# COUNTY OF SAGINAW
## OFFICE OF COUNTY CONTROLLER
111 SOUTH MICHIGAN AVENUE
SAGINAW, MICHIGAN 48602

**ROBERT V. BELLEMAN**
*Controller/Chief Administrative Officer*
*rbelleman@saginawcounty.com*


April 5, 2017

Honorable Carl E. Ruth, Chairman
Board of Commissioners
County of Saginaw
111 S. Michigan Avenue
Saginaw, MI 48602

Re: Request to Approve Retiree Healthcare Action Plan

Dear Chairman Ruth:

Attached herewith is a copy of the proposed Retiree Healthcare Action Plan ("Action Plan"). The Action Plan was presented to the Labor Relations Committee on November 28, 2016 for their review and consideration. The Labor Relations Committee requested I share the Action Plan with the Retiree Healthcare Task Force, which was accomplished at a meeting on December 14, 2016. I have attached the Task Force member comments, which I previously shared with the Labor Relations Committee on January 12, 2017. The Labor Relations Committee requested the Action Plan be presented at a Committee of the Whole meeting and for retirees to be invited to this meeting. The Committee of the Whole met on February 22, 2017. Angela Garner of Brown & Brown and I presented information on the history of the Retiree Healthcare Task Force recommendations, the pricing analysis, and the Action Plan. We also presented information on the proposed 3 tier prescription drug program. The 3 tier prescription drug program would consist of the following for all retirees:

Tier 1 (Generic) - Your current prescription drug co-pay of $0 (Plan 0016); $2 (Plan 0013); $3 (Plan 0017); $5 (Plan 0021); and $10 (Plan 0020 and 0026)

Tier 2 (Brand) - $40 co-pay

Tier 3 (Specialty) - $80 co-pay

Prescription drugs are the single, fastest growing aspect of Saginaw County's healthcare plan. The County established a 3 tier ($5, $40, and $80) prescription program for active employees in October 2015. There is no incentive for retirees to select generic drugs under our current low co-pay one-tier plans.

It varies by group, but in our largest retiree suffix representing 292 of 451 contracts, specialty prescription drugs represented only 1.29% of all the prescriptions written, but 30.16% of the total cost. The year prior, specialty medications represented 1.42% of total medications prescribed and 23.19% of the total cost. Specialty prescription drugs are expected to increase to 50% of total pharmacy cost and in the next two years.

The Action Plan recommends nine (9) of the forty-seven (47) ideas the Retiree Healthcare Task Force developed in their 11 meetings.

The Retiree Healthcare Action Plan consists of the following activities:

1) Education. The Task Force ranked this action item as first choice #2; second choice #1; and third choice #1. Education would consist of the County coordinating several meetings each year to provide retirees a forum for discussing healthcare changes and new programs.

2) Prescription Assistance Programs. The Task Force ranked this action item as first choice #9 and third choice #4. Prescription assistance programs would be made available to retirees whereby manufacturers make coupons available on-line to assist with reducing the cost of certain medication.

3) Chronic and Critical Care Management Programs. The Task Force ranked this action item as second choice #7. I firmly believe providing assistance to individuals with chronic or critical care issues will be beneficial and assist the retiree and the County in reducing long term healthcare costs. This program is included in the Medicare Advantage Plan.

4) Evaluate a Medicare Advantage Plan. The Task Force ranked this item as first choice #10 and second choice #11. Sixty-five year old or older retirees and/or spouses would transition to a fully insured Medicare Advantage Plan. The county would save between an estimated $589,426 and $4,581,924 (based upon unknown future claims utilization) by transitioning post 65 retirees and spouses to a Medicare Advantage Plan, because of the federal subsidies available to Medicare Advantage Insurance providers.

   The County had an actuary compare the proposed Medicare Advantage Plans to existing retiree healthcare plans. The actuary determined the proposed Medicare Advantage Plans are equal to or better than the current retiree healthcare plans. Attached herewith is the actuarial report.

   I am also providing a copy of the Blue Cross/Blue Shield Medicare Advantage Plan presentation for your review. This presentation will be provided to the Board of Commissioners at its April 18, 2017 meeting and to retirees at several meetings in June 2017.

   Blue Cross/Blue Shield will require 90 days to implement the Medicare Advantage Plan. I am enclosing a copy of BCBS proposed implementation timeline. This timeline is based on Board of Commissioner's approval of the Action Plan at its April 18, 2017 meeting. Effective date would be August 1, 2017 of the Medicare Advantage Plan.

5) Separate retiree and active insurance plans. The Task Force ranked this action item as second choice #3. A separate retiree health insurance plan would allow retirees and the County to avoid many of the Affordable Care Act requirements such as the provision whereby dependents under 26 years of age can be covered by the County's health plan. A separate retiree health plan would allow the retiree and the County to decrease costs and avoid insurance related taxes.

6) Implement Medtipster. The Task Force ranked this idea as second choice #2 and third choice #3. Medtipster program would allow retirees to research on-line where they could find their prescription drug at a lower cost. Retirees who utilize Medtipster will need to insure the pharmacist is aware of all other medication they are taking to avoid adverse drug interactions.

7) Coaching for lifestyles management as wellness programs. The Task Force ranked this action item as first choice #4, #6, and #7 and second choice #7 and #8. This action item would assist retirees and spouses in improving their quality of life, which I firmly believe would reduce healthcare costs for the retiree and the County in the long term.

   The proposed Medicare Advantage Plan includes the "Silver Sneakers" benefit. The Silver Sneakers benefit would provide retirees and spouses:

   - Access to fitness classes, exercise equipment, pool, sauna and other available amenities.
   - Classes designed exclusively for retirees
   - Health education seminars and other events
   - Program advisors to help retirees get started
   - Access to online support to help retirees lose weight, quite smoking or reduce stress.

   The cost of this program to the County is $2 per month per member or $9,600 per year. I recommend implementing this more comprehensive wellness program and eliminating the County's wellness reimbursement to post 65 retirees. During 2016, 54 post 65 retirees requested up to $200 in reimbursement for a total cost to the County of $9,759.

8) Look to other employers/spouses/new job to cover retiree/family, with possible "opt in" at a later date. The Task Force ranked this idea as third choice #5. The County currently requires its retiring employee to enroll in its retiree healthcare plan or select the "opt out" payment of $150 per month at time of retirement without the option of changing this decision. This action item would allow employees eligible for retiree healthcare and retirees to possibly place their enrollment in "abeyance" until a later date and instead obtain coverage under a spouse or new employee's health plan. The retiree or spouse could "opt in" at a later date.

9) Labor negotiations for upcoming retirees. The Task Force ranked this idea as a second choice #5. The County will continue to review and, when appropriate, negotiate changes to retiree health care for eligible active employees.

I recommend the County establish an official Retiree Healthcare Trust Fund ("Trust Fund") and transfer all of the current and future retiree healthcare investment proceeds into this Trust Fund. The Trust Fund proceeds would be only available to cover costs associated with retiree healthcare. I also recommend the County direct any savings realized from implementation of the Action Plan into this Trust Fund so to assist in reducing our $127 million unfunded Other Post Employment Benefit (OPEB) actuarially accrued liability.

The Labor Relations Committee is being requested to recommend to the Board of Commissioners the

1) Adoption and Implementation of the Saginaw County Retiree Healthcare Action Plan.

2) Implementation of a 3 tier prescription drug plan.

3) Implementation of the Blue Cross/Blue Shield "Silver Sneakers" benefit and eliminate wellness reimbursement to post 65 retirees.

4) Authorize the Controller/CAO to amend the Fiscal Year 2017 budget as appropriate.

5) Authorize the Controller/CAO to work with Legal Counsel on the implementation of the Action Plan, creation of Retiree Healthcare Trust Fund and other legal matters associated with the Action Plan.

6) Authorize the Chairman of the Board of Commissioner and the Controller/CAO to execute any and all documents associated with implementation of the Saginaw County Retiree Healthcare Action Plan and a Retiree Healthcare Trust Fund.

I plan on attending the April 10, 2017 Labor Relations Committee to address any questions you or other committee members may have.

Sincerely,

Robert V. Belleman

Robert V. Belleman
Controller/Cao

C: Jennifer Broadfoot, Personnel Director
Amy Deford, Retirement Administrator
Angela Garner, Brown & Brown
Dave Gilbert, Civil Counsel
Stephen Hitchcock, Giarmarco, Mullins & Horton, PC

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SAGINAW, MICHIGAN 48602

ROBERT V. BELLEMAN
*Controller/Chief Administrative Officer*
*rbelleman@saginawcounty.com*


**MEMORANDUM**

November 16, 2016
December 2, 2016 (Updated Task Force Summary)

TO: Commissioner Hanley, Chair
Commissioner Ruth, Vice Chair
Commissioner Hadsall
Commissioner Kelly
Commissioner Kilpatrick
Commissioner Krafft
Commissioner McInerney
Commissioner Stack
Commissioner Theisen
Commissioner Woods
Commissioner Wurtzel

FROM: Robert V. Belleman
Controller/CAO

RE: ***RETIREE HEALTHCARE ACTION PLAN***

Attached herewith is a copy of the *Retiree Healthcare Action Plan* ("Action Plan") for your review and consideration. The Action Plan was developed from the list of forty-seven (47) ideas the Retiree Healthcare Task Force developed during their 11 meetings. The Task Force ranked these ideas into three choices (i.e. First Choice, Second Choice and Third Choice) creating the basis of their overall recommendations to the Board of Commissioners. Some of the Retiree Healthcare Task Force ideas overlapped in each of the choices. For example, "Education" appeared as a First and a Second Choice option for the Task Force, which I believe emphasized the importance this recommendation should have in our efforts to manage costs. The Retiree Healthcare Task Force Report ("Report") was submitted to the Labor Relations Committee at its February 8, 2016 meeting. The Labor Relations Committee requested the Report be presented to a Committee of the Whole and an invitation be extended to retirees to attend the Committee of the Whole meeting. The Committee of the Whole meeting was held on April 12, 2016 at THEDOW. The Labor Relations Committee, at its May 9, 2016 meeting, asked that I prepare this *Action Plan* incorporating those ideas from the Report which offer the County potential savings.

I worked with Angela Garner of Brown & Brown and Amy Deford, Saginaw County Retirement and Benefits Administrator to assemble information contained in the *Saginaw County Retiree Health Care Pricing Analysis*, which provides greater detail of each recommendation and whether the County would incur costs and/or savings associated with implementation of a specific recommendation. This year

Saginaw County bid out its health insurance coverage, which afforded us the opportunity to include various Task Force recommendations so we could quantify the costs and/or savings associated with each recommendation. I also worked with Paul Wyzgoski of Dickinson Wright and Warren Creamer of RW Baird to assemble information regarding bonding for retiree healthcare. I engaged John Clark and Stephen Hitchcock of Giarmarco, Mullins & Horton, P.C. to review Saginaw County's collective bargaining agreements and policies as they pertain to retiree healthcare. Mr. Hitchcock met with the Labor Relations Committee on October 10, 2016 to discuss his legal opinion regarding the County's ability to adjust retiree healthcare by implementing the Task Force recommendations.

A summary of the Retiree Healthcare Task Force's recommendations and related savings and/or cost follows:

**First Choice:**

1) **Bond first, address cost savings opportunities after to take advantage of current interest rates** - The County currently has an unfunded actuarial liability of $127,512,197. The County currently spends approximately $6.6 million on retiree healthcare. The County was able to estimate the size of a bond, using the annual budget for retiree healthcare, between $97,450,000 (20 year) and $119,565,000 (30 year), which would represent between 77 percent and 94 percent funding. However, the County's unfunded actuarial liability changes every two years based on the assumptions the actuarial uses in projecting our liability. There would be costs associated with bonding. Also, bonding would be helpful as long as the County would be able to earn more interest on the investment of the bond proceeds than what it is paying for these bonds (known as positive arbitrage).
2) **Education** - There is an estimated savings of $37,126 (1/2 percent of claims). The savings would be directly associated with changes retirees make in their decision-making on how services are provided and what medication (i.e. generic v. brand-name medication) is used. The cost of education would be time and materials expended in educating retirees on their benefits and alternative programs. The savings only occur when retirees conscientiously make changes in the way they utilize their healthcare benefits.
3) **Offer buyouts to existing retirees** - There could be savings associated with offering buyouts to retirees who are utilizing retiree healthcare. The County, on average spends $16,649 per eligible retiree and dependent for retiree healthcare. The key would be to identify the appropriate dollar amount to retirees to waive retiree healthcare. The cost would be the incentive times the number of retirees who take it.
4) **Coaching for lifestyle management changes and Preventive Program on certain diseases to help control costs** - Blue Cross Blue Shield offers various lifestyle coaching programs at a range of $100 to $300 annually for services to assist retirees in improving their quality of life. It could be several years before the County realizes lower healthcare costs as a result of lifestyle coaching. The County could experience an increase in its retiree healthcare costs as a result of recommended procedures and/or medications.
5) **Contract locally to service prescription drug program for possible savings for maintenance/generic medications- possibly with a local hospital** - There would be a cost associated with engaging the Health Department or a local pharmacy benefit manager to provide medication to our retirees. The potential savings would be dependent on the "buying" power of the Health Department or the pharmacy benefit manager and how many members would participate.

6) **Coordinate incentives for certain items like obtaining and reducing cholesterol, weight loss, lowering blood pressure** - The area of "wellness incentives" has become more regulated with a limit on the amount the incentive could be. The exact cost of this program would be dependent on the number of eligible participants. The potential savings would be difficult to track and it may be several years before savings are realized with better lifestyles.
7) **Look at a Wellness Program for Retirees and offer incentives for doing healthy activities** - The County currently offers reimbursement up to $200 toward wellness activities for active employees and retirees who are eligible for healthcare.
8) **Move Drugs to a Part D Provider/Carve out prescription drugs or require Retiree to take Medicare Part D** - The County currently contracts with Blue Cross Blue Shield of Michigan. BCBS does not allow the County to "carve out" its post 65, retiree pharmacy coverage. The County could experience coordination issues. The County did not receive a bid on this service when it requested bids as part of its healthcare renewal process.
9) **Prescription Assistance Programs to assist in lowering cost of medications to retirees and group** - The County could provide education/instruction on how retirees could access manufacturer websites for possible discounts on prescription drugs. The County would not realize savings; however, a retiree could avail themselves to potential savings.
10) **Evaluate Medicare Advantage Plan with Rx (Part D)** - The County included the opportunity for potential third party administrators to offer the County a Medicare Advantage Plan with Rx coverage as part of its recent bid for healthcare renewal services. The County could realize $2,337,725 in annualized savings by providing post-65 retirees with a fully insured Medicare Advantage plan.
11) **Evaluate need for lifestyle medications and whether or not non-medically necessary prescriptions should be allowed** - The County could save money by eliminating lifestyle medications from its retiree healthcare pharmaceutical coverage. The County spends approximately $110,000 on sexual dysfunction medications. Retirees who need these types of medications for medical necessity could still receive them.
12) **Implement a High Deductible Health Plan with Health Savings Accounts for future retiree coverage versus actual insurance benefit so the future retirees can save for future retiree healthcare costs outside of the County's benefits**- A High Deductible Health Plan affords retirees an opportunity to benefit from healthy lifestyle by retaining their account balance each year for use in future years. The County would save money by how it shares in the pre-funding of the Health Savings Account.

<u>Second Choice</u>

1) **Education** - same as First Choice #2.
2) **Implement Medtipster** - This program allows members to use a variety of pharmacies to receive generic medications at no cost (zero copay). The County would have to pay a fee for this service. The County would pay the full price of the medication. The County could save between $80,000 and $100,000 minus the annual fee.
3) **Separate Plan Documents for Retirees and Actives** - The County could separate its retirees from its active employee health plan. A Separate Plan for Retirees could save the County by eliminating benefits implemented under the Affordable Care Act (i.e. adding dependents to the plan until they are 26 years of age). An estimate of savings is $115,000. There would be a cost to develop a healthcare plan for retirees as well as identifying vendors to insure pre-65 and post-65 retirees.

4) **Voluntary removals from health insurance, depending on when retired** - The County would save approximately $16,649 (adjusted annually) for each retiree who elects to waive insurance coverage. The exact savings would be dependent on how many retirees voluntarily waive coverage.
5) **Labor Negotiations for upcoming retirees** - Implement First Choice options.
6) **County Policy - don't hire back Retirees (potential changes in MERS policy and Board policy)** – County benefits from hiring retired employees by avoiding additional health insurance costs.
7) **Chronic and Clinical Care Management Programs** - First Choice #4, 6 & 7.The County would realize a cost for wellness programs with potential benefits several years down the road.
8) **Conduct Health Risk Assessment with incentive offered** - First Choice #4, 6, & 7.
9) **Offer buyouts to existing retirees** - First Choice #3.
10) **Changing the traditional plans to PPO to take advantage of network discounts** - The County would save $13,338 annually.
11) **Evaluate Medicare Advantage Plan with Rx (Part D)** - First Choice #10.
12) **Review Actuarial Assumptions** - The County would not save by implementing this suggestion because actuarial valuations must conform to industry standards and actuarial valuations only predict costs of a plan. An actuarial valuation does not contribute to the cost of the plan.

<u>Third Choice</u>

1. **Education** - First Choice #2.
2. **Look to other employers/spouses/new job to cover Retiree/Family with possible "opt in" at a later date** - The County would save approximately $16,649 per retiree who elected to be covered by a spouse or another employer during their "opt out period." The exact amount of savings would depend on the number of years the retiree opted out of the County's retiree health plan and the number who opted out.
3. **Offer buyouts to existing retirees** - First Choice #3
4. **Implement Medtipster** - Second Choice #2
5. **Prescription Assistance Program to assist in lowering cost of medications to retirees and group** - First Choice #9
6. **Changing the traditional plan to PPO to take advantage of network discounts** - Second Choice #10.

Frank McArdle, Tricia Neuman, and Jennifer Huang of the Kaiser Family Foundation state, in their article, *Retiree Health Benefits At the Crossroads*,

> Large employers (with 200 or more employees) typically self-insure the benefits for pre-65 retirees and contract with health insurers to make available their provider network and administer the benefits and claims payment on a national basis. The employer may either combine the pre-65 retirees along with the active employee in the same risk pool, or break out retirees in a separate risk pool. Most recently, as discussed further below, some employers that previously included active employees and retirees in the same plan have taken steps to create a separate legal plan for retirees only, as retiree only plans are exempt from some of the more costly requirements of the ACA (p. 2). Because of this significant exemption, retiree-only plans are not required to comply with some of

the more costly requirements of the ACA, e.g., extending medical plan eligibility to adult children up to age 26, no annual or lifetime dollar limits on essential health benefits, covering preventive health services with no patient cost sharing, the four page uniform summary of benefits and coverage, as well as certain other provisions.... As a result of the new ACA requirements and the exemption for retiree-only plans, many employers that had included retirees in the same plan with active employees had a financial incentive to create a separate legal plan for retirees and avoid ACA cost increases with respect to the retirees. That change would allow the employer to continue providing the same coverage to retirees as was provided prior to the ACA (p. 8). The exemption is also important because it allows stand-alone health reimbursement arrangements (HRAs) for retiree-only plans, which can be used to pay retiree premiums for group or individual health insurance coverage. Without the retiree-only exemption, stand-alone HRAs would violate the ACA's ban on annual dollar limits and face other regulatory restrictions (under current rules, without the retiree-only exemption, HRAs must be integrated with a group health plan and cannot be used to pay premiums for individual health insurance coverage or coverage through a federal or state exchange.)(p.9)

Employers offering pre-65 coverage typically offer the retirees the same health plan options that are available to active employees that, for large employers, would typically consist of a choice among several options, e.g., a PPO, an HMO, and (less frequently) a traditional indemnity plan. Such coverage is typically comprehensive and more generous than what Medicare currently provides, in that employer plans typically include a limit on out-of-pocket costs and provide a prescription drug benefit with no coverage gap. Often employers will contract with a separate pharmaceutical benefit manager (PBM) to provide the prescription drug coverage (known as a "carve-out"), although sometimes the same insurer providing the medical benefits will also arrange to provide the prescription drug benefits (known as the "carve-in"). (p. 2)

Retiree Healthcare Guarantee is shifting

The Retiree Healthcare Task Force reviewed articles on how recent court decisions have reversed long-standing case law that retiree healthcare is "guaranteed" for life. The two articles were *Retirees Could Lose Their 'Guaranteed' Health Care Benefits and Supreme Court Repudiates Case Law on Retiree Health Care – What Should Employers Do?* In fact, the United States District Court Eastern District of Michigan Southern Division issued an opinion on September 27, 2016 in a case involving City of Hamtramck public safety retirees denying the Plaintiff's claim of lifetime guarantee for healthcare. A copy of the court decision is attached for your review. Every situation is somewhat different in facts, which could affect the Courts interpretation of a challenge. Saginaw County desires to avoid a legal battle over retiree healthcare. Saginaw County also appreciates the service our retirees provided the County. The proposed Action Plan incorporates the Retiree Healthcare Task Force recommendations. The Task Force worked diligently to ensure retirees' healthcare benefits remained affordable, available and sustainable. The County remains committed to this overarching goal. The County desires to honor our relationship with retirees by offering retiree healthcare that meets their needs and remains affordable to the County and the retirees. The proposed Action Plan evidences this commitment.

**Action Plan**

Saginaw County should pursue implementation of the following recommendations:

- Education – First Choice #2, Second Choice #1, and Third Choice #1
- Prescription Assistance Programs to assist in lowering cost of medications to retirees and group – First Choice #9, Third Choice #4
- Chronic & Critical Care Management Programs – Second Choice #7
- Evaluate a Medicare Advantage Plan with Rx (Part D)– First Choice #10, Second Choice #11
- Separate Plan Documents for Retiree & Active – Second Choice #3
- Implement Medtipster- Second Choice #2 and Third Choice #3
- Coaching for lifestyle management changes and Preventive Program on certain diseases to help control costs; Coordinate incentives for certain items like obtaining and reducing cholesterol, weight loss, lowering blood pressure; Look at a Wellness Program for Retirees for doing healthy activities – First Choice #4, 6, & 7. Second Choice #7 & 8
- Look to other employers/spouses/new job to cover Retiree/Family with possible "opt in" at a later date – Third Choice #5
- Labor Negotiations for upcoming retirees – Second Choice #5

The County requested CBIZ compare the proposed Medicare Advantage Plan to our existing retiree health plans to determine the actuarial equivalence of the proposed Medicare Advantage Plan are to the County provided self-insured plans. Ultimately, the County wants to know whether the proposed Medicare Advantage Plan is **as good or better than** our retiree health plans in place today. CBIZ verified the proposed Medicare Advantage Plans meet or exceed all of the existing post 65 plans offered to retirees. A copy of the CBIZ letter is attached herewith for your review and consideration.

I believe I should meet with the Retiree Healthcare Task Force to share this Action Plan with them and obtain feedback on the proposed action items contained herein. The Retiree Healthcare Task Force could offer great insight into how retirees may receive this information and how to better address potential concerns or challenges. The Retiree Healthcare Task Force indicated in its Report that "doing nothing" was not an option for the County. Brown & Brown has agreed to meet with retirees as a group and on a one-on-one basis to evaluate how the proposed changes would impact them individually once a recommendation has been initiated. Change is difficult and could create a great deal of stress or anxiety. I believe Saginaw County should work closely with its retirees to ensure they remain informed of potential changes and how those changes may impact them. Our success in controlling costs while providing a respectable level of healthcare coverage to our retirees will be dependent our ability to adequately communicate with our retirees.

Saginaw County has struggled to balance its General Fund and Law Enforcement budgets since 2008 with the decline of property tax revenues and increasing unfunded liabilities associated with Municipal Employees' Retirement System (MERS) Defined Benefit pension plan and Other Postemployment Benefits (retiree healthcare). The County of Saginaw issued a $52 million bond in 2014 to fund its unfunded actuarial accrued liability. The purpose of bonding for this unfunded accrued liability was to stabilize the budget and avoid the spike in annual required contributions while possibly benefiting from greater investment returns than interest rates on the bonds. Saginaw County received its Actuarial Valuation for December 31, 2015 which projects the County will have to increase its annual contribution to MERS by 71 percent and contribute approximately $4.5 million (Option A Full Impact). There is no "quick fix" to these financial challenges. Saginaw County will need to pursue multiple opportunities to address these challenges. It is financially prudent for Saginaw County to consider cost containment ideas

for retiree healthcare since it remains a large financial commitment of the County and its unfunded liability continues to grow.

**Retiree Healthcare Taskforce**
**Summary of Comments from meeting**
**December 14, 2016**

I met with members of the Retiree Healthcare Taskforce on December 14, 2016 at the SCCMHA Albert Woods Professional Development and Business Center on 1 Germania Plaza. I reviewed the proposed Action Plan with the Retiree Healthcare Taskforce and I asked those Taskforce members in attendance to provide me feedback on the draft Retiree Healthcare Action Plan. Those comments are as follows:

One member asked what the County's ratio of Medicare eligible retirees to non-Medicare eligible retirees. Angela Garner answered it is about a 50-50 split.

One member inquired about the "bell curve" for County retirees and retiree healthcare costs.

One member suggested any changes to retiree healthcare should consider "ease of accessing benefits" and stated BCBS is highly respected. Angela Garner stated BCBS has a dedicated call center for its Medicare Advantage programs.

One member suggested the County should wait 6 months because of possible changes in healthcare and the stock market. I explained the estimated savings was based on a Medicare Advantage price effective January 1, 2017. Angela Garner indicated BCBS will need 90 days to implement changes to the County's health plans.

One member inquired as to how much the County spent on consultants associated with Retiree Healthcare and on the Retiree Healthcare Taskforce. I responded the County paid Brown & Brown $15,000 and our actuary (CBIZ) $3,400. There were no out of pocket costs associated with the Taskforce.

One member stated the proposed Action Plan is a way for the County to shift the County's responsibility to retirees. He doesn't believe the overall retiree healthcare problem is being addressed. He believes the "Bonding" option is the answer and is very disappointed the County has elected not to bond.

One member stated the Taskforce focused heavily on the County bonding for retiree healthcare and now I have unilaterally elected not to recommend bonding as an option.

One member asked what will prevent the County from redirecting savings associated with the proposed Action Plan. I explained I would recommend a Retiree Healthcare Trust be established and any savings be placed into the Trust Fund. The County would only be able to use the trust for healthcare related costs.

One member questioned whether the incentives for weight loss, lowering blood pressure would be effective since she is certain physicians already provide their patients with this advice. This member does not believe these incentives would influence a lot of retirees to change their behavior.

One member raised the concern about the perception of the County proposing a storage facility for the Sheriff's Department. This member stated the County claims it's broke but is willing to spend money on a storage facility.

One member believed the Action Plan with nine (9) items was too much. He recommended the implementation be staggered

Angela Garner shared information with the Taskforce about Met Life product for retirees. Met Life will offer dental coverage to retiree (direct bill) at group rates.

One member suggested the County take a "wait and see" approach to retiree healthcare since the State has proposed modification to retiree healthcare. I explained transitioning to a Medicare Advantage plan would be more beneficial to retirees if the State does in fact require them to contribute 20 percent toward their healthcare costs.

I presented the three tier drug program with members copay remaining unchanged for generic drugs and copays of $40 and $80 for brand and specialty drugs. I further explained how the County could consider establishing a reserve to assist retirees who fell below the Federal poverty level. The County would use the reserve to reimburse or pre-fund cards for those retirees who meet eligibility criteria.

One member stated changing the drug co-pay may open a can of worms and result in litigation.

One member suggested no one should receive assistance as proposed under the reserve fund idea.

CBIZ Retirement Plan Services
CBIZ Benefits & Insurance Services, Inc.
6050 Oak Tree Blvd.
Cleveland, OH 44131
Ph: 216.447.9000 F: 216.447.9007
http://retirement.cbiz.com

November 3, 2016

Amy J. Deford
Retirement Administrator, County of Saginaw
111 S. Michigan
Saginaw, Michigan 48602

**Re: Actuarial Equivalence for Proposed Medicare Advantage Plans**

Dear Amy:

The following is a summary of our testing to determine the Actuarial Equivalence of the proposed *Medicare PLUS Blue Group PPO* Advantage Plans (MAPD) compared to the current self-insured Medicare supplemental plans sponsored by the County.

For each division, we compared the proposed MAPD with its corresponding self-insured supplemental plan. We used a normative distribution of claims and utilization to determine the relative value of the plans for a sample group of Medicare-aged retirees with an average age of 75. The testing incorporated the cost sharing of the Plan and Retiree, such as deductibles, coinsurance, and co-pays, for all covered services.

The exhibit below illustrates the relative values of the MAPD and supplemental plan for each division. The grid's **diagonal** (bold items) reflects the relative values assuming that each division's retirees are transferred to its corresponding MAPD. Each **column** within the grid illustrates the relative value assuming retirees from the division on the vertical-axis are moved to a MAPD from a division along the horizontal-axis. That is, all retirees would then be in the same plan, rather than multiple.

A relative value of 1 means that the MAPD and Supplemental plans are actuarially equivalent. A relative value *greater than* 1 means that the MAPD is more valuable than the supplemental plan on an actuarial basis, and vice versa. We consider any value within +/- 0.01 of 1 to be actuarially equivalent.

Based on our testing and assumptions, it appears that the MAPD for each division is at least actuarially equivalent to its preceding supplemental plan. Furthermore, if participants from each division were to be enrolled into *one* plan, it appears that either the MAPD for division 0021 or 0024 would allow the participants to receive benefits that are at least actuarially equivalent to what they receive under their current supplemental plan.

| | | Fully-Insured Medicare Advantage Plan plus Drugs (MAPD) | | | | |
|---|---|---|---|---|---|---|
| | Division | 0013 | 0016 | 0021 | 0024 | 0026 |
| Self-Insured Medicare Supplemental Plan | 0013 | **0.999** | 1.039 | 1.063 | 1.053 | 1.021 |
| | 0016 | 0.985 | **1.025** | 1.048 | 1.038 | 1.006 |
| | 0021 | 0.948 | 0.987 | **1.009** | 1.000 | 0.969 |
| | 0024 | 0.953 | 0.992 | 1.015 | **1.005** | 0.975 |
| | 0026 | 1.011 | 1.052 | 1.076 | 1.066 | **1.033** |

Please review the exhibit. We would be happy to set up a call to discuss the results of the testing and address any questions or concerns you may have. If you have further questions, feel free to contact Alex Johnson at 216-525-4683.

Respectfully,

Frank T. Vedegys, FSA, EA, MAAA
Senior Consulting Actuary

FTV/ajj

# Welcome!

## Saginaw County
## Medicare Advantage members
## Medicare Plus Blue℠ Group PPO

Medicare Plus Blue is a PPO plan with a Medicare contract. Enrollment in Medicare Plus Blue depends on contract renewal.

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# Today's Agenda

## Medicare Advantage

- What is a Medicare Advantage Plan?
- Who is eligible?

## Medicare Plus Blue Group

- What is Medicare Plus Blue Group PPO?
- Benefits at a glance
- How to contact us
- Questions

# Medicare explained

**Part A**
- Hospital
- Institutional

**Part B**
- Doctors
- Supplies
- Outpatient
- Professional

**Original Medicare**

**Medicare Advantage (Part C)**

**MA (Medical only)**

**MA-PD (Medical and prescription)**

**Stand-alone Part D**

# What is Medicare Advantage?

The 2003 Medicare Modernization Act provided for private companies to contract with the federal government to administer Original Medicare benefits.

These plans are called Medicare Advantage plans. You still have all the benefits, rights and protections of Original Medicare.

Medicare Advantage plans combine Medicare Parts A and B and may offer additional benefits not covered under Original Medicare.

# What is Medicare Advantage?

- Plans offered by private insurance companies that contract with the federal government.
- Offers the benefits, rights and protection of Original Medicare.
- Are not Medicare supplemental or Medigap plans.
- Medicare Advantage plans pay instead of Original Medicare.

# Medicare Advantage plans

**Medicare Part A benefits**
hospital coverage

**+**

**Medicare Part B benefits**
physician coverage

**+**

**Supplemental coverage**
enhanced and additional benefits

**=**

**Medicare Advantage: One comprehensive health care plan!**

# Who is eligible for Medicare Advantage?

**To be eligible for Medicare Advantage, you must be:**

- Entitled to Medicare Part A
- Enrolled in Medicare Part B
  - You must continue to pay your Part B premium
- Residing within the U.S.
- Age 65 or older, or disabled

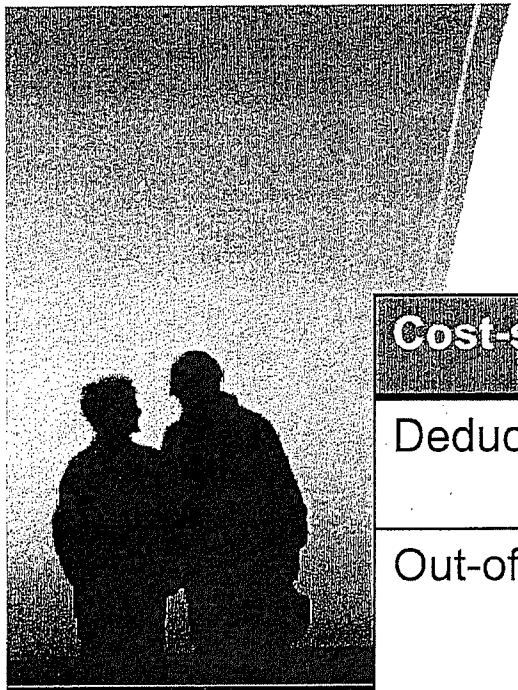
Members who aren't Medicare-eligible can retain their current health coverage.

# Medicare Advantage – How it works:

- Medicare Advantage is designed for individuals
  - **Medicare Plus Blue Group PPO** has no two-person or family contracts
  - Each member must meet their own individual cost share amounts
- Non-Medicare eligible dependents will continue to have coverage, individual and/or family deductibles under the non-Medicare BCBSM group plan.
  - Health and prescription drug coverage for non-Medicare eligible dependents of Medicare eligible retirees does not change, unless otherwise noted by the County.

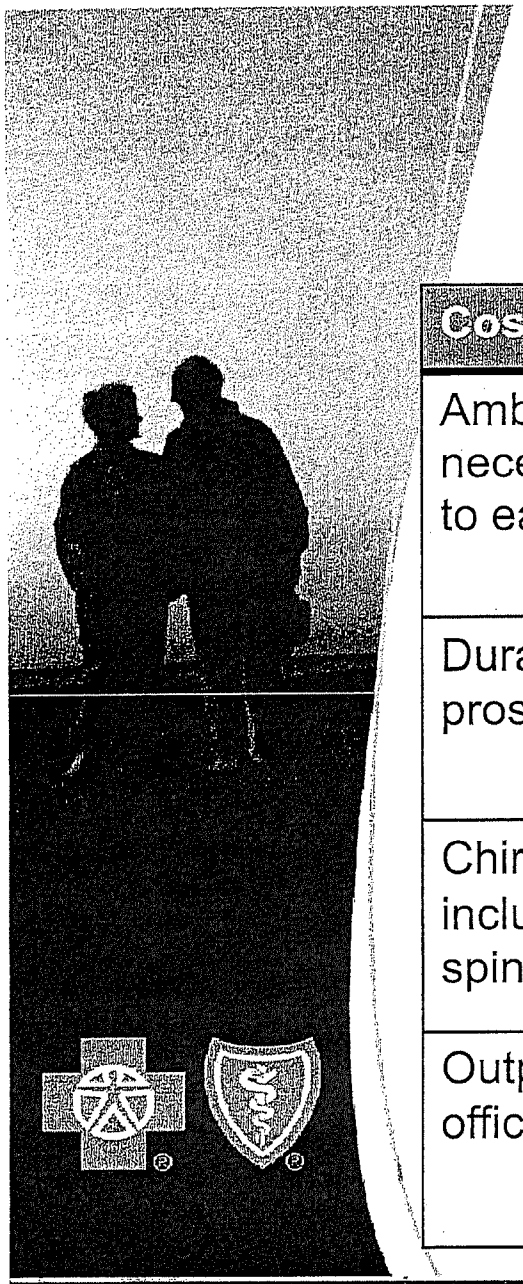
# Medicare Plus Blue Group PPO Member Cost Share

- Deductible – your cost share for select services before the plan's cost share begins
- Coinsurance – your cost share after the deductible has been met for select services - percentage of claim
- Copay – your cost share that is not subject to deductible or coinsurance, usually office visits – fixed dollar
- Out of Pocket Maximum – your total share of deductible, coinsurance and copay for the plan year.



# Your cost share

| Cost-share application | Member responsibility |
|---|---|
| Deductible Combined | $ |
| Out-of-pocket maximum | $ In Network<br>$ Combined |
| Office visit copay | $ PCP In Network<br>$ PCP Out of Network<br>$ Specialist In Network<br>$ Specialist Out Net |
| Emergency room copay | $ per visit |



# Your cost share

| Cost-share application | Member responsibility |
|---|---|
| Ambulance services – medically necessary transport; coverage applies to each one-way trip | $ per visit |
| Durable medical equipment, prosthetics, orthotics, medical supplies | $ up to approved amount, after deductible |
| Chiropractic care – covered services include manual manipulation of the spine to correct subluxation | $ |
| Outpatient mental health services in an office | $ |

# PPO Benefits-at-a-Glance

Always covered:

- Routine medical care
- Inpatient hospital services
- Surgery and surgical services
- Outpatient care and services
- Allergy testing and treatment
- Radiation and chemotherapy
- All Medicare-covered preventive tests and services
- Pharmacy
- Diagnostic testing and laboratory services
- Durable medical equipment, prosthetics and orthotics

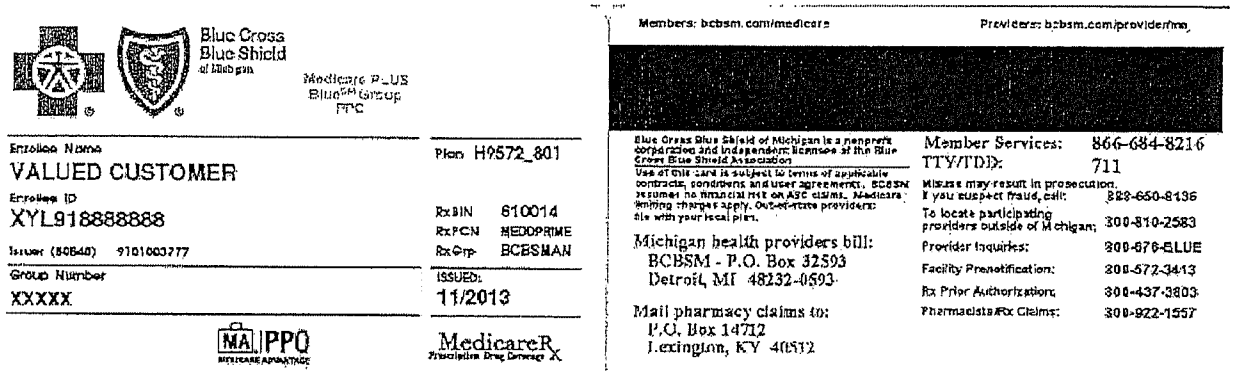
# Medicare Plus Blue Group PPO

Member advantages:

- **One** ID card for health and prescription coverage
- **One** Summary of Benefits, description of coverage for all of your medical and prescription drug benefits
- **One** Explanation of Benefits
- **One** Member Services center
- **No** provider referrals required

# The only card you need

## Your Medicare Plus Blue Group PPO ID card:




- Allows your Medicare card to be put safely away
- Is the only card you'll need for health and prescription drug services

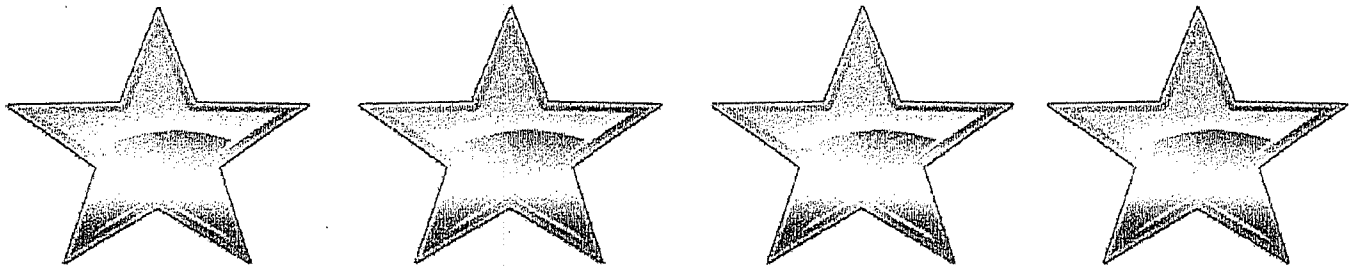
# No-cost preventive services*

- Welcome to Medicare visit – setting your baseline
- Bone mass measurement
- Colorectal screening
- Glaucoma screening
- Diabetes screening
- Immunizations
- Pap smears and pelvic exams
- Prostate cancer screening
- Mammogram
- Annual Medicare-covered wellness visit
- Annual routine physical exam

*These preventive services must be performed by a participating provider. If other services are provided during your visit, you may be responsible for a copay.*

# Medicare Plus Blue and Prescription Blue plan ratings

- In 2016, Medicare Plus Blue PPO and Prescription Blue PDP received four stars out of five
- Above average in health plan services and pharmacy services
- Ranked highly in keeping our members healthy, managing chronic illnesses, member satisfaction and customer service



Medicare evaluates plans based on a Five-Star Quality Rating System. Star Ratings are calculated each year and may change from one year to the next.

# Prescription drug Benefits-at-a-Glance

- Your plan covers you in the "doughnut hole" – no coverage gap as with other Part D prescription plans
- Your formulary is a list of drugs covered by your plan
- Cost share is applied based on drug tiers:
  - Tier 1 = Preferred generic drugs
  - Tier 2 = Non-preferred generic
  - Tier 3 = Preferred brand-name drugs
  - Tier 4 = Non-preferred brand-name drugs
  - Tier 5 = Specialty drugs
- Use retail and mail-order pharmacy networks for the lowest cost

# Prescription drug Benefits-at-a-Glance

| | 31-day supply | 32- to 90-day retail and mail-order prescription drugs | |
|---|---|---|---|
| | Retail pharmacy | Preferred network pharmacy | Non-preferred network pharmacy |
| Tier 1 – Preferred generic drugs | $ | $ | $ |
| Tier 2 – Non-preferred generic drugs | $ | $ | $ |
| Tier 3 – Preferred brand-name drugs | $ | $ | $ |
| Tier 4 – Non-preferred brand-name drugs | $ | $ | $ |
| Tier 5 – Specialty drugs | $ | Supplies greater than 31 days are not covered. | |

# 98 percent of all Michigan pharmacies* are in our network

- More than 2,400 pharmacies*
- A cost-saving 90-day supply of prescription drugs available through our retail network or mail-order pharmacies
- Home delivery through Walgreens and Express Scripts
- Access to an extensive retail pharmacy network outside of Michigan, including most chain pharmacies

Access PPO and PDP formularies online at:
**www.bcbsm.com/medicare/formulary.shtml**

# SilverSneakers® benefit

Fun and energizing. Promotes good health, physical activity and social interaction.

- Access to fitness classes, exercise equipment, pool, sauna and other available amenities
- Classes designed exclusively for you
- Health education seminars and other events
- Program Advisors℠ to help you get started
- Access to online support to help you lose weight, quit smoking or reduce your stress

Talk to a SilverSneakers representative or go online for more information.

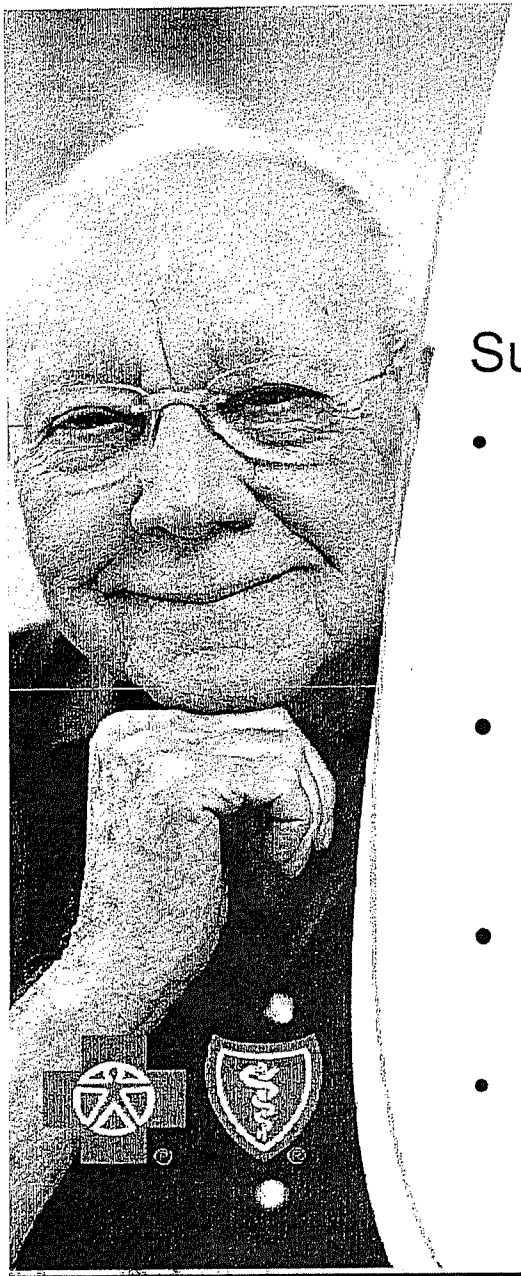
**This benefit is not available with all plans. Check with your plan administrator.**

# Care management services

A host of care management programs are available **at no charge** to Medicare Plus Blue PPO Group members to help you stay healthy, aid you in recovery or improve your quality of life.

- A registered nurse* will develop a personal plan of care for you and provide education on your condition, nutrition, medication and preventive care.
- Your care management nurse will work with you, your family and/or caretaker, and your doctor to coordinate your health care needs.

*The care management nurse will be from Blue Cross Blue Shield or a contracted external company.



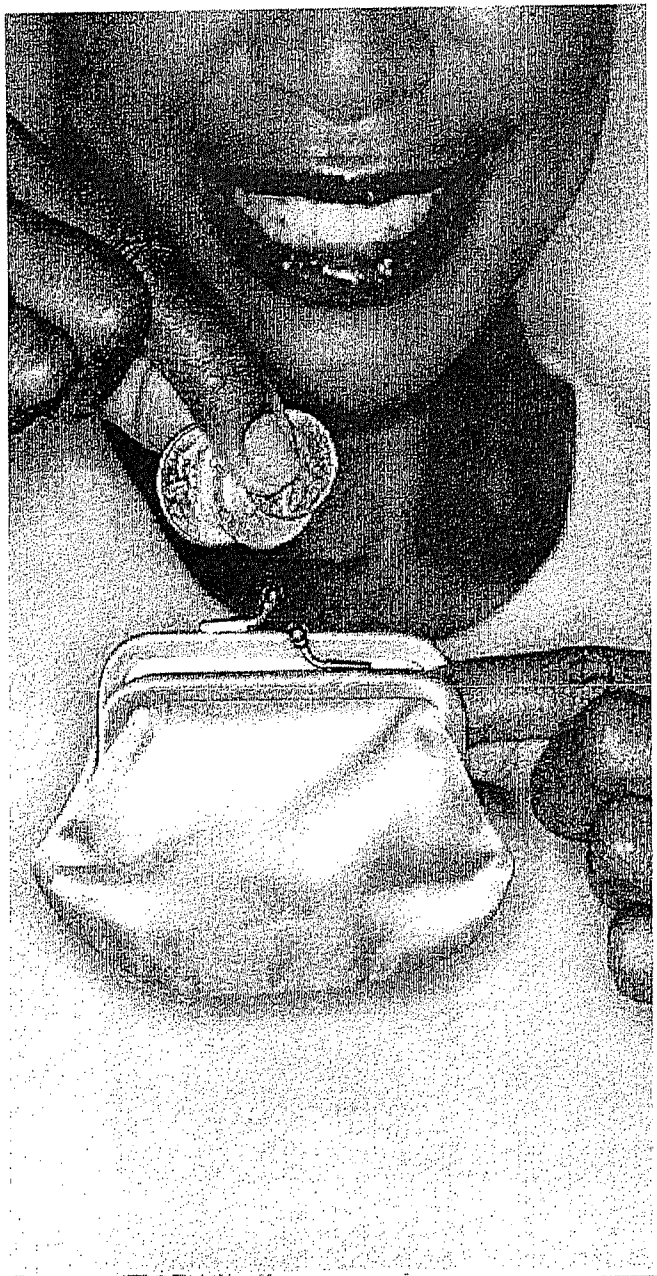
# Some care management programs

Supporting our members through the tough times:

- **CarePlus™ Provider Home Visit program** combines house calls with care management techniques and technology to prevent further health issues.
- **Care Transition to Home** makes sure you have everything you need when you go home from the hospital.
- **24-Hour Nurse Line** has nurses available for you to talk to any time of the night or day.
- **Quit the Nic** gives you all the support you need to get tobacco out of your life.

# Behavioral health services

- These services are available for emotional or mental distress, including depression and substance abuse issues.
- Medicare Plus Blue behavioral health case managers evaluate your needs and arrange for the right services.
- Your behavioral health case manager will work with you and your doctor to coordinate your care.
- Behavioral health case management services are part of your benefits – there is NO COST to you.



# Value-added discount programs

- **Healthy Blue Xtras℠ and Blue365®:** Special member discounts from local and national retailers and trusted health and wellness resources.

- ***MyBlue Medicare℠* magazine:** Great articles and useful information help keep you healthy, happy, safe and fit.

# Exceptional customer service

- A designated Medicare Advantage Service Center
- Complete issue resolution on first contact for 90 percent of all calls
- Personal concierge servicing
- Proactive member outreach
- Disease and case management support and direction
- This specialized service team is:
  - Knowledgeable and accurate
  - Courteous, friendly, respectful and empathetic
  - Honest and sincere

# Find it on the Web

- Useful health and wellness information and programs
- Drug formularies specific to your group
- National Find-a-Doctor look-up mechanism
- Current discount offerings
- Benefit information
- Individual *Explanation of Benefits* statements*
- Other important websites and contact information

**www.bcbsm.com/medicare**

*Individual *Explanation of Benefits* statements can be found in the secured member portal.

## When will the Medicare Advantage plan be effective?

August 1, 2017

# Important Information

**If you enroll in a stand-alone Part D prescription plan or a different Medicare Advantage plan, you will be automatically disenrolled from your current Medicare Plus Blue Group PPO.**

**CMS (Centers for Medicaid and Medicare Services) only allows beneficiaries to enroll in one Medicare Advantage plan (with or without Park D coverage) or stand-alone Part D plan**

# How to reach us...

## Medicare Plus Blue Group Member Services Call Center

## 1-866-684-8216

Servicing hours: 8:30 a.m. to 5 p.m.
Monday through Friday

**(TTY users call 711)**

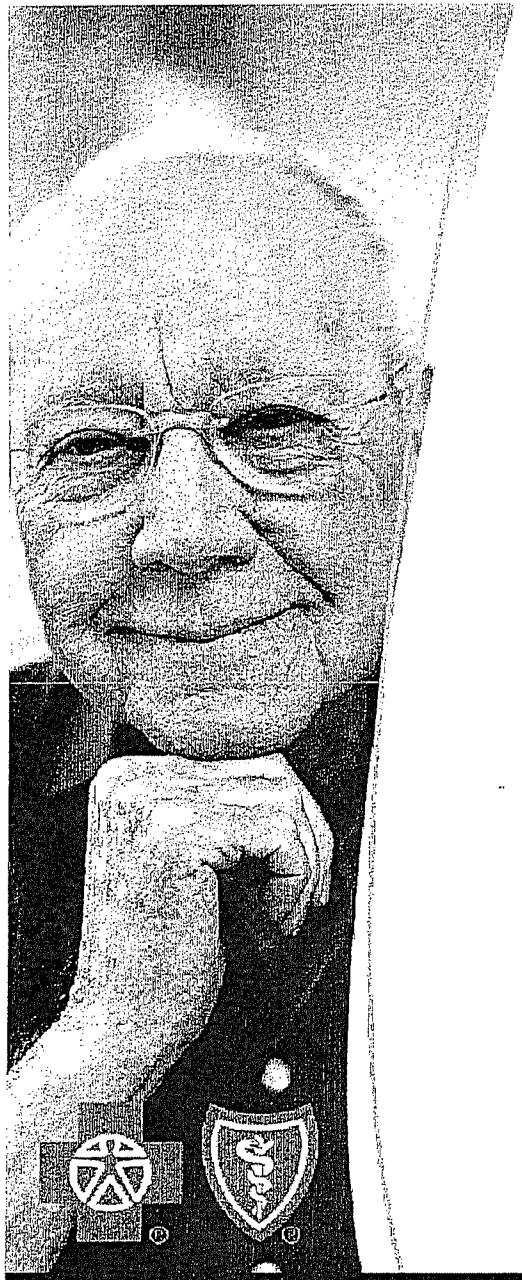
Or visit:

**www.bcbsm.com/medicare**

and/or

**www.medicare.gov***

*Blue Cross Blue Shield of Michigan does not control this website and is not responsible for its content.



# Questions?

## We're here to help.

| *MA PPO Implementation Timeline for August 1, 2017 Effective Date* | | | | |
|---|---|---|---|---|
| **TASK** | **EXPECTED COMPLETION DAY/DATE** | **# Days Lead Time** | **Status** | **Comments** |
| Client Signed Contracts Received by BCBSM MA Department: *<br>Group Benefit and Rate Schedule<br>* Medicare Advantage Addendum to Group Enrollment & Coverage Agreement<br>* Enrollment Census File<br>* Attestation of Creditable Prescription Drug Coverage Contract and File | Mon 05/08/17 | 85 | | |
| Medicare Advantage Group Set Up Complete: MA Group Number Established | Tue 05/23/17 | 70 | | |
| Pre-enrollment Kit: Ready for Group Sales & Client Review<br>Standard or Custom Cover Letter, Summary of Benefits Booklet, Star Plan Rating Flyer, Member Opt Out Form | *Fri 05/26/17 | 65 | | |
| Client Census file reviewed for file integrity, quality review and approval.<br>Pre-enrollment Kits - released for printing and mailing * | Fri 06/02/17 | 60 | | |
| Pre-Enrollment Kits mailed to members * | Wed 06/14/17 | 48 | | |
| Member Opt-out Window begins (member opportunity to waive coverage) * | Thu 06/15/17 | 47 | | |
| Member Meetings begin as determined by Client | *Fri 06/16/17 | 45 | | |
| Welcome Kit - Ready for Group Sales and Client Review<br>Welcome Letter, Provider & Pharmacy Directory, Member Evidence of Coverage and Benefit Chart, * | *Fri 06/30/17 | 30 | | |
| Member Opt-out Window Closes * | Wed 07/12/17 | 20 | | |
| Members sent for enrollment. Accreted to CMS, data matched, validated and enrolled in Medicare Advantage PPO (IKA) Membership and Claim Platform | Wed 07/12/17 | 20 | | |
| ID Cards mailed to members | Mon 07/17/17 | 15 | | |
| Welcome Kit mailed to members | Mon 07/17/17 | 15 | | |
| Client provided with list of Individuals who failed accretion:<br>Data mismatch, enrolled in another MA plan, etc. Note: BCBSM solicits individuals for information by RFI Letters and outbound calls to Individual<br>And, list of individuals who Opted Out of the Group MA Plan | *Fri 07/21/17 | 10 | | |
| Benefits Live/Member and Provider Servicing Implemented | Mon 07/31/17 | 1 | | |
| MAPPO benefit plan launched effective September 1, 2015<br>Member and Provider Servicing Implemented | 08/01/2017 | 0 | | |

* Dates are estimated and may vary by two to three days - the opt out window is determined by the vendor mail release date.

Committee of the Whole
February 22, 2017
Retiree Healthcare Action Plan
Questions raised by retirees and other FAQ's regarding Medicare Advantage (MA)

1. What are the impacts proposed federal and state legislation will have on retiree coverage if Medicare goes from a Defined Benefit to a Defined Contribution program? Saginaw County is unable to comment on impacts proposed legislation might have until any regulations are released. Saginaw County will do what is required by law regarding any potential new state or federal requirement.

2. What are the premium costs for proposed Medicare Advantage plan and how do they compare to existing premium costs paid by retirees? Premium (amount paid by the member) is dependent on member premium sharing level today and associated plan the member is in. Medicare Advantage rates are effective from the date the plan is effective through December 31, 2018. It is anticipated that the overall Medicare Advantage rate is less than the current premium; therefore member's premium sharing should also be reduced. October is the County's group renewal and it is normal that rates increase instead of decrease for Health Insurance due to medical and pharmacy trend on October 1st each year. Medicare Advantage rates would change on a January 1st basis going forward.

3. What impact will the proposed changes have on those who took the early retiree buyout in 2008 and for all other retirees? The proposed plans are similar based upon an actuarial study of existing benefits and proposed plans. Dependent upon whether the Board implements a change in the pharmacy copays, the copay for Brand name and Specialty medications could increase to $40 or $80, respectively. In speaking with their doctors and pharmacists, members could look to alternatives in medications they are taking today to reduce the cost of the copay. Generic copays would remain the same.

4. What are the annual deductible and out of pocket expenses for Medicare Advantage Plan? The deductibles and out of pocket expenses vary by plan. Side by side benefit comparisons will be available along with education sessions specifically targeted to each member's benefit levels.

5. If the County moves to a Medicare Advantage Plan, will retirees be ineligible for nursing home coverage in the future? Medicare does not cover nursing home coverage; therefore, it would not be covered under Medicare Advantage. Long Term Care coverage is not a current benefit of existing retirees. Medicare Advantage does cover some skilled nursing care provided in a skilled nursing facility under certain conditions for a limited time dependent upon certain guidelines.

6. Can I keep my same doctor with the Medicare Advantage Plan? Typically, if your doctor accepts Medicare now, he/she should also accept Medicare Advantage. It is always best to ask your doctor. In addition, Provider Directories are available to verify doctors as well as online resources to find a provider. Exceptions may apply. Providers have the ability to choose whether or not they participate in networks.

7. Can we receive reports from Medicare Advantage on which drugs are available as generics? Or should we talk with our doctor or pharmacist? A formulary (list of drugs covered in the plan) is

available. Individual reviews of medications would be available as well as online resources for members. The formulary is similar. In the chance of a member's medication not being covered, they will be allowed an initial fill in the first couple of months, which will allow them to work with their doctor and pharmacist on changing to a medication that is covered under the formulary.

8. Are we able to carve out prescription drugs to a new pharmacy benefit manager for our current plans? No for Medicare Advantage, but possible for entire group including actives and early retirees. This is being reviewed but it is possible that this would increase the cost of benefits to the County.

9. Are we allowed to keep our current coverage if we are satisfied with it? No, Medicare Advantage is implemented as a total replacement. All Medicare Eligible Individuals would move to the Medicare Advantage plans if this is approved by the Board.

10. Is there a way to ensure savings achieved from these changes remain for retiree healthcare (prevent robbing Peter to pay Paul)? Saginaw County is committed to transfer savings achieved and existing retiree healthcare savings already in existence to a Trust for the purpose of paying for future retiree healthcare expenses as permitted by the law.

11. Do we still pay Medicare Parts A & B? Yes, Medicare Part A may be free or partially covered today via work credits earned. Retirees would continue to pay for Medicare Part B as they do today. Retirees would not be required to pay for or enroll in Medicare Part D which is consistent to today. Retirees would be continued to be asked not to enroll in Medicare Part D.

12. Can you and your spouse be covered under two separate Medicare Advantage Plans? Under Medicare Advantage, each member's plan is an individual plan and not a two person or family plan for anyone who is Medicare Eligible. You cannot be enrolled in two Medicare Advantage with Prescription Drug Plans, and only the most recent one elected would be the plan that would remain. If a member has an issue with this, they will have to choose which plan they wish to participate in. If a member chooses not to participate in the Saginaw County Medicare Advantage Plan, they may opt out of Saginaw County's plan.

13. With a Medicare Advantage Plan, will I have to pay for the doughnut hole for medications or prescriptions? No, the group Medicare Advantage Plans do not have a doughnut hole. Members will pay their assigned drug copays.

14. Will I use my Medicare Card and a BCBS card? No, Medicare Advantage members will put their Medicare card in a safe place and only give providers and pharmacists their Medicare Advantage card.