SUMMARY STATEMENT

ITEM NO. SUBJECT: Age 65 & Over Retiree Medicare Part D Prescription Benefit - 2008 (PATCO)

COMMITTEE: New Business

COMMITTEE DATE: N/A

BOARD DATE: October 17, 2007

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

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

Until 2006, PATCO 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 2008, 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 2008. The approximate premium for the same prescription drug coverage in 2008 is estimated to be $753,024, which is an increase of 14.73% (or $96,668). The premium rate increases vary from state-to-state, and are based on Aetna’s national book of business.
As a result of this projected increase staff has requested Willis of New Jersey to seek additional quotes for the Board’s consideration. So far, we have received a quote ($762,527) from Horizon of New Jersey which would result in a 16.18% increase over the current 2007 Aetna rates, for similar benefits. We will continue to collect quotes from other Medicare Part D Prescription Drug vendors as their 2008 rates are approved by the Centers for Medicare & Medicaid Services (CMS). Initial conversations with CIGNA, AARP/United Health Group, and AmeriHealth demonstrated that their Part D Prescription Drug Programs are not as competitive (benefits and premiums) as our Aetna renewal.

Amount: Approximately $753,024
(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: PATCO 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 Directors of the Port Authority Transit Corporation 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 PATCO’s Third Party Administrator to begin the 2008 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 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 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 PATCO.

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