

The State of Delaware

Other Post Employment Benefits Background

May 8, 2023

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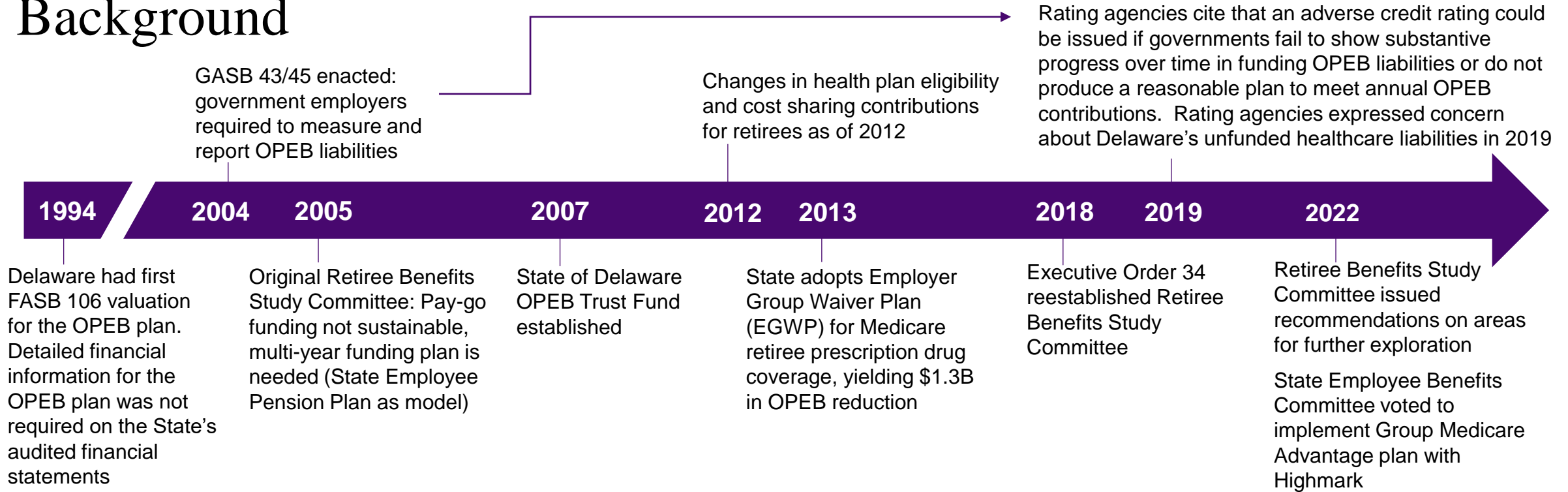
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Other Post Employment Benefits (OPEB) 101

- Benefits paid by employer but received after employment ends; not part of pension plan
 - Healthcare (medical, dental, Rx, vision)
 - Life insurance
 - Disability
 - Group legal
 - Long-term care
- Not part of OPEB
 - Leave (vacation, sick leave, etc.)
 - COBRA (Statement 47)
 - Early Retirement Incentives (Statement 47)
 - Life insurance, disability, etc. that is part of pension plan
- Postretirement benefits are offered to attract and retain qualified employees
 - Therefore, entities should recognize costs while employees are active

Source: OPEB 101 prepared by Cheiron

Background



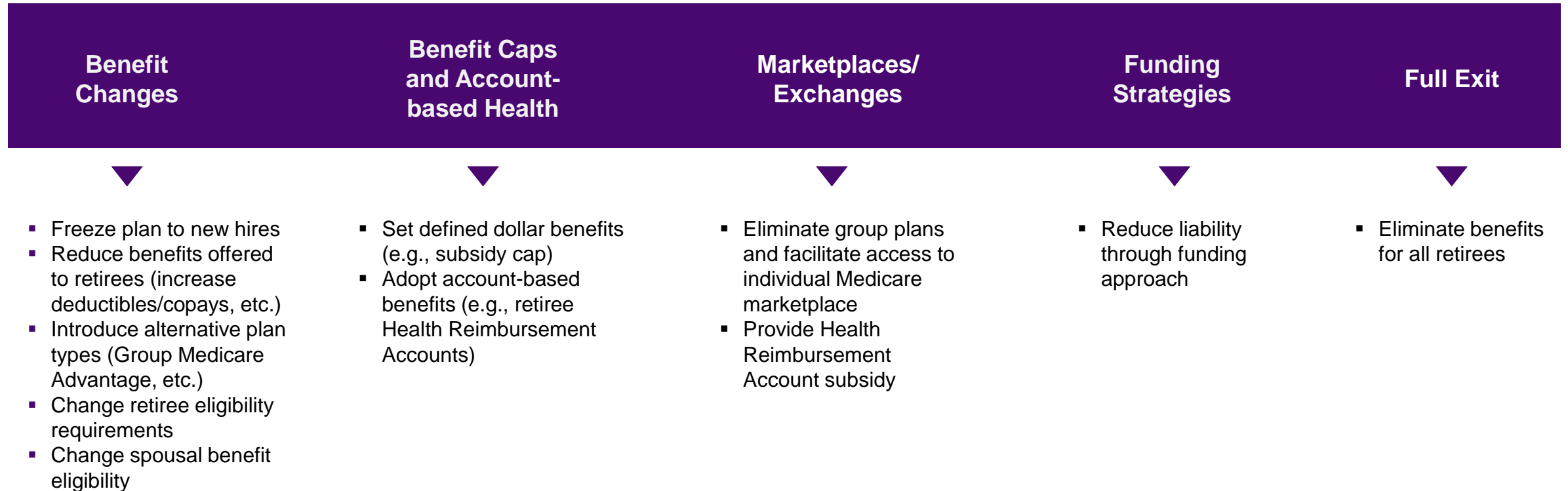
Current State

- **Unfunded OPEB Liability:** \$8.4b as of 7/1/2022, projected to grow to \$20.7b as of 7/1/2042
- **OPEB Funding:** Currently the State has a funding policy which is an appropriation of 0.36% of payroll. As of 7/1/2022, OPEB assets were \$582 million
- **GHIP outlook:** Special Medicfill Medicare Supplement plan is self-funded (State pays claims and administrative fees) and is pooled with active and pre-65 retiree plans under Group Health Insurance Plan (GHIP). GHIP has experienced several consecutive years of budget surplus and therefore premium rates held flat; projected shortfall due to rising health care costs has necessitated rate action for non-Medicare plans in 7/1/2022 and 7/1/2023
- **State benchmarking:** 19 states (38%) offer choice between Medicare Supplement and Medicare Advantage plans, 16 (32%) offer Medicare Advantage only, 16 (32%) offer Medicare Supplement only and 5 states offer individual Health Reimbursement Account (HRA) to purchase coverage*

* Some states provide different offerings to retiree cohorts and are counted twice; see details presented in accompanying document

Options to Reduce OPEB Liability

Spectrum of available options





Additional Reference Material

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
 - "Original Medicare" includes Part A and Part B
 - **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, PPO) that is 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 1/1/2020
 - Medigap Plans F and G most closely match Delaware's Special Medicfill plan, which covers nearly 100% of the costs after Medicare
 - 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)

Financial Reporting History

