One-Year Contract Extension and Increase Funding for Medicare Advantage PPO Plan for Retiree Medical Benefits

Committee-of-the-Whole
June 18, 2019

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Interim Vice President, Human Capital

Blake Horton
Manager of Pension and Retirement Plans
RECOMMENDATION

• Approval of a resolution authorizing the President/Executive Director or designee to extend DART’s Retiree Medical Medicare Advantage contract for one additional year.

• The contract not-to-exceed cost will be increased by $1,211,623, total authorized not to exceed: $4,623,507.

• Breakdown of $1,211,623 total cost:
  – $882,061 DART Contribution
  – $329,562 Retiree Contributions
OPPORTUNITY

• Time to obtain better Medicare Advantage plan choices and features for retirees over 65 for plan year 2021

• Set expectations and create a thoughtful implementation plan

• Collaborate with a potential new contractor and train DART staff on new plan

• Create a communication plan to the Retirees
DART RETIREE MEDICAL COVERAGES

Retirees UNDER age 65

- Stay in active employee plans
- DART provides **no** contribution to the premiums
- Retiree pays **full monthly premium cost** until Medicare eligible at age 65
- The cost of medical insurance is now a primary driver for employees working past age 60, up to 65 and later
DART RETIREE MEDICAL COVERAGES

• Retirees OVER age 65 participate in Medicare Advantage
  – Benefits include all services provided by Medicare Parts A&B

• Aetna Medicare Advantage provides:
  – Prescription drug coverage
  – Additional limits on out of pocket and annual deductibles, which enhance Medicare benefits.
# DART Premium Cost History

<table>
<thead>
<tr>
<th>Benefit Year</th>
<th>Rate</th>
<th>Percentage Change</th>
<th>ACA*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$196.97</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>2017</td>
<td>$178.11</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>2018</td>
<td>$241.73</td>
<td>36%</td>
<td>15%</td>
</tr>
<tr>
<td>2019</td>
<td>$214.27</td>
<td>11%</td>
<td>0%</td>
</tr>
</tbody>
</table>

*The Affordable Care Act (ACA) fee is a tax imposed on health insurance issuers and/or sponsors of group health plans to offset some of the costs incurred by the government.*
Inflation Rate

* (Source: AON Annual Global Trend Rate Reports)
New Aging Workforce

Figure 1: Number of Persons 65+ 1900 to 2060 (numbers in millions)

Source: Department of Health and Human Services 2015
Medicare Advantage Plan Participation Drivers

• Baby Boomers – aging brings on health issues

• Social Isolation – impacts physical health

• Age of Agency – older population of workers nearing retirement

• Medicare Advantage Plan Eligibility
  (1,468 DART employees and eligible spouses - 12/31/2025)
DART’s retirement trend for retirees over age 65 entering Medicare Advantage Plan is increasing:
DART PLAN PARTICIPATION FORECAST

- **485 employees**, plus dependents, *will meet* 10-yr service & age 65 requirement by 12/31/2020 (could retire w/medical benefits at any time)

- **575 employees**, plus dependents are age 59 - 64, may satisfy requirements during the next 5 years.
# FY 2020
Projected Premium Costs

<table>
<thead>
<tr>
<th>Premium</th>
<th>DART %</th>
<th>Retiree %</th>
<th>DART Cost</th>
<th>Retiree Cost</th>
<th>Total Cost *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retiree</td>
<td>80%</td>
<td>20%</td>
<td>$208.38</td>
<td>$52.09</td>
<td>$260.48</td>
</tr>
<tr>
<td>Spouse or Disabled Child</td>
<td>50%</td>
<td>50%</td>
<td>$130.24</td>
<td>$130.24</td>
<td>$260.48</td>
</tr>
<tr>
<td>Retirees &amp; Spouse or Disabled Child</td>
<td></td>
<td></td>
<td>$338.62</td>
<td>$182.33</td>
<td>$520.96</td>
</tr>
</tbody>
</table>

*If ACA Health Insurer Fee is rescinded, rates increase by 6.85% or $228.94
*If ACA Health Insurer Fee continues, rates increase by 21.56%
# Projected Timeline

<table>
<thead>
<tr>
<th>Dates</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2019</td>
<td>Issue RFP</td>
</tr>
<tr>
<td>September 2019</td>
<td>Selection &amp; Approval of Retiree Medical Contractor for 2021</td>
</tr>
<tr>
<td>October 2019</td>
<td>Brief DART Board on the Selected Contractor</td>
</tr>
<tr>
<td>November-December 2019</td>
<td>Develop Communications Plan</td>
</tr>
<tr>
<td>March 2020</td>
<td>Initial Communication with Retirees of Plan Change</td>
</tr>
<tr>
<td>April 2020</td>
<td>Proactive calls to Retirees to discuss new plans</td>
</tr>
<tr>
<td>June/July 2020</td>
<td>Enrollment period</td>
</tr>
<tr>
<td>September/October 2020</td>
<td>Medical ID cards and materials distributed</td>
</tr>
<tr>
<td>January 1, 2021</td>
<td>Retiree Medical Plan Active</td>
</tr>
</tbody>
</table>
Recommended Action

• Extend the AETNA Medicare Advantage Contract for one-year

• Increase the contract not to exceed limit to $4,623,507 for the six-year period (72 months)
QUESTIONS