

SUMMARY STATEMENT

ITEM NO: DRPA-16-113

SUBJECT: Age 65 & Over Retiree Medicare Part D Prescription Benefit – 2017 (DRPA/PATCO)

COMMITTEE:

Finance Committee

COMMITTEE DATE:

October 11, 2016

BOARD DATE:

October 19, 2016

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 2017.

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.

In plan year 2016, the premiums for this group of retirees were either \$79.72 (for retirees who qualify for the Low Income Subsidy) or \$113.82, this was a decrease of 2.8% from prior year. The 2017 renewal rates have decreased 2.9% (or 0% for retirees who qualify for the Low Income Subsidy) that resulted in premiums that are either \$79.72 (for retirees who qualify for the Low Income Subsidy) or \$100.75.

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 1/1/2017 are as follows:

Part D (Rx) catastrophic level copay changes from \$2.95 to \$3.30 for Generic drugs and from \$7.40 to \$8.25 for Brand drugs. The catastrophic level begins once/if a member reaches \$4,950 out of pocket maximum. (this out of pocket maximum changed from the 2016 amount of \$4,850).

The estimated annual premium for 2017 for the Horizon Medicare Part D Prescription Plan will be approximately \$812,068, which is an estimated decrease of \$24,253 (an approximate -2.9% decrease, depending on the retiree's premium).

Summary:

Amount: Estimated annual premium: \$812,068; In plan year 2017, the projected premiums for this group of retirees will be either \$79.72 (for retirees who qualify for the Low Income Subsidy) or \$100.75. (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 - 1/1/2017-12/31/2017
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 recognizes that in plan year 2017, the projected premiums for this group of retirees will be either \$79.72 (for retirees who qualify for the Low Income Subsidy) or \$100.75; 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 2.9% lower than the current annual premium, which result in an estimated annual premium of \$812,068 (an approximate decrease of \$24,253); 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 (Benefit Harbor and HRSimplified) to begin the Open Enrollment Process for the 2017 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.

Summary:

Amount:

Estimated annual premium: \$812,068; In plan year 2017, the projected premiums for this group of retirees will be either \$79.72 (for retirees who qualify for the Low Income Subsidy) or \$100.75.

(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

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DRPA/PATCO Employee Services Expense

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