

SEBC Retiree Healthcare Benefits Advisory Subcommittee

March 6, 2023

Retiree Healthcare Benefits Advisory Subcommittee

The Subcommittee shall have the following powers, duties and functions:

1. Conduct public meetings and receive public comment about current and future State retiree healthcare benefits, including the previously proposed Medicare Advantage Plan for State retirees, while taking into consideration the previous work of the State Employee Benefits Committee and the Retirement Benefits Study Committee.
2. In the course of its work, consider how reporting and analyses regarding Medicare Advantage Plans nationwide relate to the terms of the previously proposed Medicare Advantage Plan for State retirees.
3. Study, review, and evaluate the fiscal and other implications of the extension of the existing Medicare Supplement plan to January 1, 2024.
4. Evaluate options for continuing to provide strong State retiree healthcare benefits in a fiscally sustainable way, including options to maintain their current coverage similar to residents in other states that offer a choice to buy into a Medicare Supplement plan.
5. By May 1, 2023, issue findings and recommendations to the Governor and the General Assembly about the foregoing as they relate to the Fiscal Year 2024 State budget.

State Pensioner Healthcare – Current Status

Medicfill Coverage:

- Healthcare coverage through a Medicare Supplemental Plan administered by Highmark Blue Cross Blue Shield Delaware.
- Approximately **22,313 state pensioners** and **8,396 spouses**.
- Medicfill contract with Highmark **expired December 31, 2022**.
- Superior Court ruling halted implementation of the **customized Medicare Advantage Plan in October 2022**.
 - The procurement code allowed DHR/SBO to **extend the Medicfill coverage for calendar year 2023**.

Annual Impact of Medicfill

**The cost to extend Medicfill through 12/31/23:
\$70 million - \$80 million dollars**

*Attributed to the cost of paying for medical claims
above what is covered by traditional Medicare*

Note: Cost to extend Medicfill based upon actual FY22 GHIP Medicfill Supplemental medical claims and administrative costs.

State Healthcare Costs at a Glance

Active state employees subsidize healthcare costs for state pensioners.

State Healthcare Costs and Premiums by Group

Group	Costs	Amount covered by premiums <i>excluding copays, deductibles and other out of pocket member cost</i>	Percentage covered by premiums
State of Delaware Group Health Insurance Plan	\$1.2 billion	\$163.7 million by employees, retirees and other participants	18.3%
Pre-Medicare Retirees	\$115.8 million	\$22.9 million by retirees and other participants	19.8%
Medicare retirees/ Pensioners	\$132.8 million	\$0.6 million by retirees	0.4%
Active Employees	\$647.1 million	\$140.2 million by active employees	21.7%

Medicare Part B

- Medicare Part B Premium for 2023 is \$164.90, which is a decrease of \$5.20 from \$170.10 in 2022.
- High-income earners over \$97,000 Adjusted Gross Income (or \$194,000 if married) will pay an adjusted premium rate that ranges from \$230.80 to \$560.50.

State of Delaware GHIP Special Medicfill

Special Medicfill with Prescription Rate Information

- CY2023 Premium - \$459.38
- Retired prior to or on 7/1/2012 and is 100% vested
 - Pensioner Share - \$0
- Retirement effective 7/2/2012 & later and is 100% vested
 - Pensioner Share (5%) - \$22.96

Special Medicfill without Prescription Rate Information

- CY2023 Premium - \$260.44
- Retired prior to or on 7/1/2012 and is 100% vested
 - Pensioner Share - \$0
- Retirement effective 7/2/2012 & later and is 100% vested
 - Pensioner Share (5%) - \$13.00

If you have less than 20 years of service and were first hired on or after July 1, 1991, the State does not pay the full state share but will pay a percentage of the state share of the cost of your coverage as explained in the charts on the next slide.

Group Health Insurance Program Medicare Supplement – Special Medicfill

Rates Effective January 1, 2023 – December 31, 2023

SPECIAL MEDICFILL WITH PRESCRIPTION Retired Prior to or on 7/1/12				
		TOTAL COST	STATE SHARE	PENR SHARE
Individual	100% state share	459.38	459.38	0.00
Individual	75% state share	459.38	344.54	114.84
Individual	50% state share	459.38	229.69	229.69
Individual	0% state share	459.38	0.00	459.38

SPECIAL MEDICFILL - NO PRESCRIPTION Retired Prior to or on 7/1/12				
		TOTAL COST	STATE SHARE	PENR SHARE
Individual	100% state share	260.44	260.44	0.00
Individual	75% state share	260.44	195.33	65.11
Individual	50% state share	260.44	130.22	130.22
Individual	0% state share	260.44	0.00	260.44

SPECIAL MEDICFILL WITH PRESCRIPTION Retirement Effective 7/2/12 & later				
		TOTAL COST	STATE SHARE	PENR SHARE
Individual	100% state share	459.38	436.42	22.96
Individual	75% state share	459.38	327.32	132.06
Individual	50% state share	459.38	218.21	241.17
Individual	0% state share	459.38	0.00	459.38

SPECIAL MEDICFILL - NO PRESCRIPTION Retirement Effective 7/2/12 & later				
		TOTAL COST	STATE SHARE	PENR SHARE
Individual	100% state share	260.44	247.44	13.00
Individual	75% state share	260.44	185.58	74.86
Individual	50% state share	260.44	123.72	136.72
Individual	0% state share	260.44	0.00	260.44

Eligible Pensioners Hired By The State On Or After July 1, 1991 - December 31, 2006

(Except those receiving a disability pension or receiving an LTD benefit)
(The following portion of the State Share will be paid by the State)

Less than 10 years service	0%
10 years - less than 15 years service	50%
15 years - less than 20 years service	75%
20 years or more service	100%

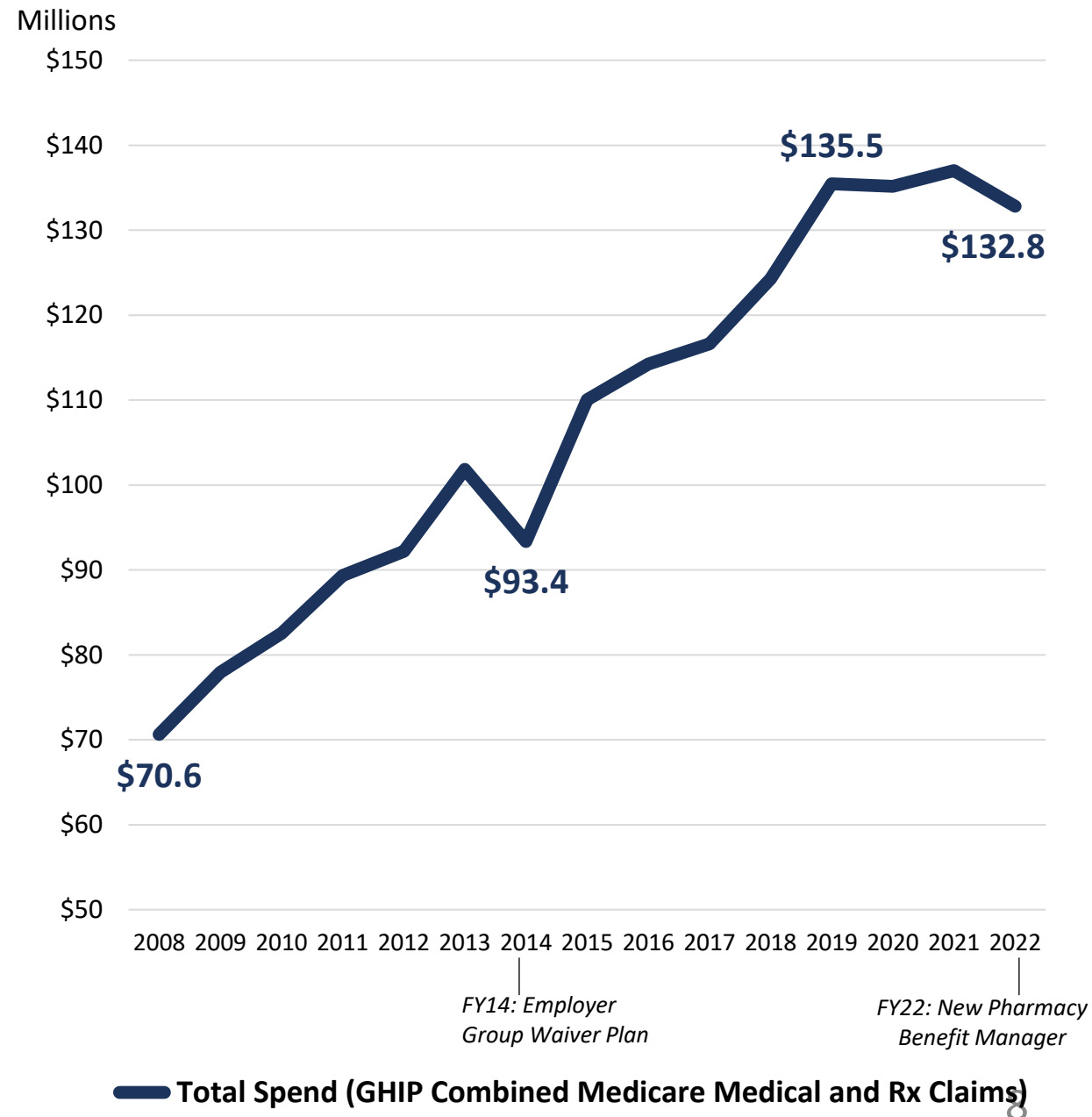
Eligible Pensioners Hired By The State On Or After January 1, 2007

(Except those receiving a disability pension or receiving an LTD benefit)
(The following portion of the State Share will be paid by the State)

Less than 15 years service	0%
15 years - less than 17.5 years service	50%
17.5 years - less than 20 years service	75%
20 years or more service	100%

State Pensioner Healthcare Cost Increases

- Cost to cover Medicare pensioner healthcare claims (medical and prescription) has **increased nearly 93% in the past 15 years.**
- Over the past 10 years, **Medicare pensioner healthcare costs have increased 53%.**
- **Efforts to manage costs:**
 - **FY14:** Moved to an Employer Group Waiver Plan
 - **FY22:** New Pharmacy Benefit Manager



Impact on OPEB Liability

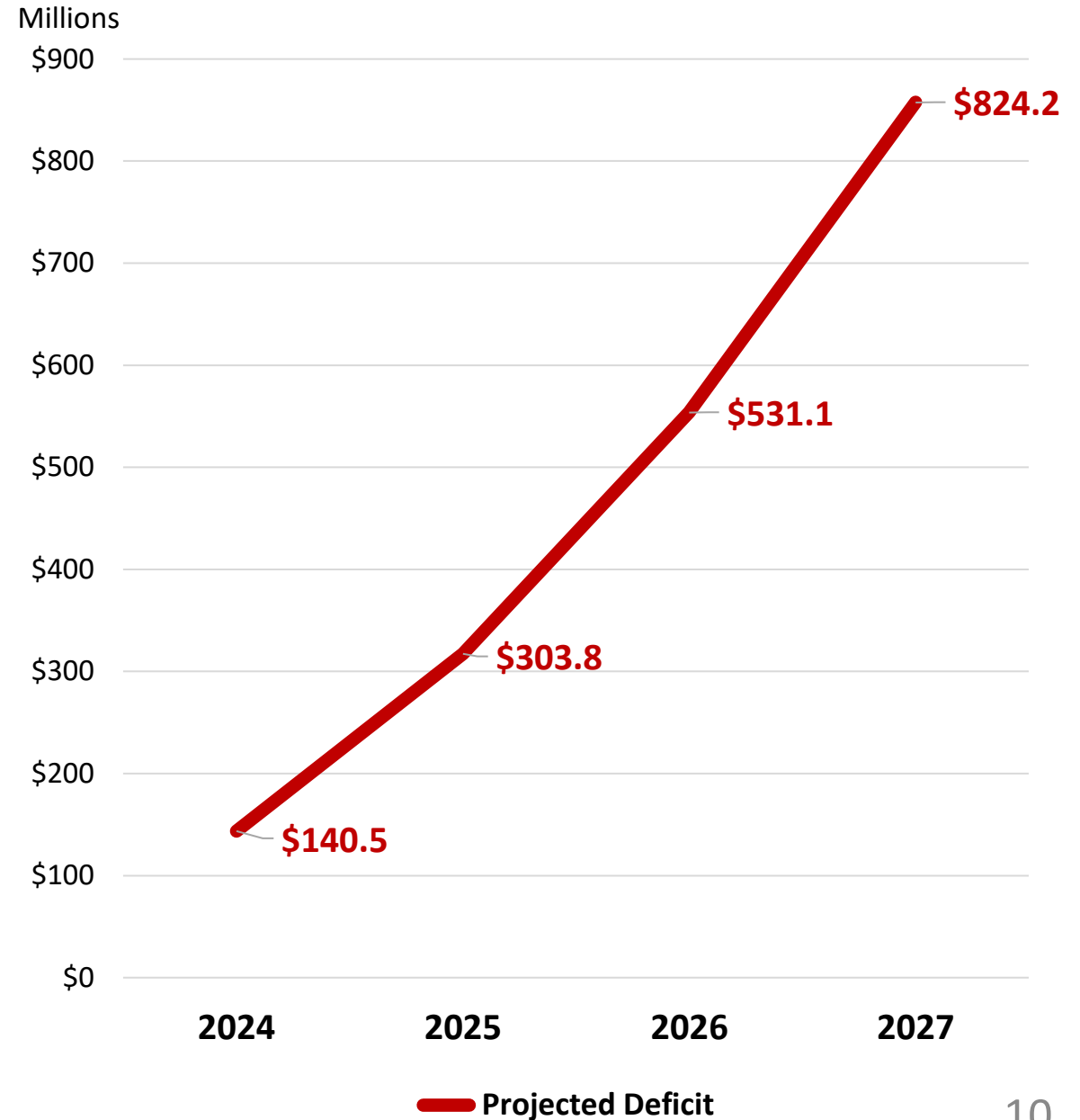
If nothing changes in retiree healthcare funding, plan design, and eligibility over the next 20 years:

	FY 2022	FY 2042 Projection	<i>% Increase</i>
OPEB Liability	\$8.9 Billion	\$23.6 Billion	↑165%
Net Unfunded Liability	\$8.4 Billion	\$20.7 Billion	↑146%

Projection based on 2022 Comprehensive Health Fund Report by Board of Pension Trustees.

Annual Deficits

- FY23: Increased healthcare premiums for **active state employees and pre-65 retirees by just under 9%** -- first increase in 5 years.
- The SEBC is facing **raising monthly premiums for active employees and pre-65 retirees by an average of 9.4% annually for the next three years** under a “smoothing” option.
- If we address the FY24 deficit (\$140.5 million) in one year, **healthcare premium rates could increase by 16.8%**, with **additional increases** in FY25 and FY26.





The **combined implementation** of changes to **funding, plan design,** and **eligibility** can reverse these trends and assure the **long-term sustainability** of the State's retiree healthcare benefits.

Considerations by Retirement Benefits Study Committee

Taxpayers

Increase funding for the OPEB Trust Fund

- Governor Carney proposed and the General Assembly approved a 1% set aside of the prior years budget (\$48 million) for the OPEB Trust Fund in FY2023 budget plan
- Similar funding proposed in the Governor's FY2024 recommended budget

Current & Future Retirees

Address Medicare-eligible and Pre-Medicare Costs

- Migrate to Medicare Advantage
- Monitor costs to determine future feasibility of Health Reimbursement Arrangements

Other Considerations

- **Medicare Advantage + Supplement Plan with differential premiums**
- **Health Reimbursement Arrangements**
- **Adjustments to cost share**

Active Employees

Review Eligibility Changes for Future Retirees

- Reducing state share/subsidies for spouses
- Modifying the vesting schedule for State share/subsidy
- Establishing a minimum age to enroll in retiree medical plans
- Eliminating the ability to access retiree medical benefits for vested employees that terminate their State service prior to being eligible to retire

Medicare Plan Options by State

Medicare Advantage Only	Choice of Medicare Advantage or Medicare Supplement	Individual HRA for retiree to purchase coverage
Alabama	Arkansas	Indiana
Arizona	California	Louisiana (ii)
Connecticut	Florida	Nevada
Georgia	Hawaii	Ohio
Illinois	Kansas	Rhode Island
Kentucky	Massachusetts	
Maine	Michigan	
Minnesota	New Jersey	
Missouri		
New Hampshire		
Pennsylvania		
Texas		
West Virginia (i)		

- Approximately **two-thirds of states offer one or more Medicare Advantage (MA) plans to retirees**, either by sponsoring a group MA plan or by offering access to MA plans through an exchange/marketplace.
- The majority of those states sponsor a group MA plan; **only about 5 states offer access through an exchange/marketplace.**
- **About 30% of all states offer one or more MA plans as a choice alongside a Medicare Supplemental plan.**

(i) West Virginia [noted](#) (see top of PDF page 9 / page 7 of printed version) that the majority of its retirees are enrolled in its group Medicare Advantage plan option; however, there are some additional retirees that are offered a Medicare Supplement plan (i.e., those who are unable to access providers in the Medicare Advantage plan and those who become eligible for Medicare benefits during a plan year).

(ii) Louisiana offers retirees a choice between access to a marketplace and enrollment in employer-sponsored (group) Medicare Advantage plans.

(iii) It appears that the State of Vermont offers different Medicare plan options to various Medicare retiree groups. [Retired state employees](#) have access to the same medical plan options as active employees. [Retired teachers](#) are offered Medicare Advantage plans. [Retired municipal employees](#) have access to a retirement health savings plan with an account that is funded by the Vermont Municipal Employees' Retirement System and can be used for insurance premium reimbursement. As it appears that Vermont [state employees](#) are not offered MA plans or individual HRAs, we did not include Vermont in the chart above.

Tentative March Meeting Schedule

- March 16, 2023 - AM*
- March 22, 2023 - AM or PM*
- March 24, 2023 - PM*
- March 27, 2023 - PM*

*Input from Subcommittee members on agenda topics and times is encouraged.

Questions & Further Discussion