

**Proposal to the Board of Trustees of the State Health Plan
Presented By the N C Retired Governmental Employees' Association
November, 2013**

Introduction

The Board of Trustees of the State Health Plan took a bold step this year by expanding the coverage options available to retired state employees and teachers to include two different Medicare Advantage plans. The aim of this change was to reduce cost for the Plan while providing members with equal or better coverage.

In the course of the open enrollment for 2014, the North Carolina Retired Governmental Employees' Association received many inquiries from members who urged our organization to support additional options for Medicare primary retirees. Specifically, members expressed a strong interest in having the State Health Plan offer some form of group Medicare Supplement combined with a Medicare prescription drug plan in 2015.

Proposal

The North Carolina Retired Governmental Employees' Association (NCRGEA) formally requests that the Board of Trustees of the State Health Plan examine the feasibility of providing a self insured group Medicare Supplement Plan in conjunction with a Medicare Part D prescription drug plan equivalent to the EGWP plan that was offered to Medicare eligible retirees by the State Health Plan during the 2012-13 Plan year. NCRGEA believes that this additional coverage option would provide members with good coverage at a lower employer cost than the Traditional 70/30 PPO.

It appears that a significant number of Medicare primary members have remained with the Traditional 70/30 PPO for 2014 because they were concerned about the long-term stability of Medicare Advantage Plans in general. The introduction of a strong Medicare Supplement paired with the EGWP Medicare Part D prescription benefit as an option for retirees likely would attract members who stayed with the Traditional 70/30 PPO in 2014 and produce some savings for the state.

Financial Feasibility

The state's employer contribution for the Traditional 70/30 PPO in 2014 has been set at \$348.25 per member per month. Final figures are not yet available on the per member per month cost to the State Health Plan for the EGWP Part D prescription drug benefit during the 2013 plan year. Likewise, we do not have an estimate of how much a self insured group

Medicare Supplement would cost in terms of a monthly per member contribution by the state. However, there are figures available that suggest a study by the staff of the State Health Plan is worthy of consideration. The actual state expenditures in the first three quarters of 2013 for the EGWP Part D prescription drug benefits averaged \$151.41*. Although we cannot estimate the employer cost of offering a self insured group Medicare Supplement, the current median monthly premium for individual Medicare F Plan Supplements being offered by insurance companies during 2013 in North Carolina is roughly \$177.00**. A self insured group supplement offered by the State Health Plan likely would require a lower monthly employer contribution. Nevertheless, even using the median for individual Medicare Supplements, the combined employer cost of the proposed coverage option would be \$328.41 per member per month as compared to the \$348.25 contributed by the state for retirees who remain on the Traditional 70/30 PPO.

Notes

*The nine-month employer cost of \$151.41 per member per month is contained in a report: Cash Flow for the SHP Employer Group Waiver Program (EGWP) Prescription Drug Benefit, prepared by the North Carolina State Health Plan for Teachers and State Employees (SHP), October 2013.

**The median average monthly premium of \$177 was calculated from data on premiums charged by 36 insurance companies that offer Medicare Plan F Supplements in North Carolina as reported in the most recent SHIP Medicare Supplement Comparison Guide issued by the NC Department of Insurance, Seniors' Health Insurance Information Program. The calculation is based on premiums charged to 70 year old males for an Plan F Supplement.