



Retiree Health Care Strategy

Medicare Part D Prescription Drug Coverage
for Montgomery County Government Retirees

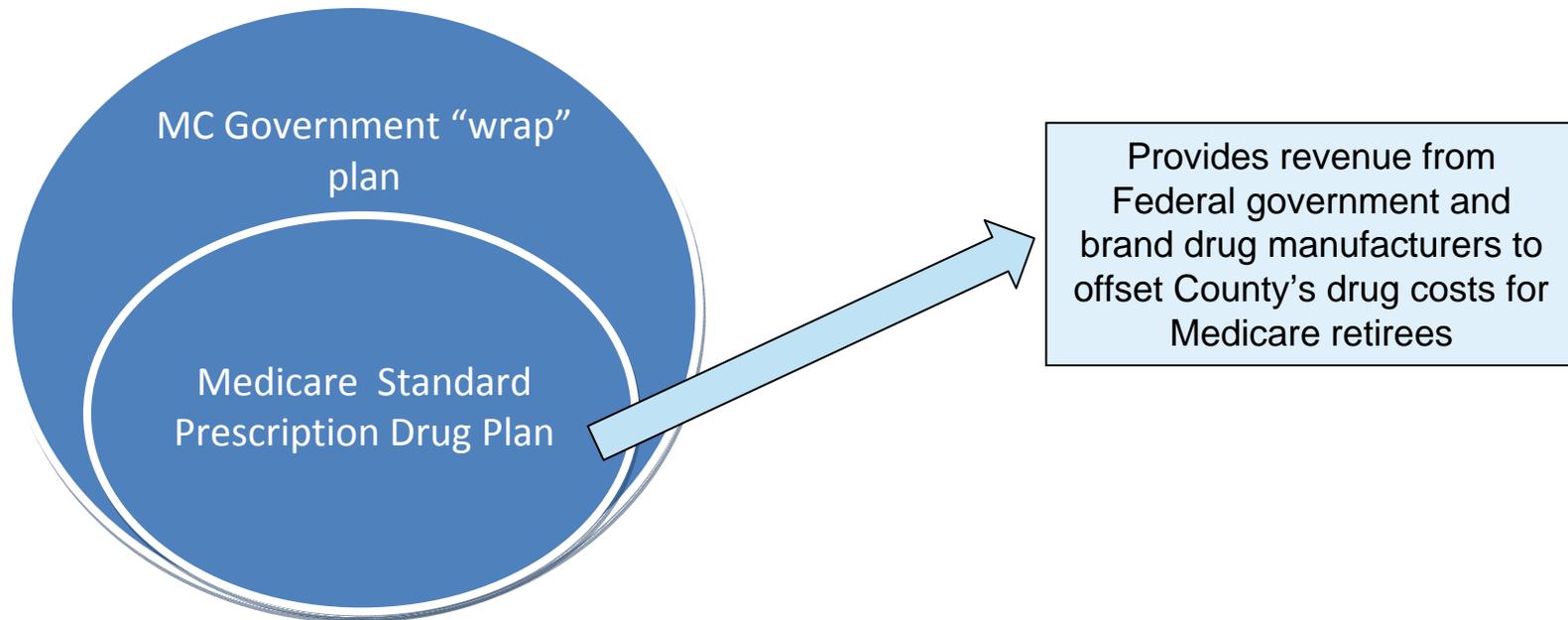
June 4, 2014

Prepared by Consulting
Health & Benefits | Retirement



Medicare Retirees Prescription Drug Coverage

- MC Government converts the current Rx arrangement into a **group Standard Part D plan design**
- MC Government provides a **secondary, or “Wrap”, plan design around the Standard Part D plan** which attempts to **preserve the current prescription drug plan design (copays) and formulary strategy (covered drugs)**, from the retiree's perspective
 - The Standard Part D and Wrap coordinate at the pharmacy, with one ID card, so that retirees only experience the Wrap plan design and formulary strategy
- Called an **“EGWP+Wrap”**



How Will the EGWP Work for County and Its Retirees?

County Sponsored Group-Based Medicare Part D Plan

- Effective date: January 1, 2015
- County contracts directly with SilverScript (Caremark's Part D plan, or PDP) to provide Part D level prescription drug coverage to its Medicare-eligible participants on a group basis
- Kaiser members are not affected by this change
- County retirees will be group enrolled in the County's customized Medicare Part D program through SilverScript effective January 1, 2015
 - You will be given a 21-day opt out period (required by CMS) but you should not opt out if you want the County's Rx coverage
 - **IF YOU OPT OUT, YOU WILL HAVE NO PRESCRIPTION COVERAGE THROUGH THE COUNTY'S CAREFIRST INDEMNITY OR CVS/CAREMARK PLANS**
 - County retirees should not sign up for individual market Medicare Part D on their own
 - **If you do sign up for Part D on your own, you will lose County Rx benefits because CMS does not allow you to be enrolled in two Part D plans**
- County retirees need to show their new SilverScript ID card at the pharmacy starting January 1, 2015

How Will the EGWP Work for County and Its Retirees?

County Sponsored Group-Based Medicare Part D Plan

SilverScript is the main contact for retiree questions. SilverScript also handles main administrative requirements, manages all federal interaction, collects federal Part D plan subsidies, and assumes compliance responsibilities

- Mails all member materials as required by CMS
- Handles all member phone calls related to the program
- Handles Opt Out process
- Handles cancellation before the effective date or disenrollment after the effective date

How Will the EGWP Work for County and Its Retirees?

- Certain individuals are not eligible for Medicare Part D and therefore County's Rx coverage
 - International residents (based on address on record with County)
 - Retirees without Medicare Part A and/or B coverage
 - Incarcerated individuals (upon notification to CMS of incarceration)

- If you are under age 65 and eligible for Medicare due to disability, please get signed up for Medicare Part A or Part B in order to be eligible for the County's Rx coverage starting January 1, 2015
 - Call Social Security at 1-800-772-1213 for more information about your Medicare eligibility and to sign up for Part A and/or Part B

 - Once eligible for Medicare A or B the County will group enroll you into Medicare Part D as long as they have all required information

How Will the EGWP Work for County and Its Retirees?

- SilverScript needs each retiree's Health Insurance Claim Number (HICN) and permanent address in the U.S. in order to get you enrolled in the County's Rx plan
 - If your HICN has changed since you provided it to the County or if you are uncertain if the County has your current HICN, please fax a copy of your Medicare card as soon as possible to (240) 777-5131
 - If you have a P.O. Box for your address on file with the County, please fax to the County your U.S. mailing address as soon as possible to (240) 777-5131
 - If you wish to retain your P.O. Box on file (for security reasons, or because that is your only mailing address), you will be asked to call SilverScript in the fall to attest that you live in the U.S.
 - Do not delay when you receive a letter from SilverScript asking you to attest that the P.O. Box represents your U.S. residency



Medicare Retirees Prescription Drug Coverage: EGWP + Wrap

- Some retirees eligible for low income subsidies under the Part D program will pay less for coverage
 - Low income status is determined by the federal government after the retiree applies for it through Social Security
 - Applies to individuals with income less than 150% of Federal Poverty Level (\$17,200 in 2014 for single person) and assets less than \$13,300 (for single person in 2014)
 - Visit Social Security on the web at www.socialsecurity.gov, or call them at 1-800-772-1213 (TTY 1-800-325-0778)
- Subsidies vary by income levels and take the form of premium subsidies and cost share subsidies
 - Premium subsidies will be returned to eligible individuals each month retroactively after they are provided by CMS to the County
 - Cost share subsidies are provided at the pharmacy to eligible individuals
- Typically, employer groups have a small segment of their retiree population who qualify for low income subsidies from Medicare Part D

Medicare Retirees Prescription Drug Coverage: EGWP + Wrap

- Plan design (copays) under the current retiree plan will continue for Medicare retirees
 - Retirees will not pay more than the plan copay/cost share for a drug based on the status of that drug on the non-Medicare eligible retiree formulary
 - Indemnity retirees will pay 20% of drug cost at the pharmacy and then get reimbursed when Out-of-Pocket maximum is reached
 - In some cases, during the calendar year, retirees could pay less due to entering the 5% catastrophic coverage level or due to receiving low income subsidies

Drug/Delivery	High	Standard	Indemnity Supplemental	Indemnity Carveout
Deductible	N/A	\$50	\$25	\$200
Retail – 30 day				
Generic	\$5	\$10	20% of drug cost	20% of drug cost
Brand with No Generic	5	20		
Brand Non-Preferred	10	35		
Mail and CVS– 90 day				
Generic	\$5	\$10		
Brand with No Generic	5	20		
Brand Non-Preferred	10	35		
Out-of-pocket maximum	N/A	N/A	\$1,000	\$1,000

Medicare Retirees Prescription Drug Coverage: EGWP + Wrap

- Caremark's formulary (covered drugs and preferred status) for the plan covering non-Medicare eligible retirees and active employees will continue for Medicare retirees
 - EGWP+Wrap will first process under Medicare Part D EGWP formulary, but then the Wrap will protect the member experience at the pharmacy and apply the non-Medicare eligible retirees' plan formulary
 - Because the EGWP formulary is different than the non-Medicare eligible retirees' formulary, Medicare Part D requires additional communications to retirees when they submit for a drug different than how the EGWP formulary would cover it
 - Could result in increased communications for some retirees from SilverScript
 - SilverScript customer service will assist with retiree questions
 - Some retirees may be required to gain a coverage determination (i.e. documentation on the use of the drug before the drug can be dispensed) this could result in a delay of receipt of the medication
 - During implementation, retirees currently on these drugs will be advised to get with their physician to prepare for the prior authorization request the first time they need this medication after the effective date

Medicare Retirees Prescription Drug Coverage: EGWP + Wrap

- High income retirees will see additional premiums from Medicare for Medicare Part D prescription coverage just as they do now for Medicare Part B coverage, based on their filing status and yearly income (adjusted gross income) from 2 years before
 - Extra premiums range from \$12 - \$69 per person per month in 2014, based on adjusted gross income (AGI) in 2012
 - Triggers at \$85,000 AGI for single income tax filer and \$170,000 for joint income tax filer

File individual tax return	File joint tax return	File married & separate tax return	Each person pays for Part D (in 2014)	Each person pays for Part B* (in 2014)
\$85,000 or less	\$170,000 or less	\$85,000 or less	MCG plan premium	\$104.90
above \$85,000 up to \$107,000	above \$170,000 up to \$214,000	not applicable	\$12.10 + MCG plan premium	\$146.90
above \$107,000 up to \$160,000	above \$214,000 up to \$320,000	not applicable	\$31.10 + MCG plan premium	\$209.80
above \$160,000 up to \$214,000	above \$320,000 up to \$428,000	above \$85,000 up to \$129,000	\$50.20 + MCG plan premium	\$272.70
above \$214,000	above \$428,000	above \$129,000	\$69.30 + MCG plan premium	\$335.70

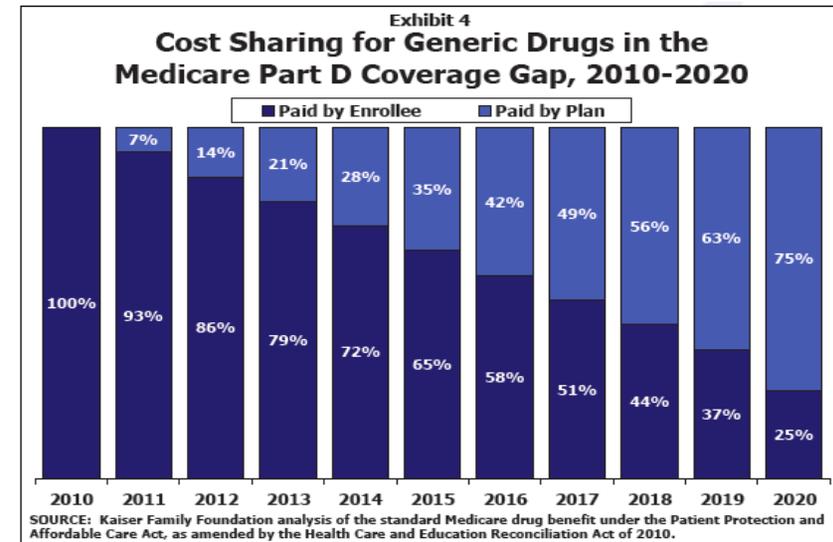
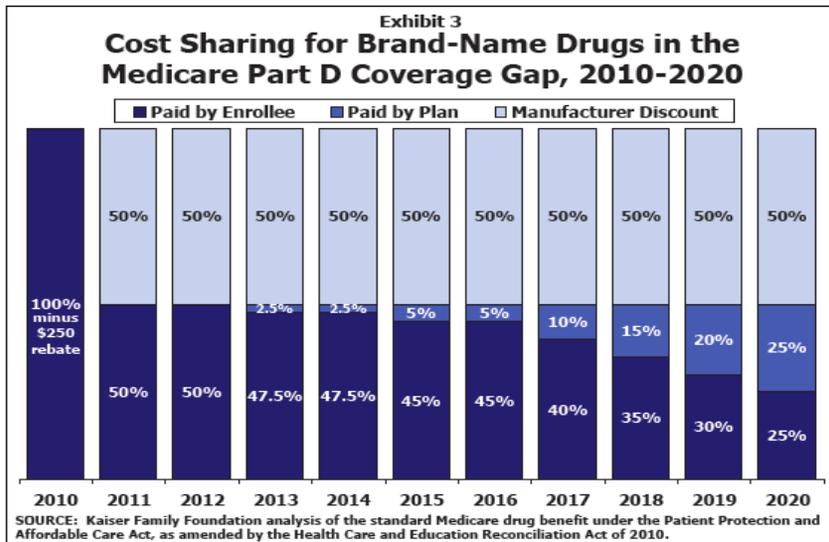
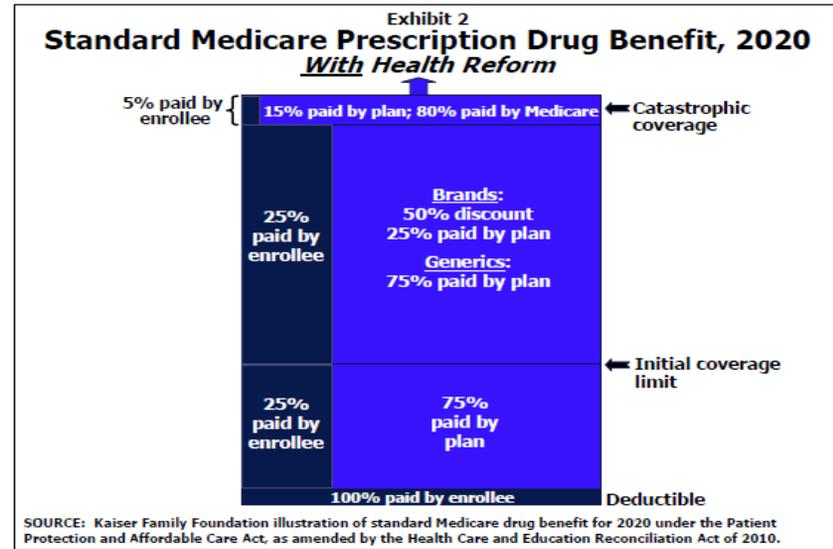
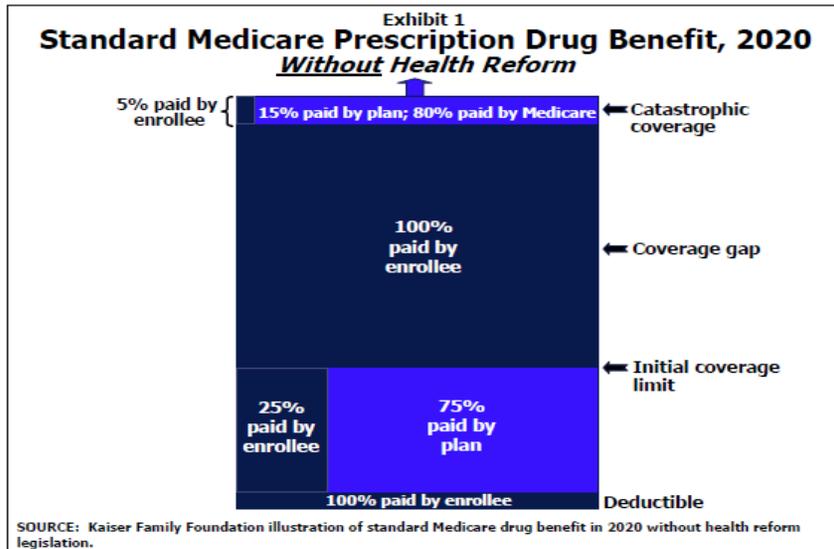
* MCG plans become supplemental when you become eligible for Medicare. The County's plans require those who are Medicare eligible to have both Medicare Part A and Part B.

Why is the EGWP Financially Appealing?

Medicare Part D Subsidies to EGWP is significant relative to the RDS

- Currently, MC Government applies for and receives Retiree Drug Subsidy (RDS) from the federal government for its Medicare eligible retiree members' drug utilization
 - EGWP + Wrap replaces the RDS and will result in more revenue to offset costs than RDS
- EGWP provides a direct subsidy from the federal government and also a subsidy when a person enters the catastrophic level of Part D coverage
- Health care reform closes the Standard Part D Plan “donut hole” over time (next slide)
 - Brand drug manufacturers pay 50% of the cost of brand drugs once an individual reaches the level of drug spend to enter the “donut hole”
 - As the “donut hole” is phased-out, the federal government will assume an increasing share of cost in the coverage gap
 - This will permit EGWP programs to be eligible for greater direct subsidy payments over time as the donut hole is phased-out
- Creates material cash and accounting savings opportunities for the County relative to the RDS strategy
 - The County is subject to GASB accounting rules and is not permitted to reflect the RDS in their liability and expense calculations, but EGWP revenue directly offsets plan costs in the GASB valuation, which makes EGWP-based strategies very valuable to GASB-based plan sponsors

Phase-Out of Medicare Part D “Donut Hole”



Questions?