

FY17 Medicare Health Insurance Premiums (2)

		Monthly Full Premium				Monthly Premium Cost per Enrollee			
		Current Enroll (1)	FY16 Mo Prem	FY17 % Change	FY17 Mo Prem	% Employee Share	FY16 Mo Share	FY17 Mo Share	Mo Change
Medicare Plans	BCBS Mas Med A&B	3,935	\$506			26.0%			
	BC Managed Blue	443	\$344			11.0%			
	Harvard Med Enhance	4,652	\$371	8.2%	\$401.03	11.0%	\$40.80	\$44.11	\$3.31
	Tufts Med Pref Supp	1,748	\$364	-1.6%	\$358.00	11.0%	\$40.00	\$39.38	-\$0.62
	Tufts Med Preferred	229	\$262	1.9%	\$267.00	11.0%	\$28.80	\$29.37	\$0.57
	Medicare HMO Blue	51	\$266	12.9%	\$300.87	11.0%	\$29.30	\$33.10	\$3.80

(1) All City + BPHC active enrollees Nov 2015

(2) Premiums for these four Senior Plans will be charged to City from Jan 1, 2016 - Dec 31, 2016. **Retirees will be charged their share of FY17 premiums from July 1, 2016 - June 30, 2017.**

Introduction

- The City of Boston retained Segal Consulting to review its Medicare Plan renewals and develop working rates for the year beginning January 1, 2016.
- This report includes an analysis of the renewals for Harvard Pilgrim Health Care (HPHC), Blue Cross Blue Shield of Massachusetts (BCBSMA), and Tufts Health Plan (Tufts).
- The City currently offers the following Medicare Plans that are administered with a January 1 effective date (i.e., on a calendar year basis):

Health Plan	Plan Type	Funding Arrangement
HPHC Medicare Enhance	Medicare Supplemental	Self-Funded
Tufts Medicare Preferred Supplement	Medicare Supplemental with PDP	Fully-Insured Experience Rated
Tufts Medicare Preferred HMO	Medicare Advantage	Fully-Insured Community Rated
Medicare HMO Blue (BCBSMA)	Medicare Advantage	Fully-Insured Community Rated

- The City’s Medicare Advantage Plans (Tufts Medicare Preferred HMO and Medicare HMO Blue) are fully-insured and community rated. These rates are set by carriers based on their book-of-business and are not influenced by the claims experience of any specific group.
- The City’s BCBSMA Master Medical Carve-out A&B and Managed Blue for Seniors Plans are administered with a July 1 effective date and are not included in this report.

Introduction

Plan Design Changes

- There are no plan design changes proposed for the Harvard Medicare Enhance or the Tufts Medicare plans.
- BCBSMA Medicare HMO Blue includes the following plan changes effective January 1, 2016:
 - Emergency room copayment increasing from \$65 to \$75 per visit.
 - Diabetic blood glucose test strips on the formulary list (Johnson and Johnson One Touch and Roche Diagnostics Accu-Chek) will continue to be covered at 100%. There will be no coverage for other brand test strips purchased at retail or mail order pharmacies.

Self-Funded Claim Projections

- The projections in this report are estimates of future costs and are based on information available to Segal Consulting at the time the projections were made. Segal Consulting has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment (e.g., the Affordable Care Act or other legislation), local market pressure, health trend rates and claims volatility.

The projections do not reflect the potential impact of any future changes due to health care reform legislation, other than those previously adopted.

- Generally, we suggest plans consider applying a fluctuation margin to projected self-funded incurred costs when developing working rates or maintaining a reserve approximately equal to 5% of total projected incurred costs. The City's target reserve levels satisfy this recommendation.

Rate Development

HPHC Medicare Enhance – Self-Funded

- Segal's projected CY 2016 self-funded working rate of \$401.03 represents an increase of 8.2% from the current CY 2015 rate of \$370.63.
- The CY 2016 Medicare Enhance working rate is based on the following:
 - Medical and prescription drug incurred claims experience for the year ended July 31, 2015 and paid through September 30, 2015.
 - Trend assumptions of 2.0% for medical and 13.0% for prescription drugs that considers both Segal and HPHC trend factors.
 - A 2% increase in the HPHC administrative rate from the current 2015 rate of \$34.00 to \$34.68 PEPM for the plan year beginning January 1, 2016.
- The working rate reflects the projected cost for the plan and does not include any adjustments to build up or spend down reserves.

Rate Development

HPHC Medicare Enhance – Self-Funded

	Medicare Enhance	
	Medical	Prescription Drug
Incurred Claims (YE 7/31/15, Paid to 9/30/15)	\$5,703,836	\$10,375,077
Completion Adjustment ¹	<u>\$318,654</u>	<u>\$0</u>
Estimated Incurred Claims	\$6,022,490	\$10,375,077
Member Months	50,606	50,606
Claims Per Member Per Month (PMPM)	\$119.01	\$205.02
Annual Trend Assumption ²	2.0%	13.0%
Trend Adjustment	1.028	1.189
PMPM Projected Claim Cost	\$122.39	\$243.77
		<u>Total Cost</u>
Total PMPM Projected Claim Cost		\$366.17
Administrative Expense		34.68
Federal Health Reform (ACA) Fees ³		<u>0.18</u>
Total PMPM Projected Incurred Cost		\$401.03
Assumed Members		4,454
Projected CY 2016 Incurred Expenses		\$21,434,000
Current CY 2015 Working Rate Premium ⁴		\$19,809,000
CY 2016 Segal Est. Required Rate Change		8.2%

Notes:

1. Adjustment to reflect claims incurred during the experience period ended July 31, 2015 and not paid as of September 30, 2015.
2. Reflects a blend of Segal and HPHC trend factors.
3. Reflects an assumed PCORI fee of \$2.17 PMPY for calendar year 2016.
4. Reflects both the City and employees' share of the working rates and is based on enrollment as of July 2015 as reported by HPHC.

Rate Development

Tufts Medicare Preferred Supplement – Fully-Insured

- Tufts Medicare Preferred Supplement premium of \$358 represents a 1.6% rate decrease for the plan year beginning January 1, 2016.
- Tufts' rate calculation and the resulting premium rate are reasonable.
- Tufts premium rate is based on the following:
 - Medical and prescription drug incurred claims experience for the year ended July 31, 2015 and paid through August 31, 2015.
 - Medical trend assumption of 1.5%.
 - Prescription drug trend assumption of 12.9%.
 - Projected revenues and discounts associated with a Medicare Prescription Drug Plan (PDP).
- The rate decrease is due to both favorable medical claims experience as well as Tufts' improved PBM pricing terms with CVS Caremark that are offsetting the anticipated increases in prescription drug costs.