



Open Forum

For Retiree Group Members in the Commonwealth of Virginia's Health Benefits Program

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State Retiree Health Benefits Program Medicare Part D Update – Retiree Focus Groups Held

Since the introduction of Medicare Part D, the Medicare prescription drug benefit, on January 1, 2006, the State Retiree Health Benefits Program (the state program) has provided information to its Medicare-primary participants to assist them in determining whether they wish to maintain Medicare Part D/outpatient prescription drug coverage in the state program or to elect other (non-state-program) coverage. As the state program entered its third year of offering an enhanced Medicare Part D plan in 2008, some concerns continued to emerge, and the Department of Human Resource Management's Office of Health Benefits (OHB) considered that it was appropriate to seek input from participants regarding the future of this benefit. Eight focus group meetings were held in seven locations to discuss primarily three issues:

- The premium cost for the state program's Medicare Part D plan has consistently been significantly higher than the cost of plans available to all Medicare beneficiaries in Virginia. For example, in 2008, the state program's Medicare Part D plan (as a part of the total Medicare supplement premium) is \$151 per month. There are 50 Medicare Part D prescription drug plans not associated with the state program available to Medicare beneficiaries in Virginia, and the average cost of those plans in 2008 is \$41 per month. The average monthly premium for plans that include some coverage during the gap/"doughnut hole" is \$63.
- The state program's Medicare Part D plan has no gap/"doughnut hole". The plan provides coverage for all formulary drugs (covered brands and generics) at the point that the coverage gap/"doughnut hole" would occur if there were a gap. This enhanced benefit plays a significant role in the higher premium cost. However, 60% of plan participants never reach that point, and, conservatively, another 11% would have incurred less expense in actual drug cost in the gap than they paid in higher premium cost. In general, the gap has not been an issue for more than 70% of the population, but they pay a higher premium due to gap coverage.
- There is catastrophic coverage protection at the same level of true out-of-pocket expense for all Medicare Part D plans. For participants who reach this catastrophic benefit, it is often more cost effective to choose a less expensive plan.

Based on this information, the question presented to the focus groups was:

Should the state program continue to offer an enhanced Medicare Part D plan when all participants could enroll in a non-state-program plan with a significantly lower monthly premium, and the majority of participants would not be affected by the coverage gap?

Focus Group Responses - While there were focus group participants who appreciated the information and indicated their intention to leave the state program to seek less expensive coverage elsewhere, the most emphatic responses came from participants who said:

- They valued the enhanced protection that the state program provided and were willing to pay a higher premium to maintain that protection. Even if they were not at the point where the coverage gap was a current concern, they wanted to maintain a benefit that would meet their potential increased needs in the future.

- They valued the administration, within limitations of Medicare, by the Department of Human Resource Management and felt that it was OHB's responsibility to maintain a program specifically for state retirees.
- They were concerned with future drug costs in general and possible changes in Medicare Part D.
- They felt that maintaining the group concept for state retirees was important and that the lower-claims users should support (through their higher premium) the higher-claims participants.
- They were not comfortable with shopping for a plan outside of the state program, despite the resources available at Medicare.

No Return to the Plan - Based on program policy that precludes returning to the state program's Medicare Part D plan if that coverage is cancelled, a number of focus group participants indicated that they would like to leave the state program but have the flexibility to return at a later time. It was explained that, if allowed to do so, participants would likely leave the program for less expensive coverage until their claims expense increased to the point that the state program's enhanced benefit was worth the higher premium expense. If that were allowed, the state program would generally have only the highest cost participants, and no one could afford the premium needed to fund that population. Any group health plan relies on low-claims users to balance the cost of high-claims users so that a reasonable premium can be maintained for all to fund the plan.

Our Conclusion - Based on the input of retirees participating in the focus groups, the enhanced Medicare Part D plan continues to be offered for 2009. Participants who wish to enroll in coverage outside of the state program may do so (no return to the state's plan). Your Rate Notification booklet describes prescription drug plan changes for 2009, including a small premium reduction. From November 15 to December 31, 2008, Medicare beneficiaries have the opportunity to review new prescription drug plans available for 2009. The state program continues to encourage its enhanced Medicare Part D plan participants to review their options and make a choice that best meets their individual needs. Some facts that may assist you in making your plan choice for 2009 are listed below. Information on non-state-program plans is based on coverage in Virginia in 2009, but other state-specific information is available at www.medicare.gov.

- There are 48 Medicare Prescription Drug Plans (PDPs) available in Virginia for 2009, and the average premium cost of all plans is \$44.44 per month.
- There are 26 PDPs that offer enhanced benefits or services in Virginia.
- There are 27 PDPs that have \$0 deductibles in Virginia.
- The lowest available PDP cost in Virginia is \$14.30 per month.
- There are 12 PDPs in Virginia that provide some coverage during the gap, and the average cost for those plans is \$71.53 per month.
- There are 69 Medicare Health Plans (e.g., Medicare Advantage Plans) available in Virginia, some of which provide prescription drug benefits.
- The state program's enhanced Medicare Part D plan monthly premium for 2009 is \$142.
- There is no PDP outside of the state program that provides coverage for both brands and generics during the gap/"doughnut hole".

Resources

To obtain information regarding non-state-program Medicare Part D Prescription Drug Plans, go the Medicare Web site at www.medicare.gov or call 1-800-MEDICARE

In Virginia, you may also seek assistance from the Virginia Insurance Counseling and Assistance Program (VICAP) by calling the Virginia Department for the Aging at 1-800-552-3402. If you do not live in Virginia, contact 1-800-MEDICARE to identify Medicare Partners in your area.

Changing Your Prescription Drug Plan

If you wish to drop the state program's enhanced Medicare Part D coverage, please submit your enrollment form or make a plan change on-line through EmployeeDirect to elect an Advantage 65—Medical Only Plan. If you choose non-state-program prescription drug coverage and do not notify the state program, Medicare will automatically disenroll you from the state program's Medicare Part D plan, but there could be a delay in your premium update. Your Annual Premium Rate Notification booklet provides complete information about making allowable changes.