Using a Medicare Marketplace to Reduce OPEB Liabilities and Honor Commitments to Retirees

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October 2018
Public employees are the strongest thread in the fabric of our communities.
If you don’t believe that....

- Then who will pick up road kill?
- Lay asphalt when the road temperature is 135°?
- Or run into a burning building?
- Remove a crying child from a domestic violence situation?
- Arrest a man wielding a knife?
The big tradeoff
Can we still count on it?

The work that public employees do is stressful, dangerous and often physically challenging.

And it doesn’t always pay a lot.

But if you work a full career you typically have had the promise of a good pension and retiree health care.

This has been the big tradeoff for years, a promise of a decent retirement with a secure pension and retiree health care in exchange for lower wages.

Is that promise still being honored?
The promise is fading – especially on retiree health care

Only 25% of large private sector firms offer retiree health care…

…down from 40% in 1999.

73% of State and local governments still provide retiree health care…

…but many of them are ending or reducing their benefits by

- Ending retiree health care once you turn 65
- Freezing eligibility for retiree health care to only those who were hired before a certain date
- Ending prescription drug coverage
- Ending their programs entirely
I’m on a mission to save retiree health care.

- Ending retiree health care benefits doesn’t have to happen.
- There are solutions that reduce the overall cost for the system AND the retiree while lowering OPEB liability.
Typically, health care is not a vested benefit

- Pension is a guaranteed benefit
- Health care is discretionary
- Pension funding must always be primary
- Pension funding volatility makes funding health care even more difficult
- Retirement without health care isn’t very secure
A success story
Large statewide pension system

Yet by 2011, the fund was poised to run out in about 10 years.
The group Medicare Advantage with an Employer Group Waiver Program with a wrap (EGWP) and pulling down lots of federal dollars was still far more expensive than plans on the individual Medicare marketplace.

Wow, that’s not what I expected!

Retirees were leaving the plan to find those cheaper plans.
Changes made

The system made a number of health care changes to preserve the health care program:

- Reduce allowance levels
- Eliminate spousal allowance
- Eliminate Medicare Part B reimbursement
- Active employees must work longer to qualify for health care coverage

All these changes saved the system ~$600 million dollars a year.

These changes caused retirees to pay more for health care.

The average retiree would have to pay nearly $200 more a month.

The system needed an affordable solution for retirees and spouses.
Solution needed

The changes were needed to preserve the health care program...

...now a solution was needed to provide affordability to the retirees!
Using the Individual Medicare Marketplace made saving retiree health care for this system—

Mission possible!
Why is Medicare ideal for a marketplace?

**Huge Risk Pools…and Growing**
- Large individual market ~58 million retirees are enrolled in Medicare
- 10,000 baby boomers turn 65 every day for the next 15 to 20 years

**Guaranteed Issue…no adverse selection issue**
- Virtually everyone can join at 65: healthy, episodic, chronic and catastrophic

**Best-in-Market Plans and Providers**
- Retiree picks the best performing plan from best performing carrier
- You can choose to see any provider who accepts Medicare

**Carriers Compete on Price**
- File rates every year
- Standardized plans

**CMS/Pharmaceutical Industry Subsidies for ALL**
- Medicare Advantage
- Part D RX Plans
Medicare marketplace mechanics

**PLAN SPONSOR**
- Provides subsidy info
- Provides eligibility
- Provides subsidy

**Medicare Eligible Participants**
- Evaluate Medical and Rx options
- Elect coverage with premiums offset by employer subsidy (if applicable)
- Work with Willis Towers Watson Medicare Marketplace to resolve issues (medical/Rx claims; reimbursement claims issues)

**Individual Medicare Marketplace**
- Contracts with/provides preferred Individual Medical and Rx plans
- Provides comprehensive communications
- Enrolls retiree and spouse in best plan
- Manages employer subsidy with Health Reimbursement Arrangement (HRA)
- Allowable expenses follow IRS rules and employer decisions. Typically allows reimbursement of premiums, out of pocket Medical/Rx expenses and Med B premiums
- Provides lifetime concierge help for retirees

**PLANS**
- Medigap
- Part D Rx
- Medicare Advantage
- Dental
- Vision

Individual plans purchased through the Willis Towers Watson Medicare Marketplace are generally less costly than group Medicare plans.

Many plans have more comprehensive coverage than typical group Medicare plans.

Individual plan rates vary by: Benefit Level | Geography | Age | Gender
Individual marketplace for the public sector

Ohio Public Employees Retirement System (OPERS) chose an individual marketplace for 133,000 retirees.

State of Nevada Public Employees Benefits Program (PEBP) transitioned over 12,000 Medicare retirees into the individual marketplace effective July 2011.

University of California projected a $718M drop in accrued liability and annual contribution, with a reduction of $76M in 2014.

Rhode Island budgeted annual cash savings of $2M based on actuarial estimates.

City of Memphis 99% of their Medicare-eligible retirees could each save an average of $2,706 in annual health care costs.

Alameda County Employees' Retirement Association each retiree to SAVE between $300 and $1,500 annually.

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Our Individual Marketplace (branded as Via Benefits™ for participants)
Supporting retirees every step of the way

1. Guide Retirees Through the Change with Quality Driven White-glove Approach
2. Unbiased support to help retirees select and enroll in the right plan
3. Retiree Medical Savings Account (RMSA) Support
4. Lifetime Advocacy Services
Decision support tool summary
Getting to the right plan recommendation

**Help Me Choose**
*Which product is right for me?*
This tool helps identify whether a Medicare Advantage or Medigap plan is best suited for the retiree based on their preferences.

**Physician Profiler**
*Will I be able to see my doctors?*
This tool empowers retirees to check the network status of their preferred providers across the MA/MAPD plans that we offer.

**Prescription Profiler**
*Are my medications covered? How much will they cost?*
This tool identifies which drugs are covered and estimates total out-of-pocket expenses based on a retiree’s actual prescription utilization and local or mail pharmacy.

**Medical OOP Cost Estimator**
*How much will the plan cost me — not just in premiums?*
The tool provides estimated OOP medical costs based on input from the retiree regarding health status and utilization.
Retirees will have a Personal advocate – for life
Willis Towers Watson Advocacy

Specialized and focused team

Trained in insurance, Medicare and issue resolution

90% first call resolution

Support retirees with everything from basic questions, to reviewing plan benefits, and addressing more complex issues dealing with insurance carriers or Medicare

Common Questions and Concerns

- Provider Questions
  - Billing Issues — why did I get this bill?
  - Helping participants find providers that are in network
- Carrier Questions
  - ID cards, incorrect effective date, late enrollment penalty
  - Explaining and researching letters received from the carrier
- Appeals
- Re-Instatement of Lapsed Coverage
- Claim Denial
- HRA Funding
  - Providing claim forms including assistance completing and submitting
  - Explaining qualifying expenses
- Moving or Dual Residences
Questions and feedback
Testimonials
Ohio Retirees

Margarette Ghee  
Retired State of Ohio employee,  
Department of Rehabilitation and Correction

“I am so glad OPERS left its group plan and allowed me to pick the best plan for my needs through the Individual Marketplace. I wish it had done so sooner. This system works wonderfully; I wish all my friends had the same affordable health care as I do.”

Ronald C. Alexander  
Retired State of Ohio employee,  
Former Statewide President of OCSEA AFSCME Local 11 AFL-CIO

“I was skeptical at first. OPERS always had a group Humana Plan which I liked, but once we moved to the Individual Marketplace I still have Humana. What surprised me was that with the Medigap Plan F I now have no out of pocket medical costs. I love my Humana Silver Sneakers and the complete medical coverage.

I may have been a skeptic at first, but now I’m glad that my pension system had the wisdom to move to the individual Medicare marketplace.”