

FY16 Medicare Health Insurance Premiums (2)

	Monthly Full Premium			Monthly FY16 Premium Cost per Enrollee			
	Current Enroll (1)	FY15 Mo Prem	FY16 % Proj Change	FY16 Premium	% Employee Share	FY16 Mo Share	Mo Increase (3)
BCBS Mas Med A&B	4,192	\$436			26.0%		
BC Managed Blue	417	\$349			11.0%		
Harvard Med Enhance	4,064	\$348	6.6%	\$370.63	11.0%	\$40.8	\$6.01
Tufts Med Pref Supp	1,549	\$345	5.5%	\$364.00	11.0%	\$40.0	\$5.54
Tufts Med Preferred	240	\$252	4.0%	\$262.00	11.0%	\$28.8	\$3.62
Medicare HMO Blue	52	\$238	12.0%	\$266.44	11.0%	\$29.3	\$5.51

(1) All City + BPHC active enrollees Oct 2014

(2) FY16 Premiums for these four Senior Plans will be charged to City from Jan 1, 2015 - Dec 31, 2015. **Retirees will be charged their share of FY16 premiums from July 1, 2015 - June 30, 2016.**

(3) Increases include both FY16 premium increase and 1% increase in retiree share effective July 1, 2015.

Introduction

- > The City of Boston retained The Segal Company to review its Medicare Plan renewals and develop working rates for the year beginning January 1, 2015.
- > 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 other two Medicare Plans are administered with a July 1 effective date and are not included in this report. These include BCBSMA's Master Medical Carve-out A&B and Managed Blue for Seniors.

Introduction

- Medicare Advantage Plans
 - These plans 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.
 - Since these plans are community rated and not based on the City of Boston's actual claims experience, a rate development is not provided.
- Plan Changes effective January 1, 2015
 - Tufts Medicare Preferred Supplement and Medicare Preferred HMO renewals include a \$150 reimbursement for Weight Management programs (including Weight Watchers, NutriSystem, Jenny Craig, and hospital based programs).
 - BCBSMA Medicare HMO Blue renewal includes several plan changes.

Introduction

- 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.
- The projection of the retiree costs takes into account only the dollar value of providing benefits for current retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection, nor does it reflect any anticipated increase in the number of those eligible for retiree benefits, or any changes that may occur in the nature of benefits over time.

Rate Development

HPHC Medicare Enhance

CY 2015 Self-Funded Working Rate

- Segal's projected CY 2015 rate of \$370.63 represents an increase of 6.6% from the current CY 2014 rate of \$347.60.
- The CY 2015 Medicare Enhance working rate is based on the following:
 - Medical and prescription drug incurred claims experience for the year ended July 31, 2014 and paid through September 30, 2014.
 - Medical trend assumption of 3.5% based on a 50/50 blend of Segal (5%) and HPHC (2%) trend factors.
 - Prescription drug trend assumption of 9.0%, consistent with both the Segal and HPHC trend factors.
 - HPHC proposed 3% increase in the administrative rate from the current 2014 rate of \$33.00 to \$34.00 PMPM for the plan year beginning January 1, 2015.
- 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

Incurred Claims (YE 7/31/14, Paid to 9/30/14)
 Completion Adjustment¹
 Estimated Incurred Claims
 Member Months
 Claims Per Member Per Month (PMPM)
 Annual Trend Assumption²
 Trend Adjustment
 PMPM Projected Claim Cost

Total PMPM Projected Claim Cost
 Administrative Expense
 Federal Health Reform (ACA) Fees³
 Total PMPM Projected Incurred Cost
 Assumed Members

Projected CY 2015 Incurred Expenses
 Current CY 2014 Working Rate Premium⁴
 CY 2015 Segal Est. Required Rate Change

Medicare Enhance	
Medical	Prescription Drug
\$5,665,224	\$7,715,014
<u>\$115,947</u>	<u>\$0</u>
\$5,781,171	\$7,715,014
43,949	43,949
\$131.54	\$175.54
3.5%	9.0%
1.050	1.130
\$138.11	\$198.34
	<u>Total Cost</u>
	\$336.45
	34.00
	<u>0.18</u>
	\$370.63
	4,163
	\$18,515,000
	\$17,365,000
	6.6%

Notes:

1. Adjustment to reflect claims incurred during the experience period ended July 31, 2014 and not paid as of September 30, 2014.
2. Reflects a 50/50 blend of Segal and HPHC trend factors.
3. Reflects an assumed PCORI fee of \$2.11 PMPY for calendar year 2015.
4. Reflects both the City and employees' share of the working rates and is based on enrollment as of July 2014 as reported by HPHC.