



STATE OF WISCONSIN  
Department of Employee Trust Funds  
David A. Stella  
SECRETARY

801 W Badger Road  
PO Box 7931  
Madison WI 53707-7931  
1-877-533-5020 (toll free)  
Fax (608) 267-4549  
<http://etf.wi.gov>

**CORRESPONDENCE MEMORANDUM**

**DATE:** August 8, 2011  
**TO:** Group Insurance Board  
**FROM:** Bill Kox, Director, Health Benefits and Insurance Plans Bureau  
Jeff Bogardus, Manager, Pharmacy Benefit Programs  
**SUBJECT:** Employer Group Waiver Plan:  
Prescription Drug Coverage for Medicare Eligible Retirees Enrolled in  
the State and Wisconsin Public Employers Group Health Insurance  
Programs

**This memo is for informational purposes only. No Board action is required.**

Effective January 1, 2012, prescription drug coverage for Medicare eligible retirees enrolled in the State and Wisconsin Public Employers (WPE) group health insurance programs will be provided by Navitus Health Solutions (Navitus) through a self-funded, Medicare Part D Employer Group Waiver Plan (EGWP). A Medicare "Wrap" product is also included to provide full coverage to members, as required by uniform benefits, when they reach the Medicare coverage gap, also known as the "donut hole".

**Discussion**

Currently, when State retirees become Medicare eligible they have their pharmacy benefits managed by Navitus under the Federal Retiree Drug Subsidy (RDS) program. Since the Centers for Medicare and Medicaid services (CMS) considers the prescription drug coverage provided with the State group health insurance program to be creditable coverage, the State receives federal subsidies through the RDS program for any Medicare eligible retiree who is not covered by a Medicare Part D prescription drug plan (PDP).

Prescription drug benefits for Medicare eligible retirees enrolled in the WPE group health insurance program are covered by a fully-insured PDP, DeanCare Rx, provided by Dean Health insurance (DHI). DHI is exiting this line of business and will no longer be contracting with CMS to offer any Medicare Part D PDP or employer group plan after 2011.

Reviewed and approved by Lisa Ellinger, Administrator, Division of Insurance Services  
*Lisa Ellinger* 8/10/11  
Signature Date

Board	Mtg Date	Item #
GIB	8.23.11	10A

Some Group Insurance Board (Board) members may recall that when Medicare Part D was initiated in 2006, staff discussed directly contracting with CMS to offer Medicare eligible retirees coverage under a Medicare Part D PDP. Instead, the decision was to adopt the RDS approach, as it was similarly cost effective and required less administration. Last year, due to changes in Medicare reimbursements, staff again explored providing a fully-insured PDP product to all Medicare eligible retirees, like the plan provided to WPE retirees through the DeanCare Rx PDP, but administration issues prevented us from going forward.

For 2012, as part of the new contract with the Board, Navitus is able to facilitate a self-insured PDP and Wrap product called the **Navitus MedicareRx (PDP), Underwritten by Sterling Life Insurance Company (Sterling)**, for both State and WPE retirees. Implementing this PDP will have the following impacts:

- Result in approximately \$8.9 million additional cost savings between the State and WPE programs; greater than that provided by the RDS program.
- Replace the DHI PDP for WPE Medicare retirees and RDS program for State Medicare retirees. All Medicare retirees will be covered under the same program and have one point of contact (Navitus) for their customer service needs.
- Reduce the State's GASB (Governmental Accounting Standards Board) liability.

This PDP will require a three-party agreement with Navitus and Sterling as an amendment to the Pharmacy Benefit Manager (PBM) services contract with Navitus. The term of the amendment will run in conjunction with the term of the contract with Navitus. Provisions in the current contract signed by the Board indicate that no Board action is necessary at this time.

Finally, staff would like to ensure the Board is aware that some of our members may opt to enroll in a PDP other than the **Navitus MedicareRx (PDP), Underwritten by Sterling Life Insurance Company**. In these cases, members will be disenrolled from the Navitus PDP but will maintain coverage under the Wrap product. The portion of the premium that applies to pharmacy benefit coverage will not be refunded to members if they opt to enroll in another PDP. Premium refunds are not required by CMS because this is a self-funded, employer group product.

Staff will be available at the meeting to answer any questions.