

Connector Readiness 2016 Preview

OPERS explains changes to the health care plan for Medicare eligible retirees and announces Connector allowance amount

A message from Karen Carraher, OPERS Executive Director and Marianne Steger, OPERS Health Care Director



Karen Carraher

We know you have many questions about how the OPERS health care plan will change when we transition eligible participants to the Medicare Connector in 2016. This special insert summarizes the reasons we've decided to introduce a Medicare Connector, provides facts pertaining to the Connector and the transition process and is designed to address many of your questions.

Few things are as important as our health. Knowing this, OPERS takes our responsibility as a retiree health plan sponsor very seriously. OPERS makes every decision regarding the health care plan with the good of the Retirement System and OPERS retirees foremost in our minds.

Because health care can be an emotional topic and change is often intimidating, it's only natural that some have voiced concern about our introduction of a Medicare Connector in 2016. Please be assured that a Medicare Connector is the best solution for the continuation of OPERS retiree health care and increased choice and affordability for retirees. Please read on for a description of the reasons we're confident in our decision to implement the Connector as well as some additional information on how the Connector will work.

Although OPERS is moving our Medicare population to a Connector, we will be an active part of the transition process. OPERS will stand behind the work of the Medicare Connector we choose and will be available to retirees should any problems arise throughout the process and beyond.

Please keep in mind this information relates to OPERS retiree health care in 2016. In 2015, the health plan will operate in the same way it has for many years. In August, OPERS will send all retirees a bulletin specific to changes to the health plan in 2015 and also a separate document addressing details of the transition to the Medicare Connector in 2016. Our aim is to minimize confusion by allowing you to read about the plan for each year side by side and better understand the differences. In September, you will receive your annual health care open enrollment packet for 2015.



Marianne Steger

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Why does the health care plan need to change?

The current health plan could not be sustained

Although OPERS retiree health care is not a guaranteed benefit, we are committed to being proactive and offering a quality health care plan for as long as we are financially able. During the

development of our recent pension changes, we shared with members that we would not

be able to sustain the health care program in its current format for more than 10 to 14 years.

Without making changes to the health care plan, our health care fund would have been exhausted in 10 to 14 years.

In order to continue offering retiree health care coverage, OPERS made a number of changes to the plan. The changes were intended to strengthen the link between the amount of service time and the amount of funding a retiree receives toward their health care coverage. We also developed a transition plan allowing OPERS time to communicate and members and retirees time to plan for the changes. The plan minimizes the impact on those currently retired and is designed to sustain the plan, reducing the need for changes every couple of years. Our projections indicate that the plan changes will allow our health care plan to be sustainable into the foreseeable future.





Why does the health care plan need to change?

Individual Medicare plans are less expensive than group plans

While it may be hard to believe, plans offered through the individual Medicare market are more affordable than employer-sponsored, group Medicare plans including the current OPERS

Medicare Supplement Plan F is the most comprehensive medical plan. It covers 100 percent of all medical expenses.

Medicare plan. The OPERS Humana/Express Scripts Medicare Advantage Plan costs nearly

\$400 per month. A 74-year old retiree can buy a Medicare Supplement Plan F (the medical plan with the highest level of coverage) for less than \$200 per month. Purchasing a drug plan for most retirees will cost an average of an additional \$39 per month.

The table below shows the common Medigap (Medicare Supplement) plans on the market, the key components of coverage and the corresponding projected 2016 monthly cost of these plans.

Projected 2016 Medigap (Medicare Supplement) plans and benefits

Medigap benefits	Medigap plans									
	A	B	C	D	F	G	K	L	M	N
Part A coinsurance and hospital costs*	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Part B coinsurance/copayment	yes	yes	yes	yes	yes	yes	50%	75%	yes	yes
Blood (first 3 pints)	yes	yes	yes	yes	yes	yes	50%	75%	yes	yes
Part A hospice care coinsurance/copayment	yes	yes	yes	yes	yes	yes	50%	75%	yes	yes
Skilled nursing facility care coinsurance	no	no	yes	yes	yes	yes	50%	75%	yes	yes
Part A deductible	no	yes	yes	yes	yes	yes	50%	75%	50%	yes
Part B deductible	no	no	yes	no	yes	no	50%	75%	no	no
Part B excess charges	no	no	no	no	yes	yes	no	no	no	no
Foreign travel exchange (up to plan limits)	no	no	yes	yes	yes	yes	no	no	yes	yes
Out-of-pocket limit	N/A	N/A	N/A	N/A	N/A	N/A	4940	2470	N/A	N/A
Average projected 2016 Monthly Premium age 70-74** (OSHIIP Medicare Guide)	\$139	\$173	\$194	\$155	\$191	\$165	\$94	\$131	\$150	\$138

*Up to an additional 365 days after Medicare benefits are used up.

**Projected 2016 rates estimated using 4% annual inflation.



Why does the health care plan need to change?

(continued)

Individual Medicare plans can offer more comprehensive coverage

The most popular individual Medicare plan is a Plan F Medicare Supplement Plan. Plan F provides more comprehensive coverage than the current OPERS group Medicare plan and it is offered at a lower rate than OPERS would need to charge for a comparable plan. As illustrated in the table below, retirees selecting this plan will have no deductibles or office visit costs.

Retirees who select a supplement plan, such as Plan F, will also need to select a separate drug plan tailored to meet their specific prescription drug needs. The projected 2016 monthly premiums reflected in the table include the average cost of a prescription drug plan of \$39.

Plan F is available across the United States and has no network restrictions. As long as your doctor accepts Medicare, visits will be covered under Plan F.

Comparing our current medical plan to other Medicare plan options

Projected 2016 rates for 72 year old	Member pays				
	OPERS	Medigap Plans			Medicare Advantage with Prescription Drug Plan
		Plan F*	Plan G*	Plan C*	Typical MAPD Zero Dollar Premium Plan
Premium medical and RX	\$414	\$230	\$204	\$233	\$0
Annual deductible	\$250	\$0	\$147	\$0	\$0
Office visits	4%	\$0	\$0	\$0	\$10
Specialist visits	8%	\$0	\$0	\$0	\$40
ER visit	\$50	\$0	\$0	\$0	\$65
Urgent care	\$50	\$0	\$0	\$0	\$10-\$40
Preventive	\$0	\$0	\$0	\$0	\$0
Outpatient	4%	\$0	\$0	\$0	20% \$260 max
Inpatient	4%	\$0	\$0	\$0	\$260/day (days 1-7)
Hospice	5%	\$0	\$0	\$0	Depends on facility
Out of pocket max	\$850	N/A	N/A	N/A	\$5,200
Part B excess charges**	N/A	covered	covered	not covered	N/A

*Projected 2016 monthly rates for a 72 year-old estimated using 4% annual inflation. Includes a \$39 monthly prescription drug plan.

**Any excess charge from a doctor who doesn't accept Medicare payment as payment in full (rare).



What is a Medicare Connector?

A Medicare Connector is a company that helps retirees enrolled in Medicare Parts A and B select a plan to supplement the coverage provided by traditional Medicare. Traditional Medicare covers only 80 percent of medical costs and has daily deductibles for hospital stays. Traditional Medicare also does not provide prescription drug coverage. A Medicare Connector employs licensed benefit advisors whose job it is to assist retirees in selecting a well-matched individual Medicare plan for themselves and their spouse if applicable.

OPERS will provide eligible retirees with a monthly Health Reimbursement Account (HRA) allowance to use toward the premium for their choice of individual Medicare plan. Any remaining allowance can be used towards the cost of Medicare Part B premiums, a spouse's premium, out-of-pocket medical expenses or future health care costs.

Why use a Medicare Connector?

A key aspect of our plan to preserve OPERS retiree health care is the implementation of a Medicare Connector in 2016. If OPERS decided not to use a Medicare Connector and continued offering a plan similar to the current Humana/Express Scripts plan, most retirees would see significant increase in their costs. We estimate this increase could reach \$200 per month by 2018 when the health care changes are completely implemented.

We realize moving to a Medicare Connector could be a difficult process for some. However, we're confident that we can help the process go smoothly and retirees will have a more comprehensive and affordable health care plan come 2016.

How much will individual plans cost on the OPERS Medicare Connector?

On average:

- Medicare Advantage with prescription drug plans range between \$0 and \$80 per month depending on the carrier and the plan benefits. These plans have lower premiums but higher costs when you access health care.
- Medicare Supplement (Medigap) plans range between \$80 and \$280 per month. These plans have higher premiums but little or no costs when you access health care.
- Medicare Part D prescription drug plans range from \$10 to \$100 or more per month based on coverage and deductible amounts. The average cost is \$39 a month. Depending on your usage, you may have higher costs if you reach the Medicare doughnut hole.

Please refer to the Spring 2014 Ohio PERS News for Retirees for a more complete explanation of the differences between Medicare Supplement plans (Medigap) and Medicare Advantage plans.

Without the affordable options available on the Connector, most retirees could see their health care costs increase by almost \$200 per month in 2018.



OPERS announces the Health Reimbursement Account (HRA) Allowance amount for the Medicare Connector

Most retirees will receive an HRA allowance of \$337 or more per month.

The amount of your HRA allowance depends on your years of service and your age when you first enroll in the OPERS health care plan. The monthly HRA allowance amount will range between \$229 and \$405 with the majority of current retirees receiving \$337 or more. By early next year, each retiree enrolled in Medicare Parts A and B will receive a personalized allowance statement explaining what he or she will be eligible to receive. We anticipate most retirees will have remaining allowance funds they can apply toward Medicare Part B premiums or a spouse's premium or other eligible health care expenses either now or in the future.

How do I qualify for an HRA allowance?

You are eligible to receive a health care allowance if you are currently eligible for OPERS health care coverage as a primary pension recipient.

However, to receive an HRA allowance, you must meet two additional requirements:

- 1 Be enrolled in both Medicare Parts A and B.
- 2 Enroll in an individual Medicare medical plan through the OPERS Medicare Connector.

If you are not eligible for Medicare Parts A and B or are eligible for Medicare Part B only, you will not be eligible for the Medicare Connector. However, OPERS will continue to offer a plan to those retirees not eligible for Medicare (i.e. under 65). This brochure focuses on the plan for Medicare eligible retirees. The 2015 Open Enrollment Bulletin and the accompanying document exploring the health care changes and transition you will receive in August will provide more details about the health care plan for non-Medicare retirees.



Sample retiree HRA activity

My monthly HRA allowance \$337

Medigap Plan F (medical) - \$191

Medicare Part D (prescription drug) - \$ 39

Remaining monthly account balance \$107

Your account balance rolls over from month to month and year to year.

Total ●●●●●●●●●●



OPERS announces the Health Reimbursement Account (HRA) Allowance amount for the Medicare Connector *(continued)*

How will I get my monthly Connector allowance?

OPERS will provide your allowance through a Health Reimbursement Account (HRA) so that you can receive this money on a pre-tax basis. This requires you to pay your premium first and then seek reimbursement from your HRA. If we did not have you pay first and then seek reimbursement, we would be required by the IRS to tax your allowance. There will be auto-reimbursement options available that will minimize the length of time between paying your premium and receiving your reimbursement.

Additionally, if you currently have a portion of your health care premium deducted from your monthly OPERS pension check, these deductions will cease beginning in 2016.

When will all these changes occur?

In fall 2015, OPERS retirees enrolled in Medicare Parts A and B will have the opportunity to select a health care plan that best meets their individual needs and budget via the OPERS Medicare Connector. Retirees will receive lifetime, personalized help with choosing a plan that is right for them.

OPERS is committed to keeping you informed and prepared for each stage of the transition to the OPERS Medicare Connector in 2016. In August, you will receive a brochure outlining more details about how the plan will work.

The table below summarizes the key elements of the current plan for 2015 and the new plan for 2016.

	Now through Dec. 31, 2015	Beginning Jan. 1, 2016
Your Plan	OPERS offers the Humana Medicare Advantage Plan and Express Scripts Medicare Part D Prescription Drug Plan.	You select and enroll in an individual medical and/or prescription drug plan(s) on the Medicare market using the OPERS Medicare Connector (Fall 2015).
Your Premium	OPERS deducts your portion of the monthly premium from your OPERS pension check.	OPERS provides you with a monthly HRA deposit. Once you incur a qualified medical expense, you will request a reimbursement from the available allowance within your HRA.
Your OPERS Pension Amount	You receive your monthly OPERS pension amount minus taxes and any health care premium deductions.	You will receive your monthly OPERS pension amount, minus taxes, plus any health care premiums previously deducted.



OPERS announces the Health Reimbursement Account (HRA) Allowance amount for the Medicare Connector *(continued)*

OPERS understands the importance of health care to our retirees and we are committed to making a strong health care program available. We know change can be difficult, but we are dedicated to ensuring a successful transition and to being available to you during this important time. In August, you'll receive a brochure outlining more details about how the Medicare Connector will work and more completely explaining the health care changes. Visit our website at www.opers.org to access the OPERS health care video series and the OPERS blog, PERSpective, for the latest information.

OPERS is committed to keeping you well informed and prepared for each stage of the transition to the OPERS Medicare Connector in 2016. We will release further information about the implementation of the Connector as soon as it becomes available. In the coming months, you can expect to receive the following mailings:

August 2014 – Ohio PERS News for Retirees with the 2015 Open Enrollment Bulletin (focus will be on 2015 coverage, not the Connector). All retirees will also receive a brochure explaining the health care changes in more detail in the same envelope.

November 2014 – Ohio PERS News for Retirees with OPERS Health Care insert.

Early 2015 – Eligible retirees will receive the OPERS Medicare Connector Toolkit including your personal Connector allowance statement.

More information about Medicare and Medicare plans

If you want to learn more, you can educate yourself about Medicare and Medicare plans. Become familiar with plans available in your area, what the plans cover and what they cost. There are countless resources available to help you do this, including:

- 1 Visit www.medicare.gov** – This site is a valuable resource for Medicare information. You can read all about Medicare plans and even order additional resources including the Medicare and You Handbook.
- 2 Visit www.insurance.ohio.gov** – By clicking on the “Medicare Services” tab, you can find a wealth of Medicare information specific to Ohioans.
- 3 Talk to your family, friends and neighbors** – Chances are most of your peers have experience choosing a plan on the individual Medicare market. Talk with them about what plan they chose and why it works for them.



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