



SERS Health Care Sustainability

December 2022



Agenda

- Review November Sustainability Discussion
- Discussion of Alternatives Presented
- Communicating the Marketplace Wraparound HRA
 - Marketplace Plan counseling demonstration
- Identify Next Steps

Review: Financial Condition



Health Care Fund	FY2009	FY2020	FY2021	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

Medicare Plan Financial Status July 2022 Enrollment: 36,592	Funded Indefinitely
	2019 to 2021 Aetna Medicare Advantage + Part D net cost was ≈ \$1 per member per month or \$500,000 annually
	Risks to Medicare plan sustainability are external <ul style="list-style-type: none"> - Medicare Advantage and Part D revenue streams - Pharmacy cost inflation

SERS Non-Medicare Plan



- July 2022 enrollment: 3,398
- 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
<u>Disability Beneficiary Net Spend</u>	<u>\$25,628</u>
Total Net Spend	\$44.9 million

- Spouses and dependents had no negative impact on the plan in 2021, which is typical for the group

Marketplace Wraparound HRA



- Since 2017, enrollment has leveled-off, at about 10% of non-Medicare enrollment.
 - 14% of disability enrollees under 65 are enrolled in this plan.
 - \$3 million annual sustainability impact
- 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.
 - The maximum annual reimbursement increases to \$1,950 for 2023
 - Federal subsidies also reduce some OOP expenses for low-income Marketplace enrollees
- 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.

Non-Medicare Plan Sustainability



Further sustainability changes may focus on redirecting group plan enrollment to the more affordable Marketplace Wraparound HRA:

1. Increase SERS member premium to encourage the Marketplace Wraparound HRA selection
2. Make disability and service premiums the same
 - Encourages highest cost disability members to select the Marketplace Wraparound HRA
 - Resolves current scenario - the most expensive members pay the least premium
3. Require Marketplace counseling for group plan enrollment
4. Continue current strategy – monitor and fine tune

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	\$526	\$0	\$76	\$234
Out-of-Pocket Expenses	\$6,000	\$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	\$12,312	\$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	

Member Marketplace HRA Savings with SERS Premium Increases



		Current	30%
SERS Group Plan	Monthly Premium	\$333	\$482
	Est. Annual Cost	\$5,846	\$7,634
Marketplace Silver Plan (\$30,000 income)	Monthly Premium	\$76	\$76
	Est. Annual Cost	\$1,605	\$1,605
Marketplace Silver Plan (\$50,000 income)	Monthly Premium	\$326	\$326
	Est. Annual Cost	\$4,605	\$4,605
Marketplace Silver Plan (\$70,000 income)	Monthly Premium	\$425	\$425
	Est. Annual Cost	\$5,426	\$5,426
Marketplace Silver Plan (\$90,000 income)	Monthly Premium	\$567	\$567
	Est. Annual Cost	\$7,229	\$7,229
Marketplace Silver Plan (\$110,000 income)	Monthly Premium	\$708	\$708
	Est. Annual Cost	\$9,133	\$9,133

Member Marketplace HRA Savings with SERS Premium Increases



		Current	30%	40%
SERS Group Plan	Monthly Premium	\$333	\$482	\$631
	Est. Annual Cost	\$5,846	\$7,634	\$9,422
Marketplace Silver Plan (\$30,000 income)	Monthly Premium	\$76	\$76	\$76
	Est. Annual Cost	\$1,605	\$1,605	\$1,605
Marketplace Silver Plan (\$50,000 income)	Monthly Premium	\$326	\$326	\$326
	Est. Annual Cost	\$4,605	\$4,605	\$4,605
Marketplace Silver Plan (\$70,000 income)	Monthly Premium	\$425	\$425	\$425
	Est. Annual Cost	\$5,426	\$5,426	\$5,426
Marketplace Silver Plan (\$90,000 income)	Monthly Premium	\$567	\$567	\$567
	Est. Annual Cost	\$7,229	\$7,229	\$7,229
Marketplace Silver Plan (\$110,000 income)	Monthly Premium	\$708	\$708	\$708
	Est. Annual Cost	\$9,133	\$9,133	\$9,133

Member Marketplace HRA Savings with SERS Premium Increases



		Current	30%	40%	50%
SERS Group Plan	Monthly Premium	\$333	\$482	\$631	\$780
	Est. Annual Cost	\$5,846	\$7,634	\$9,422	\$11,210
Marketplace Silver Plan (\$30,000 income)	Monthly Premium	\$76	\$76	\$76	\$76
	Est. Annual Cost	\$1,605	\$1,605	\$1,605	\$1,605
Marketplace Silver Plan (\$50,000 income)	Monthly Premium	\$326	\$326	\$326	\$326
	Est. Annual Cost	\$4,605	\$4,605	\$4,605	\$4,605
Marketplace Silver Plan (\$70,000 income)	Monthly Premium	\$425	\$425	\$425	\$425
	Est. Annual Cost	\$5,426	\$5,426	\$5,426	\$5,426
Marketplace Silver Plan (\$90,000 income)	Monthly Premium	\$567	\$567	\$567	\$567
	Est. Annual Cost	\$7,229	\$7,229	\$7,229	\$7,229
Marketplace Silver Plan (\$110,000 income)	Monthly Premium	\$708	\$708	\$708	\$708
	Est. Annual Cost	\$9,133	\$9,133	\$9,133	\$9,133

Make Disability and Service Premiums the Same

(Impacts 419 members)



- Disability beneficiaries currently pay lower premiums based on YOS

Current Most Common Premium	Most Common Premium when Same as Service
\$296	\$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

Require Marketplace Consultation



- Marketplace Wraparound HRA enrollees currently work with HealthSCOPE Benefit's Marketplace-trained agents to select a plan
- SERS could require members who want to enroll in the SERS group plan to first engage with a Marketplace-trained agent to see what plan options are available in their region and review 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

Communicating Marketplace Wrap HRA



Member Ready to Retire or Considering Future Retirement:

- In-office or virtual appointment with SERS Counselor
- Enrollment in Retirement Conference or Webinar
- Mailing of Service Retirement Packet or Mailing Upon Request

Board-Approved Disability Recipient:

- Health Care Application Packet Mailing
- Follow-up Call from Health Care Outreach Specialist



WRAPAROUND
Health Reimbursement Arrangement (HRA)

SKILLHELP FOR SERS
NON-RETIRED RETIREES

Additional coverage for your out-of-pocket health care costs. Up to \$1,000 in reimbursement per family. Personal services not covered from a HealthSCOPE account.

SERS has partnered with HealthSCOPE to offer this coverage option for SERS' health care participants. See [sers.com/retire](#) for more.

WRAPAROUND
Health Reimbursement Arrangement (HRA)

Member's Gross Yearly Salary (Retiree)	Monthly Premium	Out-of-Pocket Maximum	Supplemental HRA	Total Money Count*
\$30,000	\$37.50	\$2,000	\$1,000	\$2,000
\$35,000	\$43.75	\$2,000	\$1,000	\$2,000
\$40,000	\$50.00	\$2,000	\$1,000	\$2,000
\$45,000	\$56.25	\$2,000	\$1,000	\$2,000
\$50,000	\$62.50	\$2,000	\$1,000	\$2,000

Member's Gross Yearly Salary (Non-Retiree)	Monthly Premium	Out-of-Pocket Maximum	Supplemental HRA	Total Money Count*
\$30,000	\$37.50	\$2,000	\$1,000	\$2,000
\$35,000	\$43.75	\$2,000	\$1,000	\$2,000
\$40,000	\$50.00	\$2,000	\$1,000	\$2,000
\$45,000	\$56.25	\$2,000	\$1,000	\$2,000
\$50,000	\$62.50	\$2,000	\$1,000	\$2,000

*Total Money Count is the sum of the Supplemental HRA and the Out-of-Pocket Maximum.



Optimize Marketplace Wraparound HRA Member Awareness



- Expand trusted SERS staff knowledge of Marketplace Wraparound HRA and member cost advantages
- Improve prominence and clarity of Marketplace Wraparound HRA and member cost advantages in SERS materials
- Provide member-specifics earlier to SERS' enrollment vendor upon member's request for service retirement and disability packet
- Require Marketplace Wraparound HRA counseling before enrollment in SERS group plan

Marketplace Plan Counseling



HealthCare.gov

Español [Log in](#)

A photograph of a man and a woman sitting at a table outdoors, looking at a laptop screen. The man is wearing a cap and sunglasses, and the woman is wearing sunglasses and a striped shirt. The background is a blurred outdoor setting.

See plans & prices

Get estimated prices on 2023 health plans before you log in

Browse 2023 plans and estimated prices here. Next, we'll send you to log in or create an account so you can apply, see final prices, and enroll.

You can only preview plans and prices here, not enroll.

Enter your ZIP Code & choose your location:

[Continue](#)

[Looking for 2022 plans and prices?](#)

Sustainability Impact Review



Considerations	
Increase Member Premiums (lowest to 30% / 40% / 50%)	\$10 M to \$20 M
Make Disability and Service Premiums the Same	\$3 M
Mandatory Wraparound HRA Counseling	\$1 M per 10%
Continue Current Course (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).

February Board Meeting



Discussion- future direction