SUMMARY STATEMENT

ITEM NO.                SUBJECT: Age 65 & Over Retiree Medicare Part D Prescription Benefit - 2010 (PATCO)

COMMITTEE:             New Business

COMMITTEE DATE:        N/A

BOARD DATE:           October 21, 2009

PROPOSAL: The current Medicare Part D prescription drug carrier for PATCO retirees who are 65 and over and their eligible dependents (Medicare-eligible retirees and Medicare-eligible dependents) is Aetna. Staff seeks authorization to accept the quote from Horizon Medicare Blue Group Rx as the 2010 Medicare Part D prescription drug carrier.

PURPOSE: To continue to provide a quality and enhanced Medicare Part D Prescription Drug benefit plan for PATCO Medicare-eligible retirees and Medicare-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. The Board authorized staff to place the Part D prescription coverage with Aetna.

This year, with the assistance of our Broker, Willis of NJ, staff surveyed the market for other Enhanced Part D Prescription Drug plans. We solicited quotes from CIGNA, UnitedHealthCare, Horizon, and Humana. Horizon was the only responsive carrier.

Horizon’s Enhanced Part D Plan, provides: (1) an initial coverage limit of $4,500 (as compared to $3,750 under Aetna’s plan); (2) generic drugs are no longer mandatory (Aetna’s plan has mandatory generic drugs); (3) an open formulary with no exclusions, if medically necessary (Aetna’s plan had an abridged formulary); (4) drugs that were excluded under Aetna’s plan are now included (e.g., lifestyle drugs, cough and cold products, benzodiazepines - anxiety drugs, etc.); (5) national coverage at one rate for retirees and their dependents (Aetna’s rate varied by state); (6) like the Aetna plan, the coverage gap (or the “doughnut hole”) is filled with
generic drugs; (7) mail order benefit remains at a two-time co-pay for a 90 day supply.

The co-pays for the Horizon Enhanced Plan are:
- $10 – generic
- $20 – brand
- $35 – non-formulary

The 2010 premium for the Horizon Enhanced Plan will be approximately $935,896.68. This represents a savings of $57,781.44 (or a reduction of 5.81%) over Aetna’s 2010 renewal. After careful consideration, staff recommends that we accept Horizon’s quote for Plan Year 2010.

The responsibility for prescription premiums will continue to be shared by PATCO and retirees alike. Staff recommends that the monthly contributions for Plan Year 2010 remain the same as the contributions for 2009. (Please see the contribution schedule below.)

Monthly Rate per Medicare-Eligible Retiree - $65 ($55 prescription/$10 medical)

Monthly Rate per Medicare-Eligible Dependent - $65 ($55 prescription/$10 medical)

The transition from Aetna to Horizon will be seamless, as the retirees will not be required to complete a new application for Horizon.

SUMMARY: Amount: Approximately $935,896.68
(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, 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: Horizon
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to negotiate a contract with Horizon Medicare Blue Group RX for the provision of an Enhanced 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 staff is authorized to work with PATCO’s Third Party Administrator to begin the 2010 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 PATCO.

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