

# City of Boston

## *Medicare Plan Rates – Effective January 1, 2022*

**PEC Meeting – November 9, 2021**

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# Rate Summary

## FY2023 Medicare Health Insurance Premiums (1)

	Monthly Full Premium				Monthly Premium Cost Per Enrollee				
	Current Enrollment (2)	FY2022 Monthly Premium	FY2023 % Change	FY2023 Monthly Premium	FY2022 % Enrollee Share	FY2022 Monthly Share	FY2023 % Enrollee Share (3)	FY2023 Monthly Share	Monthly Change
<b>HPHC Medicare Enhance</b>	6,371	\$329.56	3.8%	<b>\$341.95</b>	13.0%	\$42.84	13.5%	<b>\$46.16</b>	<b>\$3.32</b>
<b>BCBS Medex</b>	2,584	\$376.02	1.3%	<b>\$381.01</b>	13.0%	\$48.88	13.5%	<b>\$51.44</b>	<b>\$2.56</b>
<b>Tufts Medicare Preferred Supplement</b>	2,282	\$374.12	6.6%	<b>\$398.74</b>	13.0%	\$48.64	13.5%	<b>\$53.83</b>	<b>\$5.19</b>
<b>BCBS Managed Blue for Seniors</b>	358	\$451.50	1.2%	<b>\$456.92</b>	13.0%	\$58.70	13.5%	<b>\$61.68</b>	<b>\$2.98</b>
<b>Tufts Medicare Preferred HMO</b>	125	\$344.00	4.4%	<b>\$359.00</b>	13.0%	\$44.72	13.5%	<b>\$48.47</b>	<b>\$3.75</b>
<b>Medicare HMO Blue</b>	36	\$397.74	0.0%	<b>\$397.74</b>	13.0%	\$51.71	13.5%	<b>\$53.69</b>	<b>\$1.98</b>

(1) Retirees will be charged their share of FY2023 premiums from July 1, 2022 - June 30, 2023. However premiums/claims for all Medicare plans will be charged to the City/Trust Fund from January 1 to December 31, 2022.

(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, 2022.

# Introduction

- The City of Boston retained Segal to review its Medicare Plan renewals and develop working rates for the year beginning January 1, 2022.
- 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

# 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 and Tufts PDP rates that are based on the City’s prescription drug claims experience.
  - BCBS community-rated PDP rate that is based on its book-of-business prescription drug experience (*i.e.*, not City specific claims).
- 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.

# 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.
- Unless otherwise noted, these projections do not include any cost or savings impact resulting from any recent state or federal health care reform legislation or regulations.
- 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 continues to evolve and will likely continue to impact the 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, the full impact on Health Plan claim costs are uncertain. Unless specifically noted, this current report does not include any adjustments such as changes in eligibility, income, increases in healthcare costs or decreased investment returns. Additionally, the potential for federal or state fiscal relief is also not contemplated in these budget 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 budget projections. Additional projections may be out of scope. The City may also want to consider maintaining greater reserves than typically targeted.

# Rate Development

## *HPHC Medicare Enhance*

- The projected CY 2022 rate of \$341.95 represents an increase of 3.8% from the current 2021 rate of \$329.56.

### **Self-Funded Medical**

- Segal's projected medical component of the rate represents a 2.7% increase from the current rate and is based on the following:
  - Medical incurred claims experience for the year ended June 30, 2021 and paid through August 31, 2021.
  - Medical trend assumption of 3.0% based on Segal estimated trend factors.
  - HPHC's proposed 3.0% increase in the medical administrative fee to \$35.72 PEPM for the plan year beginning January 1, 2022.
  - The medical component reflects the plan's projected cost and an adjustment to maintain targeted reserves.

### **Fully Insured Rx (PDP)**

- The PDP rate of \$157.46 represents a 5.0% increase from the current rate of \$150.00 and is based on the following:
  - Prescription drug incurred claims experience for the period ended June 30, 2021.
  - Projected rebates and CMS revenues, including: direct subsidy, coverage gap discounts, reinsurance, and low-income subsidy.
  - HPHC/Aetna prescription drug trend of 5.8% and a proposed target loss ratio of 88.0%.

# Rate Development

## HPHC Medicare Enhance

	Medical
Incurred Claims (YE 6/30/21, Paid to 8/31/21)	\$10,570,760
Completion Adjustment <sup>1</sup>	<u>124,918</u>
Estimated Incurred Claims	\$10,695,678
Member Months	75,603
Incurred Claims PMPM	\$141.47
Benefit Adjustment <sup>2</sup>	1.001
Adjusted PMPM	\$141.60
Annual Trend Assumption <sup>3</sup>	3.0%
Trend Adjustment	1.045
<b>Projected Claim Cost PMPM</b>	<b>\$148.02</b>
Administrative Fee	35.72
ACA PCORI Fee	0.22
Target Reserve Adjustment <sup>4</sup>	<u>0.54</u>
<b>Projected Self-Funded Medical Costs</b>	<b>\$184.49</b>

	Prescription Drug
<b>Proposed Fully Insured PDP Rate</b>	<b>\$157.46</b>

	Total Projected Cost
Total CY 2022 Projected Cost	\$341.95
Current CY 2021 Working Rate <sup>5</sup>	\$329.56
Projected CY 2022 Required Rate Change	3.8%

Notes:

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

*PMPM = Per Member Per Month*

# Rate Development

## *BCBS Medex*

- The projected CY 2022 rate of \$381.01 represents an increase of 1.3% from the current 2021 rate of \$376.02.

### **Self-Funded Medical**

- Segal's projected medical component of the rate represents a 0.8% decrease from the current rate and is based on the following:
  - Medical incurred claims experience for the year ended May 31, 2021 and paid through July 31, 2021.
  - Medical trend assumption of 3.0% based on Segal estimated trend factors.
  - BCBS' proposed 1.0% increase in the medical administrative fee to \$25.82 PEPM for the plan year beginning January 1, 2022.
  - 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 represents a 4.1% increase to \$170.44 for the plan year beginning January 1, 2022.

# Rate Development

## BCBS Medex

	Medical	
Incurred Claims (YE 5/31/21, Paid to 7/31/21)	\$5,393,401	
Completion Adjustment <sup>1</sup>	<u>118,655</u>	
Estimated Incurred Claims	\$5,512,056	
Member Months	31,433	
Incurred Claims PMPM	\$175.36	
Benefit Adjustment <sup>2</sup>	1.001	
Adjusted PMPM	\$175.50	
Annual Trend Assumption <sup>3</sup>	3.0%	
Trend Adjustment	1.048	
<b>Projected Claim Cost PMPM</b>	<b>\$183.91</b>	
Administrative Fee	25.82	
ACA PCORI Fee	0.22	
Target Reserve Adjustment <sup>4</sup>	<u>0.61</u>	
<b>Projected Self-Funded Medical Costs</b>	<b>\$210.57</b>	
		<b>Prescription Drug</b>
<b>Proposed Fully Insured PDP Rate</b>		<b>\$170.44</b>
	<b>Total Cost PMPM</b>	
<b>Total CY 2022 Projected Cost</b>	<b>\$381.01</b>	
<b>Current CY 2021 Working Rate <sup>5</sup></b>	<b>\$376.02</b>	
<b>Projected CY 2022 Required Rate Change</b>	<b>1.3%</b>	

Notes:

1. Adjustment to reflect claims incurred during the experience period ended May 31, 2021 and not paid as of July 31, 2021.
2. Adjustment to reflect the addition of CMS mandated acupuncture benefit effective January 1, 2021.
3. Reflects Segal estimated trend factor.
4. Adjustment to maintain target reserves of 10% of projected total costs.
5. 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 2022 rate of \$398.74 represents an increase of 6.6% from the current 2021 rate of \$374.12.

### **Self-Funded Medical**

- Segal's projected medical component of the rate represents a 5.1% increase from the current rate and is based on the following:
  - Medical incurred claims experience for the year ended June 30, 2021 and paid through August 31, 2021.
  - Aggregate enrollment for the year ending in July 2021 provided by Tufts.
  - Medical trend assumption of 3.0% based on Segal estimated trend factors.
  - Tufts' proposed 3.0% increase in the medical administrative fee to \$21.58 PEPM for the plan year beginning January 1, 2022.
  - The medical component reflects the plan's projected cost and an adjustment to maintain targeted reserves.

### **Fully Insured Rx (PDP)**

- The PDP rate of \$221 represents a 7.8% increase from the current rate of \$205 and is based on the following:
  - Two years of prescription drug incurred claims experience for the period ended July 31, 2021 and paid through August 31, 2021.
    - The two experience periods are used to reduce claims volatility and are blended together using weighting of 75% and 25% for the current and prior periods, respectively.
  - Projected rebates and CMS revenues, including: direct subsidy, coverage gap discounts, reinsurance, and low-income subsidy.
  - Projected claims reductions related to Tufts improved financial contract terms with its PBM.
  - Tufts prescription drug trend of 11.0% and a proposed 1.4% increase in total retention to \$41.97.

# Rate Development

## *Tufts Medicare Preferred Supplement*

	Medical
Incurred Claims (YE 6/30/21, Paid to 8/31/21)	\$3,860,299
Completion Adjustment <sup>1</sup>	<u>59,612</u>
Estimated Incurred Claims	\$3,919,911
Member Months	26,386
Incurred Claims PMPM	\$148.56
Benefit Adjustment <sup>2</sup>	1.001
Adjusted PMPM	\$148.69
Annual Trend Assumption <sup>3</sup>	3.0%
Trend Adjustment	1.045
<b>Projected Claim Cost PMPM</b>	<b>\$155.43</b>
Administrative Fee	21.58
ACA PCORI Fee	0.22
Target Reserve Adjustment <sup>4</sup>	<u>0.52</u>
<b>Projected Self-Funded Medical Costs</b>	<b>\$177.74</b>

Proposed Fully Insured PDP Rate

### Prescription Drug

\$221.00

### Total Projected Cost

Total CY 2022 Projected Cost	\$398.74
Current CY 2021 Working Rate <sup>5</sup>	\$374.12
Projected CY 2022 Required Rate Change	6.6%

Notes:

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

*PMPM = Per Member Per Month*