

The State of Delaware

Follow-up requests from April 3, 2023 meeting of the
Retiree Healthcare Benefits Advisory Subcommittee

SEBC Retiree Healthcare Benefits Advisory Subcommittee

April 13, 2023

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Contents

The following slides compile a series of follow-up items from the April 3, 2023 Retiree Healthcare Benefits Advisory Subcommittee meeting:

- Request for comparison of the prescription drug coverage under Medicare Part D vs. prescription drug coverage under Medicfill plan
- Request for the percentage or number of State of Delaware retirees who are eligible for Plan F
- Request that Medigap Plan F be added to the retiree cost modeling
- Request for confirmation if Delaware is a high cost area for Medigap premiums compared to other states
- Question about when Medicfill plan was last competitively bid in the market

Medicfill Rx Coverage vs. Medicare Part D

A subcommittee member requested comparison of the prescription drug coverage under Medicare Part D compared to prescription drug coverage under Medicfill plan

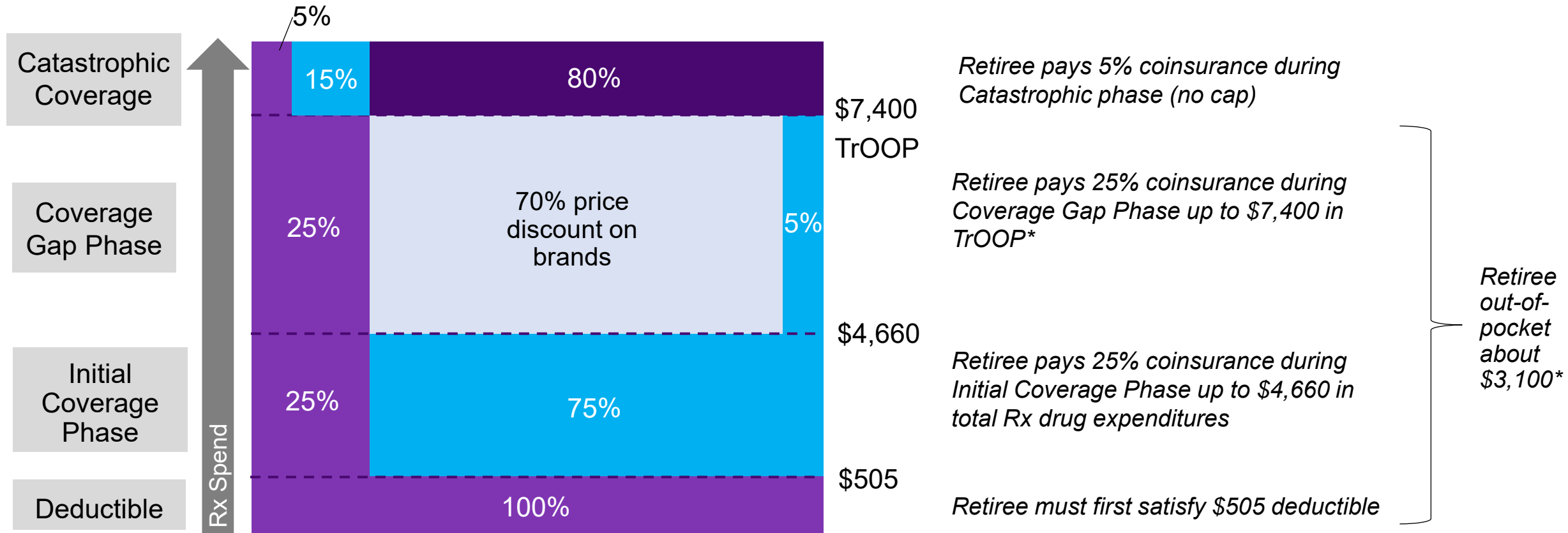
Current Medicfill prescription drug coverage is provided through an Employer Group Waiver Plan (EGWP)

- Waiver program that allows an employer to deliver prescription drug coverage through an employer-sponsored plan while benefiting from federal and drug manufacturer subsidies
- EGWPs must provide benefits that are the same or better than Medicare Part D
- Medicfill is a copay-based prescription drug design with no deductible, no out-of-pocket maximum, and exposure to high-cost drugs capped by copay amounts
- See following pages for overview of Medicare Part D benefits, Medicfill benefits, and enhancements to Part D under the Inflation Reduction Act

Medicfill Rx Coverage vs. Medicare Part D (cont.)

What is retiree cost sharing under Medicare Part D in 2023?

● Enrollees ● Part D Plans ● Drug Manufacturers ● Medicare



* Drug manufacturer discount on brand-name drugs in Coverage Gap phase count towards True Out-of-Pocket limit or "TrOOP". 2023 retiree out-of-pocket of \$3,100 assumes utilization of brand-name drugs

Medicfill Rx Coverage vs. Medicare Part D (cont.)

What is retiree cost sharing under Medicfill plan?

Medicfill Rx Plan	
Rx Deductible	\$0
Rx Out-of-Pocket Maximum	N/A
Retail	
Generic	\$8 copay
Brand Formulary	\$28 copay
Brand Non-Formulary	\$50 copay
Mail Order	
Generic	\$16 copay
Brand Formulary	\$56 copay
Brand Non-Formulary	\$100 copay

- Medicfill prescription drug plan does not have a deductible and retirees pay a copay for each script filled (regardless of which phase of the standard Part D benefit)
- Medicfill prescription drug plan does not have an out-of-pocket limit
- Due to copay structure, most retirees pay less out-of-pocket for prescription drugs under Medicfill plan than they would through individual Part D plans
- Beginning in 2025, Medicare Part D out-of-pocket expenses will be capped at \$2,000

Impact of Inflation Reduction Act on Medicare Part D

Key provisions by year

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

Standard Part D deductible, Coverage Gap Limit, and TrOOP assumed to increase with annual indexing

2025

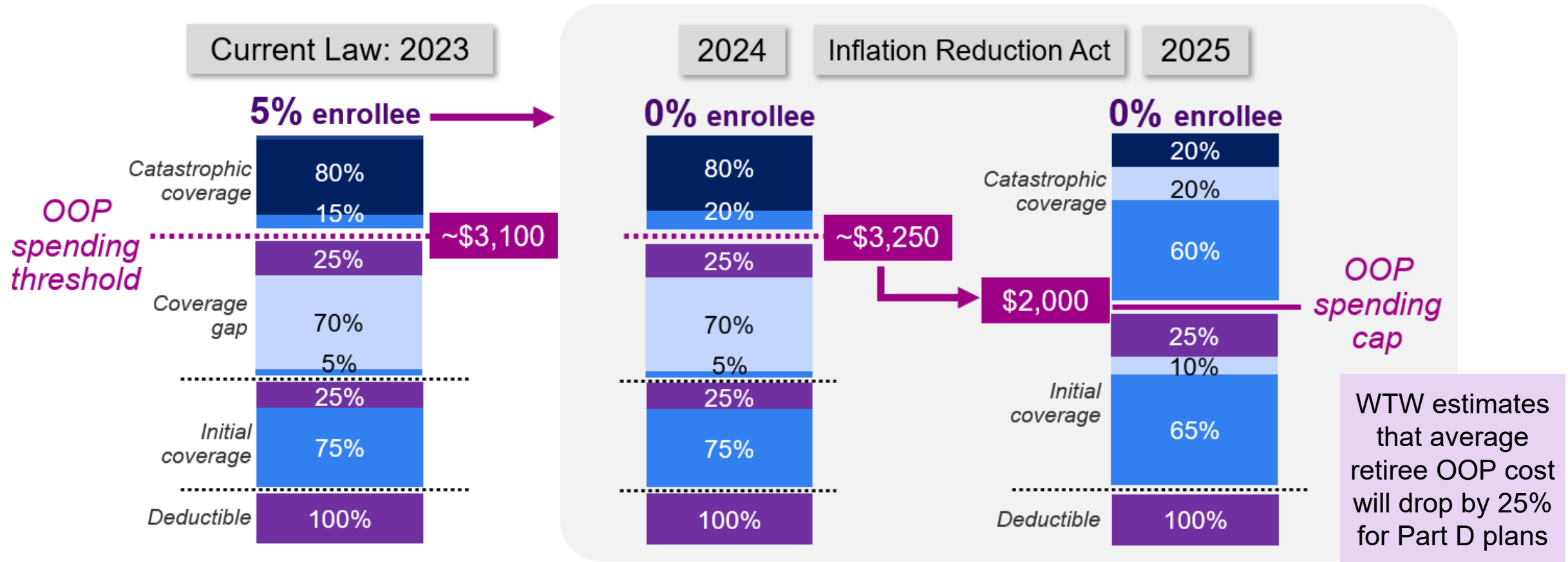
Caps retiree prescription drug out-of-pocket expenses under Part D at \$2,000

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

Impact of Inflation Reduction Act on Medicare Part D

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).

Medigap Plan F

A subcommittee member requested the percentage or number of State of Delaware retirees who are eligible for Plan F

- 66% of State of Delaware retirees turned age 65 before January 1, 2020; individual retiree circumstances may impact date that retiree first became eligible for Medicare
- Based on retiree data as of July 1, 2022 reported by Office of Pensions

A subcommittee member requested that Medigap Plan F be added to the retiree cost modeling

- 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, including Plan F (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)

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 F	Medigap N	MAPD 1	MAPD 6	
Sample Retiree Financials								
Retiree Premium Contribution* at 10 th percentile	\$0-\$276	\$763	\$1,786	\$2,152	\$1,484	\$0	\$0	
Out-of-pocket costs								
Medical at 10 th percentile	\$0	\$233	\$226	\$1	\$233	\$121	\$48	
Rx at 10 th percentile	\$198	\$81	\$81	\$81	\$81	\$81	\$81	
Total out-of-pocket cost	\$198	\$315	\$307	\$82	\$314	\$202	\$130	
Total Retiree Cost	\$198 - \$474	\$1,078	\$2,093	\$2,234	\$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 F	Medigap N	MAPD 1	MAPD 6	
Sample Retiree Financials								
Retiree Premium Contribution* at 50 th percentile	\$0-\$276	\$1,074	\$2,378	\$2,775	\$2,043	\$0	\$0	
Out-of-pocket costs								
Medical at 50 th percentile	\$0	\$540	\$226	\$23	\$277	\$687	\$493	
Rx at 50 th percentile	\$393	\$604	\$604	\$604	\$604	\$604	\$604	
Total out-of-pocket cost	\$393	\$1,145	\$830	\$627	\$881	\$1,291	\$1,097	
Total Retiree Cost	\$393 - \$669	\$2,219	\$3,208	\$3,402	\$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 F	Medigap N	MAPD 1	MAPD 6
Sample Retiree Financials							
Retiree Premium Contribution* at 90 th percentile	\$0-\$276	\$1,355	\$3,200	\$3,860	\$2,655	\$540	\$828
Out-of-pocket costs							
Medical at 90 th percentile	\$0	\$2,876	\$226	\$58	\$411	\$5,402	\$3,451
Rx at 90 th percentile	\$521	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Total out-of-pocket cost	\$521	\$4,876	\$2,226	\$2,058	\$2,411	\$7,402	\$5,451
Total Retiree Cost	\$521 - \$797	\$6,231	\$5,426	\$5,918	\$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

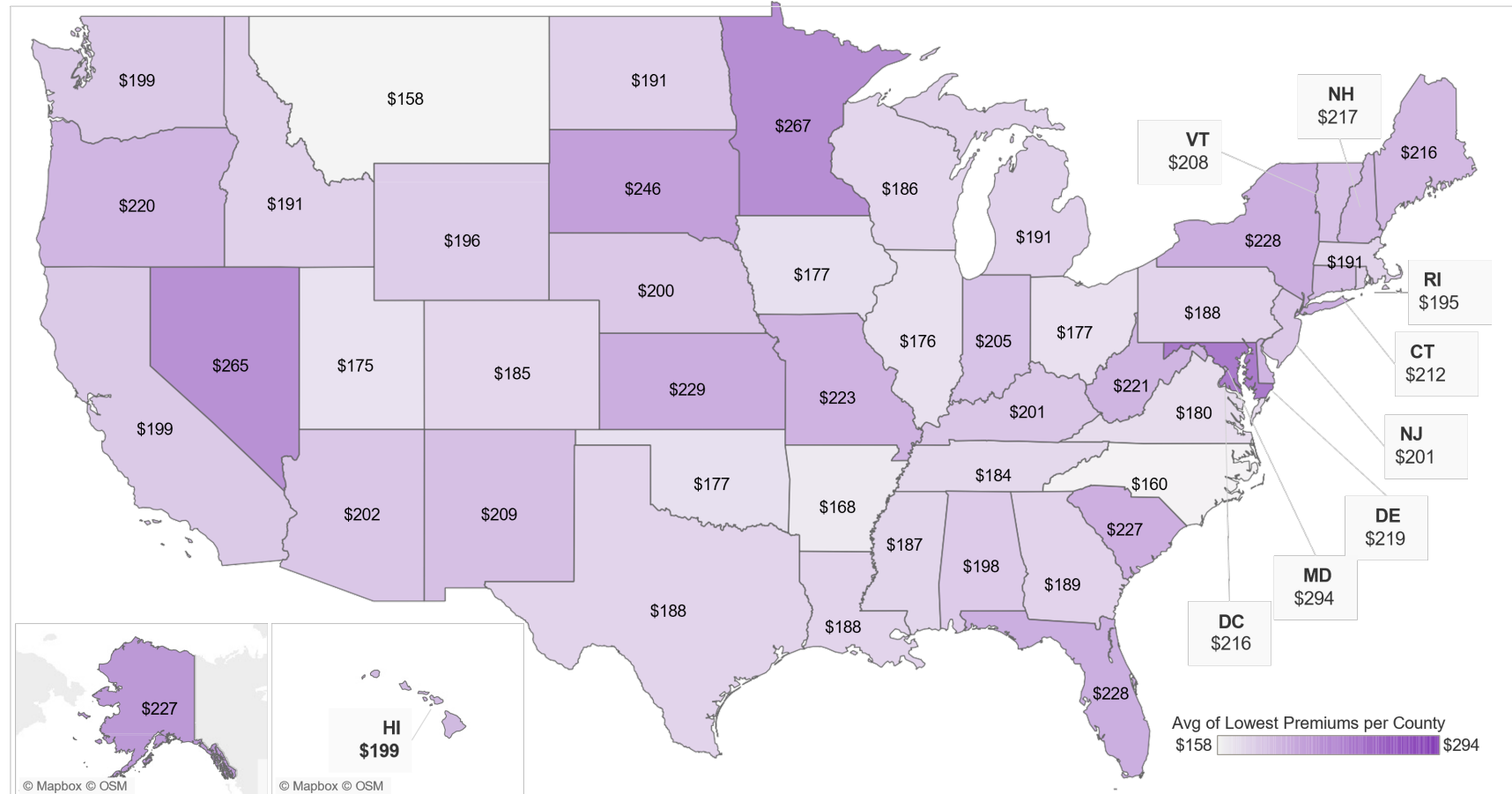
Sample Illustration Statistics: 90th percentile claims, 90th percentile geography, 90th percentile premium. Reflects future changes to Part D cost sharing under Inflation Reduction Act (e.g., \$2,000 cap on participant prescription drug out-of-pocket expenses)

Medigap Premiums – Delaware vs. other states

A subcommittee member requested a comparison of Delaware Medigap premiums compared to other states (e.g., is Delaware a relatively high cost region)

Average of Lowest Medicare Supplement Plan G Premiums (Age 75, Male, Non-Smoker)

- 2023 average lowest monthly Medigap Plan G premiums for an age 75 male, non-smoker shown for each state
- Premiums may vary significantly within a state (e.g., \$272 average in Chester County compared to \$188 overall average in PA)



Medicare plan options included in the two most recent Medical RFPs

The following information provides clarification on which Medicare plan options were included in the two most recent Requests for Proposals (RFP) for a Medical Third-Party Administrator (TPA) conducted by the State Employee Benefits Committee (SEBC) in 2016 and 2021:

- Both of these RFPs solicited proposals for the administration of the **Special Medicfill Medicare Supplement plan**, which is the current medical plan option offered to Medicare pensioners and is self-insured by the State of Delaware
- Both RFPs also solicited proposals for the administration of **group Medicare Advantage plans** on a fully-insured basis
 - The 2021 RFP requested Medicare Advantage plan quotes both with and without prescription drug coverage, whereas the 2016 RFP requested Medicare Advantage plan quotes without prescription drug coverage, i.e., for medical coverage only
- The 2021 RFP required bidders that submitted proposals for group Medicare Advantage plans to also submit a proposal for the Special Medicfill Medicare Supplement plan. RFP instructions indicated that bidders could not only bid on a Medicare Advantage plan
- The 2021 Medical TPA RFP did not include a request for proposals to administer an individual retiree Health Reimbursement Account (HRA) and/or a Medicare Marketplace
- If this option is a consideration in the future, the SEBC would need to conduct an RFP for an administrator of these benefits