



MEDICARE PART B REIMBURSEMENT

March 2022

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The History of the Medicare Part B Reimbursement at SERS

- Since 1977, SERS has provided a Medicare Part B reimbursement to assist with the Medicare Part B cost. The reimbursement is funded within and provided from the Med B Fund – not the Health Care Fund – and is paid as part of the monthly pension benefit payment. The SERS benefit recipient pays the Medicare Part B premium directly or has it deducted from their Social Security benefit (if any).
- From 1977 to 2013 all retirees enrolled in Medicare Part B received the Medicare Part B reimbursement irrespective of whether they were participating in SERS' health care program. Beginning in 2013, eligibility for the reimbursement changed, and since that time a retiree has to be enrolled in Medicare Part B and participate in SERS' retiree health care program in order to receive the reimbursement. However, retirees as of 2013 who were not enrolled in SERS' health care program were 'grandfathered' for eligibility purposes and have continued to receive the reimbursement. The number of grandfathered benefit recipients declines annually due to mortality.
- The current Medicare Part B reimbursement is \$45.50 per month but it has changed several times since it was implemented, as has the percentage of the Med B premium covered by the reimbursement.
 - When it was instituted in 1977, the reimbursement covered 100% of the cost of the Medicare Part B premium (\$7.20).
 - In 1988 the reimbursement was changed to the lesser of the cost of the premium, or the amount of the Med B premium as of 1/1/88. The cost of the premium was \$24.80 and the reimbursement covered 100% (i.e., \$24.80).
 - Over the next few years, the premium increased, eventually rising to \$31.80 by 1992 and \$43.80 by 1997. The reimbursement remained at \$24.80 during that period.
 - In 1998 the reimbursement was changed to the lesser of the then Med B premium (\$43.80), or the amount of the premium benefit as of 1/1/92 (i.e., \$31.80). In addition, a lump sum payment was made by SERS to those retirees covered by Medicare Part B during the period 1992 to 1998. The amount of the lump sum payment was the difference between \$31.80 and \$24.80 for each year they received a reimbursement during that period.
 - In 2001, the reimbursement was changed to the lesser of the Med B premium (then \$50.00), or the amount of the premium as of 1/1/99 (\$45.50). In 2001 there was another lump sum retroactive payment made to retirees covered by Medicare Part B for the period from 1993 to 2001. The amount of the lump sum payment was the difference between \$45.50 and \$24.80 (from 1993 until 1998) or \$31.80 (from 1998 until 2001) for each year they received a reimbursement during that period, but with any amounts they received from the 1998 lump sum payment deducted.
 - The Med B premium has increased steadily since 2001, but the reimbursement has remained stable at \$45.50.
 - Over the last few years, the Med B reimbursement has covered 30-34% of the Med B premium.
- The statutory language requires that the Med B reimbursement be at least \$45.50 but the Board has the authority to increase it.

Funding for the Medicare Part B Reimbursement

- The cost for the Med B reimbursement is part of the 'normal cost' of SERS' basic benefits (which includes Pension, Med B, and Death). The normal cost is first paid through the 10% employee contribution. Any normal cost over 10% is paid from the employer contribution. The remaining portion of the employer 14% contribution is applied to pay down the unfunded liability.
- If the Med B reimbursement is increased for both current retirees and active members, the normal cost increases, as does the unfunded liability in the Med B Fund. The increase in the unfunded liability will result in downward pressure on the funded status of the Med B Fund. At higher reimbursement levels more of the employer contribution will be drawn upon to pay the normal cost and less will be available to pay down the unfunded liability, which will extend the amortization period.
- Because the Med B reimbursement is paid from the Med B Fund, increasing the Med B reimbursement will not impact the Health Care Fund.
- A retiree who enrolls in our Medicare Advantage Plan also pays the Aetna monthly premium. The retiree receives a subsidy toward that cost based on years of service from the Health Care Fund. The Aetna premium is not increasing in 2022 so there will be no increased cost to the Health Care Fund or the retiree.

Fiscal Impact of Increasing the Medicare Part B Reimbursement

- The current Med B reimbursement of \$45.50 will cover 26.77% of the Med B premium for 2022.
- In 2021, Med B reimbursements benefits were paid to 41,360 recipients, for a total expenditure of \$22,582,560.
- If the Med Part B reimbursement is increased, there will be both an increase in the annual expenditure and an increase in the negative cash flow in the Med B Fund.
 - If the Med B reimbursement is increased to \$55 (32.33% subsidy), Med B Fund expenditures and negative cash flow would increase \$4,715,040.
 - If the Med B reimbursement is increased to \$60 (35.27% subsidy), Med B Fund expenditures and negative cash flow would increase \$7,196,640.
 - If the Med B reimbursement is increased to \$65 (38.21% subsidy), Med B Fund expenditures and negative cash flow would increase \$9,678,240.
 - If the Med B reimbursement is increased to \$70 (41.15% subsidy), Med B Fund expenditures and negative cash flow would increase \$12,159,840.

Medicare Part B Reimbursement Provided by the other Ohio Retirement Systems

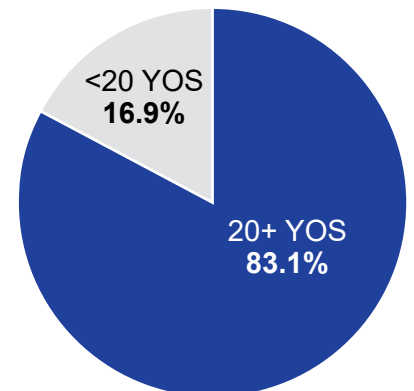
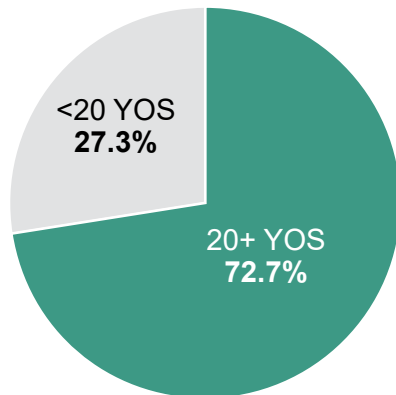
- OPERS provides no Med B reimbursement under their HRA model. In the pension reform bill passed in 2012, their statute was changed to give the OPERS Board discretion over how much Med B reimbursement they provide. Previous to the law change the reimbursement was at least \$96.40 a month.

- The OP&F statute requires they reimburse at least \$96.40 a month for Med B premiums, although their Board does have the discretion to go higher. The current monthly Med B reimbursement is \$107.
- STRS currently reimburses \$29.90 a month for Med B premiums, which is lowest amount allowed under their statute, although their Board does have the discretion to go higher.
- The HPRS Board has discretion whether or not provide reimbursement of Med B premiums. By rule the reimbursement amount has been \$0 since 2017.

Medicare Part B Reimbursement Recipients by Years of Service (YOS) and SERS Health Care Enrollment

Health Care YOS	All Recipients				Waived SERS Health Care				Enrolled in SERS Health Care			
Less than 10	1,168	2.9%			753	7.5%			415	1.3%		
10 to 14.99	4,524	11.1%			2,815	28.1%			1,709	5.6%		
15 to 19.99	5,448	13.4%			2,379	23.8%			3,069	10.0%		
20 to 24.99	9,008	22.1%	48.9%	72.7%	2,013	20.1%	33.8%	40.6%	6,995	22.7%	53.7%	83.1%
25 to 29.99	10,905	26.8%			1,374	13.7%			9,531	31.0%		
30 to 34.99	7,245	17.8%			544	5.4%			6,701	21.8%		
35 or more	2,459	6.0%			128	1.3%			2,331	7.6%		
Total	40,757				10,006				30,751			

Data as of 2/16/2022



Schedule of Funding Progress (\$ Millions)

Actuarial Valuation Date	Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
Pension Benefits						
6/30/2016	\$ 13,015	\$ 19,331	\$ 6,316	67.3 %	\$ 2,932	215.4 %
6/30/2017	13,537	19,148	5,611	70.7	3,303	169.9
6/30/2018	13,824	19,559	5,735	70.7	3,332	172.1
6/30/2019	14,267	20,090	5,823	71.0	3,463	168.1
6/30/2020	14,811	20,601	5,790	71.9	3,478	166.5
6/30/2021	15,781	21,097	5,316	74.8	3,622	146.8
Medicare Part B*						
6/30/2016	\$ 142	\$ 402	\$ 260	35.4 %	\$ 2,932	8.9 %
6/30/2017	153	402	249	38.0	3,303	7.5
6/30/2018	164	400	236	41.1	3,332	7.1
6/30/2019	180	397	217	45.3	3,463	6.3
6/30/2020	199	393	194	50.6	3,478	5.6
6/30/2021	223	391	169	57.0	3,622	4.6
Post-Retirement Death Benefits						
6/30/2016	\$ 22	\$ 38	\$ 16	57.9 %	\$ 2,932	0.5 %
6/30/2017	23	38	15	60.5	3,303	0.5
6/30/2018	24	39	15	61.5	3,332	0.5
6/30/2019	26	40	14	65.0	3,463	0.4
6/30/2020	27	40	13	67.5	3,478	0.4
6/30/2021	28	41	13	68.3	3,622	0.4

*Medicare Part B funds can only be used for reimbursement to eligible benefit recipients

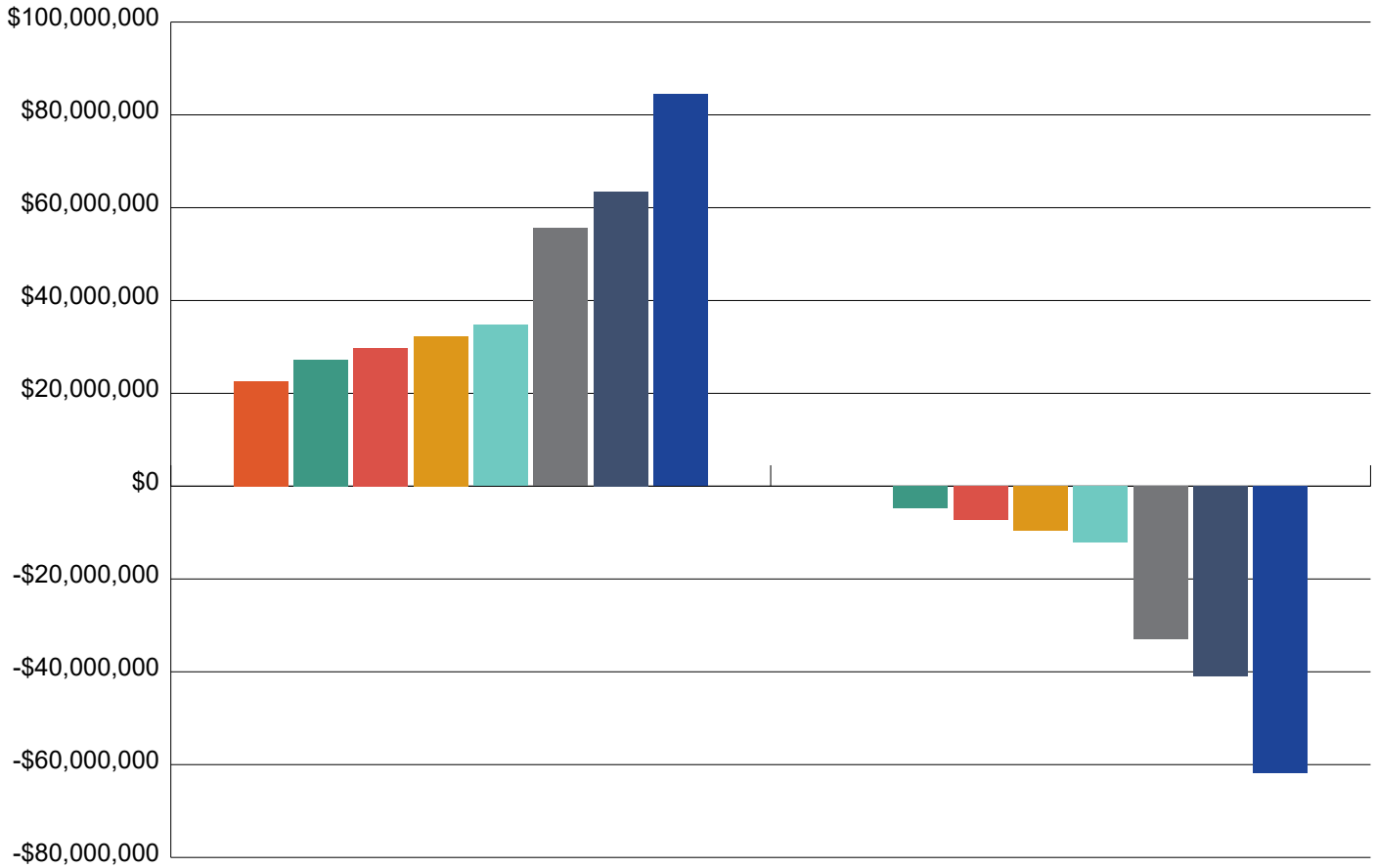
Impact of Increasing the Medicare Part B Premium Reimbursement

Medicare Part B Premium Subsidy	Percentage Subsidy
\$55.00	32.33%
\$60.00	35.72%
\$65.00	38.21%
\$70.00	41.15%
\$112.00	66.00%
\$128.00	75.00%
\$170.10	100.00%

Impact of Medicare B Reimbursement Changes

Val Results	\$45.50/ Month	\$55/ Month	\$60/ Month	\$65/ Month	\$70/ Month	\$112/ Month	\$128/ Month	\$170.10/ Month
Employer Portion of Normal Rate								
a. Pension Fund	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%
b. Med B	0.29%	0.35%	0.38%	0.42%	0.45%	0.72%	0.82%	1.09%
c. Death Benefit	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
d. Total	1.26%	1.32%	1.35%	1.39%	1.42%	1.69%	1.79%	2.06%
UAAL Contribution Rate								
a. Pension Fund	10.87%	10.87%	10.87%	10.87%	10.87%	10.63%	10.41%	9.57%
b. Med B	0.34%	0.51%	0.60%	0.69%	0.78%	1.48%	1.72%	2.23%
c. Death Benefit	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.02%
d. Total	11.24%	11.41%	11.50%	11.59%	11.68%	12.14%	12.16%	11.82%
Total Employer Rate								
a. Pension Fund	11.82%	11.82%	11.82%	11.82%	11.82%	11.58%	11.36%	10.52%
b. Med B	0.63%	0.86%	0.98%	1.11%	1.23%	2.20%	2.54%	3.32%
c. Death Benefit	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.04%
d. Total	12.50%	12.73%	12.85%	12.98%	13.10%	13.83%	13.95%	13.88%
Funded Status								
a. Pension Fund	74.80%	74.80%	74.80%	74.80%	74.80%	74.80%	74.80%	74.80%
b. Med B	56.94%	47.10%	43.18%	39.85%	37.01%	23.13%	20.24%	15.23%
c. Death Benefit	67.71%	67.71%	67.71%	67.71%	67.71%	67.71%	67.71%	67.71%
d. Total	74.46%	74.18%	74.03%	73.89%	73.74%	72.54%	72.09%	70.93%
Amortization Period	23.0	23.0	23.0	23.0	23.0	24.0	25.0	30.0

Impact of Medicare Part B Subsidy Changes



	Total Benefits	Cash Flow Impact
FY2021 Total Benefit Payments	22,582,560	
\$55 (32.33%)	27,297,600	(4,715,040)
\$60 (35.275%)	29,779,200	(7,196,640)
\$65 (38.21%)	32,260,800	(9,678,240)
\$70 (41.15%)	34,742,400	(12,159,840)
\$112 (66%)	55,587,840	(33,005,280)
\$128 (75%)	63,528,960	(40,946,400)
\$170.10 (100%)	84,424,032	(61,841,472)