
City of Boston

Medicare Plan Rates – Effective January 1, 2021

PEC Meeting – November 10, 2020

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Rate Summary

FY2022 Medicare Health Insurance Premiums (1)

	Monthly Full Premium				Monthly Premium Cost Per Enrollee				
	Current Enrollment (2)	FY2021 Monthly Premium	FY2022 % Change	FY2022 Monthly Premium	FY2021 % Enrollee Share	FY2021 Monthly Share	FY2022 % Enrollee Share (3)	FY2022 Monthly Share	Monthly Change
HPHC Medicare Enhance	6,224	\$359.87	-8.4%	\$329.56	12.5%	\$44.98	13.0%	\$42.84	-\$2.14
BCBS Medex	2,693	\$383.34	-1.9%	\$376.02	12.5%	\$47.92	13.0%	\$48.88	\$0.96
Tufts Medicare Preferred Supplement	2,170	\$379.06	-1.3%	\$374.12	12.5%	\$47.38	13.0%	\$48.64	\$1.26
BCBS Managed Blue for Seniors	373	\$443.52	1.8%	\$451.50	12.5%	\$55.44	13.0%	\$58.70	\$3.26
Tufts Medicare Preferred HMO	136	\$330.00	4.2%	\$344.00	12.5%	\$41.25	13.0%	\$44.72	\$3.47
Medicare HMO Blue	37	\$383.16	3.8%	\$397.74	12.5%	\$47.90	13.0%	\$51.71	\$3.81

(1) Retirees will be charged their share of FY2022 premiums from July 1, 2021 - June 30, 2022. However premiums/claims for all Medicare plans will be charged to the City/Trust Fund from January 1 to December 31, 2021.

(2) Based on the most recent enrollment provided during the renewal process by the respective carrier (counts include BPHC and BW&S).

(3) Reflects the enrollee percentage share in the PEC agreement effective July 1, 2021.

Introduction

- The City of Boston retained Segal to review its Medicare Plan renewals and develop working rates for the year beginning January 1, 2021.
- 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 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 with PDP	Medical: Self-Funded Rx: Experience-Rated PDP*
BCBS Medex	Medicare Supplemental with PDP	Medical: Self-Funded Rx: Community-Rated PDP
Tufts Medicare Preferred Supplement	Medicare Supplemental with PDP	Medical: Self-Funded Rx: Experience-Rated PDP
BCBS Managed Blue for Seniors	Medicare HMO	Fully Insured Community-Rated
Tufts Medicare Preferred HMO	Medicare Advantage	Fully Insured Community-Rated
BCBS Medicare HMO Blue	Medicare Advantage	Fully Insured Community-Rated

*This year's PDP rate is community-rated and based on Aetna's book-of-business due to this new plan's limited claims experience. Future rates will be set using the City's experience.

- The BCBS Managed Blue for Seniors is transitioning to a calendar year plan effective January 1, 2021.

Introduction

- The HPHC Medicare Enhance, BCBS Medex, and Tufts Medicare Preferred Supplement plans are self-funded for medical and fully insured for prescription drugs. The proposed rates include:
 - Segal’s projected medical claims cost plus the carriers’ proposed medical administrative fee.
 - HPHC Medicare Enhance’s PDP rate which is currently based on its book-of-business prescription drug experience, due to the fact that the plan is too new to warrant using claims experience.
 - BCBS Medex’s community-rated PDP rate that is based on its book-of-business prescription drug experience (*i.e.*, not City specific claims).
 - Tufts’ proposed PDP rate that is based on the City’s prescription drug claims experience.
- The BCBS Managed Blue for Seniors and Medicare HMO Blue plans and the Tufts Medicare Preferred HMO plan 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.
 - Since these plans are community rated and not based on the City of Boston’s actual claims experience, a rate development is not provided.
- All the Medicare rates reflect the negotiated prescription drug copayment changes effective January 1, 2021.
- All rates also include the addition of an acupuncture benefit that is mandated for fully insured plans effective January 1, 2021. The City has opted to provide this benefit for all its Medicare plans, including those that are self-funded. Please see the appendix for details regarding this benefit.

Introduction

Self-Funded Claim Projections

- The projections in this report are estimates of future costs and are based on information available to Segal at the time the projections were made. Segal 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 accuracy and reliability of health projections decrease as the projection period increases.
- 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 claims 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.
- The projection of the retiree costs takes into account only the dollar value of providing benefits for current retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection, nor does it reflect any anticipated increase in the number of those eligible for retiree benefits, or any changes that may occur in the nature of benefits over time.
- The Coronavirus (COVID-19) pandemic is rapidly evolving and will likely impact the 2020 US economy and health plan claim projections for most Health Plan Sponsors. As a result, projections could be significantly altered by emerging events. At this point, it is unclear what the impact will be for Health Plan Sponsors. The potential for federal or state fiscal relief is also not contemplated in these projections. Given the high level of uncertainty and fluidity of the current events, some plans may seek periodic updated estimates throughout the year to closely monitor health plan projections this year. Additional projections may be out of scope.
- Due to continued uncertainty with the COVID-19 pandemic, the City may want to consider maintaining greater reserves than typically targeted.

Rate Development

HPHC Medicare Enhance

- The projected CY 2021 rate of \$329.56 represents a decrease of 8.4% from the current CY 2020 rate of \$359.87.

Self-Funded Medical

- Segal's projected medical component of the rate represents a 4.0% increase from the current rate and is based on the following:
 - Medical incurred claims experience for the year ended June 30, 2020 and paid through August 31, 2020.
 - Medical trend assumption of 3.0% based on Segal estimated trend factors.
 - Adjustment to normalize the months that experienced decreased claims levels as a result of COVID-19.
 - HPHC's revised administrative fee proposal of \$34.68 PEPM for the plan year beginning January 1, 2021.
 - HPHC initially proposal a continuation of the current \$54.56 fee, but lowered its fee after negotiations with Segal. Based on current enrollment, this fee reduction equals annual savings of approximately \$1.5 million.
 - The medical component reflects the plan's projected cost and an adjustment to maintain targeted reserves.

Fully Insured Rx (PDP)

- This year's PDP rate is community-rated and based on Aetna's book-of-business due to this new plan's limited claims experience. Future rates will be set using the City's experience.
- The PDP rate is decreasing 8.2% to \$150.00 for the plan year beginning January 1, 2021.
 - HPHC/Aetna initially proposed a PDP rate of \$158.68, but agreed to lower their rate after Segal negotiations initiated by the City. Based on current enrollment, this rate reduction equals annual savings of approximately \$650,000.
- The proposed PDP rate is reasonable as it appropriately reflects the savings associated with the removal of the ACA Health Insurer Fee (no longer applicable in 2021) and the increased copayments negotiated in the PEC agreement.

Rate Development

HPHC Medicare Enhance

	Medical	
Incurring Claims (YE 6/30/20, Paid to 8/31/20)	\$9,115,955	
Completion Adjustment ¹	<u>123,463</u>	
Estimated Incurring Claims	\$9,239,417	
Member Months	72,514	
Incurring Claims PMPM	\$127.42	
Benefit Adjustment ²	1.002	
COVID-19 Adjustment ³	1.080	
Adjusted PMPM	\$137.86	
Annual Trend Assumption ⁴	3.0%	
Trend Adjustment	1.046	
Projected Claim Cost PMPM	\$144.14	
Administrative Fee	34.68	
ACA PCORI Fee	0.21	
Target Reserve Adjustment ⁵	<u>0.52</u>	
Projected Self-Funded Medical Costs	\$179.56	
		Prescription Drug
Proposed Fully Insured PDP Rate		\$150.00
	Total Projected Cost	
Total CY 2021 Projected Cost	\$329.56	
Current CY 2020 Working Rate⁶	\$359.87	
Projected CY 2020 Required Rate Change	-8.4%	

Notes:

1. Adjustment to reflect claims incurred during the experience period ended June 30, 2020 and not paid as of August 31, 2020.
2. Adjustment to reflect addition of CMS mandated acupuncture benefit effective January 1, 2021.
3. Estimated adjustment to normalize months in the experience period impacted by COVID-19.
4. Reflects Segal estimated trend factor.
5. Adjustment to maintain target reserves of 10% of projected total medical costs.
6. Reflects both the City's and retirees' share of the working rate.

PMPM = Per Member Per Month

Rate Development

BCBS Medex

- The projected CY 2021 rate of \$376.02 represents a decrease of 1.9% from the current CY 2020 rate of \$383.34.

Self-Funded Medical

- Segal's projected medical component of the rate represents a 3.2% decrease from the current rate and is based on the following:
 - Medical incurred claims experience for the year ended May 31, 2020 and paid through July 31, 2020
 - Medical trend assumption of 3.0% based on Segal estimated trend factors.
 - Adjustment to normalize the months that experienced decreased claims levels as a result of COVID-19.
 - BCBS' proposed 2.0% increase in the medical administrative fee to \$25.56 PEPM for the plan year beginning January 1, 2021.
 - The medical component reflects the plan's projected cost and an adjustment to maintain targeted reserves.

Fully Insured Rx (PDP)

- The PDP rate is fully insured and community-rated and set by BCBS based on its book-of-business and not the City's claims experience.
- The PDP rate is decreasing 0.2% to \$163.76 for the plan year beginning January 1, 2021.
- Per BCBS, the rate reflects the savings associated with the removal of the ACA Health Insurer Fee (no longer applicable in 2021) and the increased copayments negotiated in the PEC agreement.

Rate Development

BCBS Medex

	Medical	
Incurred Claims (YE 5/31/20, Paid to 7/31/20)	\$5,367,844	
Completion Adjustment ¹	<u>48,311</u>	
Estimated Incurred Claims	\$5,416,155	
Member Months	33,025	
Incurred Claims PMPM	\$164.00	
Benefit Adjustment ²	1.001	
COVID-19 Adjustment ³	1.080	
Adjusted PMPM	\$177.37	
Annual Trend Assumption ⁴	3.0%	
Trend Adjustment	1.048	
Projected Claim Cost PMPM	\$185.87	
Administrative Fee	25.56	
ACA PCORI Fee	0.21	
Target Reserve Adjustment ⁵	<u>0.62</u>	
Projected Self-Funded Medical Costs	\$212.26	
		Prescription Drug
Proposed Fully Insured PDP Rate		\$163.76
	Total Cost PMPM	
Total CY 2021 Projected Cost	\$376.02	
Current CY 2020 Working Rate⁶	\$383.34	
Projected CY 2021 Required Rate Change	-1.9%	

Notes:

1. Adjustment to reflect claims incurred during the experience period ended May 31, 2020 and not paid as of July 31, 2020.
2. Adjustment to reflect addition of CMS mandated acupuncture benefit effective January 1, 2021.
3. Estimated adjustment to normalize months in the experience period impacted by COVID-19.
4. Reflects Segal estimated trend factor.
5. Adjustment to maintain target reserves of 10% of projected total costs.
6. Reflects both the City's and retirees' share of the working rate.

PMPM = Per Member Per Month

Rate Development

Tufts Medicare Preferred Supplement

- The projected CY 2021 rate of \$374.12 represents a decrease of 1.3% from the current CY 2020 rate of \$379.06.

Self-Funded Medical

- Segal's projected medical component of the rate represents a 2.8% decrease from the current rate and is based on the following:
 - Medical incurred claims experience for the year ended June 30, 2020 and paid through August 31, 2020.
 - Medical trend assumption of 3.0% based on Segal estimated trend factors.
 - Adjustment to normalize the months that experienced decreased claims levels as a result of COVID-19.
 - Tufts' proposed 3.0% increase in the medical administrative fee to \$20.95 PEPM for the plan year beginning January 1, 2021.
 - The medical component reflects the plan's projected cost and an adjustment to maintain targeted reserves.

Fully Insured Rx (PDP)

- Tufts initially proposed a PDP rate of \$216 which represented a 5% increase from the current rate.
- As a result of Segal negotiations, Tufts proposed to continue the current PDP rate of \$205. Based on current enrollment, this rate reduction equals annual savings of approximately \$290,000.

Rate Development

Tufts Medicare Preferred Supplement

	Medical
Incurred Claims (YE 6/30/20, Paid to 8/31/20)	\$3,300,749
Completion Adjustment ¹	<u>50,971</u>
Estimated Incurred Claims	\$3,351,720
Member Months	25,705
Incurred Claims PMPM	\$130.39
Benefit Adjustment ²	1.002
COVID-19 Adjustment ³	1.080
Adjusted PMPM	\$141.07
Annual Trend Assumption ⁴	3.0%
Trend Adjustment	1.045
Projected Claim Cost PMPM	\$147.47
Administrative Fee	20.95
ACA PCORI Fee	0.21
Target Reserve Adjustment ⁵	<u>0.49</u>
Projected Self-Funded Medical Costs	\$169.12

	Prescription Drug
Proposed Fully Insured PDP Rate	\$205.00

	Total Projected Cost
Total CY 2021 Projected Cost	\$374.12
Current CY 2020 Working Rate ⁶	\$379.06
Projected CY 2021 Required Rate Change	-1.3%

Notes:

1. Adjustment to reflect claims incurred during the experience period ended June 30, 2020 and not paid as of August 31, 2020.
2. Adjustment to reflect addition of CMS mandated acupuncture benefit effective January 1, 2021.
3. Estimated adjustment to normalize months in the experience period impacted by COVID-19.
4. Reflects Segal estimated trend factor.
5. Adjustment to maintain target reserves of 10% of projected total costs.
6. Reflects both the City's and retirees' share of the working rate.

PMPM = Per Member Per Month

Appendix

CMS Mandated Acupuncture Benefit

- The Centers for Medicare & Medicaid Services (CMS) will cover acupuncture for chronic low back pain for up to 12 visits in 90 days under the following conditions:
 - Chronic low back pain is defined as:
 - Lasting 12 weeks or longer;
 - nonspecific, in that it has no identifiable systemic cause (*i.e.*, not associated with metastatic, inflammatory, infectious, etc. disease);
 - not associated with surgery; and
 - not associated with pregnancy.
 - An additional eight sessions will be covered for those patients demonstrating an improvement. No more than 20 acupuncture treatments may be administered annually.
 - Treatment must be discontinued if the patient is not improving or is regressing.