

Impact of the Inflation Reduction Act

The State of Delaware Employer Group Waiver Plan (EGWP)

June 2024



Objectives for Today's Discussion

- Review the impacts of the Inflation Reduction Act (IRA) on the State of Delaware Group Health Insurance Plan's (GHIP) Employer Group Waiver Plan (EGWP)
- Propose an option to potentially modify the EGWP plan design benefit (to be effective January 1, 2025) for SEBC consideration and vote at the July 22, 2024 meeting to align the State GHIP EGWP with the IRA redesign of the Medicare Part D benefit



The IRA includes three major drug pricing reforms specific to Medicare Part B and Part D Benefits

1 Medicare negotiation

- For a subset of high-spending drugs that have no generic/biosimilar competition and have been on approval for a minimum number of years, HHS will negotiate prices with a defined ceiling.
- Implementation of MFP will begin in 2026.

2 Inflation rebates

- For drugs covered under Part B and Part D, manufacturers will be required to pay rebates to the government when drug price growth exceeds the rate of inflation.
- The applicable period for inflation rebates has already started.

3 Part D redesign

- The IRA restructured the Part D benefit to include a \$2,000 out-of-pocket spending cap, a new manufacturer discount program across coverage phases and an increase in plan liability.
- Implementation of Part D redesign will occur 2024-2025.

The IRA drug pricing changes are the most significant passed by Congress in recent years— on par with the Affordable Care Act (ACA) and the creation of the Medicare Part D benefit.

ACA: Affordable Care Act; HHS: Department of Health and Human Services; IRA: Inflation Reduction Act; MFP: Maximum Fair Price.



Standard Part D Benefit vs the GHIP's Plan

Standard Part D Benefit

- The Standard Part D Benefit is the leanest plan design a Part D plan can offer in order to meet Medicare Part D (prescription drug coverage) requirements
- Standard Part D Benefit plan design is commonly found in the individual marketplace
- Standard plans only cover Medicare Part D medications
- For 2025, via the IRA, the Standard Part D Benefit is updating from 4 to 3 phases:
 - Deductible: \$590
 - Standard Coverage Phase: 25% member cost share (coinsurance)
 - Catastrophic Phase: \$0 member cost share for Medicare Part D eligible drugs
 - Members reach this phase once \$2,000 True Out of Pocket (TrOOP) is met

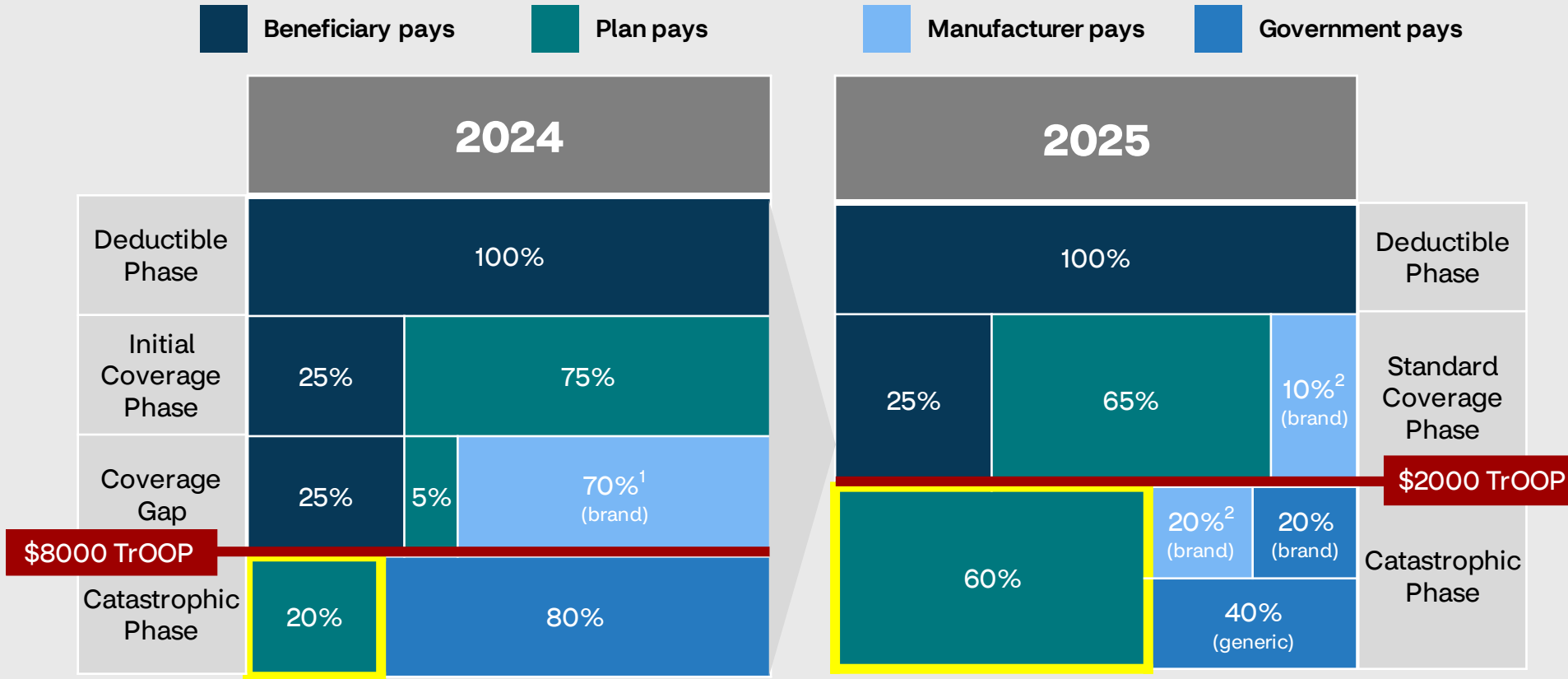
GHIP's EGWP

- EGWP plan includes much richer benefits for the State's Medicare retirees
- Covers Medicare Part D medications and additional Non-Part-D drugs (also known as wrap drugs)
 - Diabetic supplies and cough & cold are examples
- GHIP's EGWP plan has no deductible
- GHIP's EGWP plan has flat dollar copays, a major enhancement over the 25% coinsurance on Standard Benefit plans



Part D Standard Benefit Redesign

Under the Inflation Reduction Act, pharmacy benefits get richer & catastrophic phase liability shifts to the plan



TrOOP = True Out of Pocket

2024 TrOOP

Member out of pocket expenses and manufacturer gap discounts of 70% accrue.

2025 TrOOP

Maximum of member out of pocket expenses and Defined Standard cost sharing accrue. Manufacturer discounts do not accrue.

The defined standard and the EGWP includes **\$35 monthly cap on Insulins & \$0 copays for**

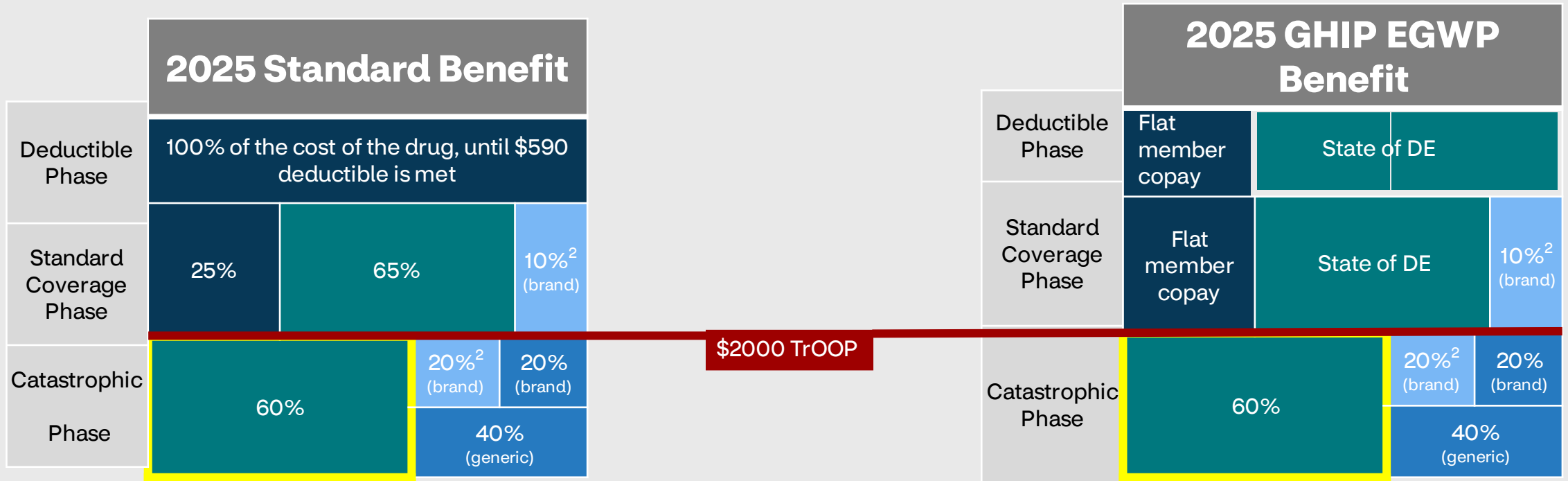
Part D Vaccines

¹ Coverage gap discounts applicable to Non-Low-Income (NLI) beneficiaries only

² Manufacturer Discount Program replaces Coverage Gap Discount Program & extends to both LI & NLI



The State of Delaware's Part D Benefit Compared to Standard Benefit



Beneficiary pays
 Plan pays
 Manufacturer pays
 Government pays

*Includes additional drug coverage beyond a Standard Benefit via wrap plan



EGWP Drug Coverage 101

The State's EGWP plan consists of 2 plans in 1, known as a Single Transaction Coordination of Benefits (STCOB)

EGWP Medicare Primary

- 2024
 - Member must pay \$8,000 TrOOP to reach catastrophic phase, where cost share of Part D drugs change to \$0 copay
- 2025
 - Member threshold being reduced to \$2,000 TrOOP to reach catastrophic phase

Wrap Plan (enhanced coverage)

- 2024
 - The State has a custom \$2,100 TrOOP, when members hit this threshold all drugs change to \$0 copay

In 2025, the EGWP Medicare Primary TrOOP will be reduced to less than the State's \$2,100 wrap TrOOP.

*Member communications are required to show the Medicare figure, not the State's \$2,100.



Current Wrap \$2,100 TrOOP – Decision Needed

Option 1: Keep \$2,100 wrap TrOOP in place (no changes to current design)

- Not recommended
- Member confusion due to Medicare communications showing \$2,000 TrOOP
- Will cause ~3% of EGWP members to pay more than they are today

Option 2: Remove \$2,100 wrap TrOOP to align with Medicare changes

- Recommended
- Seamless member experience with communications
- Aligns with Medicare update
- Negligible impact to the State financially



2025 Medicare Prescription Payment Plan (M3P)



Overview

Part D beneficiaries have option to spread OOP costs over course of plan year, effective 1/1/2025

Option must be available to all enrollees

Enrollment may occur:

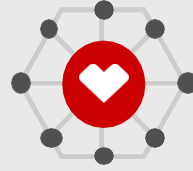
- prior to start of plan year, **or**
- any month during plan year, except final month of benefit year

All Part D drugs are eligible

Monthly bills sent to M3P participants must be sent separately from premium bills

OOP (Out-Of-Pocket).

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Operational logistics

Member program participation status required

Part D plans must notify pharmacies when enrollee is likely to benefit from M3P

Enrollees must be notified of option via educational materials

New beneficiary protections, member engagement tools and communications required

Plans may term enrollees for failure to pay and preclude enrollees from enrolling in M3P in subsequent plan year

Any unsettled balances treated as plan losses

No operational or logistical requirements from The State

