



Study and Formulating Committee

Healthcare Strategy Recommendation
to Address OPEB Liability

November 12, 2020
Updated: December 1, 2020

Purpose of today's meeting

To provide the Committee with ideas for consideration that address the remarks given by Kevin Crumbo on 9/25/20 and were included in the memo dated the same day from him and Kristin Wilson

Based on Kevin Crumbo's remarks:

the **#1 focus of the Administration is Metro's \$4.2 billion (as of July 2020) unfunded OPEB liability**

This presentation addresses this concern.

What Are Other Post-Employment Benefits (OPEB)?

- Other post-employment benefits (OPEB) are the benefits that an employee will begin to receive at the start of retirement.
- This **does not include pension benefits** paid to the retired employee.
- It **does include** the following benefits provided by Metro to the retired employee:
 - Health insurance – Metro pays 75% of the cost of coverage*
 - Dental insurance – Metro pays 100% of the cost for single coverage
 - Life insurance – Metro pays 100% of the cost to provide \$10,000 benefit

* Medical premiums are indexed for employees hired on or after January 1, 2013, and non-vested employees rehired on or after January 1, 2013

Medical care items outlined in Administration's 9/25/20 memo

1. "Examine and make recommendations regarding a lower cost employee health plan option that delivers substantive health & wellness benefit for our employees, e.g., preventative care-oriented high-deductible plans as requested in the employee workforce insight assessment survey."

This idea was presented to the Benefit Board for consideration at the October and November 2020 Study Sessions; discussions that include supplemental information and data will be presented at upcoming Study Sessions.

2. "Examine and make recommendations regarding migrating our retiree health plan options to plans that better maximize the Federal provision of healthcare to those 65 and older, e.g., Medicare Advantage plans."

This presentation addresses this request.

Medical care items outlined in Administration's 9/25/20 memo (continued)

3. "Review if there could be optional incentives created for spending healthcare dollars as effectively as possible, such as mandatory generic medications and tighter management of out-of-network costs."

Generic medications - Metro's 2019 generic dispensing rate:

- **85% BCBS PPO** – current plan design and pharmacy program does not incent members to use generics. BCBS offers several programs that Metro could adopt that would incent or mandate generics
- **92% Cigna Choice Fund** - the rate increased 1.5% over 2018 and is higher than Cigna's book of business norm of 90.4%.

Out-of-network (OON) costs – Since Metro has contracted with its current carriers (BCBS and Cigna) to utilize their broadest networks, only a very small percentage of members sought care at OON providers in 2019:

- **2.4% of BCBS PPO claims**
- **2.0% of Cigna Choice Fund claims**

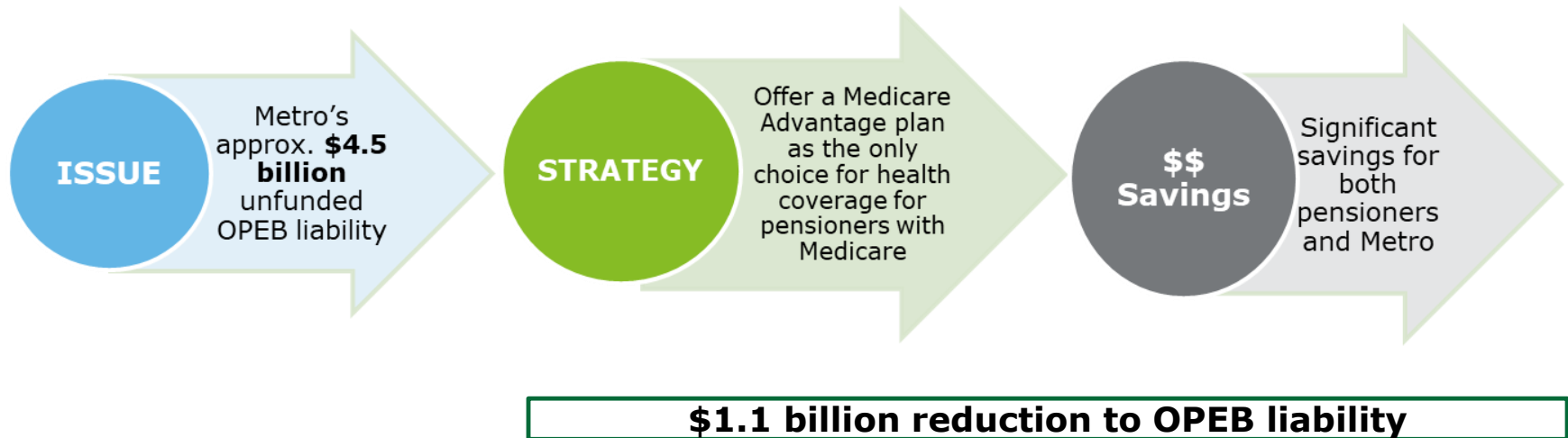
Medical care items outlined in Administration's 9/25/20 memo (continued)

4. "Similarly, provide recommendations on expansion and reinforcement of the availability and use of wellness initiatives by getting employees more engaged in their own health, another concern outlined in the employee workforce insight assessment survey."

Deloitte continues to evaluate strategies and next steps available to Metro to address these concerns and will bring these to the Committee at a later date if the Committee's appointment time permits.

Strategy centered around Medicare Advantage plan as sole choice for pensioners with Medicare

- The strategy to address two of Metro's top concerns is centered around a **Medicare Advantage plan being the only choice** for health insurance offered by Metro to the pensioners who have Medicare (and for those who are covering dependents – their dependents also have Medicare).
- Benefit of this strategy → it **provides significant financial savings to both the pensioners and Metro** while maintaining comprehensive medical coverage to which Metro pensioners have become accustomed.



Plans currently available to Metro pensioners with Medicare

Currently pensioners with Medicare have 3 choices for their health insurance through Metro:

1. **BlueCross BlueShield (BCBS) PPO with Employer Group Waiver Plan (EGWP)***

- This is an 80/20 coinsurance plan, which means most non-preventive services are covered at 80% when members use network providers. The EGWP administered by Express Scripts, Inc.) provides coordination of the PPO plan's benefits with Medicare Part D.
- Self insured by Metro

2. **Cigna Choice Fund**

- This plan combines traditional medical coverage with a Metro-funded Health Reimbursement Account (HRA) Fund. Pensioners with Medicare Parts A and B do not receive the HRA Fund; however, they can continue to use any unused HRA fund they may have received before having Medicare.
- Self insured by Metro

3. **Humana Group Medicare Advantage (MA) Plan**

- This is a PPO plan with prescription drug coverage; it is NOT a Medicare Supplement plan. As an MA plan, it provides a combination of the member's Medicare Part A (hospital coverage) and Medicare Part B (out-patient or medical coverage) and also includes other "supplemental" services such as home healthcare, vision coverage, dental coverage, transportation, etc.
- Fully insured by Humana

*** EGWP**

The Benefit Board adopted an EGWP (Medicare Part D) effective 2014 to provide prescription drug benefits to pensioners with Medicare. At that time, **the EGWP language was incorporated into Metro's Code.**

Current enrollment of the pensioners in Metro's medical plans

- Metro covers approximately 6,400 pensioners with Medicare-eligible members, with roughly only 33% choosing to enroll in Metro's MA plan
- Metro's Annual Enrollment for the 2021 calendar year ran October 14 – 28, 2020
 - In 2021, **pensioners in the Humana MA Plan will pay significantly less** in total annual premium than those enrolled in the other 2 plans:
 - **\$723.84 LESS** than those enrolled in the **BCBS PPO**, and
 - **\$1,059.84 LESS** than those enrolled in the **Cigna Choice Fund**
 - Even the significant difference in the 2021 rates between the MA plan and the other 2 plans did not result a large shift in the enrollment between the 3 plans

Enrollment as of August 2020

	BCBS PPO	Cigna Choice Fund	Humana Medicare Advantage	Total
Total Pensioners with Medicare	2,982	1,279	2,136	6,397
Total Pensioners with Medicare + their Covered Dependents with Medicare	4,047	1,749	2,720	8,516

Medicare Advantage is the leading solution for Medicare-eligible retirees nationally

- The number of members in Medicare Advantage plans has increased from **11 million to 22 million** over the last decade. ¹
- Congressional Budget Office projects that **47%** of all Medicare enrollees will be in Medicare Advantage plans by 2029.
- The majority of employers who still provide group medical coverage to retirees have **moved to Group Medicare Advantage plans.**
- The Medicare Advantage carrier (Aetna, BlueCross, Cigna, Humana, UHC, etc.) takes on all functions of Medicare – so **retirees deal with one administrator vs. two.**
- Medicare Advantage PPO plans typically reduce costs through two principal mechanisms – and reduced costs translates to lower premiums. (These plans also receive greater federal subsidies for enrollees with chronic conditions.)
 1. Capture of incremental CMS revenues
 2. Introduction of medical management as health plan manages its risk

¹ Kaiser Family Foundation, “A Dozen Facts About Medicare Advantage”

How do Medicare Advantage Plans work, and why consider?

- MA Plans are “all in one” alternatives to original Medicare
 - Offered by insurance companies as fully-insured, and approved by CMS
 - Cover all Medicare services
- MA plans go even further – offering additional coverage original Medicare doesn’t provide. Some of these benefits may include:
 - Dental coverage
 - Hearing aid coverage
 - Vision coverage
 - Health programs (such as SilverSneakers, Silver&Fit)

Metro Considerations	Pensioner Considerations
<ul style="list-style-type: none"> • Will deliver significant cost reduction to both “pay as you go” cost and OPEB liability • May support the longevity of Metro’s benefit system 	<ul style="list-style-type: none"> • More affordable; lower monthly premiums which will increase the amount of their monthly pension benefit • Ease of coordination of benefits: one payor means only one ID card versus multiple (pensioners in Metro’s BCBS PPO have three ID cards) • No change in members’ share for services whether in- or out-of-network • Supportive care management and benefits beyond Medicare are potential advantage • One point of contact for medical and pharmacy questions/issues

Offering Metro pensioners only the Group Medicare Advantage Plan could be a win-win for pensioners and Metro

- The following chart represents what the savings in 2021 would have been if the only plan offered to pensioners with Medicare had been a Medicare Advantage plan

Annual Estimated Savings to Pensioners*	2021 Estimated Savings to Metro	Estimated Reduction to OPEB Liability
<ul style="list-style-type: none"> PPO enrollee: \$724 Choice Fund enrollee: \$1,060 <p>* Enrolled in Single coverage</p>	\$14 million	\$1.1 billion (26%)

Pensioner savings reflect only premium reductions. Most pensioners will also see additional cost reductions from enhanced benefits provided by the Group Medicare Advantage carrier (see next page).

Notes:

- One year of savings is about \$14 million based on the rates set by the Benefit Board; however, the actual expected claims is around \$21 million. This is due to the fact that the post-Medicare claims are actually higher than the rates.
- Pensioners without Medicare (or who are covering dependents without Medicare) would continue to be offered Metro's PPO and Choice Fund plans.
- Assumptions used by Findley for the savings:
 - a 10% increase in the future Medicare Advantage Plan rate compared relative to the other plans.
 - If the entire population of pensioners with Medicare moves to the Medicare Advantage plan, then that plan's rate will increase by an additional 5%.

Premium savings for future retirees can be even greater due to Metro's 2013 change on medical premium indexing

- For employees hired and non-vested employees rehired on/after January 1, 2013, the medical premium indexing applies
- When these employees retire, their medical premiums as a pensioner will be indexed based upon the amount of pension credited service they have earned
 - **As a result of paying a higher percentage of the cost of coverage**, the annual savings for them if they are in the Medicare Advantage plan versus the traditional plans (PPO and Choice Fund) will **make the Medicare Advantage plan even more favorable for them**

Example:

- Employee (hired after 1/1/2013) retires with 10 years of credited service
- **He/she will pay 75%** of his/her cost for Metro health insurance (compared to **current retiree who only pays 25%** of his/her cost of Metro health insurance)
- Based on the 2021 medical plan rates, if this pensioner was in the Medicare Advantage Plan, then he/she would pay:
 - **\$2,172 LESS** than if he/she was enrolled in the **BCBS PPO**, and
 - **\$3,180 LESS** than if he/she was enrolled in the **Cigna Choice Fund**

Members pay less for most medical services under the Medicare Advantage Plan versus the PPO and Choice Fund

The chart reflects what Metro members currently pay for services in each of the plans:

	Humana Medicare Advantage Plan	BCBS PPO	Cigna Choice Fund
Annual deductible	\$0	\$0	\$450 Single; \$900 Family
Annual maximum out-of-pocket	\$1,000 per individual	\$1,000 Single; \$2,000 Family	\$1,150 Single; \$2,300 Family
Inpatient hospital			
Inpatient hospital	0% and \$0 copay	20%	10%
Office Visits:			
Primary Care	\$10 copay	20% after \$20 copay	10%
Specialist	\$10 copay	20% after \$30 copay	10%
Emergency room care	\$50 copay (copay waived if admitted within 72 hours)	\$100 copay + 20% (copay waived if admitted)	10%

Cost reduction actions taken by some of Metro's Peer Cities/Counties and the State of Tennessee to reduce OPEB liability

Cost reduction action	Cities/ Counties and State of TN
1. Eliminated retiree medical as a benefit to new hires	<ul style="list-style-type: none"> • Cincinnati • Dallas • State of Tennessee
2. Eliminated retiree medical coverage once the retiree qualifies for Medicare	<ul style="list-style-type: none"> • Dallas • Richmond
3. Only choice of medical coverage for Medicare-eligible retirees is: <ul style="list-style-type: none"> ○ Group Medicare Advantage plan ○ Medicare Supplement plan ○ Medicare Indemnity plan 	<ul style="list-style-type: none"> • Atlanta • Charlotte • Cincinnati • Denver • Fulton County • Houston • Mecklenburg County • San Antonio • St. Louis • State of Tennessee
4. Moved Medicare-eligible retirees to the individual Medicare Marketplace	<ul style="list-style-type: none"> • Memphis
5. Eliminated coverage in the group health plan for both pre-Medicare retirees and retirees with Medicare; instead, provide an allowance in a Health Reimbursement Account	<ul style="list-style-type: none"> • Columbus (2022)

Recommendations to achieve two of Metro's top priorities

#1 - Reduce the OPEB liability

#2 - Migrate retirees with Medicare to a plan that better maximize the Federal provision for those individuals, i.e., Medicare Advantage plans

Recommendation

Effective January 1, 2023, a Medicare Advantage plan will be the only choice for health insurance offered by Metro to pensioners who have Medicare (and for those who are covering dependents, the dependents must also have Medicare).

If the Committee decides to make the above recommendation, then a second recommendation will be necessary to clean-up Metro's Code language to eliminate the Employer Group Waiver Plan (EGWP).

In 2013, when Metro adopted an EGWP as the means to provide Medicare Part D prescription drug coverage to pensioners in the PPO, the EGWP provision was added to Metro's Code. Since the EGWP is only applicable if there are pensioners with Medicare in Metro's PPO plan, this Code language will no longer be applicable if these pensioners are excluded from enrolling in this plan.

Recommendation

Effective January 1, 2023, Metro will eliminate the Medicare Part D/ Employer Group Waiver Plan (EGWP) from Metro's Code language.



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