

The State of Delaware

Individual Medicare Marketplace and Medicfill

SEBC Retiree Healthcare Benefits Advisory Subcommittee

April 3, 2023

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Additional discussion of Individual Medicare Marketplace

Overview of Medicare

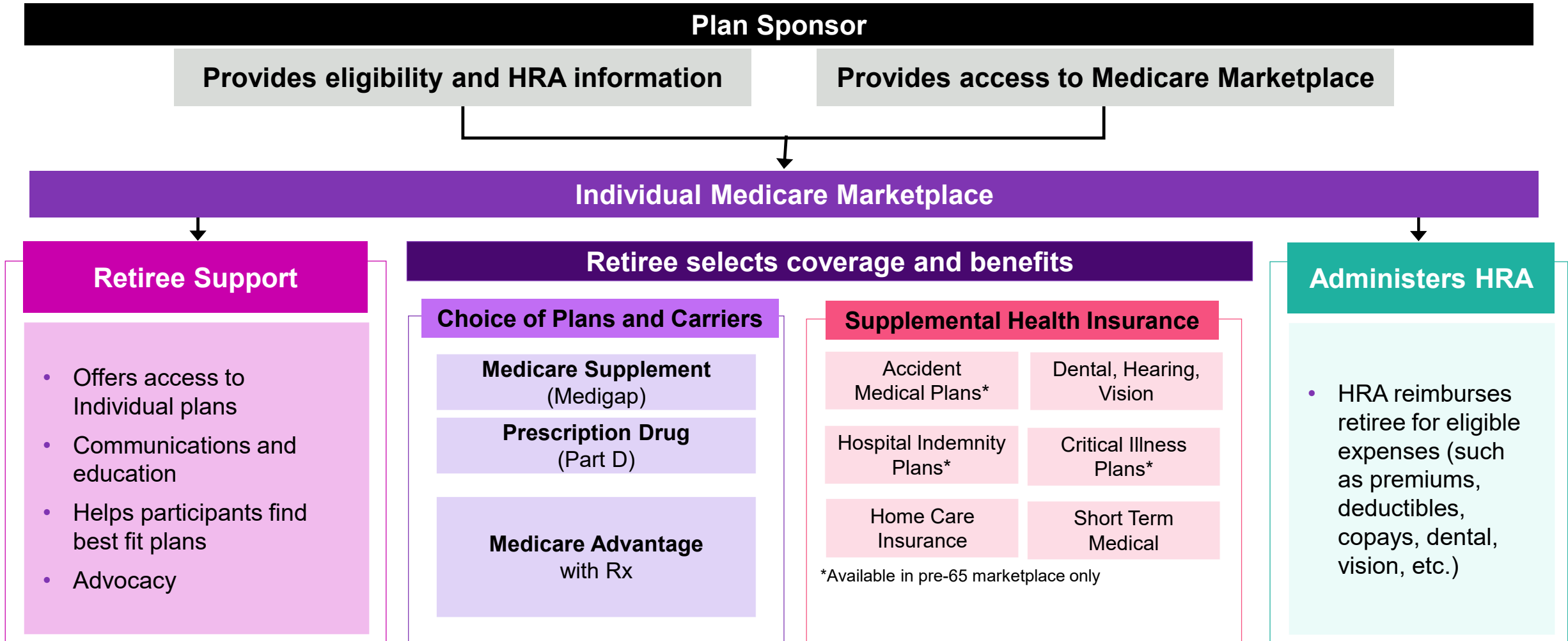
- Medicare includes the following components
 - Part A pays most of the cost of inpatient hospital stays
 - Part B covers a large portion (typically 80%) of the cost of outpatient services including doctor's office visits, diagnostic tests, x-ray and lab services
 - Part C – Medicare Advantage – combines Parts A, B and (typically) D with integrated hospital, physician and drug coverage in one plan, usually based on a local network (HMO, POS) and not available in all geographies
 - Part D covers prescription drugs (starting in 2006)
- Medigap is Medicare Supplement Insurance that helps fill "gaps" in Original Medicare
 - Retiree must also enroll in Medicare Part A and Part B and pay the monthly Part B premium
 - Medigap Plans A, B, D, G, K, L, M, and N have standardized plan designs and are available to all individuals newly eligible for Medicare
 - Medigap Plans C, High Deductible F, and F are only available to individuals eligible for Medicare prior to January 1, 2020
 - Medigap Plans F and G most closely match Delaware's Special Medicfill plan

Can an employer provide subsidized access to individual marketplace plans?

- An employer cannot contract directly with individual plans available to Medicare retirees in the Individual Medicare Marketplace, but can provide a financial subsidy for Individual Marketplace plans through a Retiree Medical Savings Account (RMSA) or Health Reimbursement Account (HRA)
 - An employer could sponsor a group Medicare Supplement plan (or group Medicare Advantage plan) that has identical plan design features as one or more Medigap plans (or Individual MA plans) with the same financial subsidy arrangement
- An employer can also contract with a third-party Individual Marketplace to provide services such as HRA account administration and concierge/advocacy support for retirees

	Retiree Medical Savings Account	Health Reimbursement Account
Description	<ul style="list-style-type: none"> • Each retiree has an individual account <ul style="list-style-type: none"> – Account accrues with notional dollars over active service (e.g., \$7,000 per year starting at age 45) – At retirement, the account is used to purchase retiree medical coverage – When the money runs out, the benefits end (or need to be fully paid by the retiree) 	<ul style="list-style-type: none"> • Each retiree has an individual account <ul style="list-style-type: none"> – After retirement, employer contributes monthly/annual amounts of notional dollars to account – Generally, unused dollars may carry forward to be used in future years
Use of Account	<ul style="list-style-type: none"> • Funds can be used to pay for employer sponsored plans or coverage on the Individual Marketplace 	<ul style="list-style-type: none"> • Typically, funds are used in conjunction with the Individual Medicare marketplace models

How does the Individual Medicare Marketplace work?



Employer's role in Group Plan vs. HRA/Marketplace approach

Who is responsible for each activity?

Activity	Group Plan	Marketplace Approach
Carrier and rates		
Carrier management	Plan sponsor contracts with medical carrier(s), pharmacy benefits manager(s), etc.	Plan sponsor contracts with Medicare Marketplace
Premium renewals	Plan sponsor	Medical Carrier
Plan design and coverage decisions	Plan sponsor	Medical Carrier
Communication		
Manage open enrollment	Plan sponsor	Medicare Marketplace
Develop and distribute annual communications	Plan sponsor	Medicare Marketplace
Prepare summary plan descriptions	Plan sponsor (for Group plans offered)	Plan sponsor (for HRA plan offered)
General Administration		
Billing	Plan sponsor	Medicare Marketplace
Audits	Plan sponsor	Plan sponsor
Funding of ongoing benefits*	Plan sponsor	Plan sponsor
Second-level appeals	Plan sponsor	Plan sponsor (minimal)
Retiree Relations		
Retiree issues resolution	Plan sponsor	Medicare Marketplace
Retiree information and questions	Plan sponsor	Medicare Marketplace

*Annual audits may be required for both current plan and Marketplace if plan is funded.

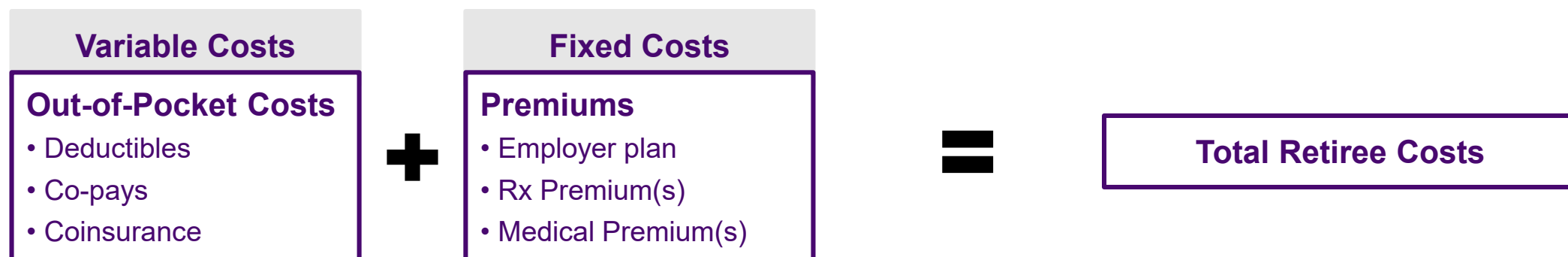
What are considerations for employers in establishing an HRA subsidy?

- Employer has flexibility to set HRA amount and design features
- Subsidy level considerations
 - Will HRA reimburse pre-Medicare benefits, post-Medicare benefits, or both
 - Employer's targeted level of subsidy
 - Cost of individual coverage via marketplace
- Variable or fixed
 - Variable based on age, service, both, or neither
 - Indexing or interest on balances
- Other considerations
 - Single or joint accounts
 - Spending rules – what is eligible to be reimbursed? Premiums only, premiums and qualified out-of-pocket expenses, etc.
 - Will unused funds rollover at the end of the year

Individual Marketplace vs. Medicaid Cost Comparison

Individual Marketplace vs. Medicfill Cost Comparison

- The following pages model the total cost of medical and prescription drug coverage for illustrative retirees enrolled in current Medicfill coverage compared to individual marketplace plans (based on 2023 premiums)
- This analysis assumes that the State does not provide a subsidy for the individual market plans (e.g., no HRA), but the State could provide retirees with an HRA to reimburse the cost of premiums and/or out-of-pocket expenses
- Percentiles account for claims, geography and premiums (i.e., at the 50th percentile, 50% of individuals will have lower claims and premiums than the illustration shown)



Variables that determine costs:



Illustrative comparison of retiree costs (annual)

Sample enrollee – Medicfill compared to individual marketplace (2023)

10th Percentile

10th percentile claims, geography and premiums; 10% of individuals will have lower claims and premiums than the illustration shown here

		Select Individual Market Options					
	GHIP Medicfill	Medigap K	Medigap G	Medigap N	MAPD 1	MAPD 6	
Sample Retiree Financials							
Retiree Premium Contribution* at 10 th percentile	\$0-\$276	\$763	\$1,786	\$1,484	\$0	\$0	
Out-of-pocket costs							
Medical at 10 th percentile	\$0	\$233	\$226	\$233	\$121	\$48	
Rx at 10 th percentile	\$198	\$81	\$81	\$81	\$81	\$81	
Total out-of-pocket cost	\$198	\$315	\$307	\$314	\$202	\$130	
Total Retiree Cost	\$198 - \$474	\$1,078	\$2,093	\$1,798	\$202	\$130	
State Contribution**	\$4,900	-	-	-	-	-	

Note: comparison excludes Part B premium (would be paid by retiree under all plans shown)

* Medicfill contribution assumes 100% state share. 65% of Medicfill retirees receive 100% state share and pay \$0 contribution (as of Feb. 2023)

**State contribution based on projected FY24 net operating expenses for Medicfill (claims and fees less rebates and EGWP subsidies); assumes 100% state share

Sample Illustration Statistics: 10th percentile claims, 10th percentile geography, 10th percentile premium.

Illustrative comparison of retiree costs (annual)

Sample enrollee – Medicfill compared to individual marketplace (2023)

50th Percentile

50th percentile claims, geography and premiums; 50% of individuals will have lower claims and premiums than the illustration shown here

		Select Individual Market Options					
	GHIP Medicfill	Medigap K	Medigap G	Medigap N	MAPD 1	MAPD 6	
Sample Retiree Financials							
Retiree Premium Contribution* at 50 th percentile	\$0-\$276	\$1,074	\$2,378	\$2,043	\$0	\$0	
Out-of-pocket costs							
Medical at 50 th percentile	\$0	\$540	\$226	\$277	\$687	\$493	
Rx at 50 th percentile	\$393	\$604	\$604	\$604	\$604	\$604	
Total out-of-pocket cost	\$393	\$1,145	\$830	\$881	\$1,291	\$1,097	
Total Retiree Cost	\$393 - \$669	\$2,219	\$3,208	\$2,924	\$1,291	\$1,097	
State Contribution**	\$4,900	-	-	-	-	-	

Note: comparison excludes Part B premium (would be paid by retiree under all plans shown)

* Medicfill contribution assumes 100% state share. 65% of Medicfill retirees receive 100% state share and pay \$0 contribution (as of Feb. 2023)

**State contribution based on projected FY24 net operating expenses for Medicfill (claims and fees less rebates and EGWP subsidies); assumes 100% state share

Sample Illustration Statistics: 50th percentile claims, 50th percentile geography, 50th percentile premium.

Illustrative comparison of retiree costs (annual)

Sample enrollee – Medicfill compared to individual marketplace (2023)

90th Percentile

90th percentile claims, geography and premiums; 90% of individuals will have lower claims and premiums than the illustration shown here

		Select Individual Market Options					
	GHIP Medicfill	Medigap K	Medigap G	Medigap N	MAPD 1	MAPD 6	
Sample Retiree Financials							
Retiree Premium Contribution* at 90 th percentile	\$0-\$276	\$1,355	\$3,200	\$2,655	\$540	\$828	
Out-of-pocket costs							
Medical at 90 th percentile	\$0	\$2,876	\$226	\$411	\$5,402	\$3,451	
Rx at 90 th percentile	\$521	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	
Total out-of-pocket cost	\$521	\$4,876	\$2,226	\$2,411	\$7,402	\$5,451	
Total Retiree Cost	\$521 - \$797	\$6,231	\$5,426	\$5,066	\$7,942	\$6,279	
State Contribution**	\$4,900	-	-	-	-	-	

Note: comparison excludes Part B premium (would be paid by retiree under all plans shown)

* Medicfill contribution assumes 100% state share. 65% of Medicfill retirees receive 100% state share and pay \$0 contribution (as of Feb. 2023)

**State contribution based on projected FY24 net operating expenses for Medicfill (claims and fees less rebates and EGWP subsidies); assumes 100% state share

Sample Illustration Statistics: 90th percentile claims, 90th percentile geography, 90th percentile premium. Reflects future changes to Part D cost sharing under Inflation Reduction Act (e.g., \$2,000 cap on participant prescription drug out-of-pocket expenses)

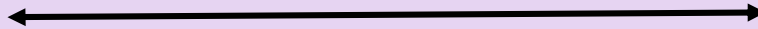
Appendix

Individual Medicare marketplace overview

Medigap (Medicare Supplement) plans

Sample of Medigap plans offered:

Lower Premium,
Higher Cost at Point of Care



Higher Premium,
Lower Cost at Point of Care

Plan K

Benefits include 50% of Part A deductible and 50% coinsurance for most services after Part B deductible (\$226 in 2023)

Plan N

Benefits include office visit copay of \$20, ER copay of \$50 and Part B deductible (\$226 in 2023). All other Medicare covered services covered at 100%

Plan G

Benefits offer 100% coverage for all Medicare covered services after Part B deductible (\$226 in 2023)



Stand alone Medicare Part D prescription drug plan (PDP)

Medicare Advantage + Prescription Drug Plans (MAPD)

HMO

Must use network providers and may require a referral.
Costs and plan designs vary.

PPO

Can use network or non-network providers and no referrals.
Costs and plan designs vary.

Availability of plans/carriers in Delaware:

- 8 Medigap plans (2 carriers)
- 18 Part D PDPs (6 carriers)
- 20 Medicare Advantage plans (7 carriers)

Availability of plans/carriers for all State Medicare retirees:

- 23 Medigap plans (3 carriers)
- 20 Part D PDPs (7 carriers)
- 35 Medicare Advantage plans (8 carriers)
- 98% have access to Medigap plans, 96% have access to a \$0 Medicare Advantage plan

Comparison of Plan Designs (Medical, member cost-share)

Medicfill, Proposed Highmark MA, and Individual Medicare Supplement Plans (2023)

		GHIP Medicfill	Proposed Highmark MA	Medigap K	Medigap N	Medigap G
Medicare Part A Services	Deductible	\$0	\$0	\$800	\$0	\$0
	Inpatient hospital copays	\$0	\$0	\$0	\$0	\$0
	Skilled nursing facility copays	\$0	\$0	50%	\$0	\$0
Medicare Part B Services	Deductible	\$0	\$0	\$226	\$226	\$226
	Plan coinsurance	\$0	\$0	50%	Copays	\$0
	Physician office visit copays	\$0	\$0	50%	\$20	\$0
	Emergency room copays	\$0	\$0	50%	\$50	\$0
Out of pocket maximum		N/A	\$1,000 ¹	\$6,940	N/A	N/A

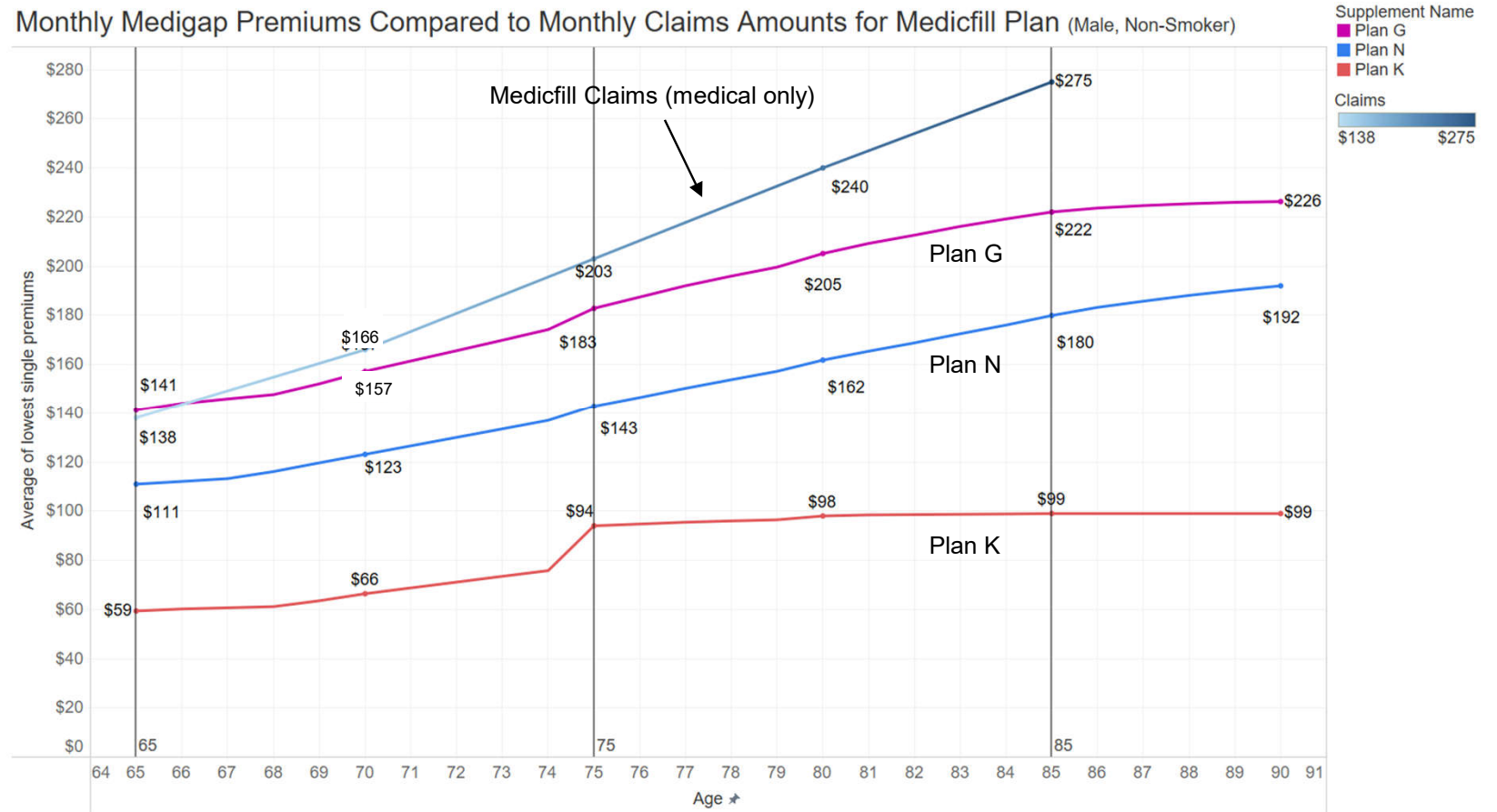
- Individual Medicare Supplement plan designs are standardized across carriers/geographies
- Employer-sponsored group plans like Medicfill and Highmark MA have more flexibility in plan design provisions

¹ Applicable to any medical costs incurred by members during travel outside of the U.S., but which would otherwise be defined by Medicare as covered services.

Comparison of Plan Costs (Medical)

Medicfill cost by age relative to individual Medicare Supplement premiums

- Medicfill is a self-funded plan; the cost to the state is the claims and administrative fees
- Marketplace plans are insured; the cost to the state (or participants) is the insured premium rate, inclusive of taxes, risk margin, and profit loads not applicable to self-funded plans
- This graph compares the age-adjusted medical claims cost of Medicfill (males only) by age¹ for FY23 to average premiums for individual market² Medicare Supplement Plans G, N and K based on where DE retirees reside
- Individual market Medicare Supplement plan premiums vary by plan selected, zip code, and age



¹ Source of Medicfill cost by age: [State of Delaware Postretirement Health Plan Actuarial Valuation Report as of July 1, 2022 \(Produced by Cheiron, November 2022\)](#)

² Marketplace premiums based on average of Lowest Monthly Medigap Premiums by Age for 2023 across DE footprint; DE footprint reflects Medicfill enrollment by zip code from January 2023 census provided by Merative

Comparison of Plan Designs and Premiums

Individual Medicare Advantage (MA) plans in Delaware

Medicare Advantage Plan Name	Monthly Premium	Deductible	PCP Office Visit Copay	Specialist Office Visit Copay	ER Copay	Out of Pocket Maximum	Includes Rx Coverage?
State of Delaware Highmark MA Plan (Medical only)	\$0	\$0	\$0	\$0	\$0	\$1,000 ¹	No – separate EGWP
Humana Choice H5216-312 (PPO)	\$0	\$750	\$0	\$20	\$125	\$3,650	Yes
Freedom Blue PPO Distinct (PPO)	\$33	\$0	\$0	\$0	\$95	\$5,500	Yes
Aetna Medicare Value (PPO)	\$0	\$1,000	\$10	\$50	\$95	\$7,550	Yes
Aetna Medicare Advantra Value (HMO-POS)	\$0	\$0	\$10	\$40	\$95	\$6,700	Yes
AARP Medicare Advantage (HMO-POS)	\$0	\$0	\$0	\$25	\$90	\$4,500	Yes
AARP Medicare Advantage Choice Plan 1 (PPO)	\$0	\$0	\$0	\$35	\$90	\$5,900	Yes
Freedom Blue PPO Signature (PPO)	\$0	\$0	\$0	\$30	\$95	\$6,700	Yes
Aetna Medicare Premier Plus (HMO)	\$65	\$0	\$0	\$40	\$95	\$7,550	Yes
HumanaChoice H5216-308 (PPO)	\$0	\$885	\$0	\$45	\$95	\$8,300	Yes
Cigna True Choice Medicare (PPO)	\$0	\$0	\$0	\$35	\$95	\$7,000	Yes
AARP Medicare Advantage Choice Plan 2 (PPO)	\$29	\$0	\$0	\$20	\$90	\$5,700	Yes
Humana Gold Plus H6622-010 (HMO-POS)	\$0	\$0	\$0	\$25	\$125	\$3,650	Yes
Aetna Medicare Premier Plus (PPO)	\$67	\$50	\$10	\$40	\$95	\$7,550	Yes
HumanaChoice H5216-029 (PPO)	\$69	\$265	\$15	\$45	\$95	\$7,550	Yes
Cigna Preferred Medicare (HMO)	\$0	\$0	\$0	\$30	\$110	\$4,200	Yes
Aetna Medicare Elite (HMO-POS)	\$0	\$1,600	\$30	\$50	\$95	\$7,550	Yes

- MAPD PPO and HMO plans vary in premium cost and plan design; no age rating – carriers are not permitted to vary premiums by age
- Several \$0 premium individual MAPD plans available in Delaware
- The State of Delaware Highmark MA plan is more generous than the medical portion of MAPD plans available in marketplace

¹ Applicable to any medical costs incurred by members during travel outside of the U.S., but which would otherwise be defined by Medicare as covered services.

Individual Medicare marketplace overview

Impact of Inflation Reduction Act

2023-2025

Extends the ARPA-enhanced ACA marketplace subsidies for eligible individuals (does not directly impact Medicare retirees)

2024

Eliminate 5% catastrophic coinsurance for Part D

2025

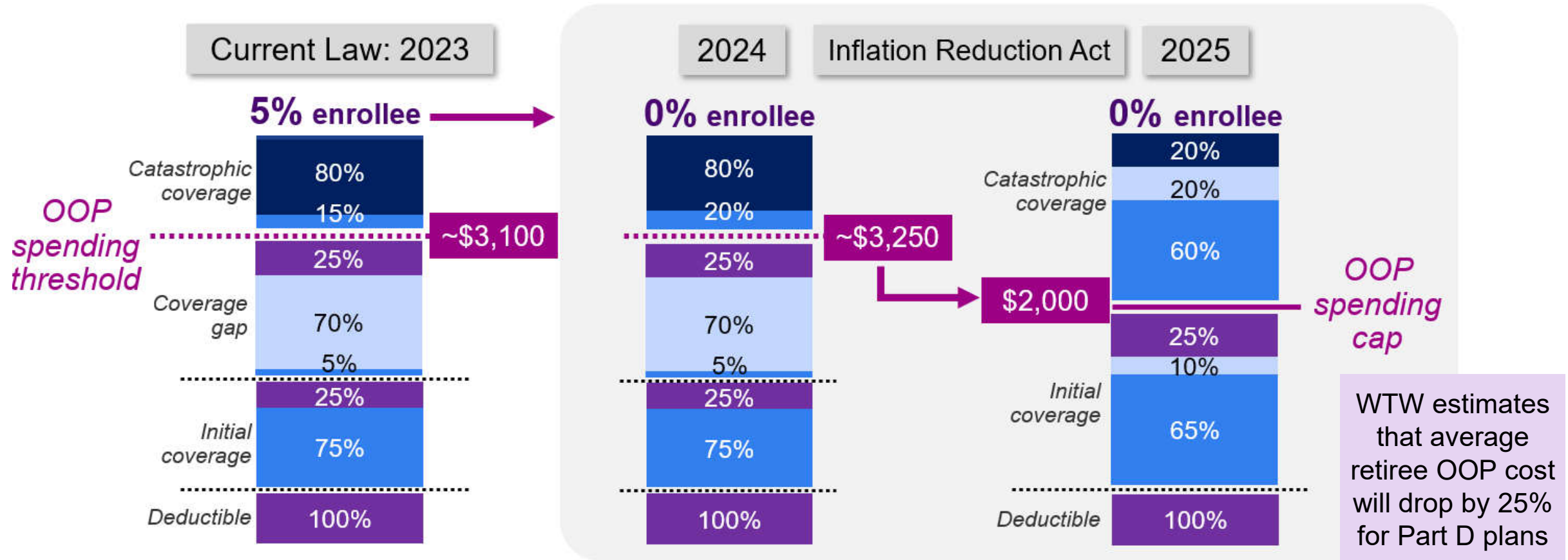
Caps retiree prescription drug out-of-pocket expenses under Part D at \$2,000

Later

Allows Medicare to negotiate prices for a limited number of drugs and caps insulin copays and implements manufacturer rebates when price increases exceed a threshold and reduces cost of insulin and adult vaccines

Individual Medicare marketplace overview – Part D Plan impact

Share of **brand-name drug costs** paid by: ● Enrollees ● Part D Plans ● Drug Manufacturers ● Medicare



WTW estimates that average retiree OOP cost will drop by 25% for Part D plans

NOTE: Slide from KFF. OOP is out-of-pocket. The out-of-pocket spending threshold will be \$7,400 in 2023 and is projected to be \$7,750 in 2024 and \$8,100 in 2025, including what beneficiaries pay directly out-of-pocket and the value of the manufacturer discount on brand-name drugs in the coverage gap phase. These amounts translate to out-of-pocket spending of approximately \$3,100, \$3,250, and \$3,400 (based on brand-name drug use only).