

# RETIREE HEALTH BENEFITS UPDATE

VIRGINIA GOVERNMENTAL EMPLOYEES ASSOCIATION  
SEPTEMBER 17, 2016



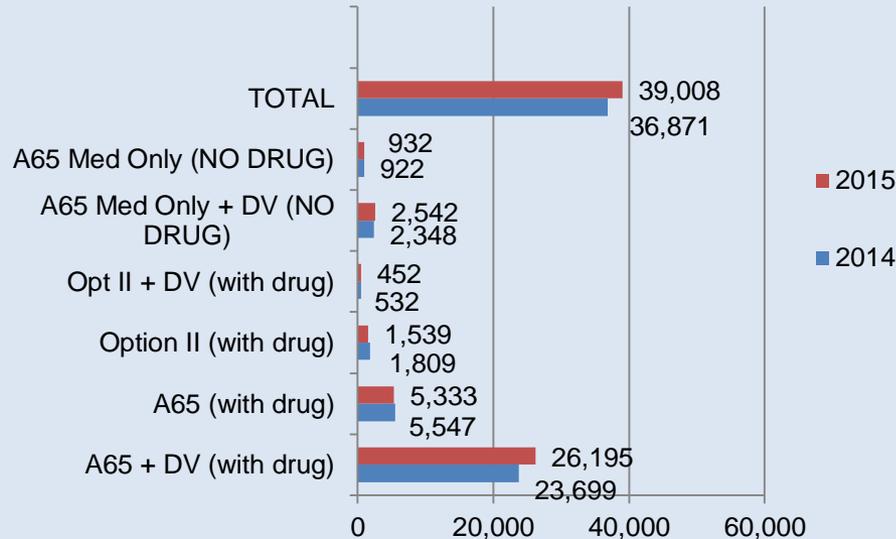
# MEDICARE RETIREE ENROLLMENT 2014 TO 2015

Medicare Retiree Enrollment	A65 + DV (with drug)	A65 (with drug)	Option II (with drug)	Opt II + DV (with drug)	A65 Med Only + DV ( <u>NO DRUG</u> )	A65 Med Only (NO DRUG)	TOTAL
2014	23,699	5,547	1,809	532	2,348	922	36,871
2015	26,195	5,333	1,539	452	2,542	932	39,008
# Change	2,496	-214	-270	-80	194	10	2,137
% Change	10.5%	-3.9%	-14.9%	-15.0%	8.3%	1.1%	5.8%

- 5.8% increase in Total enrollment
- 10.5% increase in Advantage 65 with Dental/Vision
  - this was the default plan for Option I participants (plan discontinued 1/1/15)
- 15% decrease in Option II plan enrollment
- 6.2% increase in Medical Only plan enrollment
  - no drug coverage in state plan

# MEDICARE RETIREE ENROLLMENT 2014 TO 2015

## Medicare Retiree Enrollment



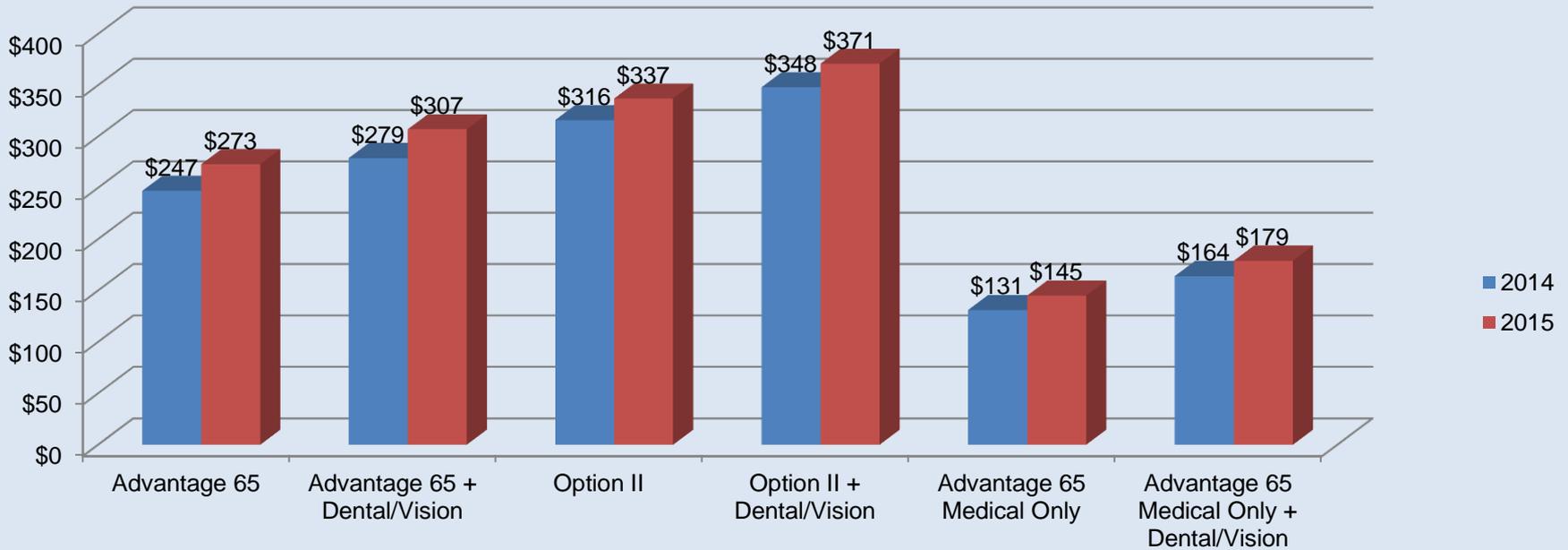
# MEDICARE RETIREE TOTAL PREMIUM

- 8.6% average increase over all plans
- Lowest % increase of 6.6% in the highest cost plans (Option II)
- 10.1% average increase over all Advantage 65 Plans
  - absorbed remaining Option I participants

Medicare Retiree Premium	2014	2015	\$ Change	% Change
Advantage 65	\$247	\$273	\$26	10.5%
Advantage 65 + Dental/Vision	\$279	\$307	\$28	10.0%
Option II	\$316	\$337	\$21	6.6%
Option II + Dental/Vision	\$348	\$371	\$23	6.6%
Advantage 65 Medical Only	\$131	\$145	\$14	10.7%
Advantage 65 Medical Only + Dental/Vision	\$164	\$179	\$15	9.1%

# MEDICARE RETIREE TOTAL PREMIUM

## Medicare Retiree Total Premium

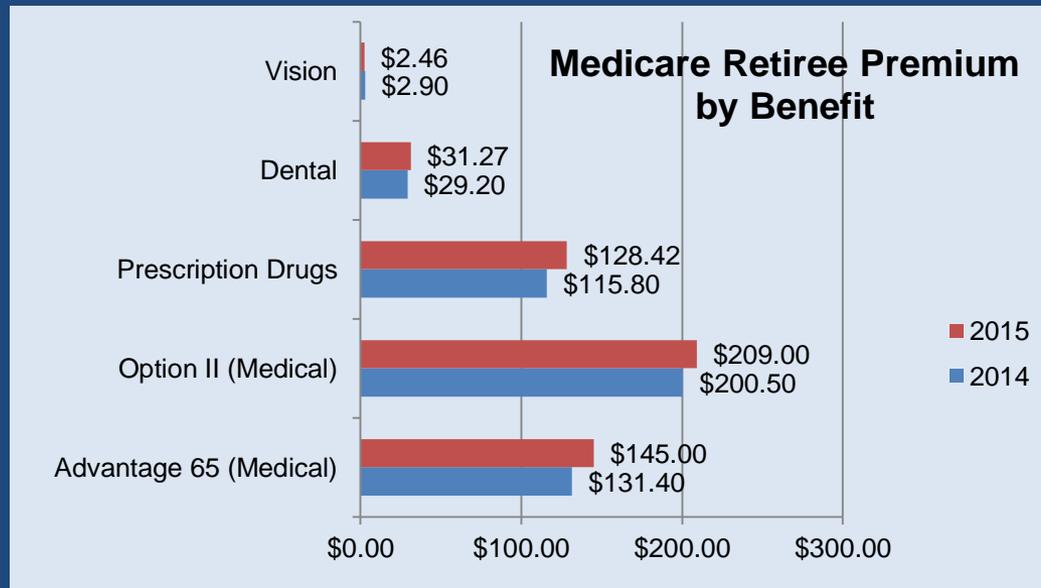


# MEDICARE RETIREE PREMIUM BY BENEFIT

- **Cost increased** for all premium components except vision
- **Advantage 65** absorbed the medical claims experience for Option I (discontinued plan) participants
- **Prescription drugs** continue to be a significant cost driver

Medicare Retiree Premium by Benefit	2014	2015	\$ Change	% Change
Advantage 65 (Medical)	\$131.40	\$145.00	\$13.60	10.4%
Option II (Medical)	\$200.50	\$209.00	\$8.50	4.2%
Prescription Drugs	\$115.80	\$128.42	\$12.62	10.9%
Dental	\$29.20	\$31.27	\$2.07	7.1%
Vision	\$2.90	\$2.46	-\$0.44	-15.2%

# MEDICARE RETIREE PREMIUM BY BENEFIT



# MEDICARE RETIREE MEDICAL CLAIMS

Medicare Retiree Medical Claims Expense	FY 2014	FY 2015	\$ Change	% Change
Total Medical Claims Expense	\$48,506,002	\$54,527,239	\$6,021,237	12.4%

- **Expense**

- Medical claims paid secondary to Medicare, and
- Services specifically covered under the plans but not covered by Medicare
  - Out-of-country major medical services
  - Option II major medical
  - Additional coverage for exhausted Medicare benefits for inpatient stays and skilled nursing care
  - At-home recovery visits
- **2015 Medicare Retiree Annual Report** will include additional information about these plan-specific benefits

# MEDICARE RETIREE MEDICAL CLAIMS

## Total Medical Claims Expense



# MEDICARE RETIREE ADJUSTED PRESCRIPTION DRUG CLAIMS

- **31.5% increase** in outpatient prescription drug claims cost in FY 2015
- Resulted in an increased premium cost for the Medicare Part D portion of plans that include that benefit
- Increase in drug plan costs nationally is attributable to high-cost specialty drugs

Medicare Retiree Adjusted Prescription Drug Claims	2014	2015	\$ Change	% Change
Adjusted Claims Cost*	\$39,888,730	\$52,437,838	\$12,549,108	31.5%

**\*Adjusted claims cost is the total drug cost, including taxes and administrative costs, minus:**

- Network and mail discount savings
- Costs paid by participants (deductible, copayment, coinsurance)
- Low income subsidies paid by Medicare
- Medicare coverage gap discounts
- Federal subsidy
- Federal reinsurance
- Formulary rebates

# MEDICARE RETIREE ADJUSTED PRESCRIPTION DRUG CLAIMS

**Medicare Retiree Adjusted  
Prescription Drug Claims Cost\***



# MEDICARE RETIREE DENTAL COST

Medicare Retiree Dental Cost	2014	2015	\$ Change	% Change
Diagnostic/Preventive	\$4,440,340	\$4,716,730	\$276,390	6.2%
Basic Restorative	\$1,650,287	\$1,644,404	-\$5,883	-0.4%
Endodontics, Periodontics, Prosthodontics	\$1,176,386	\$1,303,220	\$126,834	10.8%
Oral Surgery	\$541,099	\$599,148	\$58,049	10.7%
Major Restorative, Implants	\$523,913	\$593,796	\$69,883	13.3%
TOTAL CLAIMS EXPENSE	\$8,332,025	\$8,857,298	\$525,273	6.3%

- **6.3% overall increase**
- Basic Restorative was generally flat
- All other coverage categories realized increased costs

# MEDICARE RETIREE DENTAL COST

## Medicare Retiree Dental Cost



# MEDICARE RETIREE MAJOR DENTAL BENEFIT

How does the Medicare retiree major dental benefit differ from that of active employees and non-Medicare retirees?

- **Maximum Annual Benefit**
  - **Medicare Retiree** is \$1,500
  - **Actives/Non-Medicare retirees** is \$2,000
  - DHRM will investigate the premium impact to increase this benefit
- **Major dental/complex restorative benefit**
  - **Medicare Retiree** is 5% of the allowable charge for covered services
  - **Actives/Non-Medicare retirees** is 50% of the allowable charge for covered services
  - Benefit added for the first time in 2011
  - Adding a 50% benefit would result in a more significant premium increase.
  - Because the 5% benefit coverage is small, there was no significant increase in premium cost.
  - However, because there is now a covered benefit, costs for covered major dental services are limited to the contractual rate negotiated by the claims administrator with potential savings of significant out-of-pocket expense for users of the benefit—and without the additional premium cost affecting all participants.

# MEDICARE RETIREE VISION COST

- 15.9% increase (\$66,462) in vision claims between FY14 and FY15
- Due to the relative small size of this benefit, the resulting change in the vision premium for 2016 was minimal at \$.06



# MEDICARE RETIREE OPERATING SUMMARY

Medicare Retiree Operating Summary	2014	2015
Program Income	\$109,078,544	\$131,089,028
Program Expense	\$103,221,375	\$139,272,132
Net Gain or Loss	\$5,857,169	-\$8,183,104

Program Expense Summary				
	2014	2015	\$ Change	% Change
Total Claims	\$95,393,691	\$126,954,376	\$31,560,685	33.1%
Total Claims Administration	\$7,476,756	\$11,929,798	\$4,453,042	59.6%
Total Other Administrative	\$350,928	\$387,958	\$37,030	10.6%
	\$103,221,375	\$139,272,132	\$36,050,757	34.9%

- **34.0% increase in expenses** from 2014 to 2015 in claims and associated administration
- Due to timing of administration and billing, Operating Expense information can differ from Claims Administrator information at a specific point

# MEDICARE RETIREE OPERATING SUMMARY

