Medicare Health Plans for Medicare-Covered Retirees and Medicare-Covered Dependents

Briefing

by

Human Resources Department
What is a Medicare Advantage Plan?

In 2003, the Medicare Modernization Act allowed the Centers for Medicare & Medicaid Services (CMS) to pay private companies to provide health benefits for retirees.

- These private plans provide both medical and prescription drug coverage, as well as other benefits not covered by Medicare.

- The City of Houston implemented Medicare Advantage plans in 2005 and all plans cover medical and pharmacy benefits.
OVERVIEW

BACKGROUND FACTS:

- The HR Department is proposing to contract with vendors to provide Medicare health plans for city Medicare-covered retirees and their eligible Medicare-covered dependents.

- The City has successfully offered Medicare Advantage plans to eligible retirees since May 1, 2005.

- The plans provide the necessary health benefits for the 7,000 plus retirees and their dependents residing throughout the United States.

- Effective May 1, 2011 Medicare-covered retirees were required to enroll in one of six city-sponsored Medicare Advantage or Medicare Supplement Plans.

- Since 2011, the City has saved between $7 - $9 million in premiums per year by requiring eligible retirees to enroll in Medicare plans, as opposed to enrolling in Cigna.
June 2014, Human Resources and Strategic Purchasing released the RFP for Medicare Advantage HMO and PPO plans and Medicare Supplement plans partnered with a prescription drug plan.

- The RFP had a MWBE goal of 5%.
- Six insurance companies responded to the online RFP and submitted completed proposals.
- An evaluation committee, with oversight from Strategic Purchasing, evaluated and rated each of the proposals.
  - Strategic Benefits Planning & Design – Division of HR Department
  - Financial Risk Management - Division of HR Department
  - Strategic Purchasing - Division of Finance Department
Criteria for evaluation of proposals:

- The ability of the provider to meet the city’s requirements
- Experience in handling retiree groups the size of the City’s
- Minimal disruption of networks and plan designs
- Financial competitiveness
- Financial stability of the firm
- Oral presentations
- Systems and technical capabilities
- Commitment to the MWBE Program
Plans and Service Areas

- HMO plans have limited provider networks and services areas. They operate in specific Texas counties.

- The PPO has network providers throughout Texas and provides in-network benefits for members who do not reside within a network service area.

- Medicare Supplement Plan F has no network – members can go to any provider accepting Medicare. The City also provides a prescription drug plan to partner with Supplement Plan F.
## Membership

Current Medicare plans and membership:

<table>
<thead>
<tr>
<th>PLAN</th>
<th>HEAD COUNT</th>
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<tbody>
<tr>
<td><strong>HMO</strong></td>
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<tr>
<td>Cigna HealthSpring</td>
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<tr>
<td>KelseyCare Advantage</td>
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<td>SelectCare of Texas</td>
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<td><strong>PPO</strong></td>
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<td>Aetna ESA PPO</td>
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<td>KelseyCare Advantage POS</td>
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<td><strong>MEDICARE SUPPLEMENT PLAN F</strong></td>
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<tr>
<td>UnitedHealthcare</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>7,024</strong></td>
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PROPOSED COSTS

- Proposed costs of the plans currently in place will be $22.6 million for 2015. If no plan changes are made and plan membership remains the same, the annual increase will be $681,000.

- With minimal plan changes and limited disruption to retirees, the City can save $909,000 for an annual cost of $21.7 million, depending on the plans in which members elect to enroll.

- With vendor changes causing significant disruption to retirees, the City can save between $900,000 and $3.6 million depending on the plans in which members elect to enroll. However, many retirees may be without city medical and prescription drug coverage on January 1, 2015.
Human Resources recommends three HMOs, one PPO, and one Supplement Plan F with PDP be implemented on January 1, 2015.

Eliminate two current plans and implement a PPO that requires members who live in the service area to use network providers, and provides an in-network benefit for members who do not reside within the service area.