SUMMARY STATEMENT

ITEM NO.                SUBJECT: Age 65 & Over Retiree Medicare Part D Prescription Benefit - 2009 (DRPA)

COMMITTEE:              New Business

COMMITTEE DATE:         N/A

BOARD DATE:             September 17, 2008

PROPOSAL:              Staff seeks authorization to accept the premium quoted by Aetna, the current Medicare Part D prescription drug carrier for DRPA retirees who are Age 65 and over, and their eligible dependents.

PURPOSE:               To continue to provide a quality and enhanced Medicare Part D Prescription Drug benefit plan for DRPA retirees who are Age 65 and over, and their eligible dependents.

BACKGROUND:            Historically, the DRPA has provided a comprehensive benefits package to its retirees. Traditionally, the benefit package has included medical and prescription drug coverage.

Until 2006, the DRPA provided prescription drug coverage for retirees who are 65 years of age and older, and their eligible dependents. This benefit was provided by AmeriHealth. In 2006, AARP/United Health Group became the supplemental medical plan for Medicare-eligible retirees.

In 2006, the federal government’s newly created Part D Prescription Drug plan took effect. As a result, staff, assisted by our broker, Willis of New Jersey, conducted an extensive review of Part D prescription carriers. Willis sought quotes from a few carriers. After carefully reviewing the plan designs, staff asked the Board to authorize the placement of the coverage with Aetna’s enhanced Part D prescription drug plan. The enhanced Part D prescription drug plan requires the retirees to use generic drugs first, raises the initial coverage limit from $2,250 to $3,750, and fills the donut hole with generic drugs. The co-pays for this plan are $5 generic/$20 brand/$40 non-formulary. The Board accepted staff’s recommendation. The coverage was placed with Aetna.

In 2009, staff recommends that the same Enhanced Medicare Part D Prescription Drug plan be offered to this group of retirees and their eligible dependents. We received our renewal from Aetna for 2009. The approximate premium for the same prescription drug coverage in 2009 is estimated to be $872,940, which is an increase of 16.5% (or $123,620.40).

The premium rate increases vary from state-to-state, and are based on Aetna’s national book of business. We have 610 65+ retirees/dependents. The majority of this group reside in New Jersey and Pennsylvania and the premiums in both states have increased significantly.
In 2007, staff did go to market, but Aetna provided the best plan at the best rate. Part D plans are new products, and staff will continue to explore all options going forward.

As healthcare costs continue to rise, staff will analyze cost control options looking for ways to continue to provide quality prescription benefits for 65+ retirees, while containing the impact of increased costs. The responsibility for prescription premiums will have to continue to be shared by DRPA and retirees alike. Staff recommends that the monthly contributions for 65+ retirees be increased, effective January 1, 2009, to reflect the following:

Per Retiree/per Dependent - $65 ($55 prescription/$10 medical)

Summary: Approximately $872,940
(Note – This covers both DRPA and PATCO)
(This annual rate is based upon our current DRPA/PATCO census of Age 65 & over retirees and their eligible dependents, but is subject to change as our census of eligible retirees and eligible dependents changes.)

Source of Funds: Revenue Fund, General Fund
Capital Project #: N/A
Operating Budget: DRPA Employee Services Expense
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: One Year
Other Parties Involved: Aetna
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to negotiate a contract with Aetna for the provision of an Enhanced Medicare Part D Prescription Drug plan for age 65 and over retirees, and their eligible dependents, and be it further

RESOLVED: That staff is authorized to work with the DRPA’s Third Party Administrator to begin the 2009 Open Enrollment Process, and be it further

RESOLVED: The Chair, Vice Chair and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer, and if thereafter, either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of the DRPA, along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s), while they are absent or unavailable, the Chief Executive Officer shall execute such document(s) on behalf of the DRPA.

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