

Council Agenda Report

Date: March 13, 2017
Prepared by: Ginger Heatwole
Submitted by: Sandra Tripp Jones
SUBJECT: Health Care for Retirees

Recommendation: That Council A) transfer Medicare Eligible Retirees to a Medicare Supplement Part F plan with AARP which will be paid for by the City B) transfer Medicare Eligible Retirees to a Medicare Supplement Part D plan which will be paid for by the retiree and C) discontinue the premium required by retirees over 65

Discussion:

Retirees over 65- history

Medicare is provided to Americans over 65. Historically, Medicare would cover all hospital coverage except a \$1,316 deductible and coinsurance amounts (Part A) and nonhospital services except a \$166 deductible and 20% of covered charges (Part B). The City's insurance provides a supplement to this coverage as well covers the prescription coverage for Medicare Eligible Retirees. However, with the improved supplemental health insurance (Part F) and affordable prescription coverage (Part D), the availability of health care outside of our plan is easily obtainable and affordable.

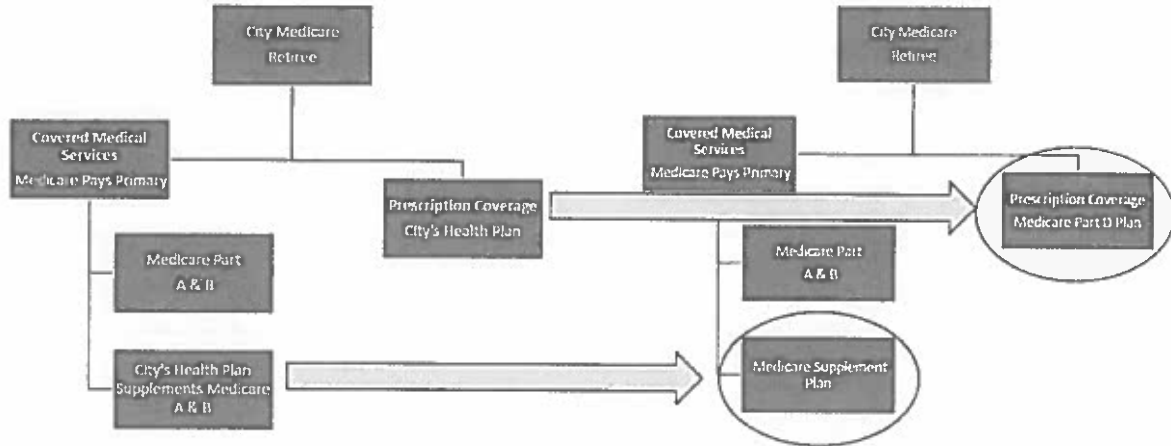
Looking at the past 3 years, Medicare Eligible Retirees health insurance has cost \$103,000 for FY2015, \$68,000 for FY2016 and \$40,000 so far this fiscal year for an average of \$80,000 a year. Of this costs, 25% is prescription costs which are rising around 8-10% per year.

New Plan

As the City looks to control costs, staff and McWilliams Financial Group are proposing a plan that models a policy similar to that Dorchester County adopted for the 2017 fiscal year effective January 1, 2017. The City will take Medicare Eligible Retirees off our plan and put them on the AARP supplement which the City would pay for. The retiree would obtain Supplemental Part D prescription insurance at their own costs. They would no longer pay a premium to the City. Retiree spouses would obtain their own plan. This plan is shown in the picture below.

Current Coverage

Proposed Change



Costs Savings to the City

On average, the AARP supplement would cost on average \$140-\$220/month (with little price increases projected.) Currently we have approximately 20 retirees, and we project a minimum average savings of \$30,000.

Retirees	20 people
Times average monthly costs	\$220
Times 12 months	12
<u>Total costs</u>	<u>\$50,000</u>
<u>Average current costs</u>	<u>\$80,000</u>
<u>Average savings</u>	<u>\$30,000</u>

An additional benefit would include taking the retirees out of our risk pool.

Cost Savings to the Retiree

The employee will no longer pay a premium. They will pay 100% of the Medicare Part D directly to a vendor. The average Part D costs \$33/month. The savings to a retiree will be around \$564 a year.

Current costs	\$80/mo.	\$960/yr.
New average costs	\$33/mo.	\$396/yr.
Average savings	<u>\$47/mo.</u>	<u>\$564/yr.</u>

A significant additional benefit is that the retiree will no longer have an annual prescription cap of \$2,500 which they have on the current City plan. This will directly effect at least two retirees currently on our plan.

Potential Cons to the New Policy

Overall the Supplement Plan F is comparable to the City's current retiree coverage. However, Co-Pays for prescriptions can vary between Medicare Part D plans and may not exactly match the City's current retiree prescription plan copays. Some plans will cost the retiree a little less in premiums; some a little more. Even if there is a small increase overall in premiums, overall they would still save money because of the savings from not paying a premium. In some cases, premiums will decrease.

Savings for Retiree Spouses

Spouses over 65 will be removed from our insurance. This would affect three spouses on the plan now. However mathematically, being on the City plan costs the spouse more than if they got their own coverage through AARP or other vendors.

Spouse premium with city	\$312/mo.	\$3,744/yr.
New average costs of supplemental Part D and Part F costs	\$210/mo.	\$2,520/yr.
Average savings	\$102/mo.	\$1,224/yr.

Putting it into place

We are proposing this go into effect on July 1st. McWilliams Financial Group and Oden Wheeler will meet with retirees to explain the process. McWilliams Financial Group, doctors, and pharmacists will work with the retirees to help them choose the best Supplement D plan. Starting July 1st, retirees will be removed from our plan and transferred to AARP's Supplement Part F and the City will pay this bill. AARP is an ideal vendor because they do list billing and will send the City one bill.

Fiscal Impact: The City will save \$30,000 on average each year without considering the rising costs of prescription costs. A retiree will save approximately \$564/year plus no longer have a prescription costs cap. A retiree and spouse together will save approximately \$1,788/year plus no longer have a prescription costs cap.

Approved: 