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Correspondence Memorandum

Date: January 30, 2017

To: Group Insurance Board

From: Rachel Carabell, Senior Health Policy Advisor
Tara Pray, Health Plans Manager
Office of Strategic Health Policy

Subject: Medicare Member Options Strategy

ETF requests Group Insurance Board (Board) approval to pursue the following program changes related to Medicare member options for 2018 and 2019:

1. **Negotiate with the new statewide vendor to administer the It's Your Choice Medicare Plus Plan (Medicare Supplement) and the It's Your Choice Medicare Advantage Plan (Medicare Advantage plan) for 2018;**
2. **If at least one statewide vendor is unable to administer the Medicare Advantage Plan, extend the contract for that plan with the current vendor for one year;**
3. **Explore options to offer additional Medicare offerings starting in 2019**

If approved, ETF will incorporate negotiations on the Medicare supplement and Medicare Advantage plans into the contract negotiations with the new statewide vendor for the program's non-Medicare population. ETF will bring options for additional Medicare offerings to the Board at its May 2017 meeting.

Background

Current law allows state retirees to use their accumulated sick leave or annuity payments for the purchase of health benefits. As long as those health benefits are purchased through the state's health benefits plan, those benefits are not taxed for the retirees. Therefore, the Board offers multiple options for state retirees.

For Medicare-eligible retirees, the following options are available: the Medicare Supplement, the Medicare Advantage plan, and the It's Your Choice (IYC) Health Plan - Medicare. Table 1 shows enrollment and rates for these plans.

Reviewed and approved by Lisa Ellinger, Director, Office of Strategic Health Policy

Lisa Ellinger — Electronically Signed 1/30/17

Board	Mtg Date	Item #
GIB	2.8.17	8D

Table 1. Current Medicare Plan Options

	# of Contracts	Contracts as a Percent of Total	Single Premium Rate	
IYC Medicare Plus (Supplement)	6,209	29.0%	$397.02	
IYC Medicare Advantage	1,743	8.1%	$439.84	
IYC Health Plan - Medicare				
Dean Health Plan	3,925	18.3%	$477.34	
Unity Health Plan	2,872	13.4%	$470.04	
Physicians Plus	1,977	9.2%	$465.14	
All Others	4,715	22.0%	$525.14	*
Total	**21,441**	**100.0%**		
*** weighted average premium rate for all other plans**				

The Supplement plan is a Medicare supplement plan that wraps around Medicare. The participant separately enrolls in Medicare and the Supplement plan pays secondary to Medicare. The Medicare Advantage plan is where a private insurer administers both Medicare Parts A and B and provides additional benefits or reduced cost-sharing. The IYC Health Plan – Medicare plans are the same health plans that non-Medicare participants are enrolled in, but there is lower cost-sharing, and premiums are reduced because Medicare pays primary for most benefits. Participants have to separately enroll in Medicare and the plans pay secondary to Medicare.

Medicare Advantage Plans

In its November 2015 report, the Board's consulting actuary, Segal Consulting (Segal), suggested the Board explore offering additional Medicare Advantage plans for two reasons:

1. The potential to offer Medicare Advantage plans with significantly lower premiums than any of the current Medicare offerings; and
2. Federal oversight and focus on quality for Medicare Advantage plans can provide enhanced offerings to Medicare-eligible participants.

As shown in Table 1 above, the Medicare Advantage plan has a significantly lower monthly premium than the other available Medicare-coordinated plans except for the Medicare supplement plan. This may be because the IYC Medicare Advantage Plan has been designed to meet both Medicare requirements and the Uniform Benefit requirements. Going forward, ETF will evaluate whether the current IYC Medicare Advantage Plan benefit package is appropriate for the Medicare population. If the

Medicare Advantage plans are selected through a competitive process, then they may also be more competitively priced.

Administration of Medicare Advantage Plans

Private insurers contract with the federal Centers for Medicare and Medicaid Services (CMS) to administer Medicare Advantage plans. Most plans are sold directly to individuals through insurance agents, the internet or associations. Insurers offer either a health maintenance organization (HMO) or a passive preferred provider organization (PPO) network benefit. A passive PPO means that the cost-sharing is the same, whether the participant sees an in-network or out-of-network provider – as long as the provider accepts Medicare payment as payment in full and does not charge the participant any additional charges other than coinsurance or copays. Because the insurer administers both Parts A and B as well as any supplemental benefits, the participant has a more seamless experience than participants of plans that pay secondary to Medicare. For example, participants covered by a Medicare Advantage plan will receive just one explanation of benefits and one invoice for a service, versus the multiple statements they may receive with a Medicare supplement plan.

Most Medicare Advantage plans provide some supplemental benefits, such as preventive dental services, vision exams and hearings aids. CMS specifies what supplemental benefits insurers can provide. Plans may or may not offer prescription drug benefits. Typically, plans vary in terms of premium, network and cost-sharing.

CMS provides oversight over Medicare Advantage plans, including setting network access requirements; quality improvement programs and star ratings; grievance and appeal procedures; fiscal soundness requirements; claims processing procedures and other administrative requirements. CMS has the ability to audit and issue penalties on plans for failure to comply with its requirements. CMS recently penalized 21 insurers with fines of $3,000 to $10,000 per day for failure to comply with its provider directory requirements.

CMS payments also incentivize insurers to improve quality by providing higher payments to higher quality plans.

While most Medicare Advantage plans are sold individually, employers can sponsor group Medicare Advantage plans through an insurer. Group Medicare Advantage plans are subject to the same requirements noted above, except that certain requirements regarding eligibility, enrollment, premiums and marketing are waived. Group Medicare Advantage plans are growing in popularity, covering 2.7 million retirees in 2014, up 700,000 from 2010, according to Avalere Health. Public employer retirees comprise the majority of these retirees.

Current State

IYC Medicare Plus

This is the only Medicare Supplement plan currently offered through the program. The Medicare Supplement is a fee-for-service Medicare supplement plan administered by WPS. This plan is available to eligible retirees enrolled in Medicare and generally only pays Medicare deductibles and coinsurance. The Medicare Supplement plan permits participants to receive care from any qualified health care provider nationwide, or during worldwide travel, for treatment covered by the plan.

As noted in the table above, approximately 30% of the Medicare subscribers are enrolled in this plan; the monthly premium cost is quite a bit lower than the other Medicare options.

IYC Medicare Advantage

Humana currently administers the program's only Medicare Advantage offering. The current offering matches the Uniform Benefits offered by the other insurers under the IYC Health Plan – Medicare. While the premiums of this offering are approximately $74 per month lower than the average Medicare-coordinated offering, Segal suggests there is opportunity for much lower premiums by expanding future Medicare Advantage offerings.

The current offering is a nationwide PPO product that allows participants to use any health care provider in the country that accepts Medicare. Benefits are largely the same, in- and out-of-network.

While many of the current program's participating health plans offer individual Medicare Advantage products, few currently offer group Medicare Advantage plans. Staff plan to discuss options and plans for expansion in this area once contract negotiations begin with the newly selected program vendor(s), both statewide and regional.

IYC Health Plan - Medicare

It's Your Choice Health Plan Medicare plan offers Uniform Benefits and is coordinated with Medicare coverage, meaning Medicare pays first and this plan pays second. This plan allows participants to choose from a variety of health plan providers. As noted in the table, this is the most popular Medicare plan design offered by the program; enrollment is approximately 63% of eligible subscribers.

2018 Recommendations

ETF recommends the Board enter into contracts with the statewide vendor chosen through the Self-Insurance and Regionalization Request-For-Proposal (RFP) to administer both the Medicare Supplement and the Medicare Advantage plans beginning in 2018. It should be noted that while a Medicare supplement plan can be administered on a self-insured basis, the Medicare Advantage plan will have to be administered on a fully-insured basis, as required by CMS.

If approved, staff will enter into negotiations with the selected vendor to administer the current Medicare Supplement and Medicare Advantage plans as part of the vendor negotiations for the non-Medicare participants.

In the event the selected statewide vendor is unable to administer a group Medicare Advantage plan to meet (or very closely meet) the current offering, ETF requests approval to negotiate a one-year 2018 contract with the current administrator, Humana. This might occur if the statewide vendor needs to submit a change to CMS through the application process, which is already in progress. This can be confirmed once ETF staff are able to engage the vendor through the contract negotiation process. Staff do not anticipate comparable issues with the Medicare Supplement plan, as federal and state timelines and requirements are minimal for this type of plan.

2019 Recommendations
For 2019, the Board will have a variety of options for its consideration. ETF staff are currently researching the following issues:

- Should both Medicare Advantage and Medicare Supplement options be expanded?
- Should only statewide/nationwide vendors be available?
- Should both HMO and PPO network options be available?
- Should the Board let insurers offer multiple plan designs?
- Should the participating vendors be limited to the vendors serving the non-Medicare population or should it be a separate procurement process?
- Should the contract renewal process be an annual or multi-year process?
- Should the insurers be allowed to offer a pharmaceutical benefit?

ETF will bring preliminary recommendations to the Board on these options at the May 24, 2017, Board meeting. In developing its recommendations, staff will strive to meet the following goals:

- Expand Medicare offerings that have lower monthly premium costs
- Deliver high quality, high value services
- Offer excellent benefit packages
- Provide participant choice

Timeline
Below is an approximate timeline of next steps. If the Board approves expanding Medicare Advantage offerings starting in 2019, much of the timeline will be dictated by CMS timelines.

February 2017	ETF enters negotiations with statewide/nationwide vendor to administer current Medicare Supplement and Medicare Advantage offerings for 2018

May 2017	ETF presents an update on Medicare offerings and preliminary recommendations for 2019 to the Board
August 2017	Board approval to issue an RFP for 2019 Medicare Advantage plans
September 2017	RFP issued
November 2017	Deadline for insurers to submit to CMS a notice of intent to apply for *new* Medicare Advantage plans
February 2018	RFP results reviewed by the Board and Board approves recommended vendors to contract with for 2019, pending final rates from CMS.
February 2018	Deadline for insurers to submit application to CMS for *new* Medicare Advantage plans
April 2018	CMS announces Medicare Advantage 2019 payments
August 2018	CMS finalizes Medicare Advantage 2019 payments

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