

Item Title: Medicare Advantage Plan for Medicare-Eligible Participants of the Wake County Retiree Health Plan

Specific Action Requested:
That the Board of Commissioners:

- 1. Amends the Wake County Personnel Code of Ordinance 31.17 Section D to allow Wake County retiree health coverage to be provided by an alternate County-sponsored health plan.**
- 2. Authorizes the County Manager to negotiate and execute a multi-year contract with Cigna Healthcare for the administration of a Medicare Advantage plan for Medicare-eligible participants on Wake County's retiree health plan, subject to the terms and conditions acceptable to the County Attorney.**

Item Summary:

Purpose: The Board of Commissioners authorizes changes to Wake County Personnel Ordinances. Multi-year contracts require the Board of Commissioners' approval.

Background: Before ending the benefit in June 2011, Wake County provided retirees and their dependents with a health plan option. These eligible County retirees and their dependents are eligible to continue coverage on the County's self-funded health plan if the retiree meets a certain date of hire and length of service requirements. Since 2020, medical and pharmacy claims for retiree health plan participants who are Medicare-eligible have increased 58.5%.

Staff researched and evaluated options to mitigate future increases and conducted a request for proposals (RFP) process for a Medicare Advantage plan. The RFP results showed that transitioning retiree health plan participants who are eligible for Medicare from the County's self-funded health plan to a fully-insured County-sponsored Medicare Advantage plan provides significant cost avoidance for the County while offering ongoing cost predictability, and offers enhanced medical and prescription drug coverage and additional retiree-focused benefits to retiree health plan participants that are not available on the County's self-funded health plan.

Staff recommends amending Personnel Ordinance 31.14 to allow Wake County retiree health plan coverage to be provided by an alternate County-sponsored health plan and recommends Cigna Healthcare to provide a fully-insured Medicare Advantage plan to

Medicare-eligible retiree health plan participants for a three-year term, effective January 1, 2024.

Board Goal: This action supports Great Government Goal 3: Maintain a culture that values and supports our employees.

Fiscal Impact: The FY24 budget was developed using a plan forecast to estimate the medical and prescription dental utilization and claim costs. These costs are included within the adopted FY24 budget.

The fiscal impact of a three-year contract with Cigna Healthcare for Medicare Advantage administration is estimated at \$3,100,000 for January 2024 through December 2026. Administrative costs are included in the FY24 budget. No additional appropriations are needed in FY24. Cost avoidance associated with adopting a Medicare Advantage plan for Medicare-eligible retiree health plan participants is estimated at \$3.587 Million for calendar Plan Year 2024. This is an estimated cost avoidance of \$1.793 Million for FY24. Additional cost changes impacting future budgets will be considered in budget development.

Additional Information:

Retiree Health Plan Background

Wake County extends health insurance coverage to retirees who meet date of hire and years of service requirements. Retirees who meet the requirements stay on County's self-insured health plan, regardless of age. Spouses of eligible retirees can stay on County's self-insured health plan, regardless of age, until the retiree is no longer covered by the plan. Children of eligible retirees can stay on County's self-insured health plan until age 26, or until the retiree is no longer covered by the plan, whichever occurs first.

While on the self-funded retiree health plan, the County is absorbing the true cost of claims incurred by Medicare-eligible retiree health plan participants. Since 2020, medical and pharmacy claims for retiree health plan participants who are Medicare-eligible have increased 58.5%. Claims costs for Medicare-eligible retiree plan participants is projected to continue to increase due to general healthcare inflation, increased cost and utilization of specialty drugs, and an increasing population of Medicare-eligible retiree health plan participants.

Personnel Ordinance Interpretation and Proposed Change

Historically, the interpretation of Personnel Ordinance 31.14 Retiree Health Insurance Guidelines has been that Medicare-eligible retiree health plan participants must be enrolled on the same health plan as current employees and pre-65 retirees. However, the new interpretation of the ordinance is that Medicare-eligible retirees can be placed on a different health plan if the plan offers the same or better benefits as the County's self-funded health plan.

Staff recommends Personnel Ordinance 31.14 Retiree Health Insurance Guidelines, Section D be changed as follows:

Current	Recommended
Medicare eligibility. Once a retiree is Medicare eligible, retiree health insurance with the county will pay secondary as indicated within our benefit plan document.	Medicare eligibility. Upon becoming Medicare eligible, retiree health insurance will be provided by an alternate County-sponsored health plan.

Medicare Advantage Overview

Currently, Wake County retiree health plan participants who become eligible for Medicare enroll in Medicare Part A and Part B and remain covered on the County's self-funded health plan, which provides secondary coverage for hospital and medical claims and provides prescription drug benefits in lieu of Medicare Part D. Medicare Advantage plans (also known as Medicare Part C) combine Medicare Part A (hospital insurance) and Medicare Part B (medical insurance) and may include Medicare Part D (prescription drug coverage) in one plan.

With a Medicare Advantage plan, Medicare-eligible retiree plan participants on the County's self-funded health plan would enroll in Medicare Parts A, B, C, and D, and no longer be covered on the County's self-funded health plan. A retiree's spouse who is not yet Medicare-eligible and child dependent(s) of a retiree who transitioned to Medicare Advantage continue coverage on the County's self-funded health plan until aging off the plan. A retiree's spouse will transfer to the County-sponsored Medicare Advantage plan upon becoming eligible for Medicare. A retiree's child dependent(s) remain on the County's self-funded health plan until eligibility ends at age 26. The cost of spouse and child-dependent coverage remains 100% paid by the employee.

Moving to a Medicare Advantage plan benefits both retirees and the County as follows:

How Retirees Benefit	How County Benefits
<p>Medical</p> <ul style="list-style-type: none"> • \$0 deductible, \$0 co-pay, or \$0 co-insurance • No coordination of benefits necessary • Enhanced coverage offered • Extra retiree-focused benefits <p>Pharmacy</p> <ul style="list-style-type: none"> • Co-pays, co-insurance, and maximums are the same or lower than current coverage <p>Other</p> <ul style="list-style-type: none"> • One ID card to manage • One point of contact for customer service • Lower premium contribution • Budget friendlier for fixed incomes 	<ul style="list-style-type: none"> • Offers a predictable monthly premium vs. current unpredictable weekly health and pharmacy claim funding • Rate guarantees or rate caps • Cost avoidance

Request for Proposals (RFP) Overview

Staff issued an RFP for a Medicare Advantage plan and received proposals from Aetna, Blue Cross Blue Shield NC, Cigna Healthcare, and United Healthcare. Wake County's benefits consulting firm, Marsh and McLellan Agency, assisted in reviewing proposals for plan premium rates, rate guarantees, implementation credits, provider network, plan design options, and projected County cost avoidance.

Cigna Healthcare proposed the lowest monthly premium rate with a three-year rate guarantee, offers a \$50,000 implementation credit to fund a communication campaign to educate retirees about the change to Medicare Advantage, allows participants to see any provider who accepts Medicare with no additional provider network requirements, and can match or exceed current coverages on the County's self-funded health plan. Cigna's Medicare Advantage plan also offers benefits not available to retirees on the County's self-funded health plan, including an allowance for glasses and hearing aids, in-home support, caregiver support, home life resources, home delivered meals upon discharge from inpatient hospital stays, and a wellness program that offers Silver & Fit gym membership and monetary incentives to encourage retirees to engage in their health. The projected cost avoidance for the County is \$3.587 million for the 2024 calendar plan year. The projected cost avoidance for the County's FY24 budget is \$1.793 million.

Staff recommends Cigna Healthcare to provide a Medicare Advantage plan for Medicare-eligible retiree health plan participants for a three-year term, effective January 1, 2024.

Attachments:

1. Board of Commissioners Work Session Presentation dated June 12, 2023
2. Resolution to Adopt Amendment to Personnel Ordinance 31.14