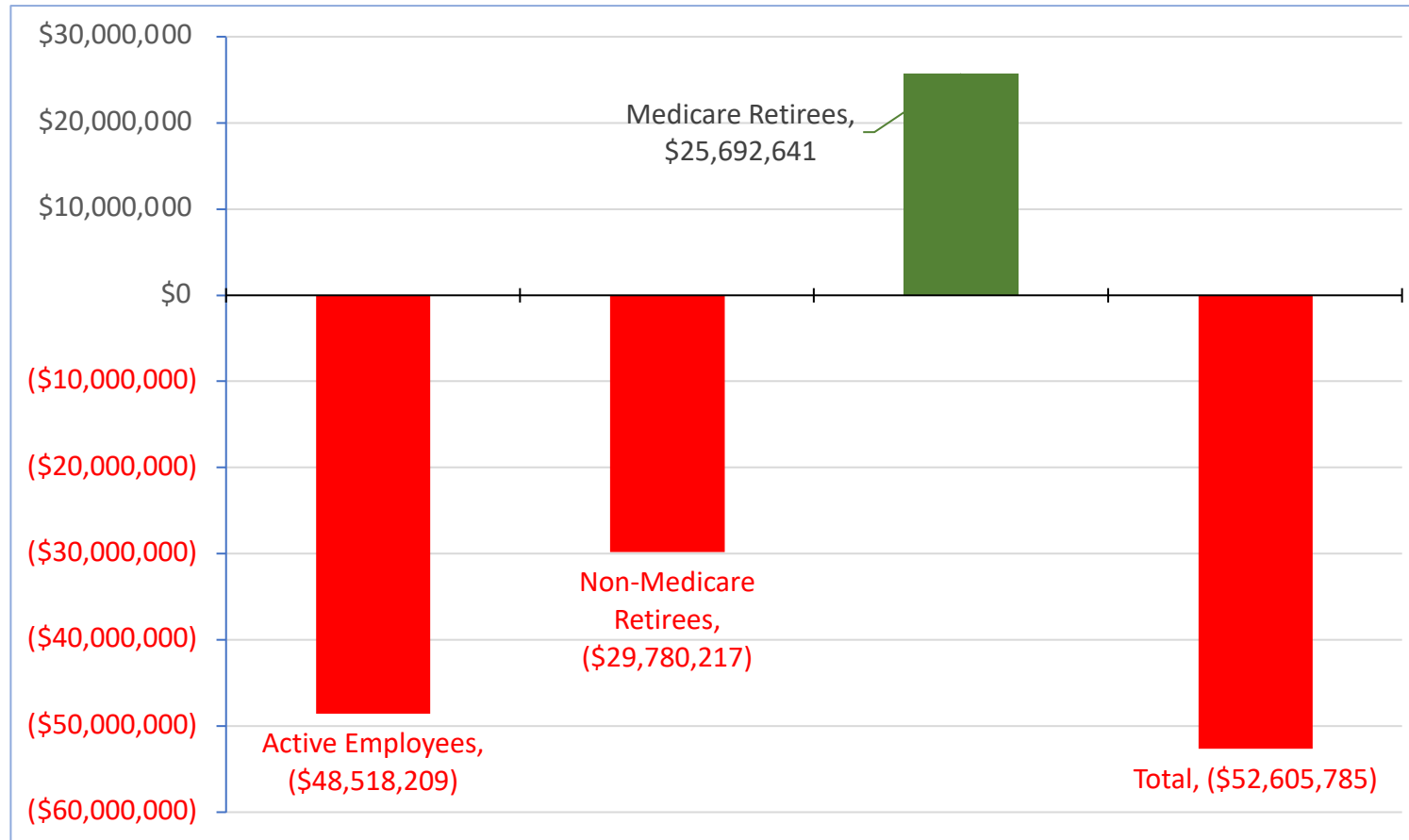
Costs (Medical + Rx*) Paid By GHIP v. Premiums FY2022



*Includes operational expenses

SOURCE: <https://dhr.delaware.gov/benefits/sebc/documents/2022/0822-financial-reporting.pdf#page=4>

Deficit/Surplus by Group Type FY2022



| Group Type | Premiums by Group Type | Total Cost by Group Type | Total Differences by Group Type | Total # of Employees by Group Type | Total Surplus/Deficit per Employee per month |
|-----------------------|------------------------|--------------------------|---------------------------------|------------------------------------|--|
| Active Employees | \$598,614,204 | \$647,132,413 | (\$48,518,209) | 39,232 | (\$103.06) |
| Non-Medicare Retirees | \$86,049,302 | \$115,829,519 | (\$29,780,217) | 6,625 | (\$374.59) |
| Medicare Retirees | \$158,519,947 | \$132,827,306 | \$25,692,641 | 28,713 | \$74.57 |
| Total | \$843,183,453 | \$895,789,238 | (\$52,605,785) | 74,570 | (\$58.79) |

SURPLUS IN DELAWARE HEALTH FUND FROM MEDICARE RETIREES NOT UNIQUE TO FY2022

MEDICARE RETIREES (MEDICAL + Rx CLAIMS TO DELAWARE HEALTH FUND*)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Costs for Medicare Retirees | \$114,233,854 | \$116,629,368 | \$124,287,638 | \$135,472,376 | \$135,177,441 | \$137,004,882 | \$132,827,306 |
| # of Retirees | 24,280 | 25,182 | 25,987 | 26,709 | 27,426 | 28,038 | 28,713 |
| Total Costs per Medicare Retiree | \$392.07 | \$385.95 | \$398.56 | \$422.68 | \$410.73 | \$407.20 | \$385.50 |
| Premium per Medicare Retiree | \$426.60 | \$459.38 | \$459.38 | \$459.38 | \$459.38 | \$459.38 | \$459.38 |
| Over/Under Payment | \$34.53 | \$73.43 | \$60.82 | \$36.70 | \$48.65 | \$52.18 | \$73.88 |

* I.e. – after Medicare pays its 80%, Includes operational expenses