

## FY2020 Medicare Health Insurance Premiums (1)

	Monthly Full Premium				Monthly Premium Cost Per Enrollee				
	Current Enrollment (2)	FY2019 Monthly Premium	FY2020 % Change	FY2020 Monthly Premium	FY2019 % Employee Share	FY2019 Monthly Share	FY2020 % Employee Share	FY2020 Monthly Share	Monthly Change
<b>HPHC Medicare Enhance</b>	5,642	\$435.11	1.0%	<b>\$439.48</b>	12.0%	\$52.21	12.0%	<b>\$52.74</b>	<b>\$0.52</b>
<b>BCBS Medex (3)</b>	3,072	N/A	N/A	<b>\$358.51</b>	N/A	N/A	12.0%	<b>\$43.02</b>	N/A
<b>Tufts Medicare Preferred Supplement</b>	2,075	\$393.04	-5.1%	<b>\$373.06</b>	12.0%	\$47.16	12.0%	<b>\$44.77</b>	<b>-\$2.40</b>
<b>BCBS Managed Blue for Seniors</b>	416	\$411.45	TBD	TBD	12.0%	\$49.37	12.0%	TBD	TBD
<b>Tufts Medicare Preferred HMO</b>	171	\$312.00	1.0%	<b>\$315.00</b>	12.0%	\$37.44	12.0%	<b>\$37.80</b>	<b>\$0.36</b>
<b>Medicare HMO Blue</b>	47	\$370.95	3.3%	<b>\$383.16</b>	12.0%	\$44.51	12.0%	<b>\$45.98</b>	<b>\$1.47</b>

(1) Premiums/claims for all Medicare plans (except BCBS Managed Blue) will be charged to the City/Trust Fund from January 1, 2019 - December 31, 2019. Retirees will be charged their share of FY2020 premiums from July 1, 2019 - June 30, 2020.

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

(3) Replaces the Master Medical Carve Out A&B Plan effective January 1, 2019. Participants moving from the Carve Out A&B Plan will begin paying these rates effective January 1, 2019.

# Introduction

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- The City of Boston retained Segal Consulting to review its Medicare Plan renewals and develop working rates for the year beginning January 1, 2019.
- 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	Self-Funded
Tufts Medicare Preferred Supplement	Medicare Supplemental with PDP	Medical: Self-Funded Rx: Fully Insured Experience Rated
Tufts Medicare Preferred HMO	Medicare Advantage	Fully Insured Community Rated
BCBS Medex	Medicare Supplemental with PDP	Medical: Self-Funded Rx: Fully Insured Community Rated
Medicare HMO Blue (BCBS)	Medicare Advantage	Fully Insured Community Rated

- BCBS Medex will replace the Master Medical Carve Out A&B Plan effective January 1, 2019. The MM Carve Out A&B Plan rates were developed on a fiscal year basis. The medical cost development of this rate was previously provided to the City and is included in the appendix of this report for ease of reference.
- The City’s other Medicare Plan (Managed Blue for Seniors) is administered with a July 1 effective date and is not included in this report.

# Introduction

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- HPHC Medicare Enhance is self-funded and the proposed rate represents Segal's projected average claim cost plus HPHC's proposed administrative fee.
- The 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.
  - 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.
- Tufts Medicare Preferred HMO and BCBSMA Medicare HMO Blue are Medicare Advantage Plans that 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.
- A comparison of the following plans' CY 2018 updated projected expenses versus the current CY 2018 working rates can be found on pages 12 and 13 of this report:
  - HPHC Medicare Enhance Plan
  - Tufts Medicare Preferred Supplement Plan – medical only

# Introduction

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## 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.
- 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.

# CY 2019 Rate Development

## *HPHC Medicare Enhance – Self-Funded*

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- Segal's projected CY 2019 self-funded working rate of \$439.48 represents an increase of 1.0% from the current CY 2018 rate of \$435.11.
- The CY 2019 Medicare Enhance working rate is based on the following:
  - Medical and prescription drug incurred claims experience for the year ended June 30, 2018 and paid through August 31, 2018.
  - Trend assumptions of 3.0% for medical and 8.0% for prescription drugs based on Segal estimated trend factors.
  - HPHC proposed a 2.5% increase in the administrative rate to \$54.56 PEPM for the plan year beginning January 1, 2019.
- The Medicare Enhance rate reflects the current rebate arrangement where the City receives 100% of the rebates. We note the following:
  - Projected rebates are based on the first half of CY 2018 estimated rebates as provided by HPHC.
  - Consistent with the rate calculation, projected rebates are reflected on an incurred basis. We note that HPHC typically sends rebate checks after the conclusion of the calendar year in which they were incurred.
- The working rate does not include an offset for the Medicare Retiree Drug Subsidy (RDS).
- The working rate reflects the projected cost for the plan and an adjustment to maintain targeted reserves.

# CY 2019 Rate Development

## HPHC Medicare Enhance – Self-Funded

	Medical	Prescription Drug
Incurred Claims (YE 6/30/18, Paid to 8/31/18)	\$8,306,424	\$16,005,979
Completion Adjustment <sup>1</sup>	\$141,420	\$0
Estimated Incurred Claims	\$8,447,844	\$16,005,979
Member Months	64,466	64,466
Incurred Claims PMPM	\$131.04	\$248.29
Benefit Adjustment <sup>2</sup>	0.996	1.000
Adjusted PMPM	\$130.50	\$248.29
Annual Trend Assumption <sup>3</sup>	3.0%	8.0%
Trend Adjustment	1.045	1.122
PMPM Projected Claim Cost	\$136.42	\$278.67
		Total Projected Cost
Total PMPM Projected Claim Cost		\$415.09
Estimated Rebates (City's 100% share) <sup>4</sup>		(32.75)
Administrative Expense		54.56
Federal Health Reform (ACA) Fees <sup>5</sup>		0.20
Target Reserve Adjustment <sup>6</sup>		2.38
Total PMPM Projected Incurred Cost		\$439.48
Assumed Members		5,642
<b>Projected CY 2019 Incurred Expenses</b>		<b>\$29,754,000</b>
Current CY 2018 Working Rate Premium <sup>7</sup>		\$29,459,000
CY 2019 Segal Est. Required Rate Change		1.0%

### Notes:

- Adjustment to reflect claims incurred during the experience period ended June 30, 2018 and not paid as of August 31, 2018.
- HPHC savings adjustment to reflect the inpatient hospital copay of \$50 per admission (max 1 copay/person/quarter) effective January 1, 2018. Experience period reflects six months of prior benefit.
- Reflects Segal estimated trend factors.
- Based on rebates through June 30, 2018 as reported by HPHC.
- Reflects estimate for the PCORI fees' final plan year (CY 2018) with the last payment made in CY 2019.
- Adjustment to maintain target reserves of 10% of projected total costs.
- Reflects both the City and employees' share of the working rates and is based on enrollment as of September 2018 as reported by HPHC.

PMPM = Per Member Per Month

# CY 2019 Rate Development

## *Tufts Medicare Preferred Supplement*

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- The projected CY 2019 rate of \$373.06 represents a decrease of 5.1% from the current CY 2018 rate of \$393.04.

### **Self-Funded Medical**

- Segal projected the medical component of the rate based on the following:
  - Medical incurred claims experience for the year ended June 30, 2018 and paid through August 31, 2018 and a medical trend assumption of 3.0% based on Segal estimated trend factors.
  - Tufts' proposed 3.0% increase in the medical administrative rate to \$19.75 PEPM for the plan year beginning January 1, 2019.
  - The medical component reflects the projected cost for the plan and an adjustment to maintain targeted reserves.

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

- The PDP rate is based on the following:
  - Two years of prescription drug incurred claims experience for the period ended June 30, 2018 and paid through August 31, 2018.
    - 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.
  - The Tufts prescription drug trend of 12.5% and a proposed 23% increase in total retention (admin + contribution to surplus) to \$44.62.
- Segal requested that Tufts review its proposed rate as its trend assumption and retention both appear higher than expected. Tufts confirmed its proposed rate.

# CY 2019 Rate Development

## Tufts Medicare Preferred Supplement – Total Rate

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	Medical	
Incurring Claims (YE 6/30/18, Paid to 8/31/18)	\$3,275,412	
IBNR Factor <sup>1</sup>	1.018	
Completed Incurred Claims	\$3,332,773	
Member Months	24,230	
Incurring Claims PMPM	\$137.55	
Benefit Adjustment <sup>2</sup>	0.978	
Adjusted PMPM	\$134.55	
Annual Trend Assumption <sup>3</sup>	3.0%	
Trend Adjustment	1.045	
<b>Projected Claims PMPM</b>	<b>\$140.65</b>	
Administrative Fee	19.75	
Federal Health Reform (ACA) Fees <sup>4</sup>	0.20	
Target Reserve Adjustment <sup>5</sup>	0.47	
<b>Projected Self-Funded Medical Costs</b>	<b>\$161.06</b>	
		<b>Prescription Drug</b>
<b>Proposed Fully Insured PDP Rate</b>		<b>\$212.00</b>
	<b>Total Projected Cost</b>	
<b>Total CY 2019 Projected Costs</b>	<b>\$373.06</b>	
<b>Current CY 2018 Rate<sup>6</sup></b>	<b>\$393.04</b>	
<b>CY 2019 Rate Change</b>	<b>-5.1%</b>	

Notes:

1. Adjustment to reflect claims incurred during the experience periods and not paid as of August 31, 2018.
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. Experience period reflects six months of prior benefit.
3. Reflects Segal estimated trend factor.
4. Reflects estimate for the PCORI fees' final plan year (CY 2018) with the last payment made in CY 2019.
5. Adjustment to maintain target reserves of 10% of projected total costs.
6. Reflects both the City and employees' share of the working rates.

*PMPM = Per Member Per Month*



# CY 2019 Rate Development

## Tufts Medicare Preferred Supplement – PDP Rate

### Fully Insured PDP Rate Renewal Provided by Tufts

Experience Period	Fully Insured PDP Calculation	
	<u>7/1/16 to 6/30/17</u>	<u>7/1/17 to 6/30/18</u>
Incurred Claims (Paid through August 31, 2018)	\$5,935,110	\$7,294,364
IBNR Factor <sup>1</sup>	1.000	1.000
Completed Incurred Claims	\$5,935,110	\$7,294,364
Member Months	22,976	24,230
Incurred Claims PMPM	\$258.32	\$301.05
Rx Rebate Adjustment	0.844	0.844
Rx Contract Terms Adjustment <sup>2</sup>	0.987	0.990
Adjusted incurred Claims PMPM	\$215.18	\$251.49
Annual Trend	12.5%	12.5%
Months Trended	30	18
Trend Adjustment	1.342	1.193
Projected Claims PMPM	\$288.86	\$300.09
Claims Reduction for LICs, GAP, REINS	<u>(117.66)</u>	<u>(122.08)</u>
Net Projected PMPM Cost	\$171.20	\$178.01
Experience Period Weighting	25%	75%
<b>Projected Claims PMPM - Blended</b>		<b>\$176.31</b>
Administrative Costs		\$26.95
Contribution to Surplus: 8.0%		17.67
Projected CMS PDP Revenue		<u>(8.60)</u>
<b>Required Revenue</b>		<b>\$212.34</b>
<b>Proposed Fully Insured PDP Rate</b>		<b>\$212.00</b>
<b>Current CY 2018 Rate</b>		<b>\$234.00</b>
<b>CY 2019 Rate Change</b>		<b>-9.4%</b>

Notes:

1. Adjustment to reflect claims incurred during the experience periods and not paid as of August 31, 2018.
2. Reflects Tufts' improved contractual PBM pricing terms.

*PMPM = Per Member Per Month*

# CY 2019 Rate Development

## *BCBS Medex – Self-Funded Medical*

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### **Self-Funded Medical**

- Segal projected the medical component of the rate based on the following:
  - Medical incurred claims experience for the year ended April 30, 2018 and paid through June 30, 2018
  - Medical trend assumption of 3.0% based on Segal estimated trend factors.
  - BCBS' proposed medical administrative rate of \$24.57 PEPM for the plan year beginning January 1, 2019.
  - The medical component reflects the projected cost for the plan and an adjustment to maintain targeted reserves.

# CY 2019 Rate Development

## BCBS Medex – Self-Funded Medical

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	Medical Costs
Incurred Claims (YE 4/30/2018, Paid to 6/30/2018)	\$6,115,831
Completion Factor <sup>1</sup>	1.0180
Estimated Incurred Claims	\$6,225,916
Member Months	39,610
Per Member Per Month (PMPM)	\$154.40
Plan Change Factor <sup>2</sup>	1.077
Adjusted PMPM	\$166.29
Annual Trend Assumption	3.0%
Trend Adjustment	1.050
<b>Projected Medical Claims PMPM</b>	<b>\$174.69</b>
Medical Administrative Fees	24.57
Federal Health Reform (ACA) Fees <sup>3</sup>	0.10
Target Reserve Adjustment <sup>4</sup>	<u>0.58</u>
<b>Projected Self-Funded Medical Costs</b>	<b>\$199.94</b>

Notes:

1. Adjustment to reflect claims incurred during the experience period ended April 30, 2018 and not paid as of June 30, 2018.
2. Adjustment to reflect the change to the Medex product and the anticipated lower member out-of-pocket costs. Factor provided by BCBS and reviewed by Segal.
3. Reflects an assumed PCORI fee of \$2.39 PMPY for calendar year 2018, trended forward at 3%, and applied for only half the year.
4. Adjustment to maintain target reserves of 10% of projected total costs for self-funded coverages.

*PMPM = Per Member Per Month*

# CY 2018 Projected Experience Versus Working Rates

## HPHC Medicare Enhance

	Medical	Prescription Drug
Incurred Claims (YE 6/30/18, Paid to 8/31/18)	\$8,306,424	\$16,005,979
Completion Adjustment <sup>1</sup>	<u>\$141,420</u>	<u>\$0</u>
Estimated Incurred Claims	\$8,447,844	\$16,005,979
Member Months	64,466	64,466
Incurred Claims PMPM	\$131.04	\$248.29
Benefit Adjustment <sup>2</sup>	0.996	1.000
Adjusted PMPM	\$130.50	\$248.29
Annual Trend Assumption <sup>3</sup>	3.0%	8.0%
Trend Adjustment	1.015	1.039
PMPM Projected Claim Cost	\$132.45	\$258.03
Assumed Members <sup>4</sup>	5,535	5,535
Projected Claim Cost By Benefit	\$8,797,151	\$17,138,084
		<b>Total Projected Cost</b>
Total Projected Claim Cost		\$25,935,000
Estimated Rebates (City's 100% share) <sup>5</sup>		(2,014,000)
Administrative Expense		3,536,000
Federal Health Reform (ACA) Fees		13,000
Target Reserve Adjustment <sup>6</sup>		143,000
<b>CY 2018 Projected Experience</b>		
Total Incurred Expenses		\$27,613,000
Total Working Rate Premium <sup>7</sup>		\$28,900,000
Premium Surplus / (Deficit) - \$		\$1,287,000
Premium Surplus / (Deficit) - %		4.5%

### Notes:

1. Adjustment to reflect claims incurred during the experience period ended June 30, 2018 and not paid as of August 31, 2018.
2. HPHC savings adjustment to reflect the inpatient hospital copay of \$50 per admission (max 1 copay/person/quarter) effective January 1, 2018. Experience period reflects six months of prior benefit.
3. Reflects Segal estimated trend factors.
4. Based on enrollment through September 2018 as reported by HPHC and assumes September enrollment for the remainder of CY 2018.
5. Based on rebates through June 30, 2018 as reported by HPHC.
6. Adjustment to maintain target reserves of 10% of projected total costs.
7. Reflects both the City and retirees' share of the working rates and is based on enrollment as of September 2018 and assumes September enrollment for the remainder of CY 2018.

PMPM = Per Member Per Month

# CY 2018 Projected Experience Versus Working Rates

## Tufts Medicare Preferred Supplement – Medical Only

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	Medical
Incurred Claims (YE 6/30/18, Paid to 8/31/18)	\$3,275,412
IBNR Factor <sup>1</sup>	1.018
Completed Incurred Claims	\$3,332,773
Member Months	24,230
Incurred Claims PMPM	\$137.55
Benefit Adjustment <sup>2</sup>	0.978
Adjusted PMPM	\$134.55
Annual Trend Assumption <sup>3</sup>	3.0%
Trend Adjustment	1.015
Projected Claims PMPM	\$136.55
Assumed Members <sup>4</sup>	2,054
Total Projected Claim Cost	\$3,365,500
Administrative Fee	472,500
Federal Health Reform (ACA) Fees	4,900
Target Reserve Adjustment <sup>5</sup>	11,400
<b><u>CY 2018 Projected Experience</u></b>	
Total Incurred Expenses	\$3,854,300
Total Working Rate Premium <sup>6</sup>	\$3,920,000
Premium Surplus / (Deficit) - \$	\$65,700
Premium Surplus / (Deficit) - %	1.7%

Notes:

1. Adjustment to reflect claims incurred during the experience periods and not paid as of August 31, 2018.
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. Reflects Segal estimated trend factor.
4. Based on enrollment through August 2018 as reported by Tufts and assumes August enrollment for the remainder of CY 2018.
5. Adjustment to maintain target reserves of 10% of projected total costs.
6. Reflects both the City and employees' share of the working rates.

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