



2020 RENEWAL PACKAGE

PREPARED FOR:

City of Reedley

October 2, 2019

Retireefirst™

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City of Reedley
1733 9th Street
Reedley, CA 93654

RE: Renewal Rates for 2020

Dear Plan Sponsor:

I wanted to thank you for allowing Retiree First to provide Benefit Services to your retirees. We look forward to continuing to assist them in all aspects of their plan needs. With the upcoming 2020 Plan Year, we have been analyzing market trends, working with carriers to seek competitive bids and negotiate your renewal on your behalf to provide the best option for your Plan and its beneficiaries. Enclosed please find the Retiree First's Renewal Package and Rate Analysis for your review.

We have included the following information for review and are available at any time to discuss any questions or concerns you may.

- Population Demographics
- The Incumbent Renewal Rate
- Renewal Addendum

Again, it has been a pleasure advocating for your retirees. Please let us know if you have any questions.

Sincerely,



Dave Zawrotny
Chief Operating Officer
Retiree First, LLC

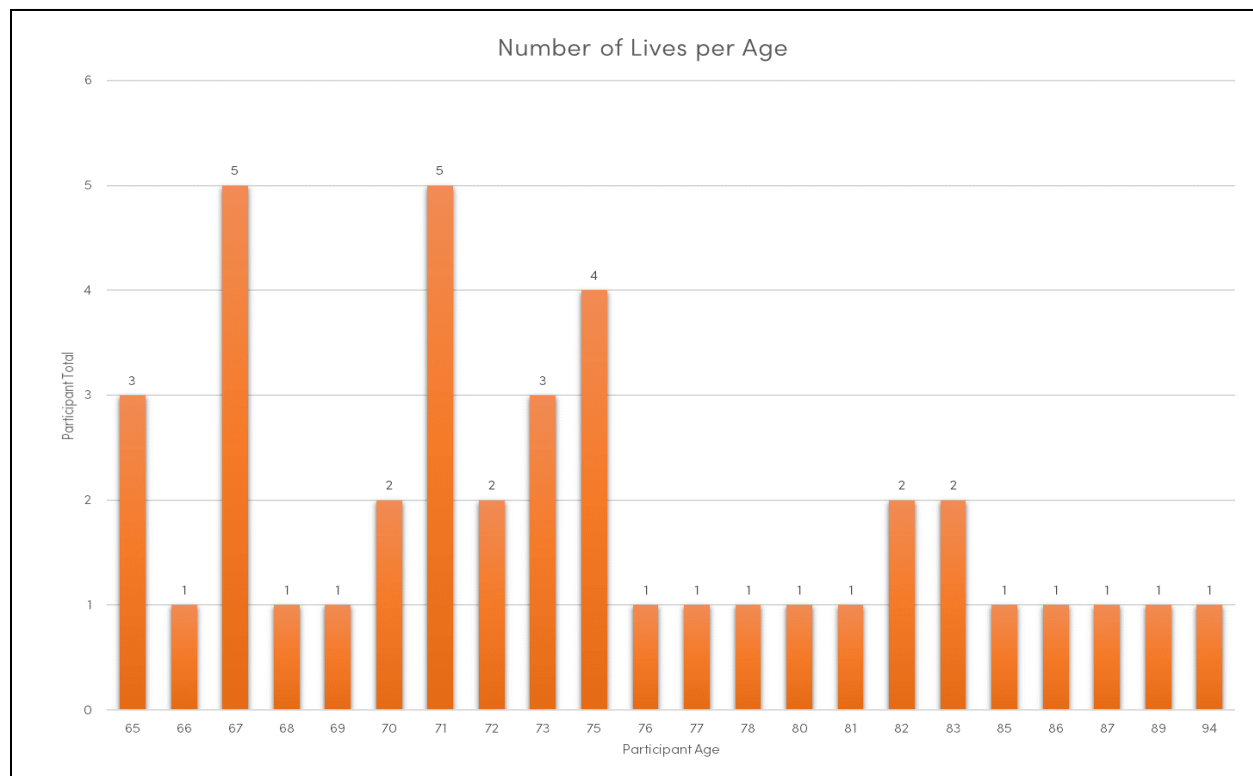


City of Reedley – POPULATION DEMOGRAPHICS:

Geographic Retiree Residence Chart (41 Apx. Total Participants):



Retiree Population Age Chart (41 Apx. Total Participants):



MEDICAL SUPPLEMENT BENEFIT:

Current Medical Plan Design

Deductible*	\$185 for 2019 (Part B Only)
Maximum Out of Pocket	\$2,000
Part A Services	Covered 100%
Part B Services	50% Coinsurance
Emergency Room	50% Coinsurance (waived if admitted)

*CMS has not released 2020 Part B Deductible

PRESCRIPTION EGWP BENEFIT:

Current Rx Plan Design

	30 Day Retail	90 Day Mail Order and Preferred Retail	90 Day Standard Retail
Tier 1 Pref. Generics	\$0	\$0	\$0
Tier 2 Generics	\$10	\$20	\$30
Tier 3 Pref. Brands	\$40	\$80	\$120
Tier 4 Non-Pref. Brands	\$70	\$140	\$210
Tier 5 Specialty	\$70	Limited to 1 month	Limited to 1 month
Part D Gap Coverage	Full Coverage		
Formulary	Full, Comprehensive		
Bonus Drug List	Non-Part D Included		
Catastrophic Coverage	Custom – Max copay same as initial coverage		
Utilization Management	Standard Part D – Prior Authorization, Step Therapy, Quantity Limits		

- Plan includes 90 Day drug supplies for discounted copay except for Specialty medications, these are available at 30 day supplies only.

Summary of Key Contributing Factors to your Renewal

There are many factors that affect renewal rates including claims, subsidy amounts, Health Insurer Fees (HIF) and regulatory changes. With changes in the regulatory landscape, there are corresponding changes impacting group underwriting. Below, please find information that has affected the marketplace for 2020 as well as pricing.

- **Affordable Care Act ("ACA") Health Insurer Fee ("HIF")** – For 2020 the ACA HIF has been reinstated. This tax typically is based on the strength of the plan design. Thus the stronger the plan design the higher the fee. Additionally, this fee is imposed by the Federal government and is not retained by the insurance carrier.
- **CMS Part D Threshold Changes** – Annually CMS changes the thresholds for the donut hole and catastrophic levels. This year the ICL was increased from \$3,820 to \$4,020. Most impactful however, the Troop has been increased from \$5,100 to \$6,350. This change has not only had an effect on plan costs, but it will also have an effect on the retiree's out of pocket cost needed to reach the catastrophic phase. 2019 thresholds were an anomaly which decrease retirees cost needed to reach the catastrophic phase quite significantly and also increased costs for the Federal government. For 2020 CMS worked to bring these numbers back to the norm.
- **CMS Part D Manufacturers rebate** – The manufacturers responsibility in the donut hole has been maintained at 70%. This will help to continue to offset plan cost to pharmaceutical manufacturers for expensive drugs especially.

RENEWAL FINANCIAL ANALYSIS:

PRODUCT: **MEDICAL SUPPLEMENT PLAN**

Medical Incumbent: United American

	2019 Current Incumbent	2020 Renewal Incumbent
Medical Rate	\$134.33	\$139.00
Annualized	\$66,090	\$68,388
% Change	-	3.48%

- All plans are quoted like-to-like and are accepted wherever Medicare is accepted in all 50 states

PRODUCT: **PRESCRIPTION DRUG PART D EGWP**

Part D Incumbent: Express Scripts

	2019 Current Incumbent	2020 Renewal Incumbent	\$ Change	% Change
Net Rate PMPM	\$182.00	\$184.24	\$2.24	1.23%*
Health Insurers Fee	-	\$4.86	\$4.86	2.67%
Total Rate	\$182.00	\$189.10	\$7.10	3.90%
Annualized**	\$89,544	\$93,037	-	-

*This percentage represents the actual rate increase or decrease. The remaining percent change represents the Health Insurers Fee (HIF) which is passed through to the Federal Government.

** Annualized amounts are based on 41 retirees

- Plans are quoted with robust formularies to minimize disruption.
- Please note that medications can change tiers between carriers and between plan years.

COMBINED RENEWAL SUMMARY:***MEDICAL SUPPLEMENT & PRESCRIPTION DRUG PART D EGWP***

	2019 Incumbent Carriers	2019 Incumbent Rates	2020 Renewal Rates	2020 Renewal Carriers
RX	Express Scripts	\$182.00	\$189.10	Express Scripts
MEDICAL	United American	\$134.33	\$139.00	United American
Total Rate		\$316.33	\$328.10	
Total Annualized		\$155,634	\$161,425	
Total % Change		-	3.72%	

Renewal Contract Addendum Next Page

Retiree First Renewal Contract Addendum:

This Renewal Addendum extends the terms and conditions of the Retiree Benefit Management Services Agreement. This is to serve as notice of the 2020 renewal rates for your Organization's Part D EGWP and Medicare Supplement plans for the period 1/1/2020 through 12/31/2020.

The parties hereby accept the 2020 rate selected below which will be effective from 1/1/2020 through 12/31/2020. All other terms and conditions of the Retiree Benefit Management Services Agreement previously executed between the parties shall remain in full force and effect for the new renewal term.

Plan Selection:

Rx Plan Options	Monthly Rate	Select with "X"
Express Scripts	\$189.10 PMPM	X

Medical Plan Options	Monthly Rate	Select with "X"
United American	\$139.00 PMPM	X



Plan Sponsor Representative Signature

10/9/19

Date



Retiree First Representative Signature

10/14/19

Date



REEDLEY CITY COUNCIL

- ☒ Consent
- ☐ Regular Item
- ☐ Workshop
- ☐ Closed Session
- ☐ Public Hearing

ITEM NO: 7

DATE: October 8, 2019

TITLE: AUTHORIZE CITY MANAGER TO EXECUTE ALL DOCUMENTS NECESSARY TO PURCHASE & PROVIDE A MEDICARE SUPPLEMENT PLAN FROM RETIREE FIRST/UNITED AMERICAN FOR THE 2020 PLAN YEAR FOR ELIGIBLE CITY OF REEDLEY RETIREES & DEPENDENTS

SUBMITTED: Paul A. Melikian, Assistant City Manager 

APPROVED: Nicole R. Zieba, City Manager 

RECOMMENDATION

That the City Council authorize the City Manager to execute all documents necessary to purchase and provide a Medicare Supplement Plan and related administrative plan services, from Retiree First/United American, to eligible City of Reedley retirees and dependents, effective January 1, 2020.

EXECUTIVE SUMMARY

The City has elected to provide retiree medical benefits to retirees and dependents subject to certain eligibility requirements. The attached proposed renewal with Retiree First/United American would allow approximately 41 plan participants to continue receiving Medicare Supplement and prescription drug coverage. The attached Benefits Comparison shows that there are no proposed changes to coverage structure or amounts. The recommended renewal for Retiree First/United American will result in a 3.72% increase in monthly premiums over the current (2019) premiums. This equates to an increase of \$5,791 annually, based on current enrollment numbers, and is within budgeted amounts assumed for this benefit in FY 2019-20 Adopted Budget.

One of the largest contributors to the premium increase for 2020 is the reinstatement of the "Health Insurers Fee", which was suspended for the 2019 plan year, but reinstated for 2020. Section 9010 of the Patient Protection and Affordable Care Act (ACA) imposes a fee on each covered entity engaged in the business of providing health insurance for United States health risks. Regarding prescription coverage, after researching the market, Horstmann believes that Express Script remains the most comprehensive and competitive option for the City's eligible retirees and dependents.

BACKGROUND

The City has had its current group sponsored Medicare Supplement plan through Benistar/Hartford for three plan years (2016-2018). Staff have worked with Horstmann Financial & Insurance Services, the City's broker of record, to identify renewal options for the plan year beginning January 1, 2019. Horstmann staff identified a competitive renewal option available to the City with no change to existing benefits that continues to fairly balance offering a quality Medicare Supplement plan to eligible retirees and dependents while operating within budgetary constraints.

Retiree First, the plan administrator, is a full-service Retiree Benefit Manager, providing customized healthcare benefit solutions and retiree advocacy services exclusively for retirees. With membership spanning across all 50 United States, Retiree First is the only Retiree Benefit Manager that solely services the retiree healthcare marketplace, and handles the health benefit and service needs of both private and public sector plan sponsors and their retired participants. In the current environment where it has been a financial challenge for employers to continue to provide the high level of post-retirement medical and pharmacy benefits as in years past, Retiree First specializes in preserving and prolonging these core retiree benefits.

United American, the benefits provider, has been serving employers and union groups for more than 20 years with group healthcare coverage to supplement Medicare. They are one of the leading writers of individual Medicare Supplement insurance in the country, based on the National Association of Insurance Commissioners *Medicare Supplement Loss Ratios, 2016 Medicare Supplement Insurance Experience Reports, September 2017*. For more than 40 consecutive years, United American has earned the A+ (Superior) Financial Strength Rating from A.M. Best Company. They are also currently rated AA- "Very Strong" for Financial Strength by Standard & Poor's.

In June, 2013, the City Council elected to cease to be subject to the provisions of the Public Employees' Medical and Hospital Care Act, allowing the City to move away from purchasing its medical plans from CalPERS for employees and retirees. As a result the City needed to identify alternative providers of medical plans to cover full-time employees and eligible retirees and dependents. Although not legally required, the City has elected to continue to provide retiree medical benefits to current retirees and dependents subject to certain eligibility requirements. The City retains the right and absolute discretion to modify or eliminate retiree medical benefits in the future, as currently established under Resolution 2017-090.

There are a total of 45 participants receiving Medicare Supplement and prescription drug coverage from the City; however four participants are covered under their own individually sourced plan, which was an option available for a short time to existing retirees when the City opted out of Public Employees' Medical and Hospital Care Act and established the benefit by Council adopted resolution.

FISCAL IMPACT

The recommended renewal for Retiree First/United American will result in a 3.72% increase in monthly premiums over the current (2019) premiums. This equates to an increase of \$5,791 annually, based on current enrollment numbers, and is within budgeted amounts assumed for this benefit in FY 2019-20 Adopted Budget. Last year, the renewal for Retiree First/United American generated a 10.39% decrease in monthly premiums over the previous provider of coverage (Benistar/Hartford), which resulted in savings of \$7,026 annually for the 2019 plan year.

PRIOR COUNCIL ACTIONS:

On August 28, 2018, the City Council authorized the City Manager to execute all documents necessary to provide a Medical Supplement plan through Retiree First, LLC, with Express Scripts as the pharmacy provider, to eligible City of Reedley retirees and dependents.

ATTACHMENTS

Benefit Comparison - Current & Proposed
2020 Renewal Package