City of Boston

MEDICARE PART C
MEDICARE ADVANTAGE PLANS

March 8, 2016

Segal Consulting

Educational Sessions Schedule

Medicare RFP and Prescription Drug Review

PEC Meeting Date	Discussion Topic
February 9	Medicare 101
March 8	**Medicare Part C (Medicare Advantage)**
April 12	Prescription Drug Carve-out
May 10	Medicare Part D (Prescription Drugs)
June 14	Review and Planning for RFPs

Retiree Medical Plan Options
Current City Plans

Plan Type	Plan Name	Network	Funding Arrangement	Drug Coverage[1]	January 2016 Enrollment
Medicare Supplement (Medigap)	HPHC Medicare Enhance	No	Self-Funded	RDS	4,563
	Tufts Preferred Supplement	No	Fully Insured	PDP	1,693
Medicare Supplement	BCBS Managed Blue for Seniors[2]	Yes	Fully Insured	RDS	424
Medicare Advantage	**Tufts Medicare Preferred HMO**	**Yes**	**Fully Insured**	**MA-PD**	**218**
	BCBS Medicare HMO Blue	**Yes**	**Fully Insured**	**MA-PD**	**49**
Medicare Carve-out	BCBS Master Medical Carve-out[3]	No	Self-Funded	RDS	3,769

[1] RDS = Retiree Drug Subsidy, PDP = Medicare Prescription Drug Plan, MA-PD = Medicare Advantage with Prescription Drugs
[2] BCBS Managed Blue for Seniors is a network-based product, but is not filed as a Medicare Advantage plan
[3] BCBS Master Medical Carve-out plan will be discontinued effective July 1, 2017, per PEC Agreement

Group Retiree Medical Plan Options

Medicare Supplement (Medigap) vs Medicare Advantage (Part C)

Plan Type	Medicare Supplement (Medigap)	Medicare Advantage (Medicare Part C)
City's Current Plans	• HPHC Medicare Enhance • Tufts Preferred Supplement	• Tufts Medicare Preferred HMO • BCBS Medicare HMO Blue
Plan Design	• Coverage is intended to "fill in the holes" (i.e., supplement) coverage provided by Medicare Parts A and B • No network requirements—can see any provider that accepts Medicare • Provided by private insurance carriers	• Coverage is intended to "replace" Medicare Parts A and B • Includes all benefits and services covered under Part A and Part B • Many plans require an enrollee to see a provider in the carrier's network • Provided by private insurance carriers
Funding	• Can be fully-insured or self-funded • Carriers coordinate with Medicare on a fee-for-service basis	• Must be fully insured • Could be experience-rated for large group • Carriers receive a specified subsidy from CMS for each enrollee
Prescription Drug Coverage	• Most Medigap plans do not provide drug coverage, although an employer could provide a group plan with Rx and apply for RDS (Retiree Drug Subsidy) • Otherwise, must be provided through a separate PDP (Medicare Prescription Drug Plan). This can appear integrated from the retiree's perspective	• May be combined with a Medicare Advantage Prescription Drug, known as an MA-PD • May also be provided through a separate PDP

Medicare Advantage
Financial

- **Medicare Advantage Plans** receive fixed dollar subsidies per enrollee (capitations) from CMS based on an annual bid process
  - Plan costs are offset by CMS subsidy; difference represents the Medicare Advantage Plan premium
  - Carriers manage all claims, risk adjustment and clinical programs
  - Carriers assume all the risk which gives them the incentive to control costs
- **Risk Adjustment**
  - In addition to base monthly fee, a risk-adjustment process adjusts payments made to plans based on health history and status of enrollees
  - Increased subsidies for enrollees who will cost more
  - Decreased payments for healthier enrollees
  - Similar risk-adjustment processes exist for Medicare Part D (prescription drug plans) and plans sold on ACA Exchanges (Marketplaces)
- **Bonus Payments**
  - Plans are rated on a 5-star scale that evaluates outcomes and patient experiences
  - Plans with ratings of 4 to 5 are eligible for bonus subsidy payments from CMS
- **Affordable Care Act (ACA) and Medicare Advantage**
  - ACA reduced payments to Private Sector Medicare Advantage plans
    - Some of these reductions were subsequently reversed
  - Medicare Advantage plans are now required to disclose loss ratios. For plans with loss ratios less than 85%, the Affordable Care Act requires rebates to participants

Medicare Advantage
Plan Types

Medicare Health Maintenance Organizations (HMO)

- Filed on county by county basis
- Rates vary from county to county; for groups, one average composite rate provided
- Provides coverage through a network of locally contracted doctors and hospitals
- Generally do not provide coverage outside the network of contracted providers, except in emergencies

Medicare Preferred Provider Organization (PPO)

Regional PPO

- Plan members choose between in-network and out-of-network providers
- Participant's costs may increase if seeing a non-network provider
- Plans cover all medically-necessary covered benefits, whether they're received in network or not
- Member can usually see a specialist without a referral
- *Locally, only BCBS of Massachusetts offers a PPO option*

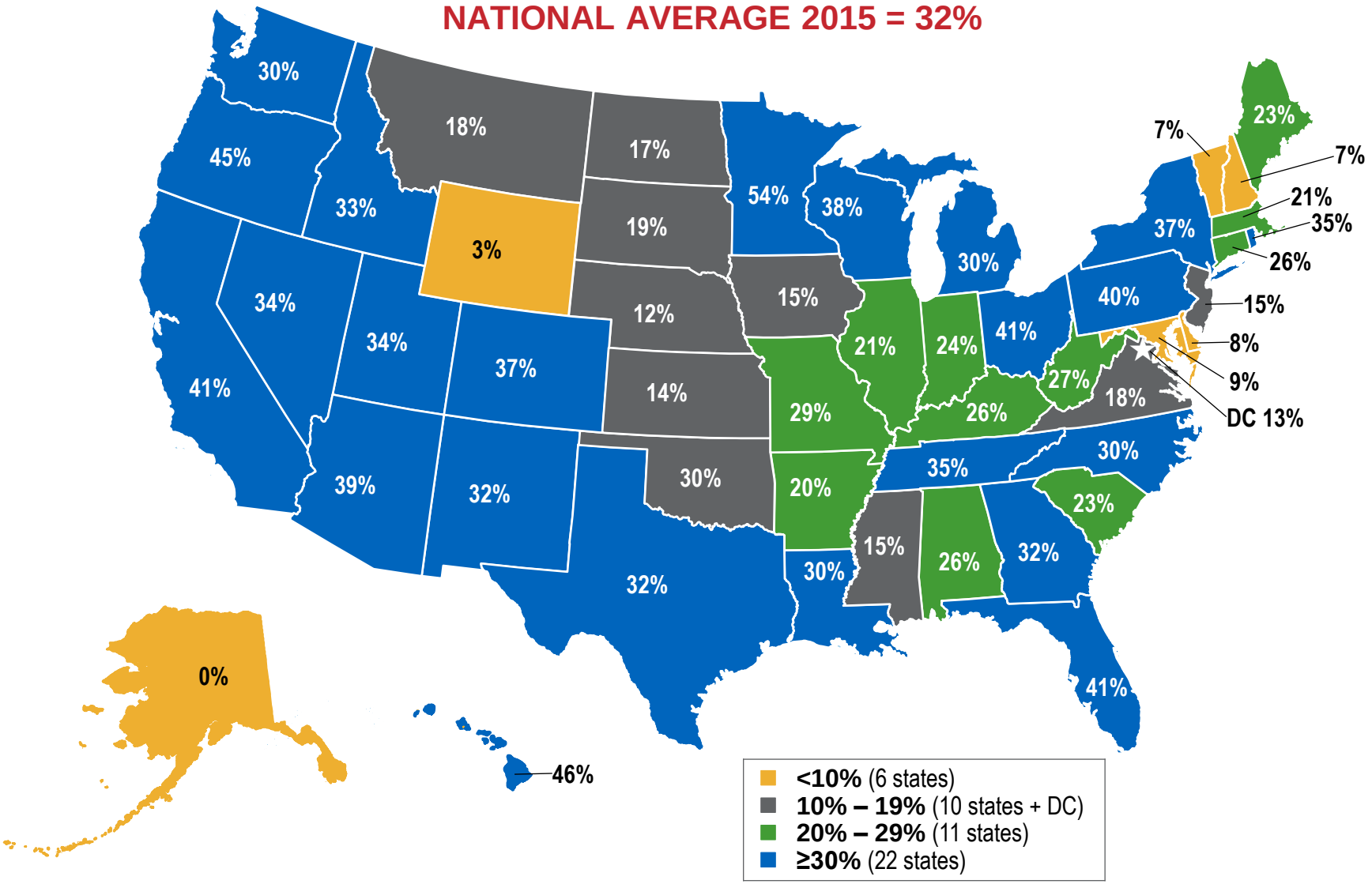
National Passive PPO

- If a regional PPO provides coverage to at least 51% of the members in a "service area", it can provide coverage on a national passive PPO basis (provides same level of benefits to those outside the service area, assuming those providers accept Medicare)
- Offers same member cost sharing and benefits whether using in-network or out-of-network providers
- In a Passive PPO, member may not be aware of the underlying network
- *Major carriers offering this product: UnitedHealthcare, Aetna/Humana**

  ** Aetna and Humana are expected to merge. Currently, neither carrier offers a Medicare Advantage product in Boston (02201) per Medicare.gov.*

Medicare Advantage

Enrollment by State (2015 data)

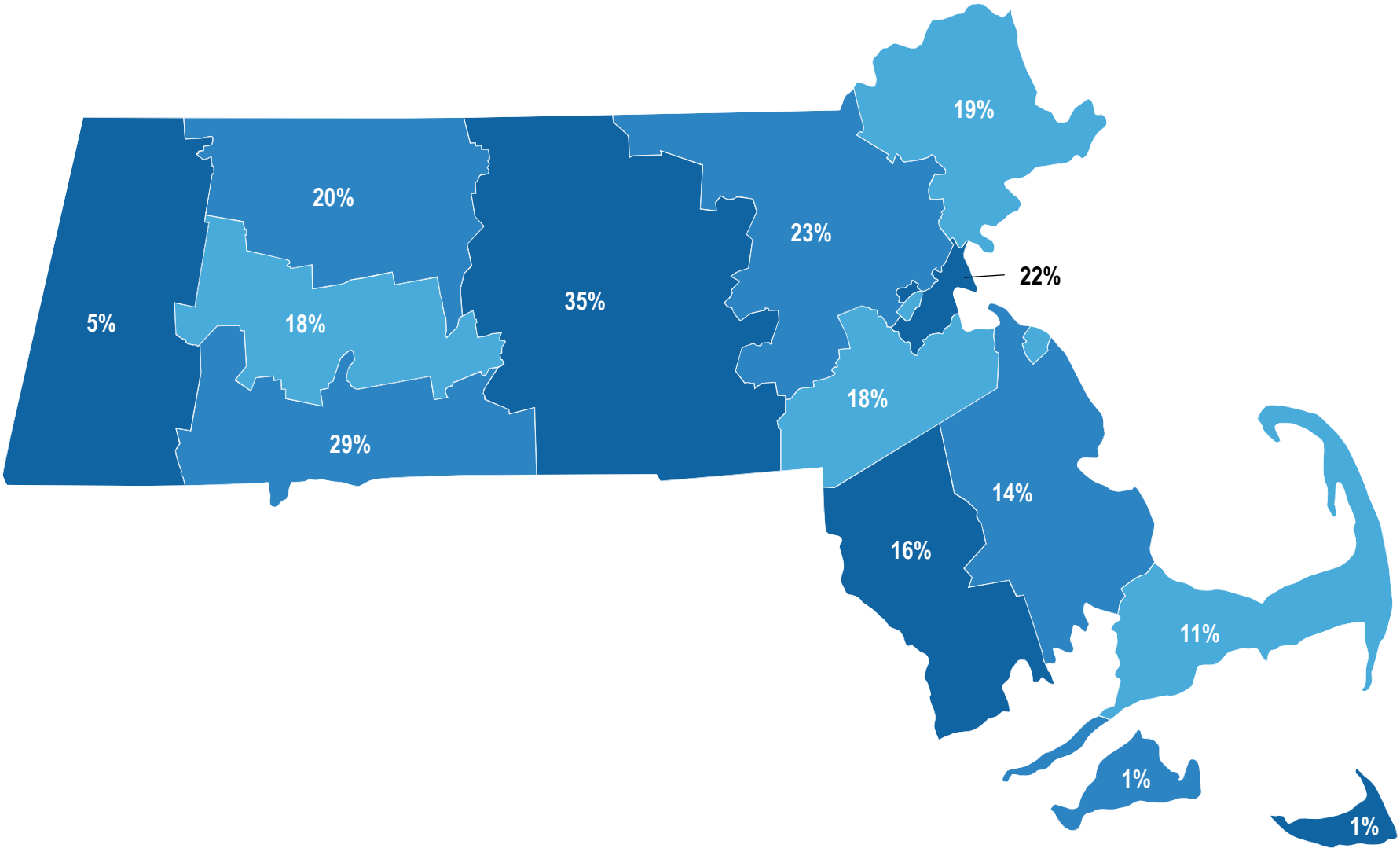


Medicare Advantage
In Massachusetts

- Based on data published by CMS, as of July 2015, 21% of Massachusetts residents who are eligible for Medicare Advantage coverage are enrolled in a Medicare Advantage plan
  - Enrollment varies between 1% (Nantucket and Dukes County) and 35% (Worcester County)
  - Suffolk County enrollment was 22%
- Among City of Boston Medicare retirees, current enrollment is only 2.5%
- Nationwide, Medicare Advantage enrollment was 32%
- Medicare.gov shows the following carriers with Medicare Advantage plans available in Boston (02201):
  - Blue Cross Blue Shield of Mass.
    - HMO and PPO
  - Fallon Health
    - HMO
  - Harvard Pilgrim Health Care
    - HMO
  - Tufts Health Plan
    - HMO
  - UnitedHealthcare (AARP)
    - HMO

Medicare Advantage

Massachusetts – Enrollment by County (2015 data)



Medicare Advantage
Summary

- Costs and premiums
  - Federal CMS funding covers a large portion of plan costs typically resulting in significant savings
  - Can provide comparable level of current plan benefits in a more cost effective manner (due to capitated payments)
  - Premium rates (*i.e.,* cost) depend on plan design and the level of CMS funding
  - Enrollee still must pay Medicare Part B premium!
- Insurer perspective
  - Capitated payments give carriers more incentive to manage costs compared to Medicare Supplement plans (where most of the benefit of costs savings accrues to Medicare)
  - Insurers also lower costs by implementing programs that support and manage the health of the population
    - Disease and case management to help members effectively navigate the health care system
    - Wellness and chronic condition management provided to ensure savings over long term