

State of Arkansas

Medicare Advantage and Part D Employer Group Waiver Plans (EGWP)

July 2021

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Introductory Meeting and Preliminary Analysis



| Medicare Advantage Review

Medicare Advantage Overview

- A Medicare Advantage (MA) Plan is offered by Private Carriers
- MA combines all benefits into one plan including:
 - Traditional Medicare (Parts A&B)
 - Wrap Benefits
 - Pharmacy (Part D) may be included in the same plan, but can be separate
- MA carriers receive capitated payments from CMS that subsidize the cost of coverage
- CMS provides payment based on:
 - Benchmark Rates – fixed monthly payments based on county of residence**
 - Risk-adjustment – reflects illness burden of each member**
- Fully insured premiums from Plan Sponsors to MA carriers cover the cost of benefits and enhancements above CMS payment
- MA carriers manage all claims, risk adjustment, clinical programs, care management and customer service

What is Group Medicare Advantage?

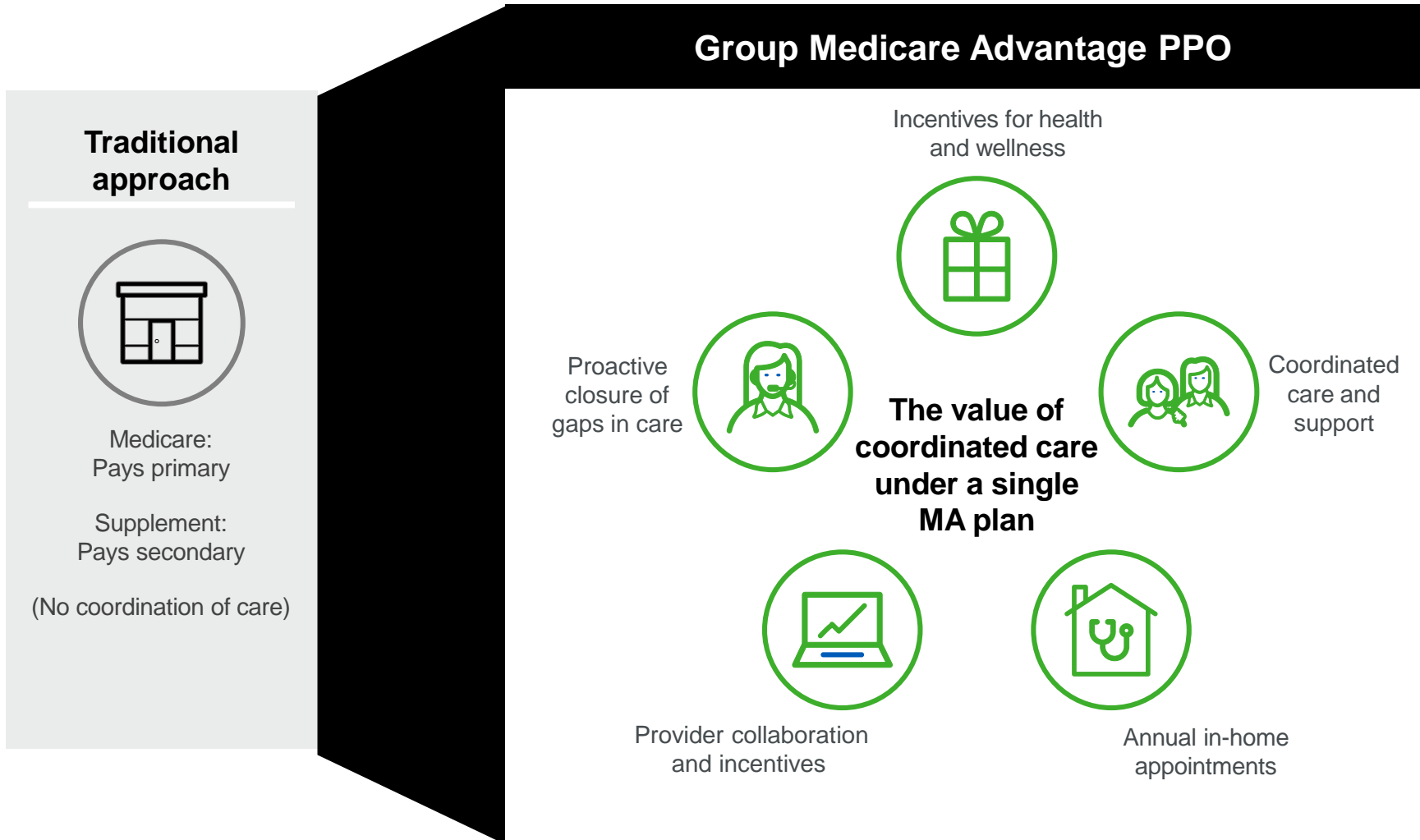
	Individual Medicare Advantage	Historical Group Medicare Advantage	Group Medicare Advantage PPO
Geographic availability	Limited to areas with viable contracted networks		National service area including all U.S. counties
Plan type	Primarily HMO		Non-differential “Passive” PPO
Provider access	Contracted providers only		All willing Medicare providers
Financial value proposition	Typically higher retiree out of pocket costs	Actuarial equivalent benefits at lower cost	Actuarial equivalent benefits at lower cost
Sustainability	Significant market disruption followed Balance Budget Act of 1998		Nearly a decade of price stability and significant plan sponsor savings

What is a Passive PPO?

- Retirees pay the same cost share for services received both In-Network and Out-of-Network
- Carriers pay in-network providers according to their contracts
- Carriers pay out-of-network providers according to the Medicare fee schedule
- All Medicare accepting providers are provided with easy to use tools and resources to submit claims directly to the Carrier
- If the provider will not bill the Carrier, the member can pay the provider and submit a claim for reimbursement
- No PCP selection required, no referrals required to see a specialist

CMS allows Employer Group Plans to provide coverage to members anywhere in the country as long as they meet the network adequacy requirements for at least 51% of a particular employer or union group's beneficiaries.

Group Medicare Advantage PPO vs. Original Medicare coordinated plans



Benefits to Members



A simpler experience

No confusing coordination of benefits

Single ID card

One plan

Single call center

Single EOB



Equivalent design

Equivalent benefit design

Copayment based design

Passive PPO

Near universal provider access



Improved health and wellness

Home visits

Wellness programs

Clinical programs

Coordinated care



Additional benefits

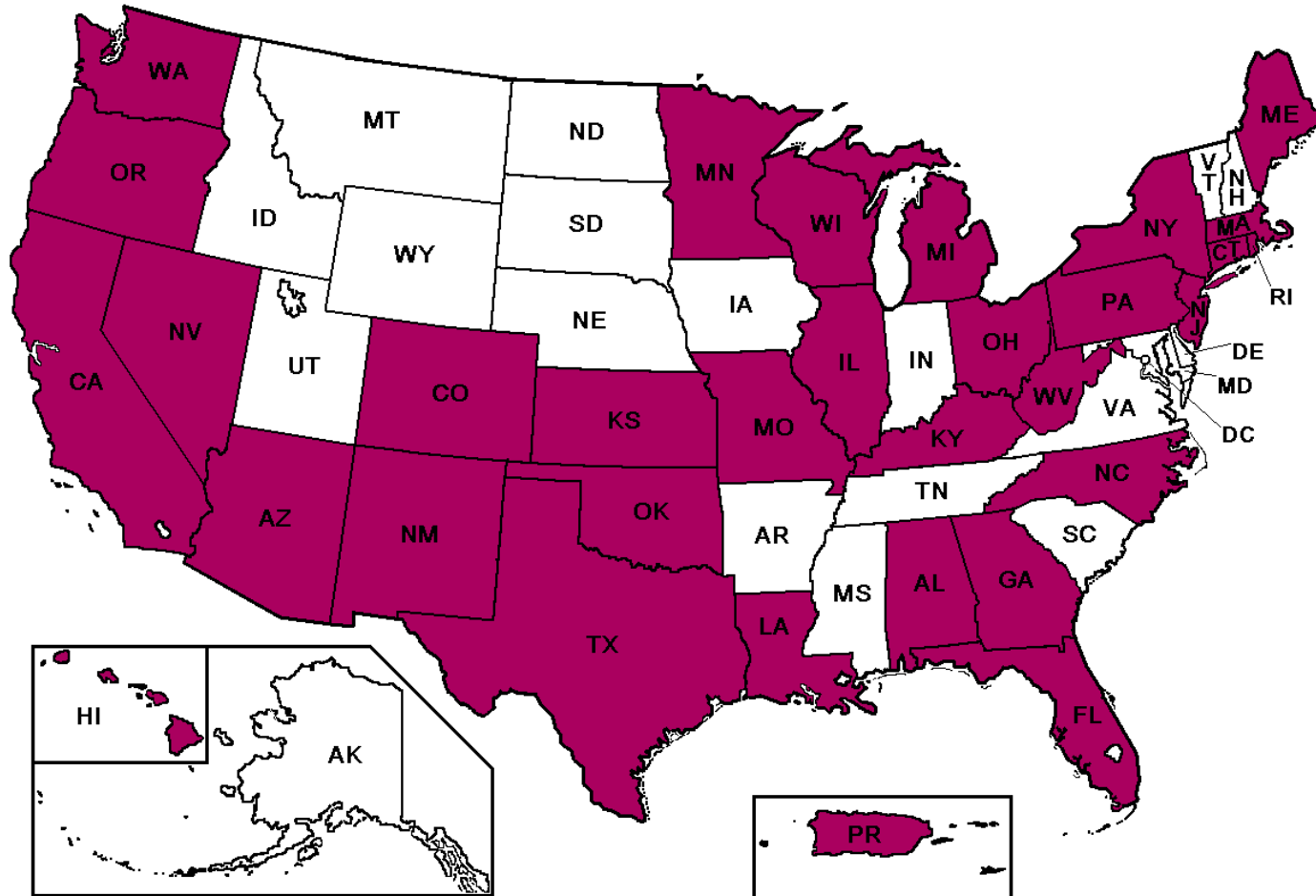
Meal delivery, non emergent transportation

Wellness incentives

Fitness benefit

Hearing and vision coverage

State Health Plans/Retirement Systems Offering Medicare Advantage



 State system offers Medicare Advantage as an option, an opt-out, or total replacement (30 states + Puerto Rico).

| Part D Review

What is an Employer Group Waiver Plan (EGWP)?

A group sponsored Medicare Part D prescription drug plan with an enhanced benefit beyond the Standard Part D benefit

- EGWP's are true Medicare Part D plans, largely regulated by CMS. However, CMS is required to grant waivers to encourage use of plans by employers. For example, employers can have custom enrollment periods and custom communications.
- An EGWP plan design is customizable to mirror current plan design as long as the plan is as good or better than the standard Part D benefit level.
- The Medicare Part D Coverage Gap Discount Program is available to EGWPs.
- An EGWP also provides for catastrophic reinsurance (for costs beyond coverage gap)
- Low-income subsidies are available for eligible participants

Savings Provided by Additional EGWP Subsidies

	RDS	EGWP
Description	Employer-sponsored programs that are actuarially equivalent or better than the standard Part-D drug benefit are eligible for the RDS subsidy.	PDP contracts directly with CMS. Plan design is actuarially equivalent or better than the Standard Part-D plan design.
RDS Subsidy	Maximum RDS Subsidy is capped at 28%* (Cost Treshold - Cost Limit)	Not Applicable to EGWP plans
Coverage Gap Discount Program Subsidy	Not Applicable to the RDS program	Plan sponsor receives a 70% discount on brand drugs in the coverage gap hole. This counts toward the retirees' TROOP and pushes through the coverage gap faster.
Catastrophic Reinsurance Subsidy	Not Applicable to the RDS program	80% of Cost over the catastrophic threshold less applicable rebates.
Part-D Direct Subsidy	Not Applicable to the RDS program	Risk Adjusted Payment made by CMS directly to PDP for each Part-D participant.
Low Income Subsidy (LIS)	Not Applicable to the RDS program	LIS participants experience no coverage gap and no cost sharing above Part-D OOP threshold. The LIS mitigates the cost of the plan sponsor of covering these beneficiaries.

Challenges for Public School Medicare Retirees

- Currently have no plan sponsored benefits for pharmacy
- Members cannot be enrolled in an EGWP plan and an individual plan simultaneously
- CMS will automatically remove a member from existing coverage when enrolled in another plan
- The only option for PSE to consider a Medicare Advantage plan is if PSE would want to explore the potential to cover Medicare Advantage with Part D. It may be possible to reduce PSE cost of medical coverage enough with a MAPD to cover the cost of pharmacy benefits, but this would need to be further reviewed and likely vetted in the market.

| Market Analysis

Market Analysis Process

- Segal reached out to the 2 largest carriers in the MAPD market
- We requested 2022 rates that would illustrate the savings available for ASE and PSE if the plan were to move to either an MA only plan or MAPD
- Carriers were provided with ASE and PSE enrollment and claims data at a level of detail that would allow the carriers to provide estimates with a fairly quick turnaround
- Carriers modeled medical and pharmacy plan designs to provide comprehensive benefits to be equivalent to current benefits
 - including all non-Medicare covered benefits
 - taking into account the coordination of benefits methodology in place today
 - providing additional MA group benefits
- Pricing for PSE pharmacy benefits and plan designs were based on ASE
- Rates received are assumed to be conservative based on the following factors:
 - not a formal procurement, therefore illustrative look at ability to produce savings
 - need to come in better than illustrative in a formal procurement
 - would have more detail and time for analysis in a formal procurement for actual pricing

| ASE Financials

ASE Baseline

ASE	Current Enrollment	Premium Equivalent	State Contribution	Retiree Contribution	State Contribution %
2021					
Medical - BCBS PMPM	287	\$238.24	\$79.32	\$158.92	33%
Medical + EB Rx PMPM	14,083	\$489.20	\$305.28	\$183.92	62%
Medical - BCBS	287	\$821,642	\$273,559	\$548,083	33%
Medical + EB Rx	14,083	\$82,670,495	\$51,589,634	\$31,080,862	62%
Total	14,370	\$83,492,137	\$51,863,192	\$31,628,945	
2022					
Medical - BCBS PMPM	287	\$250.15	\$83.29	\$166.87	33%
Medical + EB Rx PMPM	14,083	\$521.00	\$325.12	\$195.87	62%
Medical - BCBS	287	\$862,724	\$287,237	\$575,487	33%
Medical + EB Rx	14,083	\$88,044,077	\$54,942,960	\$33,101,118	62%
Total	14,370	\$88,906,801	\$55,230,196	\$33,676,605	

- 2022 premium equivalent rates are based on 2021 rates trended 5% for medical and 6.5% for medical plus pharmacy
- Enrollment is based on June 2021 membership

ASE Scenario 1: Full Replacement MAPD

ASE	Current Enrollment	Premium Equivalent	State Contribution	Retiree Contribution	State Contribution %
2022					
Medical - BCBS PMPM	287	\$250.15	\$83.29	\$166.87	33%
Medical + EB Rx PMPM	14,083	\$521.00	\$325.12	\$195.87	62%
Total Baseline	14,370	\$88,906,801	\$55,230,196	\$33,676,605	
MA & MAPD					
MA PMPM	287	\$125.00	\$63.75	\$61.25	51%
MAPD PMPM	14,083	\$257.00	\$160.38	\$96.62	62%
Total Scenario	14,370	\$43,861,838	\$27,322,346	\$16,539,492	
Change from Baseline					
Medical PMPM	-	(\$125)	(\$20)	(\$106)	
Medical + Rx PMPM	-	(\$264)	(\$165)	(\$99)	
Total Change	-	(\$45,044,963)	(\$27,907,850)	(\$17,137,113)	

- State contribution is required to be greater than 50% - changed from 33% to 51%
- Group MA is not allowed for retirees with an individual Part D plan; however MAPD contribution is approximately \$100 lower than current plan contribution

ASE Scenario 2: Full Replacement MA with EB Rx

ASE	Current Enrollment	Premium Equivalent	State Contribution	Retiree Contribution	State Contribution %
2022					
Medical - BCBS PMPM	287	\$250.15	\$83.29	\$166.87	33%
Medical + EB Rx PMPM	14,083	\$521.00	\$325.12	\$195.87	62%
Total Baseline	14,370	\$88,906,801	\$55,230,196	\$33,676,605	
MA & EB Rx					
MA PMPM	287	\$125.00	\$63.75	\$61.25	51%
MA + EB Rx PMPM	14,083	\$395.85	\$247.02	\$148.82	62%
Total Scenario	14,370	\$67,325,591	\$41,964,649	\$25,360,942	
Change					
Medical PMPM	-	(\$125)	(\$20)	(\$106)	
Medical + Rx PMPM	-	(\$125)	(\$78)	(\$47)	
Total Change	-	(\$21,581,211)	(\$13,265,548)	(\$8,315,663)	

- State contribution is required to be greater than 50% - changed from 33% to 51%
- No change to the current pharmacy program

ASE Scenario 3: Retiree Option with 50% MAPD Enrollment (no auto enrollment)

ASE	Current Enrollment	Premium Equivalent	State Contribution	Retiree Contribution	State Contribution %
2022					
Medical - BCBS PMPM	287	\$250.15	\$83.29	\$166.87	33%
Medical + EB Rx PMPM	14,083	\$521.00	\$325.12	\$195.87	62%
Total Baseline	14,370	\$88,906,801	\$55,230,196	\$33,676,605	
MAPD Option					
Medical - BCBS PMPM	287	\$250.15	\$83.29	\$166.87	33%
Medical + EB Rx PMPM	7,041	\$521.00	\$325.12	\$195.87	62%
MAPD PMPM	7,041	\$257.00	\$160.38	\$96.62	62%
Total Scenario	14,370	\$66,600,132	\$41,309,959	\$25,290,173	
Change					
Medical PMPM	-	-	-	-	
Medical + Rx PMPM	(7,041)	-	-	-	
MAPD PMPM	7,041	(264)	(165)	(99)	
Total Change	-	(\$22,306,669)	(\$13,920,237)	(\$8,386,432)	

- Rates are based on full replacement and may be higher alongside an option

ASE Scenario 4: Retiree Option with 75% Enrollment (auto enrollment)

ASE	Current Enrollment	Premium Equivalent	State Contribution	Retiree Contribution	State Contribution %
2022					
Medical - BCBS PMPM	287	\$250.15	\$83.29	\$166.87	33%
Medical + EB Rx PMPM	14,083	\$521.00	\$325.12	\$195.87	62%
Total Baseline	14,370	\$88,906,801	\$55,230,196	\$33,676,605	
MAPD Option					
Medical - BCBS PMPM	287	\$250.15	\$83.29	\$166.87	33%
Medical + EB Rx PMPM	3,521	\$521.00	\$325.12	\$195.87	62%
MAPD PMPM	10,562	\$257.00	\$160.38	\$96.62	62%
Total Scenario	14,370	\$55,446,797	\$34,349,841	\$21,096,957	
Change					
Medical PMPM	-	-	-	-	
Medical + Rx PMPM	(10,562)	-	-	-	
MAPD PMPM	10,562	(264)	(165)	(99)	
Total Change	-	(\$33,460,004)	(\$20,880,356)	(\$12,579,648)	

- Rates are based on full replacement and may be higher alongside an option

ASE Scenario Summary

ASE		Estimated Savings TOTAL	Estimated Savings STATE	Estimated Savings RETIREES
Scenario 1	Full Replacement MAPD	(\$45,044,963)	(\$27,907,850)	(\$17,137,113)
Scenario 2	Full Replacement MA with EB Rx	(\$21,581,211)	(\$13,265,548)	(\$8,315,663)
Scenario 3	Retiree Option with 50% MAPD Enrollment	(\$22,306,669)	(\$13,920,237)	(\$8,386,432)
Scenario 4	Retiree Option with 75% MAPD Enrollment	(\$33,460,004)	(\$20,880,356)	(\$12,579,648)

| PSE Financials

PSE Baseline

PSE	Current Enrollment	Premium Equivalent	State Contribution	Retiree Contribution	State Contribution %
2021					
Medical - BCBS PMPM	15,459	\$217.76	\$116.98	\$100.78	54%
Medical - BCBS	15,459	\$40,396,222	\$21,700,726	\$18,695,496	54%
2022					
Medical - BCBS PMPM	15,459	\$228.65	\$122.83	\$105.82	54%
Medical - BCBS	15,459	\$42,416,033	\$22,785,762	\$19,630,271	54%

- 2022 premium equivalent rates are based on 2021 rates trended 5% for medical and 6.5% for medical plus pharmacy
- Enrollment is based on June 2021 membership

PSE Scenario 1: Full Replacement MAPD

PSE	Current Enrollment	Premium Equivalent	State Contribution	Retiree Contribution	State Contribution %
2022					
Medical - BCBS PMPM	15,459	\$228.65	\$122.83	\$105.82	54%
Total Baseline	15,459	\$42,416,033	\$22,785,762	\$19,630,271	54%
2022					
MAPD PMPM	15,459	\$257.00	\$138.06	\$118.94	54%
Total Scenario	15,459	\$47,675,556	\$25,611,162	\$22,064,394	54%
Change					
MAPD PMPM	-	\$28	\$15	\$13	
Total Change	-	\$5,259,523	\$2,825,399	\$2,434,123	

- Group MA is not allowed for retirees with an individual Part D plan; therefore, the plan would have to include pharmacy coverage
- Rx plan design is assumed to be equal to ASE plan design for this illustration but could be vetted further in a formal procurement

PSE Scenario 2: Full Replacement MAPD with Lower State Contribution

PSE	Current Enrollment	Premium Equivalent	State Contribution	Retiree Contribution	State Contribution %
2022					
Medical - BCBS PMPM	15,459	\$228.65	\$122.83	\$105.82	54%
Total Baseline	15,459	\$42,416,033	\$22,785,762	\$19,630,271	54%
2022					
MAPD PMPM	15,459	\$257.00	\$131.07	\$125.93	51%
Total Scenario	15,459	\$47,675,556	\$24,314,534	\$23,361,022	51%
Change					
MAPD PMPM	-	\$28	\$8	\$20	
Total Change	-	\$5,259,523	\$1,528,771	\$3,730,751	

- Same plan design as Scenario 1 with the state contribution changed from 54% to 51% to reduce state cost

PSE Scenario 3: Full Replacement with MAPD and Lower Rx plan benefit

PSE	Current Enrollment	Premium Equivalent	State Contribution	Retiree Contribution	State Contribution %
2022					
Medical - BCBS PMPM	15,459	\$228.65	\$122.83	\$105.82	54%
Total Baseline	15,459	\$42,416,033	\$22,785,762	\$19,630,271	54%
2022					
MAPD PMPM	15,459	\$228.65	\$122.83	\$105.82	54%
Total Scenario	15,459	\$42,416,033	\$22,785,762	\$19,630,271	54%
Change					
MAPD PMPM	-	\$0	\$0	\$0	
Total Change	-	\$0	\$0	\$0	

- Given the rich plan design compared to plans likely available in the individual market, the benefit design could be easily reduced to reach the desired level of funding while still providing great value

PSE Scenario 4: MAPD Option with Assumed Enrollment of 50%

PSE	Current Enrollment	Premium Equivalent	State Contribution	Retiree Contribution	State Contribution %
2022					
Medical - BCBS PMPM	15,459	\$228.65	\$122.83	\$105.82	54%
Total Baseline	15,459	\$42,416,033	\$22,785,762	\$19,630,271	54%
2022					
Medical - BCBS PMPM	7,730	\$228.65	\$122.83	\$105.82	54%
MAPD PMPM	7,730	\$257.00	\$138.06	\$118.94	54%
Total Scenario	15,459	\$45,045,795	\$24,198,462	\$20,847,333	
Change					
Medical - BCBS	(7,730)	\$0	\$0	\$0	
MAPD	7,730	\$28	\$15	\$13	
Total Change	-	\$2,629,761	\$1,412,700	\$1,217,062	

PSE Scenario 5: MAPD Option with Assumed Enrollment of 75%

PSE	Current Enrollment	Premium Equivalent	State Contribution	Retiree Contribution	State Contribution %
2022					
Medical - BCBS PMPM	15,459	\$228.65	\$122.83	\$105.82	54%
Total Baseline	15,459	\$42,416,033	\$22,785,762	\$19,630,271	54%
2022					
Medical - BCBS PMPM	3,865	\$228.65	\$122.83	\$105.82	54%
MAPD PMPM	11,594	\$257.00	\$138.06	\$118.94	54%
Total Scenario	15,459	\$46,360,675	\$24,904,812	\$21,455,864	
Change					
Medical - BCBS	(11,594)	\$0	\$0	\$0	
MAPD	11,594	\$28	\$15	\$13	
Total Change	-	\$3,944,642	\$2,119,050	\$1,825,593	

PSE Scenario Summary

PSE		Estimated Cost TOTAL	Estimated Cost STATE	Estimated Cost RETIREES
Scenario 1	Full Replacement MAPD with ASE Plan	\$5,259,523	\$2,825,399	\$2,434,123
Scenario 2	Full Replacement MAPD with Lower State Contribution	\$5,259,523	\$1,528,771	\$3,730,751
Scenario 3	Full Replacement MAPD with Lower Rx Plan Benefit	\$0	\$0	\$0
Scenario 4	Retiree Option with 50% MAPD Enrollment	\$2,629,761	\$1,412,700	\$1,217,062
Scenario 5	Retiree Option with 75% MAPD Enrollment	\$3,944,642	\$2,119,050	\$1,825,593

Rating Stipulations included in the Quotes

- Rates are quoted on a full replacement basis
- Rates assume the state contribution is greater than 50%
- Assumes utilization of each carrier's group formulary with additional non-Medicare covered drugs and utilization management
- Based on the currently enrolled membership and assumes less than 10% difference from current per year
 - If members who have previously opted out are allowed back into the plan, would need to disclose

Next Steps – Formal Procurement

- Ask for multiple scenarios to assess your options including things such as:
 - MA versus MAPD
 - Full replacement versus optional pricing
 - Any other flexibilities you want to explore including drug lists or other unique components of the plan
- Ask for guaranteed rates for at least 2 years and a not-to-exceed rate cap for future years
- Ask for medical loss ratio guarantees since it is a fully-insured product
- Ask for all reporting and data you want to capture including CMS reports specific to your members
 - for your own information; and
 - for future procurement purposes
- We have gathered many of these initial assessments over the years and do expect the savings to be greater than those presented in this report when provided in a formal procurement

| Questions?