



SERS Health Care Sustainability

November 2022

Objectives



- Review Health Care Financial Condition
- Review Medicare Plan sustainability
- Review non-Medicare group plan sustainability
- Review Marketplace Wraparound HRA as compared to group plan
- Discuss sustainability options to redirect enrollment to the Marketplace Wraparound HRA

Current Health Care Financial Conditions



	FY2009	FY2020	FY2021	Draft FY2022
Health Care Expenses	\$218 M	\$138 M	\$131 M	\$129 M
Health Care Income	\$274 M	\$146 M	\$138 M	\$151 M
Investment Returns*	\$(59 M)	\$11 M	\$112 M	\$(11 M)
Closing Fund Value	\$376 M	\$483 M	\$600 M	\$611 M
Funded Years**	5 years	34 years	37 years	38 years

*Investment returns are not smoothed for the Health Care Fund

**2008 Board-adopted funding goal is 20 years

SERS Medicare Plan



- Covers 36,592 enrollees (July 2022)
- Remains funded indefinitely
- 2019 to 2021 Aetna Medicare Advantage + Part D net cost was \approx \$1 per member per month
- Sources of income in plan year 2021:

Premiums	\$45 M
Rx Rebates	\$27 M
Federal Revenues	\$95 M

- Improved Aetna and Express Scripts contracts starting 2023
- Risks to Medicare plan stability are external
 - Medicare Advantage and Part D revenue streams
 - Pharmacy cost inflation

SERS Non-Medicare Plan



- Covers 3,398 enrollees (July 2022)
- 84% of disability enrollees under 65 are in this plan
- Per Member Per Year (PMPY) expenses continue to grow

Service Retiree Net Spend	\$11,766
Disability Beneficiary Net Spend	\$25,628
Total Net Spend	\$44.9 million

- Average age of new pre-65 service retirees selecting the plan is increasing, meaning they spend less time in the plan before reaching Medicare age

January 2018	58.8
July 2022	60.4

- Spouses and dependents were a small financial gain to the plan in 2021, which is typical for the group

- Source of income:

SERS	\$44.9 M
Premiums	\$17.8 M
Rx Rebates	\$3.5 M

Marketplace Wraparound HRA



- Enrollment has leveled-off, at about 10% of non-Medicare enrollment.
- 14% of disability enrollees under 65 are enrolled in this plan.
- The American Rescue Plan Act enhanced federal subsidies in April 2021, and the Inflation Reduction Act extends these through 2025.
 - Federal subsidy for individuals up to \$120,000 annual income
- SERS Wraparound HRA reimburses for out-of-pocket Marketplace expenses.
 - Federal subsidies also reduce some OOP expenses for low-income Marketplace enrollees.
 - The maximum annual reimbursement is increasing to \$1,950 from \$1,800 for 2023.
- Marketplace Wraparound HRA is the best financial option for many members, but they select our group plan because of the substantial SERS premium reduction for YOS and resemblance to employer model.
- For 2024, SERS staff will recommend allowing any eligible expense up to the annual cap.

Marketplace Plans



Sally, a 60-year-old retired bus driver with 30 years of service and an annual household income of \$30,000.

	SERS Group Plan	Anthem Bronze Plan	Anthem Silver Plan	Oscar Gold Plan
Full Premium	\$1,524	\$711	\$877	\$1,036
Premium Subsidy	-\$1,191	-\$711	-\$801	-\$801
Net Premium	\$333	\$0	\$76	\$234
Out-of-Pocket Expenses	\$1,850	\$3,520	\$2,642	\$1,333
SERS HRA	N/A	-\$1,950	-\$1,950	-\$1,333
Net Out-of-Pocket Expenses	\$1,850	\$1,570	\$692	\$0
Total Annual Expenses for Member	\$5,846	\$1,570	\$1,605	\$2,802
Total Annual Expenses for SERS	\$12,000	\$1,950	\$1,950	\$1,333



Marketplace Plans



Sally, a 60-year-old retired bus driver with 30 years of service, and her 60-year-old husband, Tim, with an annual household income of \$60,000.

	SERS Group Plan	Anthem Bronze Plan	Anthem Silver Plan	Oscar Gold Plan
Full Premium	\$2,751	\$1,423	\$1,733	\$2,096
Premium Subsidy	-\$1,429	-\$1,409	-\$1,409	-\$1,409
Net Premium	\$1,322	\$14	\$324	\$660
Out-of-Pocket Expenses	\$3,700	\$7,040	\$5,249	\$2,666
SERS HRA	N/A	-\$1,950	-\$1,950	-\$1,950
Net Out-of-Pocket Expenses	\$3,700	\$5,090	\$3,299	\$716
Total Annual Expenses for Member	\$18,496	\$5,255	\$7,190	\$8,696
Total Annual Expenses for SERS	\$12,000	\$1,950	\$1,950	\$1,950



Marketplace Plans



Aaron, a 60-year-old disability beneficiary with 20 years of service and an annual household income of \$30,000.

	SERS Group Plan	Anthem Bronze Plan	Anthem Silver Plan	Oscar Gold Plan
Full Premium	\$1,524	\$711	\$877	\$1,036
Premium Subsidy	-\$998	-\$711	-\$801	-\$801
Net Premium	\$333	\$0	\$76	\$234
Out-of-Pocket Expenses	\$1,850	\$7,450	\$7,563	\$5,500
SERS HRA	N/A	-\$1,950	-\$1,950	-\$1,950
Net Out-of-Pocket Expenses	\$6,000	\$5,500	\$5,613	\$3,550
Total Annual Expenses for Member	\$9,576	\$5,500	\$5,613	\$6,352
Total Annual Expenses for SERS	\$26,000	\$1,950	\$1,950	\$1,950



SERS Years of Service Subsidy*



Years of Service	<u>Service Retirees</u>		<u>Disability Beneficiaries</u>	
	Member Share	SERS Contribution	Member Share	SERS Contribution
5 to 9.9	N/A	N/A	50%	50%
10 to 19.9	100%	0%	33%	67%
20 to 24.9	50%	50%	33%	67%
25 to 29.9	30%	70%	17.5%	82.5%
30 to 34.9	20%	80%	17.5%	82.5%
35+	15%	85%	17.5%	82.5%

*Board approved subsidy structure effective 2008

Potential Increases: Subsidized Premiums for 20+ YOS



Years of Service	Current Premium Service / Disability		30% Lowest Premium Service / Disability		40% Lowest Premium Service / Disability		50% Lowest Premium Service / Disability	
5 to 9.9	N/A	50%	N/A	50%	N/A	50%	N/A	50%
10 to 19.9	100%	33%	100%	33%	100%	40%	100%	50%
20 to 24.9	50%	33%	50%	33%	50%	40%	50%	50%
25 to 29.9	30%	17.5%	30%	30%	40%	40%	50%	50%
30 to 34.9	20%	17.5%	30%	30%	40%	40%	50%	50%
35+	15%	17.5%	30%	30%	40%	40%	50%	50%
Members Impacted	3,042 Current Members		2,274		2,944		2,944	
Lowest Premium	\$333 (most common)		\$482		\$631		\$780	
Increased Premiums	N/A		\$2.7 M		\$3.5 M		\$5.5 M	
Reduced Claims	N/A		\$6.8 M		\$13.2 M		\$15.9 M	
Estimated Impact	\$45 M Current Cost		\$9.5 M		\$16.7 M		\$21.4 M	

Make Disability and Service Premiums the Same

(Impacts 419 members)



- Disability beneficiaries currently pay lower premiums based on YOS
 - Most disability beneficiaries pay \$296
 - If we made premiums the same as service retirees, most disability beneficiaries would pay \$482

Estimated Impact

- \$72,000 increase in collected premiums
- 108 Disability members likely pick the Marketplace Wraparound HRA or another option, reducing claims expenses by \$3.1 million

Estimated Total Annual Sustainability Impact: \$3.2 million

Mandatory Marketplace Consultation



- Marketplace Wraparound HRA enrollees currently work with HealthSCOPE Benefit's Certified Application Counselors to select a plan
- SERS could require members who want to enroll in the SERS group plan to first engage with the HealthSCOPE counselors to see what Marketplace options are available in their region and cost savings
- Would require an administrative rule change
- Out-of-state members and Medicare-split families would be exempted
- \$1 M annual impact for every 10% reduction in new uptake, additive over time

Sustainability Impact Review



1	Increase member premiums (lowest to 30% / 40% / 50%)	\$10 M to \$20 M
2	Make disability and service premiums the same	\$3 M
3	Mandatory Wrap HRA counseling	\$1 M per 10%
4	Continue current strategy – monitor and fine tune	

Estimated impact on projected solvency, provided by Cavanaugh Macdonald:

\$5 million reduction → Adds 4 years of solvency (42 total).

\$10 million reduction → Adds 22 years of solvency (60 total).