

FY19 Medicare Health Insurance Premiums (1)

	Monthly Full Premium				Monthly Premium Cost Per Enrollee				
	Current Enroll (2)	FY18 Mo Prem	FY19 % Change	FY19 Mo Prem	FY18 % Employee Share	FY18 \$ Mo Share	FY19 % Employee Share	FY19 Mo Share	Mo \$ Change
Harvard Med Enh - SUPP	5,237	\$424	2.6%	\$435.11	12.0%	\$50.89	12.0%	\$52.21	\$1.32
BC Mas Med A&B - SUPP	3,213	\$556	TBD		27.0%	\$150.23	27.0%		
Tufts Med Pref SUPP	1,996	\$388	1.3%	\$393.04	12.0%	\$46.56	12.0%	\$47.16	\$0.60
BC Managed Blue	408	\$386	TBD		12.0%	\$46.36	12.0%		
Tufts Med Pref HMO	190	\$296	5.4%	\$312.00	12.0%	\$35.52	12.0%	\$37.44	\$1.92
Medicare HMO Blue	47	\$357	4.0%	\$370.95	12.0%	\$42.79	12.0%	\$44.51	\$1.72

(1) Premiums/claims for these four Senior Plans will be charged to the City/Trust Fund from Jan 1, 2018 - Dec 31, 2018. Retirees will be charged their share of FY19 premiums from July 1, 2018 - June 30, 2019.

(2) All City + BPHC enrollees as of October 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, 2018.
- This report includes an analysis of the renewals for Harvard Pilgrim Health Care (HPHC), Blue Cross Blue Shield of Massachusetts (BCBS), 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	Self-Funded Medical* Fully-Insured Experience Rated Rx
Tufts Medicare Preferred HMO	Medicare Advantage	Fully-Insured Community Rated
Medicare HMO Blue (BCBS)	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 BCBS 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.

* Effective January 1, 2018, the medical coverage will change to a self-funded basis and the prescription drugs will continue on a fully-insured basis (with the PDP).

City of Boston – Medicare Plan Rates

Introduction

- The rates in this report reflect the following negotiated copay changes, as applicable by plan, effective January 1, 2018:

Plan Name	Office Visit	Inpatient Hospital (non-behavioral health)
HPHC Medicare Enhance	No Change	\$50 per admission (maximum 1 copay/person/quarter)
Tufts Preferred Supplement with PDP	Increase to \$15 per visit	\$50 per admission (maximum \$200 copay/person/year)
Tufts Medicare Preferred HMO	Increase PCP to \$15 per visit	No Change
BCBS Medicare HMO Blue	No Change	No Change

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

- Segal's projected CY 2018 self-funded working rate of \$435.11 represents an increase of 2.6% from the current CY 2017 rate of \$424.13.
- The CY 2018 Medicare Enhance working rate is based on the following:
 - Medical and prescription drug incurred claims experience for the year ended July 31, 2017 and paid through September 30, 2017.
 - Trend assumptions of 3.0% for medical and 9.0% for prescription drugs based on Segal estimated trend factors.
 - The current rebate arrangement where the City receives 100% of the rebates. Rebates are based on estimated rebates provide by HPHC, adjusted for enrollment and trended at 3%.
 - HPHC proposed 1% increase in the administrative rate to \$53.23 PEPM for the plan year beginning January 1, 2018.
 - Estimated savings associated with the implementation of the negotiated \$50 inpatient hospital copay.
- The working rate reflects the projected cost for the plan and an adjustment to maintain targeted reserves.

City of Boston – Medicare Rate Development

HPHC Medicare Enhance

	Medical	Prescription Drug
Incurred Claims (YE 7/31/17, Paid to 9/30/17)	\$7,995,889	\$14,167,588
Completion Adjustment ¹	\$132,410	\$0
Estimated Incurred Claims	\$8,128,299	\$14,167,588
Member Months	60,400	60,400
Incurred Claims PMPM	\$134.57	\$234.56
Benefit Adjustment ²	0.992	1.000
Adjusted PMPM	\$133.47	\$234.56
Annual Trend Assumption ³	3.0%	9.0%
Trend Adjustment	1.043	1.130
PMPM Projected Claim Cost	\$139.17	\$265.02
		Total Projected Cost
Total PMPM Projected Claim Cost		\$404.20
Estimated Rebates (City's share) ⁴		(25.13)
Administrative Expense		53.23
Federal Health Reform (ACA) Fees ⁵		0.20
Target Reserve Adjustment ⁶		2.61
Total PMPM Projected Incurred Cost		\$435.11
Assumed Members		5,230
Projected CY 2018 Incurred Expenses		\$27,308,000
Current CY 2017 Working Rate Premium ⁷		\$26,618,000
CY 2018 Segal Est. Required Rate Change		2.6%

Notes:

1. Adjustment to reflect claims incurred during the experience period ended July 31, 2017 and not paid as of September 30, 2017.
2. HPHC savings adjustment to reflect the negotiated inpatient hospital copay of \$50 per admission (max 1 copay/person/quarter) effective January 1, 2018.
3. Reflects Segal estimated trend factors.
4. Based on estimated CY 2017 rebates as reported by HPHC. PMPM rebates trended at 3% annual trend.
5. Reflects an assumed PCORI fee of \$2.39 PMPY for calendar year 2018.
6. Adjustment to maintain target reserves of 10% of projected total costs.
7. Reflects both the City and employees' share of the working rates and is based on enrollment as of July 2017 as reported by HPHC.

PMPM = Per Member Per Month

City of Boston – Medicare Rate Development

Tufts Medicare Preferred Supplement

Self-Funded Medical and Fully-Insured Rx (maintaining current PDP)

- The projected rate represents a 1.3% increase for January 1, 2018.
- The projected rate is based on the following:
 - Tufts' fully-insured PDP rate calculation is consistent with the calculation for the current arrangement.
 - Segal projected medical claims expenses using paid claims for the year ended September 30, 2017 and a 3.0% medical trend assumption.
 - Estimated savings associated with the implementation of the negotiated \$15 office visit and \$50 inpatient hospital copays.
 - The Tufts proposed medical administrative fee of \$19.17 PEPM.
- The self-funded medical component of the working rate reflects an adjustment to maintain targeted reserves.
- Changing the medical coverage to a self-funded basis represents approximately \$240,000 in total annual savings or \$210,000 City share (88%) and \$30,000 retiree share (12%).

City of Boston – Medicare Rate Development

Tufts Medicare Preferred Supplement

Self-Funded Medical and Fully-Insured Rx (maintaining current PDP)

	Medical Costs	
Paid Claims (10/1/2016 to 9/30/2017)	\$3,225,063	
Member Months (Lagged) ¹	23,103	
Paid Claims PMPM	\$139.59	
Benefit Adjustment ²	0.956	
Adjusted PMPM	\$133.50	
Annual Trend	3.0%	
Months Trended ³	17	
Trend Adjustment	1.043	
Projected Medical Claims PMPM	\$139.21	
Medical Administrative Fees	19.17	
Federal Health Reform (ACA) Fees ⁴	0.20	
Target Reserve Adjustment ⁵	<u>0.46</u>	
Projected Self-Funded Medical Costs	\$159.04	
		Prescription Drug Costs
Projected Rx Claims PMPM		\$209.43
Administrative Fees		17.53
Contribution to Surplus: 7.6%		18.75
CMS PDP Revenue - Projected 2018		<u>(11.98)</u>
Final Required Revenue		\$233.73
Proposed 2018 Fully-Insured PDP Rate		\$234.00
	Total Projected Cost	
Total CY 2018 Projected Costs	\$393.04	

Notes:

1. Based on anticipated claims lags, member months are lagged 2 months for medical claims.
2. Tufts savings adjustment to reflect the negotiated copay changes effective January 1, 2018: increase office visit copay to \$15 and implement inpatient hospital copay of \$50 per admission with a max \$200 per year.
3. Trend adjustment reflects 15 months from experience period, plus 2 months for the lives lag.
4. Reflects an assumed PCORI fee of \$2.39 PMPY for calendar year 2018.
5. Adjustment to maintain target reserves of 10% of projected total costs.

PMPM = Per Member Per Month