

The State of Delaware

Medicare Supplement plan design options

SEBC Retiree Healthcare Benefits Advisory Subcommittee

July 20, 2023

Disclaimer

Willis Towers Watson has prepared this information solely in our capacity as consultants under the terms of our engagement with you with knowledge and experience in the industry and not as legal advice. This information is exclusively for the State of Delaware's State Employee Benefits Committee to use in the management, oversight and administration of your state employee group health program. It may not be suitable for use in any other context or for any other purpose and we accept no responsibility for any such use.

Willis Towers Watson is not a law firm and therefore cannot provide legal or tax advice. This document was prepared for information purposes only and it should not be considered a substitute for specific professional advice. As such, we recommend that you discuss this document with your legal counsel and other relevant professional advisers before adopting or implementing its contents. This document is based on information available to Willis Towers Watson as of the date of delivery and does not account for subsequent developments after that date.

Willis Towers Watson shares available medical and pharmacy research and the views of our health management practitioners in our capacity as a benefits consultant. We do not practice medicine or provide medical, drug, or legal advice, and encourage our clients to consult with both their legal counsel and qualified health advisors as they consider implementing various health improvement and wellness initiatives.

This material was not prepared for use by any other party and may not address their needs, concerns or objectives. This document may not be reproduced, disclosed or distributed to any other party, whether in whole or in part, other than as agreed with you in writing, except as may be required by law.

We do not assume any responsibility, or accept any duty of care or liability to any other party who may obtain a copy of this material and any reliance placed by such party on it is entirely at their own risk.

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

Medicfill and selected Individual Medicare Supplement (“Medigap”) Plans (2023)

| | | GHIP Medicfill | Medigap F | Medigap G | Medigap K | Medigap L | Medigap N |
|-----------------------------|---------------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|
| Medicare Part A Services | Deductible | \$0 | \$0 | \$0 | \$800 | \$400 | \$0 |
| | Inpatient hospital copays | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Skilled nursing facility copays | \$0 | \$0 | \$0 | 50% | 25% | \$0 |
| Medicare Part B Services | Deductible | \$0 | \$0 | \$226 | \$226 | \$226 | \$226 |
| | Plan coinsurance | \$0 | \$0 | \$0 | 50% | 25% | Copays |
| | Physician office visit copays | \$0 | \$0 | \$0 | 50% | 25% | \$20 |
| | Emergency room copays | \$0 | \$0 | \$0 | 50% | 25% | \$50 |
| Out of pocket maximum | | N/A | N/A | N/A | \$6,940 | \$3,470 | N/A |

Note: % coinsurance in the chart above reflects the percentage of the benefit that the plan participant is responsible for paying; the plan covers the remaining percentage up to the Medicare allowed amount.

- Individual Medicare Supplement plan designs are standardized across carriers/geographies
- Employer-sponsored group plans like Medicfill have more flexibility in plan design provisions
- While an employer cannot contract directly with individual Medicare Supplement plans, the employer could sponsor a group Medicare Supplement plan that has identical plan design features as one or more Medigap plans

Illustrative example

Medical plan options for Medicare retirees effective 1/1/2025

- Delaware could sponsor a group Medicare Supplement plan with several options designed to mirror individual Medigap plans
- Options offered to retirees could vary based on eligibility criteria and subsidization
 - For example, Medicare retirees who are hired or retired on or after January 1, 2025 could be provided a choice of two Medicare Supplement plan options but are required to pay more for the option that mirrors the more expensive option
 - Below scenario models a High Medigap Option (N) and a Low Medigap Option (L) for Medicare retirees hired or retired on/after 1/1/25

| Eligibility criteria: | | Medicare retiree who is hired or retired prior to 1/1/2025 | Medicare retiree who is hired or retired on or after 1/1/2025 | |
|--------------------------|---------------------------------|------------------------------------------------------------|---------------------------------------------------------------|-----------|
| | | GHIP Medicfill | Medigap N | Medigap L |
| Medicare Part A Services | Deductible | \$0 | \$0 | \$400 |
| | Inpatient hospital copays | \$0 | \$0 | \$0 |
| | Skilled nursing facility copays | \$0 | \$0 | 25% |
| Medicare Part B Services | Deductible | \$0 | \$226 | \$226 |
| | Plan coinsurance | \$0 | Copays | 25% |
| | Physician office visit copays | \$0 | \$20 | 25% |
| | Emergency room copays | \$0 | \$50 | 25% |
| Out of pocket maximum | | N/A | N/A | N/A |

Note: % coinsurance in the chart above reflects the percentage of the benefit that the plan participant is responsible for paying; the plan covers the remaining percentage up to the Medicare allowed amount.

Illustrative comparison of retiree costs (annual)

Sample enrollee – Medicfill compared to individual Medigap plans (2023)

10th Percentile

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

| | GHIP Medicfill | Medigap N | Medigap L |
|----------------------------------------|----------------------|----------------|----------------|
| <u>Sample Retiree Financials</u> | | | |
| Retiree Premium Contribution* | \$0-\$276 | \$1,275 | \$682 |
| Out-of-pocket costs | | | |
| Medical at 10 th percentile | \$0 | \$233 | \$230 |
| Rx at 10 th percentile** | \$198 | \$198 | \$198 |
| Total out-of-pocket cost | \$198 | \$431 | \$428 |
| Total Retiree Cost | \$198 - \$474 | \$1,706 | \$1,110 |

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); Medigap contributions assume retiree pays 15% of low plan premium (Plan L) and entire difference in premium between low and high option (Plan N)

** Assumes same prescription coverage as current Medicfill Employer Group Waiver Plan (EGWP) under all Medicare Supplement plan options; RHBAS can consider modeling leaner Rx plans for future retiree Medigap plans; Rx coverage must be at least as rich as Part D plan design

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

Illustrative comparison of retiree costs (annual)

Sample enrollee – Medicfill compared to individual Medigap plans (2023)

50th Percentile

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

| | GHIP Medicfill | Medigap N | Medigap L |
|----------------------------------------|----------------------|----------------|----------------|
| <u>Sample Retiree Financials</u> | | | |
| Retiree Premium Contribution* | \$0-\$276 | \$1,275 | \$682 |
| Out-of-pocket costs | | | |
| Medical at 50 th percentile | \$0 | \$277 | \$387 |
| Rx at 50 th percentile** | \$393 | \$393 | \$393 |
| Total out-of-pocket cost | \$393 | \$670 | \$780 |
| Total Retiree Cost | \$393 - \$669 | \$1,945 | \$1,462 |

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); Medigap contributions assume retiree pays 15% of low plan premium (Plan L) and entire difference in premium between low and high option (Plan N)

** Assumes same prescription coverage as current Medicfill Employer Group Waiver Plan (EGWP) under all Medicare Supplement plan options; RHBAS can consider modeling leaner Rx plans for future retiree Medigap plans; Rx coverage must be at least as rich as Part D plan design

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

Illustrative comparison of retiree costs (annual)

Sample enrollee – Medicfill compared to individual Medigap plans (2023)

90th Percentile

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

| | GHIP Medicfill | Medigap N | Medigap L |
|----------------------------------------|----------------------|----------------|----------------|
| <u>Sample Retiree Financials</u> | | | |
| Retiree Premium Contribution* | \$0-\$276 | \$1,275 | \$682 |
| Out-of-pocket costs | | | |
| Medical at 90 th percentile | \$0 | \$411 | \$1,574 |
| Rx at 90 th percentile** | \$521 | \$521 | \$521 |
| Total out-of-pocket cost | \$521 | \$932 | \$2,095 |
| Total Retiree Cost | \$521 - \$797 | \$2,207 | \$2,777 |

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

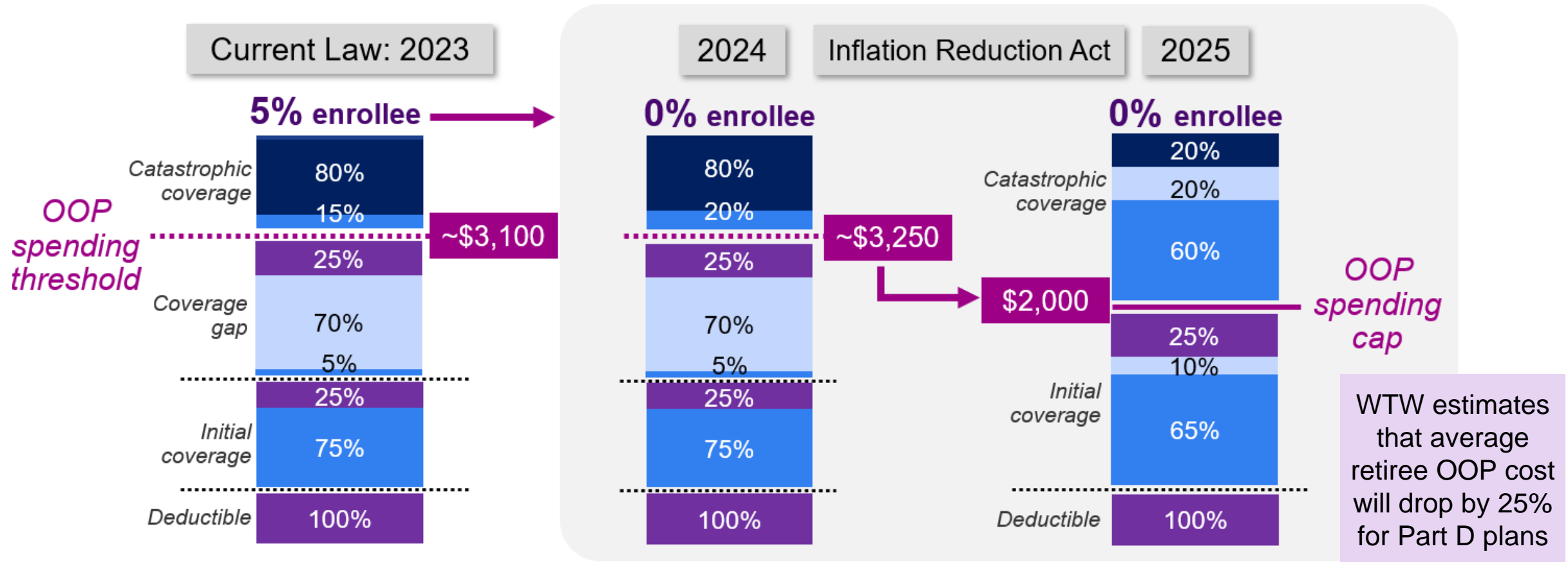
* Medicfill contribution assumes 100% state share. 65% of Medicfill retirees receive 100% state share and pay \$0 contribution (as of Feb. 2023); Medigap contributions assume retiree pays 15% of low plan premium (Plan L) and entire difference in premium between low and high option (Plan N)

** Assumes same prescription coverage as current Medicfill Employer Group Waiver Plan (EGWP) under all Medicare Supplement plan options; RHBAS can consider modeling leaner Rx plans for future retiree Medigap plans; Rx coverage must be at least as rich as Part D plan design

Sample Illustration Statistics: 90th percentile claims, 90th percentile geography, 90th percentile premium.

Part D Plan impact

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



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).