

FY18 Medicare Health Insurance Premiums (1)

Monthly Full Premium

Monthly Premium Cost per Enrollee

	Current Enroll (2)	Monthly Full Premium			Monthly Premium Cost per Enrollee				
		FY 2017 Mo Prem	FY 2018 % Change	FY 2018 Mo Prem	FY 2017 % Retiree Share	FY 2017 Mo Share	FY 2018 % Retiree Share	FY 2018 Mo Share	Mo Change (3)
BCBS Mas Med A&B	3,649	\$539	<i>To be determined</i>		26.0%	\$140.14	27.0%	<i>TBD</i>	
BC Managed Blue	427	\$367	<i>To be determined</i>		11.0%	\$40.30	12.0%	<i>TBD</i>	
Harvard Med Enh	4,916	\$401	5.8%	\$424.13	11.0%	\$44.07	12.0%	\$50.90	\$6.83
Tufts Med Pref Supp	1,901	\$358	8.4%	\$388.00	11.0%	\$39.39	12.0%	\$46.56	\$7.17
Tufts Med Preferred	217	\$267	10.9%	\$296.00	11.0%	\$29.38	12.0%	\$35.52	\$6.14
Medicare HMO Blue	51	\$301	18.5%	\$356.59	11.0%	\$33.15	12.0%	\$42.79	\$9.64

(1) Premiums for these four Senior Plans will be charged to City from Jan 1, 2017 - Dec 31, 2017. **Retirees will be charged their share of FY18 premiums from July 1, 2017 - June 30, 2018.**

(2) Enrollees as of August 2016

(3) Monthly Change includes the 1% increase in the retiree premium share effective July 1, 2017

City of Boston – Medicare Plan Rates

Introduction

- The City of Boston retained Segal Consulting to review its Medicare Plan renewals and develop working rates for the year beginning January 1, 2017.
- This report includes an analysis of the renewals for Harvard Pilgrim Health Care (HPHC), Blue Cross Blue Shield of Massachusetts (BCBSMA), and Tufts Health Plan (Tufts).
- The City currently offers the following Medicare Plans that are administered with a January 1 effective date (i.e., on a calendar year basis):

Health Plan	Plan Type	Funding Arrangement
HPHC Medicare Enhance	Medicare Supplemental	Self-Funded
Tufts Medicare Preferred Supplement	Medicare Supplemental with PDP	Fully-Insured Experience Rated
Tufts Medicare Preferred HMO	Medicare Advantage	Fully-Insured Community Rated
Medicare HMO Blue (BCBSMA)	Medicare Advantage	Fully-Insured Community Rated

- The City's Medicare Advantage Plans (Tufts Medicare Preferred HMO and Medicare HMO Blue) are fully-insured and community rated. These rates are set by carriers based on their book-of-business and are not influenced by the claims experience of any specific group.
- The City's BCBSMA Master Medical Carve-out A&B and Managed Blue for Seniors Plans are administered with a July 1 effective date and are not included in this report.

City of Boston – Medicare Plan Rates

Introduction

Plan Design Changes

- There are no plan design changes proposed for the Harvard Medicare Enhance or the Tufts Medicare plans for calendar year 2017.
- BCBSMA Medicare HMO Blue includes the following plan changes effective January 1, 2017:
 - Skilled nursing facility (SNF) copayment for days 1 to 20 decreasing from \$40 to \$20 per day.
 - Annual physical exam benefit added and covered with no copayment.
 - Fitness and Weight Loss benefit reimbursements no longer require paid receipts.

Self-Funded Claim Projections

- The projections in this report are estimates of future costs and are based on information available to Segal Consulting at the time the projections were made. Segal Consulting has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment (e.g., the Affordable Care Act or other legislation), local market pressure, health trend rates and claims volatility.

The projections do not reflect the potential impact of any future changes due to health care reform legislation, other than those previously adopted.

- Generally, we suggest plans consider applying a fluctuation margin to projected self-funded incurred costs when developing working rates or maintaining a reserve approximately equal to 5% of total projected incurred costs. The City's target reserve levels satisfy this recommendation.

City of Boston – Medicare Rate Development

HPHC Medicare Enhance – Self-Funded

- Segal’s projected CY 2017 self-funded working rate of \$424.13 represents an increase of 5.8% from the current CY 2016 rate of \$401.03.
- The working rate of \$424.13 reflects a change in the financial arrangement with HPHC regarding prescription drug rebates:
 - Currently, HPHC retains all prescription drug rebates and offsets the administrative fee.
 - The CY 2017 rate reflects an arrangement where the City receives 100% of rebates, consistent with the HPHC HMO Plan arrangement.
- The CY 2017 Medicare Enhance working rate is based on the following:
 - Medical and prescription drug incurred claims experience for the year ended July 31, 2016 and paid through September 30, 2016.
 - Trend assumptions of 3.0% for medical and 12.0% for prescription drugs that considers both Segal and HPHC trend factors.
 - A 3% increase in the HPHC administrative rate from the current 2016 rate of \$34.68 to \$35.72 PEPM for the plan year beginning January 1, 2017.
- The working rate reflects the projected cost for the plan and does not include any adjustments to build up or spend down reserves.

City of Boston – Medicare Rate Development

HPHC Medicare Enhance – Self-Funded

	Current Arrangement HPHC Retains All Rebates		Alternative Arrangement City Receives All Rebates	
	Medical	Prescription Drug	Medical	Prescription Drug
Incurred Claims (YE 7/31/16, Paid to 9/30/16)	\$6,586,101	\$12,549,282	\$6,586,101	\$12,549,282
Completion Adjustment ¹	<u>\$161,296</u>	<u>\$0</u>	<u>\$161,296</u>	<u>\$0</u>
Estimated Incurred Claims	\$6,747,398	\$12,549,282	\$6,747,398	\$12,549,282
Member Months	55,694	55,694	55,694	55,694
Claims Per Member Per Month (PMPM)	\$121.15	\$225.33	\$121.15	\$225.33
Annual Trend Assumption ²	3.0%	12.0%	3.0%	12.0%
Trend Adjustment	1.043	1.174	1.043	1.174
PMPM Projected Claim Cost	\$126.33	\$264.57	\$126.33	\$264.57
		<u>Total Cost</u>		<u>Total Cost</u>
Total PMPM Projected Claim Cost		\$390.90		\$390.90
Estimated Rebates (City's share) ³		0.00		(19.66)
Administrative Expense		35.72		52.70
Federal Health Reform (ACA) Fees ⁴		<u>0.19</u>		<u>0.19</u>
Total PMPM Projected Incurred Cost		\$426.81		\$424.13
Assumed Members		4,916		4,916
Projected CY 2017 Incurred Expenses		\$25,178,000		\$25,020,000
Current CY 2016 Working Rate Premium ⁵		\$23,657,000		\$23,657,000
CY 2017 Segal Est. Required Rate Change		6.4%		5.8%

Notes:

1. Adjustment to reflect claims incurred during the experience period ended July 31, 2016 and not paid as of September 30, 2016.
2. Reflects a blend of Segal and HPHC trend factors.
3. Based on CY 2015 rebates as reported by HPHC. PMPM rebates trended at 2% annual trend.
4. Reflects an assumed PCORI fee of \$2.24 PMPY for calendar year 2017.
5. Reflects both the City and employees' share of the working rates and is based on enrollment as of August 2016 as reported by HPHC.

City of Boston – Medicare Rate Development

Tufts Medicare Preferred Supplement – Fully-Insured

- Tufts Medicare Preferred Supplement proposed premium of \$388 represents a 8.4% increase for the plan year beginning January 1, 2017. We note the following:
 - The increase is due to increases in prescription drug costs including both experienced claim cost increases over the last year and anticipated increases going forward.
 - This plan had a rate decreased of 1.6% for 2016.
- The rate development and proposed premium rate are reasonable.
- Tufts rate is based on the following:
 - Two years of medical and prescription drug incurred claims experience for the period ended July 31, 2016 and paid through August 31, 2016.
 - The two experience periods are used to reduce claims volatility. The two periods are blended together using weighting of 75% and 25% for the current and prior periods, respectively.
 - Medical trend assumption of 2.0%.
 - Prescription drug trend assumptions of 16.4% (current period) and 17.9% (prior period).
 - Projected revenues and discounts associated with a Medicare Prescription Drug Plan (PDP).