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Documents Submitted by the Public to the State Employee Benefits Committee: Retiree Healthcare Benefits Advisory Subcommittee

<u>FY25 Governor's Recommended Bond and Capital Improvement Budget Bill (HB 325), Escheat - Special Funds Section Language Which Authorizes the Transfer of Excess Funds to the OPEB Trust Fund (Prepared by Bob Clarkin, 4/16/24)</u>

Recommendation #7 to the Governor and Legislature on page 14 of the 12/31/23 RHBAS Report reads: "We advise that the state provide additional one-time contributions to the Other Post-Employment Benefits (OPEB) fund, when circumstances such as one-time revenues or surpluses permit, similar to section 16 Escheat – Special Funds of the FY22 Bond and Capital Improvement Act under SB 200".

During July/August 2023, $101M was deposited into the OPEB Trust Fund from excess revenue made available through Section 16 Escheat - Special Funds of the FY22 Bond and Capital Improvement Act (SB 200). As you are aware, this was the largest single deposit ever made to the OPEB Trust Fund. Significantly, it is equivalent to a total of 2 years of 1% carve out contributions — it is equivalent to a total of 8 years of .36% OEC contributions — it is equivalent to a total of 3.5 years of the .25% incremental increases to the OEC contributions recommended by the RHBAS. Continuing such deposits of excess Escheat - Special Funds whenever possible would significantly accelerate efforts to reach an 80% OPEB liability funded ratio.

The FY23 deposit of $101M into the OPEB Trust Fund was made available by the following language (in red) contained in Section 16 Escheat - Special Funds of the FY22 Bond and Capital Improvement Act under SB 200: "Amounts in the "Escheat-Special Fund" account on June 30, 2021, shall be allocated to a reserve fund for extraordinary escheat claims. **Any reserve fund balance deemed in excess of amounts necessary to satisfy such claims shall be transferred by the Secretary of Finance to the Other Post-Employment Benefits Fund as established by 29 Del. 19 C. §5281".**

The FY22 language was removed from the FY23 Bond Bill under HB 475, and replaced with the language in red, found in Section 16 Escheat - Special Funds as follows: "Any reserve fund balance deemed <u>by the Secretary of Finance to be</u> in excess of amounts necessary to satisfy such claims ~~shall be transferred by the Secretary of Finance to the Other Post-Employment Benefits Fund as established by 29 Del. C. § 5281~~ **shall be expended with the mutual concurrence of the Director of the Office of Management and Budget, the Secretary of Finance and the Co-Chairs of the Joint Committee on Capital Improvements for Construction Market Pressure and/or maritime terminal facility development pursuant to 13 29 Del. C., 87, Subchapter II".**

This new FY23 language was mirrored in the FY24 Bond Bill under SB 160, Section 12 Escheat - Special Funds.

Recommended Action: The FY22 language (**below in Green)** should be restored to the Escheat Section of the Proposed FY25 Bond Bill. The language in the FY23 Bond Bill that replaced the language in the FY22 Bond Bill should be removed from the Proposed FY25 Bond Bill.

FY25 Proposed Bond Bill - HB 325 - Introduced 1/25/24 - Pages 14-15

Section 18. Escheat – Special Funds. For Fiscal Year ~~2024~~ 2025, in which General Fund deposits equal the threshold established in 29 Del. C. § 6102(s) and the Fiscal Year ~~2024~~ 2025 Operating Budget Act, the Secretary of Finance shall transfer all additional receipts received to a holding account entitled "Escheat - Special Fund". The Joint Committee on Capital Improvements shall allocate these additional receipts as part of the Fiscal Year ~~2025~~ 2026 among the following funds: (a) The K-12 Construction Fund; (b) The Debt Reduction Fund; and (c) The Other Post-Employment Benefits Fund as established by 29 Del. C. § 5281. Amounts in the "Escheat-Special Fund" account on June 30, ~~2023~~ 2024 shall be allocated to a reserve fund for extraordinary escheat claims. Any reserve fund balance deemed by the Secretary of Finance to be in excess of amounts necessary to satisfy such claims shall be expended with the mutual concurrence of the Director of the Office of Management and Budget, the Secretary of Finance and the Co-Chairs of the Joint Committee on Capital Improvements for Construction Market Pressure, **the Other Post-Employment Benefits Fund as established by 29 Del. C. § 5281,** and/or maritime terminal facility development pursuant to 29 Del. C., 87, Subchapter II. **Amounts in the "Escheat-Special Fund" account on June 30, 2021 shall be allocated to a reserve fund for extraordinary escheat claims. Any reserve fund balance deemed in excess of amounts necessary to satisfy such claims shall be transferred by the Secretary of Finance to the Other Post-Employment Benefits Fund as established by 29 Del. 19 C. § 5281.**

Background Information — Historic Bond Bill Escheat Section Language, FY21 - FY24

FY21 Bond Bill - SB 242

Section 19. Escheat - Special Funds. For Fiscal Year ~~2020~~ 2021, in which General Fund deposits equal the threshold established in 29 Del. C. § 6102(s) and the Fiscal Year ~~2020~~ 2021 Operating Budget Act, the Secretary of Finance shall transfer all additional receipts received to a holding account entitled "Escheat - Special Fund". The Joint Legislative Committee on the Capital Improvement Program shall allocate these additional receipts as part of the Fiscal Year ~~2021~~ 2022 Joint Legislative Committee on the Capital Improvement Act among the following funds: The K-12 Construction Fund; The Debt Reduction Fund; and The Other Post-Employment Benefits Fund as established by 29 Del. C. § 5281.

FY22 Bond Bill - SB 200

Section 16. Escheat – Special Funds. For Fiscal Year ~~2021~~ 2022, in which General Fund deposits equal the threshold established in 29 Del. C. § 6102(s) and the Fiscal Year ~~2021~~ 2022 Operating Budget Act, the Secretary of Finance shall transfer all additional receipts received to a holding account entitled "Escheat - Special Fund". The ~~Joint Legislative Committee on the Capital Improvement Program~~ Joint Committee on Capital Improvements shall allocate these additional receipts as part of the Fiscal Year ~~2022~~ 2023 ~~Joint Legislative Committee on the Capital Improvement Act~~ Joint Committee on Capital Improvements among the following funds: (a) The K-12 Construction Fund; (b) The Debt Reduction Fund; and (c) The Other Post-Employment Benefits Fund as established by 29 Del. C. § 5281._ Amounts in the "Escheat-Special Fund" account on June 30, 2021 shall be allocated to a reserve fund for extraordinary escheat claims. **Any reserve fund balance deemed in excess of amounts necessary to satisfy such claims shall be transferred by the Secretary of Finance to the Other Post-Employment Benefits Fund as established by 29 Del. 19 C. § 5281.**

Please Note: The language in **red** was added to the Escheat - Special Funds section of the FY22 Bond Bill. This gave the Secretary of Finance the authority to transfer $101M in excess funds to the OPEB Trust Fund in 2023. This language did not exist in previous Bond Bills (see above FY21 Bond Bill).

FY23 Bond Bill - HB 475

Section 16. Escheat – Special Funds. For Fiscal Year ~~2022~~ 2023, in which General Fund deposits equal the threshold established in 29 Del. C. § 6102(s) and the Fiscal Year ~~2022~~ 2023 Operating Budget Act, the Secretary of Finance shall transfer all additional receipts received to a holding account entitled “Escheat - Special Fund”. The Joint Committee on Capital Improvements shall allocate these additional receipts as part of the Fiscal Year ~~2023~~ 2024 Joint Committee on Capital Improvements among the following funds: (a) The K-12 Construction Fund; (b) The Debt Reduction Fund; and (c) The Other Post-Employment Benefits Fund as established by 29 Del. C. § 5281. Amounts in the “Escheat-Special Fund” account on June 30, ~~2021~~ 2022 shall be allocated to a reserve fund for extraordinary escheat claims. Any reserve fund balance deemed by the Secretary of Finance to be in excess of amounts necessary to satisfy such claims **~~shall be transferred by the Secretary of Finance to the Other Post-Employment Benefits Fund as established by 29 Del. C. § 5281~~** shall be expended with the mutual concurrence of the Director of the Office of Management and Budget, the Secretary of Finance and the Co-Chairs of the Joint Committee on Capital Improvements for Construction Market Pressure and/or maritime terminal facility development pursuant to 13 29 Del. C., 87, Subchapter II.

Please Note: The language in the FY22 Bond Bill which gave the Secretary of Finance the authority to transfer excess funds to the OPEB Trust Fund was removed from the FY23 Bond Bill (see language in **red** above).

FY24 Bond Bill - SB 160

Section 12. Escheat – Special Funds. For Fiscal Year ~~2023~~ 2024, in which General Fund deposits equal the threshold established in 29 Del. C. § 6102(s) and the Fiscal Year ~~2023~~ 2024 Operating Budget Act, the Secretary of Finance shall transfer all additional receipts received to a holding account entitled “Escheat-Special Fund”. The Joint Committee on Capital Improvements shall allocate these additional receipts as part of the Fiscal Year ~~2024~~ 2025 ~~Joint Committee on Capital Improvements~~ among the following funds: (a) The K-12 Construction Fund; (b) The Debt Reduction Fund; and (c) The Other Post-Employment Benefits Fund as established by 29 Del.C.§5281. Amounts in the“Escheat-Special Fund” account on June30, ~~2022~~ 2023 shall be allocated to a reserve fund for extraordinary escheat claims. Any reserve fund balance deemed by the Secretary of Finance to be in excess of amounts necessary to satisfy such claims shall be expended with the mutual concurrence of the Director of the Office of Management and Budget, the Secretary of Finance and the Co-Chairs of the Joint Committee on Capital Improvements for Construction Market Pressure and/or maritime terminal facility development pursuant to 29 Del.C., 87, Subchapter II.

Please Note: The language in the FY22 Bond Bill which gave the Secretary of Finance the authority to transfer excess funds to the OPEB Trust Fund which was removed from the FY23 Bond Bill was not included in the FY24 Bond Bill.

THE SEBC'S SETTING OF MEDICARE RETIREE PREMIUMS DISCONNECTED FROM CLAIMS EXPERIENCE

APRIL 18, 2024

Presentation by:

Mary B. Graham

Robert J. Clarkin

Steven R. LePage

Karen E. Peterson

v. 2404272244

SUMMARY

SEBC voted to increase Medicare Retiree premiums by 27% for 2025

- **Total increase of 33% since 2023**. (5% increase 2024.)
- Premium in 2025 for Medicfill + Rx = $612!
- Added to min. $175 federal premium (2024), means at least $787/mo.

IS THIS TO BE EXPECTED GIVEN HEALTH CARE COSTS?

- **NO**. SEBC-set premium exceeds the actual costs to Delaware of Medicare retiree health care. Continues for ninth year the disconnected course taken for last 8 years. Stems from SEBC's lumping of all plans and groups together in one pot and not "rating" the experiences separately.

SO WHAT?

- **Terrible consequences** for individuals who actually pay all or a big portion of the premium. Not only a lot of money, but they may be stuck in the expensive State plan (because of "pre-existing conditions").
- **Putting the premium in perspective - Actives have had pay increase of 31% under Governor Carney. Pensioners have received only three small increases in 19 years (0-3% each time).** (A couple of small one-time bonuses $400 or $500.)
- **Affiliates may withdraw** from the plan**.**

PREMIUM INCREASES STATE HEALTH INSURANCE
Yearly % increases 2023-2025

	2017	2018	2019	2020	2021	2022	2023	2024	2025 SEBC approved	3-yr Effective % increase 2023-25
Active Eff. 7/1	7.68%	0	0	0	0	0	8.67%	9.4%	27.0%	50.9%
Pre-65 Eff. 7/1	7.68%	0	0	0	0	0	8.67%	9.4%	27.0%	50.9%
Medicare Eff. 1/1	7.68%	0	0	0	0	0	0	5.0%	27.0%	33.5%

Prepared MBG 24-04-14

PREMIUMS MEDICARE RETIREES*

PLAN	2022	2023	2024	2025
Medicfill	$260.44	$260.44	$273.46	$347.20
Rx	$198.94	$198.94	$208.88	$265.20
Med + Rx	$459.38	$459.38	$482.34	$612.40

CONTRIBUTORS BY % SHARE MEDICFILL PREMIUMS (w/ or w/o Rx)

2023 WTW Data**

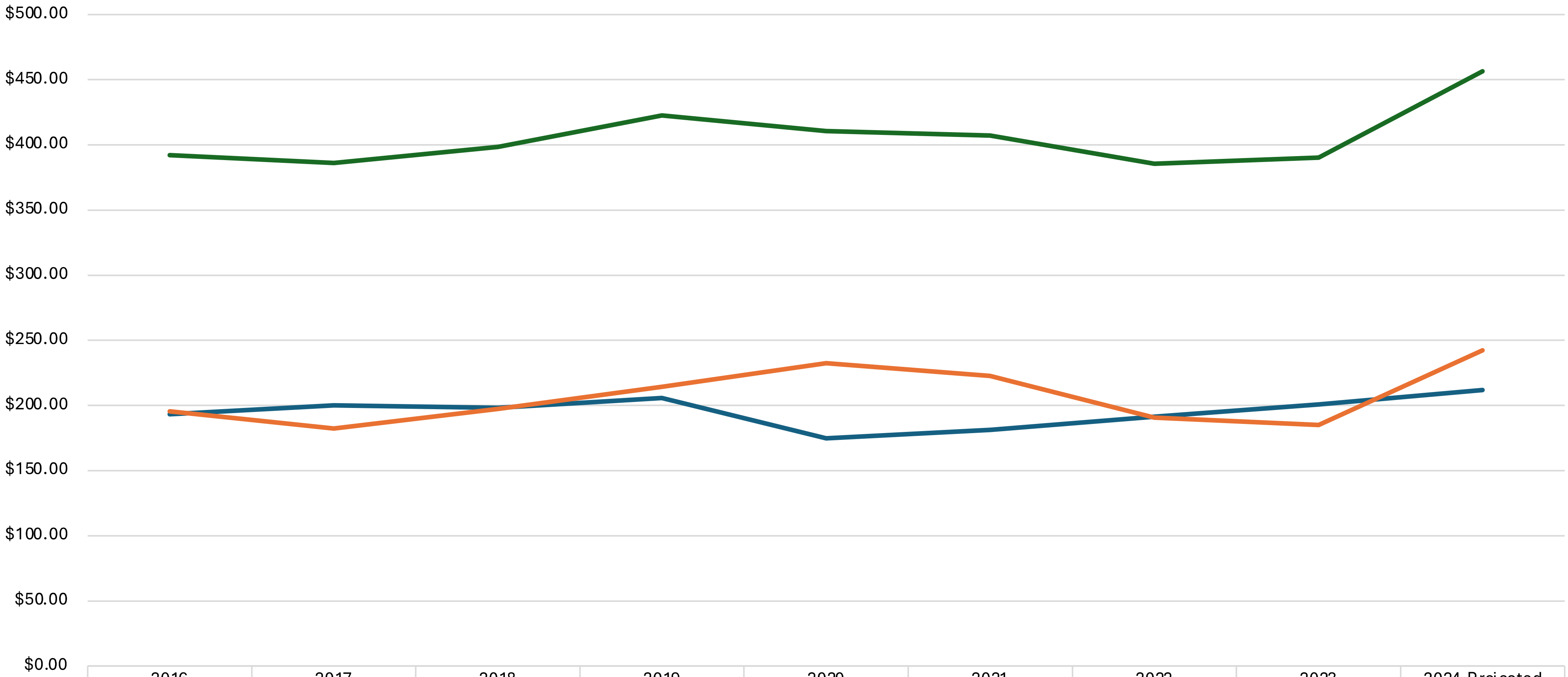
Medicare Rets. premium share	**25%**	**50%**	**100%**	**TOTAL paying 25% or more**
Medicfill w/Rx	1346	690	118	2154
Medicfill w/o Rx	43	54	37	134
Total Medicfill (State)	1389	744	155	2,288
Affiliate Retirees	?	?	Fire comps.? Municipalities?	?

* Source: SEBC meetings

** Source: WTW 23-03-31 RHBAS presentation (p. 8) (double state share number of 331 omitted). Apparently does not include some affiliates given data set includes only 24,556 Medicare Retirees whereas full number of members was approx. 29,000 (see WTW FY23 Q2 financial report Feb 2023 to SEBC).

Medicare Retiree Costs Over Time – next 3 slides give back up

Retiree Costs Breakdown Over Time (2016 thru 2024-Projected)



	2016	2017	2018	2019	2020	2021	2022	2023	2024-Projected
Medical Costs Per Retiree	$193.25	$200.25	$198.04	$205.55	$174.80	$181.15	$191.29	$200.94	$211.85
RX Costs Per Retiree	$195.65	$182.31	$197.47	$214.23	$232.53	$222.55	$190.65	$185.04	$242.30
Total Costs Per Retiree	$392.07	$385.95	$398.56	$422.68	$410.73	$407.20	$385.50	$390.08	$456.51

Medical Costs Per Retiree   RX Costs Per Retiree   Total Costs Per Retiree

Medicare Retiree Surplus Over Time

MEDICARE RETIREES (MEDICAL CLAIMS COST TO DELAWARE HEALTH FUND*)										If Applied Today
MEDICAL	2016	2017	2018	2019	2020	2021	2022	2023	2024-WTW Projected	27% Rate Increase Applied to 2024 Projected
Medical Costs for Medicare Retirees	$56,305,512	$60,511,368	$61,758,352	$65,879,694	$57,529,818	$60,949,455	$65,909,026	$70,716,456	$75,731,720	$75,731,720
# of Retirees	24,280	25,182	25,987	26,709	27,426	28,038	28,713	29,327	29,790	29,790
Medical Costs per Medicare Retiree	$193.25	$200.25	$198.04	$205.55	$174.80	$181.15	$191.29	$200.94	$211.85	$211.85
Medical Premium per Medicare Retiree	$241.86	$260.44	$260.44	$260.44	$260.44	$260.44	$260.44	$260.44	$273.46	$347.20
Over/Under Medical Payment per Medicare Retiree	**$48.61**	**$60.19**	**$62.40**	**$54.89**	**$85.64**	**$79.29**	**$69.15**	**$59.50**	**$61.61**	**$135.35**

*** - Includes Administrative Fees and after Medicare Pays**

Medicare Retiree Surplus Over Time

MEDICARE RETIREES (Rx CLAIMS COST TO DELAWARE HEALTH FUND*)										If Applied Today
PRESCRIPTION	2016	2017	2018	2019	2020	2021	2022	2023	2024-WTW Projected	27% Rate Increase Applied to 2024 Projected
Rx Costs for Medicare Retirees	$57,005,136	$55,090,895	$61,580,115	$68,663,309	$76,529,731	$74,876,940	$65,690,250	$65,119,313	$86,616,058	$86,616,058
# of Retirees	24,280	25,182	25,987	26,709	27,426	28,038	28,713	29,327	29,790	29,790
Rx Costs per Medicare Retiree	$195.65	$182.31	$197.47	$214.23	$232.53	$222.55	$190.65	$185.04	$242.30	$242.30
Rx Premium per Medicare Retiree	$184.74	$198.94	$198.94	$198.94	$198.94	$198.94	$198.94	$198.94	$208.88	$265.20
Over/Under Rx Payment per Medicare Retiree	**($10.91)**	**$16.63**	**$1.47**	**($15.29)**	**($33.59)**	**($23.61)**	**$8.29**	**$13.90**	**($33.42)**	**$22.90**

*** - Includes Administrative Fees and after Medicare Pays**

Medicare Retiree Surplus Over Time

MEDICARE RETIREES (Rx CLAIMS COST TO DELAWARE HEALTH FUND*)										If Applied Today
COMBINED TOTAL	2016	2017	2018	2019	2020	2021	2022	2023	2024-WTW Projected	27% Rate Increase Applied to 2024 Projected
Costs for Medicare Retirees	$114,233,854	$116,629,368	$124,287,638	$135,472,376	$135,177,441	$137,004,882	$132,827,306	$137,280,196	$163,193,987	$163,193,987
# of Retirees	24,280	25,182	25,987	26,709	27,426	28,038	28,713	29,327	29,790	29,790
Costs per Medicare Retiree	$392.07	$385.95	$398.56	$422.68	$410.73	$407.20	$385.50	$390.08	$456.51	$456.51
Premium per Medicare Retiree	$426.60	$459.38	$459.38	$459.38	$459.38	$459.38	$459.38	$459.38	$482.34	$612.40
Over/Under Payment per Medicare Retiree	**$34.53**	**$73.43**	**$60.82**	**$36.70**	**$48.65**	**$52.18**	**$73.88**	**$69.30**	**$25.83**	**$155.89**

*** - Includes Administrative Fees and after Medicare Pays**

GIVEN THE POOLING APPROACH – ASK WHICH GROUPS/PLANS HAVE HAD DEFICITS OR SURPLUSES

(WTW "PAID BASIS" DATA)

As shown in next slide:

Since 2016, Medicare Retirees have run a surplus every year.

Non-Medicare retirees have run a deficit.

Actives ran surpluses and then in 2021 have consistently run deficits.

Note, in data we could provide, Non-Medicare Retiree costs per member have been relatively flat, while Active Employees have had significant increases per member in medical costs in the last four years.

GROUP SURPLUS/DEFICIT COMPARISON 2016-2024
MEDICAL + Rx + OPERATIONAL

BY GROUP	2016	2017	2018	2019	2020	2021	2022	2023	2024-Q2	Total	Average
ACTIVE	$51,196,112	$63,875,770	$61,460,873	$35,393,126	$52,049,980	($26,601,349)	($48,518,211)	($51,064,181)	($13,664,888)	$124,127,232	$17,224,015
NON-MEDICARE	($32,801,331)	($28,237,351)	($29,400,262)	($32,207,916)	($37,755,220)	($41,199,192)	($29,780,217)	($37,485,145)	($15,522,502)	($284,389,136)	($33,608,329)
MEDICARE	$4,142,327	$12,698,986	$19,443,916	$11,960,269	$16,224,597	$17,782,070	$25,692,641	$24,639,494	$2,609,659	$135,193,959	$16,573,038
TOTAL	$22,537,108	$48,337,405	$51,504,527	$15,145,479	$30,519,357	($50,018,471)	($52,605,787)	($63,909,832)	($26,577,731)	($25,067,945)	$188,723

SOURCE – WTW Financial Reporting reports to SEBC

WTW SLIDES WOULD REVIVE NOTION THAT MEDICARE RETIREES HAVE BEEN SUBSIDIZED BY THE TWO OTHER GROUPS

January 29, 2024 WTW presentation to SEBC (p. 25) (reproduced next slide) addressing what allegedly happens if the three groups are "rated" separately:

> "**Active employee/non-Medicare retirees have been subsidizing the delayed effective dates of Medicare rate increases – i.e., Medicare rate changes go into effect on January 1st, half-way through the fiscal year.**"

Contradicts WTW (Chris Giovanello) on 2/28/22 (p. 8 "Outstanding Decisions"):

- "**If moving from Medicfill to Group MA**, Medicare rates will reset to the fully-insured rate (with or without Rx), and **will reduce overall subsidy [from Medicare Retirees] for active and pre-65 rates**"
- In other words, premiums of Medicare Retirees from Medicfill gave subsidy to other groups which would be lost in going to Medicare Advantage when the premiums would go to zero.

- WTW's 1/29/24 statement might not take into account how pay-go works. The bulk of actual revenue to the GHIP comes from pay-go which starts on July 1 (presumably set as blended rate?). So actually, if the time lag had meaning for "subsidizing," the Medicare Retirees would be "subsidizing" during the first six months. Not the other way around.

WTW PRAIRIE DOG SLIDE

SEBC presentation 1/29/24 re "SUBSIDIZING" (page 25)

Overview

- The SEBC has been asked to consider the impact of rating the three populations separately, but such a change is not a simplistic solution
  - Medicare premium rate increases have not kept up with necessary rate increases – 0% increase for FY23 and 5% for FY24 compared to the needed 8.6% and 9.4%
  - While EGWP revenues have been utilized across the aggregate population, so have Commercial rebates, which only apply to the non-Medicare population
    - Total Revenues into the GHIP from the EGWP and Rebates total about $217 million, with $87 million due to the Non-Medicare populations
  - EGWP cost trends have been much higher and make up the greater portion of Medicare retiree costs
    - Rx claims are nearly 75% of the gross claims spend for the Medicare population
    - Pharmacy trends are assumed to be 9%. Actual EGWP trend YTD FY24 is approximately 13%.
  - **Active employee/non-Medicare retirees have been subsidizing the delayed effective dates of Medicare rate increases – i.e., Medicare rate changes go into effect on January 1st, half-way through the fiscal year**

- As the following slide illustrates, the impact of rating the three groups separately:
  - Premium rates for Active employees would increase 22%, rather than 27%
  - Premium rates for Pre-Medicare retirees would increase 58%, rather than 27%
  - Premium rates for Medicare retirees would increase by 39% for those with both Medicfill+Rx (approximately 29,000 members) and 5% for those with Medicfill only (approximately 1,300 members)

FY25 Rates – Separate Rates by Group

	FY 2024 - Current			FY25 Actives Stand-alone					FY25 Retirees Stand-alone				
	Rate	Employee Contribution	State Subsidy	Rate	Increase	Employee Contribution	Employee Impact	State Subsidy	Rate	Increase	Employee Contribution	Retiree Impact	State Subsidy
First State Basic													
Employee	$826.68	$33.06	$793.62	$1,006.23	22%	$40.24	$7.18	$965.99	$1,306.52	58%	$52.25	$19.19	$1,254.27
Employee + Spouse	$1,710.38	$68.42	$1,641.96	$2,081.87	22%	$83.28	$14.86	$1,998.59	$2,703.16	58%	$108.13	$39.71	$2,595.03
Employee + Child	$1,256.64	$50.26	$1,206.38	$1,529.58	22%	$61.18	$10.92	$1,468.41	$1,986.05	58%	$79.43	$29.17	$1,906.62
Family	$2,138.06	$85.54	$2,052.52	$2,602.45	22%	$104.12	$18.58	$2,498.33	$3,379.09	58%	$135.19	$49.65	$3,243.89
CDH Gold													
Employee	$855.60	$42.78	$812.82	$1,041.44	22%	$52.07	$9.29	$989.36	$1,352.23	58%	$67.61	$24.83	$1,284.62
Employee + Spouse	$1,774.04	$88.70	$1,685.34	$2,159.36	22%	$107.97	$19.27	$2,051.40	$2,803.77	58%	$140.19	$51.49	$2,663.59
Employee + Child	$1,307.22	$65.36	$1,241.86	$1,591.15	22%	$79.56	$14.20	$1,511.59	$2,065.99	58%	$103.30	$37.94	$1,962.69
Family	$2,253.76	$112.68	$2,141.08	$2,743.28	22%	$137.15	$24.47	$2,606.12	$3,561.94	58%	$178.08	$65.40	$3,383.86
Aetna HMO													
Employee	$863.04	$56.10	$806.94	$1,050.49	22%	$68.28	$12.18	$982.21	$1,363.99	58%	$88.66	$32.56	$1,275.32
Employee + Spouse	$1,819.64	$118.28	$1,701.36	$2,214.87	22%	$143.97	$25.69	$2,070.90	$2,875.84	58%	$186.94	$68.66	$2,688.91
Employee + Child	$1,320.24	$85.82	$1,234.42	$1,607.00	22%	$104.46	$18.64	$1,502.54	$2,086.57	58%	$135.63	$49.81	$1,950.93
Family	$2,270.50	$147.58	$2,122.92	$2,763.65	22%	$179.63	$32.05	$2,584.02	$3,588.40	58%	$233.24	$85.66	$3,355.16
Comprehensive PPO													
Employee	$943.78	$125.04	$818.74	$1,148.77	22%	$152.20	$27.16	$996.57	$1,491.59	58%	$197.62	$72.58	$1,293.97
Employee + Spouse	$1,958.44	$259.50	$1,698.94	$2,383.81	22%	$315.86	$56.36	$2,067.95	$3,095.21	58%	$410.13	$150.63	$2,685.08
Employee + Child	$1,454.52	$192.72	$1,261.80	$1,770.44	22%	$234.58	$41.86	$1,535.86	$2,298.79	58%	$304.58	$111.86	$1,994.21
Family	$2,448.32	$324.40	$2,123.92	$2,980.10	22%	$394.86	$70.46	$2,585.24	$3,869.43	58%	$512.70	$188.30	$3,356.74
Medicfill													
Medical Only	$273.46	$13.67	$259.79						$288.14	5%	$14.41	$0.73	$273.73
Medical + Rx	$482.34	$24.12	$458.22						$671.20	39%	$33.56	$9.44	$637.64

Key Assumptions:

- Based on actual FY24 claims data and revenue (e.g., rebates), by rating group through December, forecasted for balance of the year
- FY25 Medical trend of 6% for non-Medicare, 3% for Medicfill and 9% for Pharmacy
- Projected FY25 Fund Expenses of $50.7M converted to a "per contract" basis and applied to all groups evenly
- Desired year-end FY25 cash margin of $29.1M equal to 2% of FY26 projected claims
- Recoupment of $38.4M FY24 cash deficit spread evenly across the rating groups as a percent of claims
- Timing lag in premium revenues based on each population's explicit premium needs to cover expected costs

WTW'S CALCULATION OF "IMPACT" OF RATING THREE GROUPS SEPARATELY

WTW's p. 25 says that, if WTW "rated" the three groups separately, Medicare Retirees would actually have had a 39% increase in premiums instead of 27%. **How did it reach this conclusion?**

- *First*, WTW does not give a clear formula for what it did, so hard to get clear understanding.
- *Second*, WTW appears to stack the deck against Medicare Retirees by how it spreads certain costs and revenues before it then pulls the groups back apart. Hard to see how this would give a truly separate rating by group. See next slide for more specifics.

HOW WTW CALCULATES SEPARATE RATES BY GROUPS & HOW WTW NOW CLAIMS OTHER GROUPS SUBSIDIZE MEDICARE RETIREES (Pages 25-26 1/29/24 SEBC presentation)

WTW pools everything together in one big pot, including (apparently) deficits of Actives and Non-Medicare Retirees and revenues from Rx savings and rebates.

- Asks Medicare Retirees to contribute to fixing the other groups' deficits. But Medicare Retirees have already reduced the deficit of those groups for the last 8 years. Why is this appropriate?
- WTW puts Medicare Retirees' "EGWP's revenues" (savings? Rebates?) into the pool, saying it's okay because WTW also pooled commercial rebates of the other groups (p. 25). But EGWP, which is large, is only for Medicare Retirees so this calculation may be working to disadvantage Medicare Retirees (see p. 25 re distribution and amounts of EGWP and "commercial rebates").
- WTW states on p. 25: "Total Revenues into the GHIP from the EGWP and Rebates total about $217 million, with $87 million due to the Non-Medicare populations." So $130 M by this account should be attributed to Medicare Retirees. Was this done in the "impact" analysis rating the groups separately?

QUESTIONS FOR WTW AND THE STATE

1. Can you explain in detail how you calculated "the impact of rating the three groups separately," e.g. 39% for Medicfill + Rx and 5% for Medicfill only (p. 25 1/29/24 SEBC presentation)? Please include:

(a) Your calculation for how you spread the EGWP and "commercial" rebates across all groups, and an explanation of what those categories include and why that was appropriate. Please make clear what is the difference in your calculation between EGWP savings and EGWP rebates, and explain whether, on WTW's financial reports, the amounts for "Paid Claims" for Rx reflect actual amounts of money paid out or whether the actual amounts paid were reduced before payment by the "EGWP savings";

(b) Please explain why on p. 25 WTW addresses Rx claims in terms of "gross claims spend." If you were to say "Rx claims are nearly X% of the **net** claims spend for the Medicare population" (net of EGWP savings and rebates), what would X be?

(b) WTW states that: "Total Revenues into the GHIP from the EGWP and Rebates total about $217 million, with $87 million due to the Non-Medicare populations." Please explain how you calculated this, state whether EGWP revenues were treated as part of the total revenues into the GHIP, and state whether you credited Medicare Retirees with $130 million in your "impact" assessment on p. 26;

(d) Please explain whether you believe, and if so why, it is appropriate to ask Medicare Retiree premiums to help recoup the cash deficit of $38.4 M FY24 (see p. 26) when Medicare Retirees have since 2016 been running a surplus that was apparently used each year to reduce the deficits of the other two groups.

(e) WTW (p. 26) states, for its impact analysis, "Projected FY25 Fund Expenses of $50.7M converted to a 'per contract' basis and applied to all groups evenly." What exactly are those "Fund Expenses" and can you explain how you applied this "to all groups evenly" (and why this approach is appropriate)?

(f) How you spread the FY 25 "cash margin" across the groups (p. 26).

…QUESTIONS FOR WTW AND THE STATE

(g) How you determined and calculated the "timing lag in premium revenues based on each population's explicit premium needs to cover expected costs" and why you believe your determination and calculation were appropriate.

(h) WTW (p. 26) states "Projected FY25 Fund Expenses of $50.7M converted to a 'per contract' basis and applied to all groups evenly." What are those Fund Expenses and can you explain how you did the calculation to apply this to all groups evenly (and why this approach is appropriate)?

2. WTW states (p. 25) that "**Active employee/non-Medicare retirees have been subsidizing the delayed effective dates of Medicare rate increases – i.e., Medicare rate changes go into effect on January 1st, half-way through the fiscal year**":

(a) Can you explain what is meant and give the mathematical calculation for it?

(b) Has WTW considered that (much of) the revenues to the GHIP are set by the pay-go rate, which goes into effect on July 1 and apparently does not change on January 1? Do you know if this is a blended rate? If so, doesn't that impact whether there is an alleged "subsidization" because of a time "lag" in the increase of premiums for Medicare Retirees to January 1? In fact, if pay-go is a blended rate beginning on July 1 (i.e. six months before Medicare Retiree premiums increase) wouldn't that mean that, if anyone, Medicare Retirees are subsidizing the others in the first six months by pulling in extra revenues (i.e. 7/1 – 12/31)? Please explain your answer.

(c) Do you agree that, based on an analysis of net costs of Medical and Rx versus premiums, Medicare Retirees have been running a surplus since 2016 for Medicfill + Rx premiums?

…QUESTIONS FOR WTW AND THE STATE

3. What would be your "FY25-Separate Rates by Group" (*cf.* p. 26) if you were to re-perform that rating with:

- Not pooling items across all or other groups that can properly be identified as associated with a particular group (e.g. EGWP savings and rebates)
- Not having Medicare Retirees contribute to the "recoupment of $38.4M cash deficit" caused by the other two groups.
- Making sure that the FY25 Fund Expenses are "applied to all groups evenly" only if, and in a way, that is the fairest way to deal with those expenses.
- Not adjusting for "timing lag" at least if the pay-go rate is a blended rate

4. What accounts for the large increase in projected Rx costs for Medicare Retirees? Does it relate to Ozempic and similar drugs? Do you have an understanding as to why this increase is apparently unique to Medicare Retirees?

CONCLUSION

THERE IS EXPERIENCE THAT CAN BE DRAWN ON TO GO A LONG WAY TO FIXING THE PROBLEM OF PREMIUMS (with or without a pooled approach).

In Montana, as NPR described it, Marilyn Bartlett "pitched a bold strategy,

Step 1: Tell the state's hospitals what the plan would pay. Take it or leave it.

Step 2. Demand a full accounting from the company managing drug costs. If it won't reveal any side deals it had with drugmakers, replace it."

We hope the RHBAS will take a serious look at what she did.