

STATE HEALTH PLAN CHANGES FOR RETIREES

October 14, 2013

As we are all painfully aware, the State Health Plan is making some changes in the health insurance coverage provided to State retirees who are Medicare-eligible. The ARF Board has been alert to these changes and has been collecting information. The purpose of this article is to share the information and perspectives the Board has gained with our membership. The Board recognizes that each retiree's decision must be made individually in view of the retiree's and any dependents' situations. Rather, the Board aims to be of service to the membership by sharing the information and perspectives we've gained in ways that augment but in no way supplant the materials provided by the State Health Plan and the commercial insurers involved.

Those of us who are Medicare-eligible know that once one reaches that distinction, Medicare becomes our primary health insurance and coverage provided by the State Health Plan becomes secondary, or supplemental coverage. That secondary coverage includes prescription drug coverage, either through a State Health Plan contractor or, optionally, through Medicare Part D coverage, the base premium for which is paid for retirees to Medicare by the State Health Plan.

For 2014, there is a new approach being offered by the State Health Plan. The Plan has contracted with two insurance companies, United Healthcare and Humana, to provide Medicare Advantage (MA) health insurance plans. The Plan will continue to offer the Traditional 70/30 Plan administered by Blue Cross and Blue Shield and self-insured by the State. All told, there are five, and only five, distinct plans being offered for 2014.

The Five Plans

For 2014, five alternative plans are available to Medicare-eligible State retirees. For each of these plans, the retiree generally should be enrolled in Medicare Part B, the premium for which is paid by the retiree, either directly or by deduction of Social Security benefit payments. The five plans are:

1. The Traditional 70/30 Plan with the Traditional Pharmacy Benefits Plan. The 70/30 plan is administered by Blue Cross and Blue Shield of NC; it is the same plan as the one offered for 2013 titled "PPO Basic 70/30 Plan". The Traditional 70/30 Plan includes a pharmacy plan that is managed by ExpressScripts (formerly MedCo). The State is the insurer for these plans, and the insurance companies process claims, issue reimbursements, and bill the State for

contracted fees. The Traditional 70/30 plan serves as a supplemental, or “Medigap” plan.

2. The Medicare Advantage (MA) Base PPO Plan with Pharmacy Benefits for State of NC Retirees provided by United Healthcare.
3. The MA Base PPO Plan with Pharmacy Benefits for State of NC Retirees provided by Humana.
4. The MA Enhanced PPO Plan with Pharmacy Benefits for State of NC Retirees provided by United Healthcare.
5. The MA Enhanced PPO Plan with Pharmacy Benefits for State of NC Retirees provided by Humana.

The pharmacy benefits for plans 2,3,4, & 5 are provided by Medicare Part D and the insurers. There is no “donut hole” in the pharmacy coverage for any of these plans, nor is there one for plan 1.

There is no monthly premium charge for retirees for plans 1, 2, and 3, while there are charges for dependents. Plans 4 & 5 include an additional premium for the retiree as well as an additional premium for any covered dependents. Plans 2, 3, 4, & 5 require enrollment in Medicare Part B at the cost of the retiree.

The monthly premium charges for the plans are:

Those covered	Plan 1	Plan 2 or 3	Plan 4 or 5
Retiree only	\$ 0	\$ 0	\$ 33.00
Retiree + Children	\$ 145.94	\$ 114.50	\$ 180.50
Retiree + Spouse	\$ 383.72	\$ 114.50	\$ 180.50
Retiree + Family	\$ 418.10	\$ 229.00	\$ 328.00

All five plans are “preferred provider” (PPO), which means that there are networks of providers for each plan, for which the provider members thereof have already agreed to accept the plans. While the Traditional 70/30 PPO Plan states that out of network providers may cost you more, the MA plans assert that you will pay no more for out of network providers. You may, however, have to incite a bit of interaction between the MA plan you select and the provider to get things set up for a provider who has not already signed up with the plan to either sign up with the plan or at least agree to bill the plan. Should the provider not agree to work with the plan on any basis, you may have to file incidental claims with the plan.

What’s Missing?

What is missing from the alternative plans is the so-called 80/20 Plan managed by Blue Cross and Blue Shield, for which many retirees have opted in the past and which

included a small additional retiree premium in addition to dependent premiums. Also missing is the ExpressScripts Medicare Part D Prescription Drug Plan. Representatives of the State Health Plan have stated that Plans 2, 3, 4, & 5 provide coverage alternatives at least as good as would have been the case had both the 70/30 and 80/20 plans of last year been continued for retirees. The difference is, of course, that by paying what is effectively a premium to United Health Care or Humana for each subscribing retiree, the State Health Plan limits its liability by no longer being self insured relative to retirees who opt for the United Healthcare or the Humana MA plan.

How Medicare Advantage Plans Work

In addition to United Healthcare and Humana being private insurance plans rather than merely claims processing and disbursement contractors with the State Health Plan, the United and Humana plans, being Medicare Advantage (MA) Plans, each claim to be “one stop shops” for health insurance coverage. Retirees in either of the offered MA Plans will not deal with the State Health Plan, Medicare, Blue Cross, and Express Scripts for medical and prescription drug coverage. Rather, retirees deal only with United Healthcare or Humana. Gone will be periodic and incidental EOB statements from Blue Cross, Pharmacy Benefits statements from ExpressScripts, and CMMS statements from Medicare. United and Humana each respectively collect contracted amounts for each subscribing retiree from the State Health Plan and from Medicare. For dependents, United and Humana each collect premiums from the subscriber/retiree as well as, for the enhanced plans, additional premiums for the retiree. United or Humana then assumes the insurer risk and processes claims and issues reimbursements generally to providers. They must follow Medicare rules and reimburse at least at the Medicare approved levels for Medicare-covered services.

Each of the MA plans does not require an annual deductible to be met by the retiree before any payments by the plan are made, while the Traditional 70/30 plan does require meeting a deductible. MA plan copays for medical care are the same for in and out of network providers, while for the 70/30 plan, copays for out of network providers can be higher. The upper limit for out-of-pocket maximum medical costs is slightly higher on an individual basis for the MA plans than the in-network maximum for the 70/30 plan. However the maximum out of pocket for the MA plans includes both in and out of network providers and is lower than the out of network maximum for the 70/30 plan. Copays/coinsurance amounts for prescription drug purchases are generally the same or lower for the MA plans than for the 70/30 plan. Each of the MA plans also offers an array of “extra” benefits, and there are differences between the plans as to extra benefits.

How Does One Select a Plan?

All Medicare-eligible State retirees and dependents were automatically enrolled in either the United Healthcare MA **Base** Plan or the Humana MA **Base** Plan. We are given the entire month of October to decide on opting for a different plan among the five plans. Those who do not opt for a different plan by October 31, 2013 will remain in the plan to which they were automatically assigned for all of calendar 2014. While the Traditional 70/30 Plan remains among the available plans, it is clear that the State Health Plan is encouraging enrollment in one of the MA plans. Those who are satisfied to stay with their automatically-enrolled plan need take no action to affirm their enrollment. Those who wish to change may do so either by phone or via the internet. (See contact information provided at the end of this article.) **Remember, if you do not wish to remain in the plan to which you have been automatically assigned, you MUST change your plan no later than October 31, 2014 to the other MA plan, to one of the *Enhanced* MA plans, or to the Traditional 70/30 plan After that date, the plan you have is the one you will have throughout 2014.**

Retirees are urged to take advantage of the material provided by the State Health Plan in making a decision. Each retiree and dependent has received from the State Health Plan a "Decision Guide" which does a good job of comparing the available plans. Additionally, each retiree should have received a detailed description of the MA plans offered by United Healthcare and by Humana, receiving the material from the automatically assigned insurer the third week in September and the material from the other insurer about a week later. Among the links provided at the end of this article are links for both Humana and United Healthcare where the information is presented online. Information can also be obtained by phone at numbers listed below.

The State Health Plan along with Blue Cross & Blue Shield, United Healthcare, and Humana are conducting "outreach" sessions to explain the options to those who attend. At press time, most of these events have been held. However, the formal presentation made at each of these events may be accessed and viewed on an internet-connected computer at <http://www.shpnc.org/library/brainshark/medicare-primary-outreach/NCSHPRetireeEducationMeetingP.htm>.

Members of the ARF Board and other ARF members have been studying these alternatives, both for their own individual decisions and for considering how ARF can be of service to its members in this connection. An inescapable conclusion of our collective study and information sharing is that there is no single plan among the five

available plans that is to be recommended above the others for all retirees or for any particular retiree. This is true because there are very many, probably almost innumerable, variations of health conditions, needs for medical care, collections of prescription drugs taken, and other medical services and supplies utilized. However, we do feel confident in saying that there are three things one should do before accepting or selecting a plan:

1. Be sure that your physicians, drug store, and other health providers accept both Medicare and the particular MA plan or the Traditional 70/30 plan. You will likely know the answer to that relative to the 70/30 plan because you have likely been using that or the 80/20 plan already. If you join one of the MA plans, your physician will have to be willing to file claims with the particular MA plan (Humana or United) you join in lieu of Medicare and deal with that plan relative to reimbursements. If your physician elects not to do that with your selected MA Plan or 70/30 plan, then you will likely have to pay up front the so-called "Medicare Limiting Amount" for each instance of care and then, if your physician won't do it, file directly with the MA Plan, or if you choose the 70/30 plan, Medicare. Although representatives from Humana and United Healthcare have asserted that the physicians who have already accepted (ie, will bill them for service and accept reimbursement from them) are numerous, they indicate that ~~the~~ they (the insurance firms) want to know about those who tell patients they won't accept their plans so they can try to mediate. We have received a few reports of providers who have indicated that they will decline to work with one, the other, or both Humana and United Healthcare. While we have no general data on acceptance of the MA Plans, the importance of checking with your providers is further underscored.

2. Be sure you know what the prescription drugs you take or anticipate taking will cost you with each plan. Each plan has a drug formulary or preferred drug list that classifies drugs by tiers, and each requires set copays for drugs of each tier. Once you know a plan's tier for each drug you take, you can determine the copays you would be charged. Please note that for all plans, we are advised that the formularies or drug lists are subject to change at any time and that for drugs not found on a list we are advised to contact the plan of interest directly by phone.

3. Consider the "extra" benefits of each plan if you are considering remaining in your automatically-assigned MA plan or selecting the other MA plan. Depending on your particular situation, these benefits could be substantial.

What About Physician's Who Do Not Accept Medicare Assignment?

We are aware of instances where retirees and/or dependents use providers who do not accept Medicare. In those cases, services are paid for by the patient to the provider, usually at the time of service. However, by law the provider may charge you no more than the "Medicare Limiting Amount", which is 115% of the amount a non-participating provider would be paid by Medicare. A non-participating provider is one who accepts Medicare assignment for some services but not for all services that Medicare covers; such non-participating providers are paid 95% of the Medicare-approved fee for each service. The provider may or may not file an "unassigned" claim for the patient to be reimbursed directly. If the provider does not file a claim, the patient may file a claim directly to Medicare, which will coordinate with any supplemental insurance, and any reimbursements from Medicare and any supplemental insurance will be made directly to the patient. **It is our understanding that there is NO PROVISION for any reimbursement, directly or indirectly, by an MA Plan, for services of a provider who does NOT accept Medicare.** It appears, then, that among the five options offered by the State Health Plan for 2014, the only one that will provide any coverage for services provided by a provider who does not accept Medicare assignment is the Traditional 70/30 plan, which serves as a supplemental, or secondary, insurance plan to Medicare Parts A & B.

What About My Dependents?

Dependent coverage is available, at a premium cost, under each of the plans. If dependent coverage under a plan is elected, it must be the same plan in which the retiree is enrolled. However, dependents are not required to be covered. Moreover, dependents who themselves are current state employees or state retirees need not be insured by the same plan as the retiree because they have their own, independent eligibility for coverage. In some cases, those who would otherwise be dependents are themselves state retirees and thus independently eligible for whatever plan desired. In other cases, those who would otherwise be dependents are currently employed with benefits by the State, in which case their coverage is provided under the 2014 plans offered to employees. In yet other cases, those who would otherwise be dependents may be employed otherwise and have health insurance as a benefit. In some cases, where dependents are not yet Medicare-eligible and not covered by an employer-based plan, coverage can be purchased privately or through the new health insurance exchanges provided under the Patient Protection and Affordable Care Act of 2010. In other cases, where a dependent is Medicare-eligible, supplemental "Medi-gap" coverage may be obtained from any of a host of commercial insurers.

What About Income-Related Premium Costs?

Medicare Part B premiums and Medicare Part D premiums may each be subject to a so-called Income-Related Monthly Adjusted Amount (IRMAA). Both the base Part B premium and any Part B IRMAA are automatically deducted from the retiree's and any Medicare-eligible dependents' Social Security monthly benefits. While the Part D (pharmacy benefit) is paid by the State Health Plan or the insurer, any Part D IRMAA is automatically deducted from the retiree's and any Medicare-eligible dependents' Social Security monthly benefits. Whether an insured owes an IRMAA depends on the Modified Adjusted Gross Income of the insured or the insured and spouse in the case of jointly filed federal income taxes. Each year, Social Security notifies retirees who are subject to IRMAAs.

"Best Fit" Observations from the North Carolina Retired Government Employees Association

NCRGEA has done an analysis of the plans and has prepared a report that offers offer the following "best fit" observations:

- The Traditional 70/30 PPO may be the best option for those who: a) do not have frequent visits to medical specialists, b) are in relatively good health and do not have serious chronic health problems, C) Use their State Health Plan coverage primarily for the pharmacy benefit, and d) have ongoing health issues involving specialized drugs and/or medical procedures that are not currently covered by Medicare.
- The MA Base plans are good options for those who: a) were covered by the 80/20 Standard PPO and who do not have multiple chronic health conditions, and b) are not undergoing medical treatment that is experimental or utilizing new technologies that are not currently eligible for Medicare coverage.
- The MA Enhanced plans good options for those who: a) were covered by the 80/20 Standard PPO, and b) who have serious medical conditions involving, periodic hospitalization, surgery, frequent visits to specialists, etc.

The NCRGEA provides the full report to NCRGEA members at its website, a link for which is included at the end of this report.

Useful Web Links and Phone Numbers

TO CHANGE YOUR PLAN	www.myncretirement.com	855-859-0966
State Health Plan	www.shpnc.org (click "Medicare Retiree Medical Benefits" on the blue bar at top)	855-859-0966
Medicare	medicare.gov	800-633-4227
Social Security	socialsecurity.gov	800-722-1213
Blue Cross and Blue Shield	Traditional 70/30 Plan (same as the 2013 "Basic 70/30 PPO Plan"): http://www.shpnc.org/library/pdf/my-medical-benefits/basic-ben-book_0713.pdf Rx Drug List: http://www.shpnc.org/library/pdf/pharmacy/PreferredPrescList.pdf	888-234-2416
Humana	Plans: www.humana.com/ncshp RX Drug List: http://apps.humana.com/marketing/documents.asp?file=2167828	800-944-9442
United Healthcare	Plans: uhretiree.com/ncshp Rx Drug List: https://www.uhcmedicarerxforgroups.com/online_documents/ovation/pdf/pdp/en/2014/North%20Carolina.pdf	866-747-1014
NCRGEA	Those who are members of the NC Retired Government Employees may find it useful to read the excellent article on this subject at http://www.ncrgea.com/new-page-2 NCRGEA member login is required.	