

Medicare Health Plans for Medicare-Covered Retirees and Medicare-Covered Dependents

**Briefing
by**

Human Resources Department



**CITY OF HOUSTON
BUDGET AND FISCAL AFFAIRS COMMITTEE
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What is a Medicare Advantage Plan?

2

In 2003, the Medicare Modernization Act allowed the Centers for Medicare & Medicaid Services (CMS) to pay private companies to provide health benefits for retirees.

- ❖ These private plans provide both medical and prescription drug coverage, as well as other benefits not covered by Medicare.
- ❖ The City of Houston implemented Medicare Advantage plans in 2005 and all plans cover medical and pharmacy benefits.

OVERVIEW

BACKGROUND FACTS:

- ❖ The HR Department is proposing to contract with vendors to provide Medicare health plans for city Medicare-covered retirees and their eligible Medicare-covered dependents.
- ❖ The City has successfully offered Medicare Advantage plans to eligible retirees since May 1, 2005.
- ❖ The plans provide the necessary health benefits for the 7,000 plus retirees and their dependents residing throughout the United States.
- ❖ Effective May 1, 2011 Medicare-covered retirees were required to enroll in one of six city-sponsored Medicare Advantage or Medicare Supplement Plans.
- ❖ Since 2011, the City has saved between \$7 - \$9 million in premiums per year by requiring eligible retirees to enroll in Medicare plans, as opposed to enrolling in Cigna.

PROCUREMENT PROCESS

- ❖ June 2014, Human Resources and Strategic Purchasing released the RFP for Medicare Advantage HMO and PPO plans and Medicare Supplement plans partnered with a prescription drug plan.
- ❖ The RFP had a MWBE goal of 5%.
- ❖ Six insurance companies responded to the online RFP and submitted completed proposals.
- ❖ An evaluation committee, with oversight from Strategic Purchasing, evaluated and rated each of the proposals.
 - Strategic Benefits Planning & Design – Division of HR Department
 - Financial Risk Management - Division of HR Department
 - Strategic Purchasing - Division of Finance Department

PROCUREMENT PROCESS CONT'D

5

Criteria for evaluation of proposals:

- ❖ The ability of the provider to meet the city's requirements
- ❖ Experience in handling retiree groups the size of the City's
- ❖ Minimal disruption of networks and plan designs
- ❖ Financial competitiveness
- ❖ Financial stability of the firm
- ❖ Oral presentations
- ❖ Systems and technical capabilities
- ❖ Commitment to the MWBE Program

Plans and Service Areas

- ❖ HMO plans have limited provider networks and services areas. They operate in specific Texas counties.
- ❖ The PPO has network providers throughout Texas and provides in-network benefits for members who do not reside within a network service area.
- ❖ Medicare Supplement Plan F has no network – members can go to any provider accepting Medicare. The City also provides a prescription drug plan to partner with Supplement Plan F.

Membership

7

Current Medicare plans and membership:

PLAN	HEAD COUNT
HMO	
Cigna HealthSpring	949
KelseyCare Advantage	2,281
SelectCare of Texas	654
PPO	
Aetna ESA PPO	1,241
KelseyCare Advantage POS	347
MEDICARE SUPPLEMENT PLAN F	
UnitedHealthcare	1,552
TOTAL	7,024

PROPOSED COSTS

- ❖ Proposed costs of the plans currently in place will be \$22.6 million for 2015. If no plan changes are made and plan membership remains the same, the annual increase will be \$681,000.
- ❖ With minimal plan changes and limited disruption to retirees, the City can save \$909,000 for an annual cost of \$21.7 million, depending on the plans in which members elect to enroll.
- ❖ With vendor changes causing significant disruption to retirees, the City can save between \$900,000 and \$3.6 million depending on the plans in which members elect to enroll. However, many retirees may be without city medical and prescription drug coverage on January 1, 2015.

RECOMMENDATION

- ❖ Human Resources recommends three HMOs, one PPO, and one Supplement Plan F with PDP be implemented on January 1, 2015.
- ❖ Eliminate two current plans and implement a PPO that requires members who live in the service area to use network providers, and provides an in-network benefit for members who do not reside within the service area.