

# Understanding Medicare and Senior Plan Offerings

PEC

December 15, 2011

# What is Medicare

Federally funded Health Insurance for retirees 65 or older\*

- **Part A: Hospital Insurance**

- Helps cover inpatient care in hospitals
- Helps cover skilled nursing facility, hospice, home health care

- **Part B: Medical Insurance**

- Helps cover doctors' and other provider services, out-patient care, durable medical equipment, home health care
- Helps cover some preventive services

\* Also covers people of any age with certain disabilities.

# Medicare (cont'd)

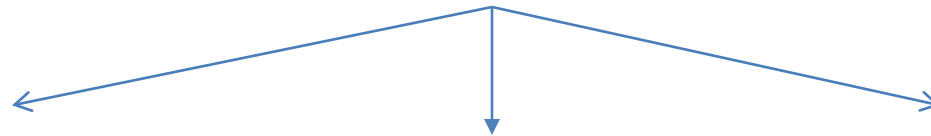
- **Part D: Prescription Drug Coverage**

- Helps cover cost of prescription drugs
- Offered by Medicare-approved private insurance companies; rates subsidized by Center for Medicare Services (CMS).

- **Part C: Medicare Advantage Plans**

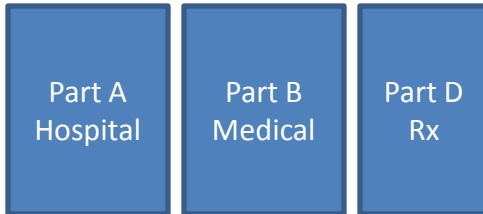
- Combines Parts A, B & D in Medicare-approved plans run by private health insurance companies; costs subsidized by CMS.
- Medical benefits exceed A & B – supplement co-pays and coverages; Rx benefits meet Part D coverage requirements.

# Three Ways to Medicare Coverage



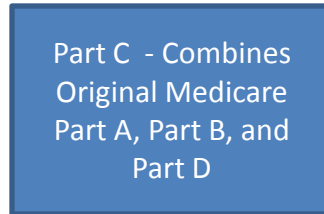
## Original Medicare

Any Medicare Provider  
No Referrals



## Medicare Advantage Plan

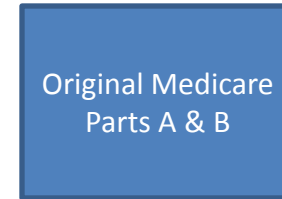
Managed Care - Limited HMO Provider  
Network



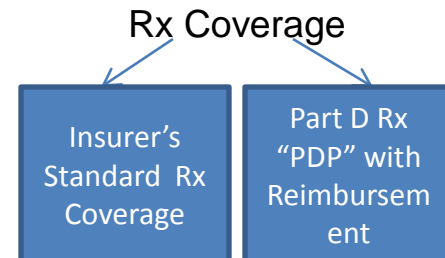
Plus Additional Benefits  
Lowers member out of pocket  
Costs; adds some additional  
preventive care services.

## Medicare with Supplement

Managed Care – Full HMO Network **OR**  
Indemnity – Any Medicare Provider –  
No Referrals.



Plus Additional Benefits  
Lowers member out of pocket  
costs and adds some  
additional benefits.



# Senior Plans Currently Offered by the City of Boston

	Medicare Advantage		Medicare Supplement			
			Managed Care		Indemnity	
City Plans	BC HMO Blue	Tufts Medicare Preferred	BC Managed Blue	Tufts Medicare Complement **	BC Master Medical A&B **	Harvard Medicare Enhance
<b>Total Avg. Retiree Costs*</b>	\$2,287	\$1,935	\$2,664	\$1,690	\$2,617	\$2,015
<b>Network</b>	Limited HMO Network; Referrals		Local HMO Networks; Referrals		Any provider who accepts medicare; no referrals	
<b>Medical</b>	Medicare Parts A & B + Additional benefits: lower member cost share and more coverage for preventive care.		Medicare Parts A & B + Additional benefits: lower member cost share and some additional coverage.		Medicare Parts A & B + Additional benefits: lower member cost share and some additional coverage.	
<b>Rx</b>	Part D PDP		Standard Rx or Part D PDP		Standard Rx or Part D PDP	

\* Includes Medicare Part B Prem; City Supplemental Coverage Prem; Avg. Out Of Pocket costs. Actual Out of Pocket costs will vary by individual.

\*\* per M.G.L. 32B S. 18A, Segal Actuarial Analysis showed these plans as equivalent to non-Medicare health plans offered to City employees.

# Part D Prescription Drug Plan (PDP)

Compare with Insurer's Standard Rx Coverage (Tufts example):

- Minimal change to Rx benefits
  - All currently prescribed drugs covered
  - Minimal formulary differences
- Lower cost due to increasing Medicare subsidy.  
Tufts Med Comp with PDP – total premium reduced \$56/month
- High income premium  
Members with income over \$85,000 individual/\$170,000 family pay additional Part D premium of \$11.60/mo; increasing with income. 1% (101) City retirees meet threshold with pension income.
- Members will carry additional Rx card.

# Observations

- Duplicate types of plans – no added value
- Certain plans offer more/less value to the retiree.
- 82% of Medicare enrollees currently in Master Medical A&B

# FY13 Opportunities

- Communicate highest value plans to Medicare-eligible retirees.
- Consider Tufts proposal for alternative plan to Tufts Medicare Comp - open network, lower cost due to PDP.

# Tufts Proposed Alternative to Tufts Med Comp

## ("Tufts Preferred Supplement")

- **Increased benefits, No Change to co-pays.**
  - Benefit improvements: \$1700 hearing aid allowance/ two years and \$150 annual fitness/eyewear reimbursement.
- **Increased provider network:** open to all Medicare providers, no referrals needed.
- **Premium Savings**
  - Lower premium saves members save \$108/yr; City \$560/yr
- **Rx - Part D PDP**
  - Minimal change to Rx benefits; all currently prescribed drugs covered, minimal formulary differences
  - Members with income over \$85,000 individual/\$170,000 family pay additional Part D premium of \$11.60/mo increasing with income.
  - Members carry additional Rx card.

# Current City Senior Plans with Tufts Alternative (“Tufts Preferred Supplement”)

	Medicare Advantage		Medicare Supplement			
			Managed Care	Indemnity		
<b>City Plans</b>	BC HMO Blue	Tufts Medicare Preferred	BC Managed Blue	BC Master Medical A&B	Tufts Preferred Supplement	Harvard Medicare Enhance
<b>Total Avg. Retiree Costs*</b>	\$2,287	\$1,935	\$2,664	\$2,617	\$1,581	\$2,015
<b>Network</b>	Limited HMO Network; Referrals		Local HMO Networks; Referrals	Any provider who accepts medicare; no referrals		
<b>Medical</b>	Medicare Parts A & B + Additional benefits: lower member cost share and more coverage for preventive care.		Medicare Parts A & B + Additional benefits: lower member cost share and some additional coverage.	Medicare Parts A & B + Additional benefits: lower member cost share and some additional coverage.		
<b>Rx</b>	Part D PDP		Standard Rx or Part D PDP	Standard Rx or Part D PDP		

\* Includes Medicare Part B Prem; City Supplemental Coverage Prem; Avg. Out Of Pocket costs. Actual Out of Pocket costs will vary by individual.

# Future Opportunities

- Savings - Benefit from Medicare Rx subsidy by changing from standard insurer to PDP coverage. Savings will increase annually as subsidy increases.
- Simplicity – reduce number of total plans offered to reduce confusion for retirees and give more bargaining weight with insurers.