SUMMARY STATEMENT

ITEM NO: DRPA-13-114  SUBJECT: Age 65 & Over Retiree Medicare Part D Prescription Benefit - 2014 (DRPA/PATCO)

COMMITTEE: Finance Committee

COMMITTEE DATE: October 2, 2013

BOARD DATE: October 16, 2013

PROPOSAL: The current Medicare Part D prescription drug carrier for DRPA/PATCO retirees who are 65 and over and their eligible dependents (Medicare-eligible retirees and Medicare-eligible dependents) is Horizon Blue Group Rx.

Staff seeks authorization to accept the renewal from Horizon for plan year 2014.

PURPOSE: To continue to provide a quality and enhanced Medicare Part D Prescription Drug benefit plan for DRPA/PATCO Medicare-eligible retirees and Medicare-eligible dependents

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

On September 18, 2013, Horizon presented us with a renewal that called for a 8.96% decrease (decreasing the monthly rate per participant from $124.17 to $113.05, an estimated annual savings of $75,682).

Horizon’s Medicare Part D Prescription Drug Plan, provides: (1) an initial coverage limit (ICL) of $4,500; (2) generic drugs are not mandatory; (3) an open formulary with no exclusions, if medically necessary; (4) certain lifestyle drugs, cough and cold products, benzodiazepines, etc. are included in the formulary; (5) national coverage, at one rate for retirees and their dependents, is charged, as opposed to rates that vary by state; (6) the coverage gap (or the “donut hole”) is filled with generic drugs and 50% discount on the total cost of their brand name drugs in the gap; and (7) mail order benefit remains at a two-time co-pay for a 90-day supply.

The current ICL is important because once a retiree’s actual drug costs reach $4,500 the retiree is in the coverage gap (“donut hole”) and then responsible for paying 50% of the true cost of brand name drug. Under the current plan with Horizon, co-pays for generic drugs continue during the coverage gap. Once a retiree gets to the $4,500 OOP the retiree is at the catastrophic coverage level (greater of 5% co-insurance or $2.65/generics and $6.60 for all other drugs).
The co-pays for the Horizon Enhanced Plan remain:
  $10 – generic
  $20 – brand
  $35 – non-formulary

Mandatory benefit changes taking place as of 1/1/2014 are as follows:

Part D (Rx) catastrophic level co-pay: The catastrophic level begins once a member reaches $4,550 in out-of-pocket expenses. This is a decrease from the former threshold of $4,750. Once members reach $4,550 in out-of-pocket expenses, their co-pays will change from the greater of $2.65 to $2.55 for Generic drugs, from $6.60 to $6.35 for Brand drugs, or 5% coinsurance.

The estimated annual premium for 2014 for the Horizon Medicare Part D Prescription Plan will be approximately $846,652.80, a 8.96% decrease over current (an estimated savings of $75,681.96).

Summary: Amount: Approximately $846,652.80
(Note – This covers both DRPA and PATCO)
(This annual rate is based upon our current DRPA/PATCO census of retirees who are 65 & over and their eligible dependents who are 65 and over, 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/PATCO Employee Services Expense
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: One Year
Other Parties Involved: Horizon BCBS
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to contract with Horizon Medicare Blue Group Rx for the provision of a Medicare Part D Prescription Drug plan for age 65 and over retirees, and their eligible dependents (age 65 and over); and be it further

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to contract with Horizon Medicare Blue Group Rx for the provision of a Medicare Part D Prescription drug plan for age 65 and over retirees, their eligible dependents (age 65 and over) for a renewal that is 8.96% lower than the current annual premium (decreasing the monthly rate per participant from $124.17 to $113.05, an estimated annual savings of $75,682); and be it further

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority recognizes that the annual rate is based upon the Authority’s current census of retirees who are 65 and over and their eligible dependents who are 65 and over, but is subject to change as our census of eligible retirees and eligible dependents changes; and be it further

RESOLVED: That staff is authorized to work with the DRPA/PATCO’s Third Party Administrator to begin the Open Enrollment Process for the 2014 Plan Year; 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/PATCO. 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/PATCO, 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/PATCO.
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