

## **Section 5 - Other PSERS Programs**





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## Section 5 - Other PSERS Programs

### Health Options Program

Pursuant to Sec. 8701 et seq. of the Public School Retirees Health Insurance Act 24 Pa. C.S. § 8701 et seq. PSERS sponsors a group health insurance program called the Health Options Program (HOP) for individuals who are annuitants or survivor annuitants or the spouse or dependents of an annuitant or survivor annuitant. The HOP is funded by and for eligible participants. The following is a summary of HOP initiatives during the period July 1, 2011 through June 30, 2012.

- » The Retirement Board issued an Invitation for Application (IFA) to allow qualified insurance carriers to apply to PSERS to offer a fully insured Medicare Advantage group insurance plan and accompanying Pre-65 group insurance plan to PSERS retirees who participate in the Health Options Program (HOP). The effective date of the insurance is January 1, 2013. As a result of the IFA, PSERS is expecting the following carriers to participate in HOP:

- Aetna
- Capital Blue Cross/Keystone Health Plan Central
- Geisinger Health Plan
- Highmark
- Independence Blue Cross (IBC)/  
Keystone Health Plan East
- UPMC

- » The Retirement Board issued a Request for Proposal (RFP) for Medicare Prescription Drug Program Support Services and Pharmacy Benefit Management Services for the PSERS Health Options Program (HOP) effective January 1, 2013. The Retirement Board accepted the results of the RFP process and entered into a contract with Optum Rx.
- » The Retirement Board issued a Request for Proposal (RFP) for Health Care Consulting and Project Management Services for the PSERS Health Options Program (HOP) and Premium Assistance Program effective February 1, 2013. The Retirement Board accepted the results of the RFP process and entered into a contract with the Segal Company.
- » The Retirement Board issued a Request for Proposal (RFP) for Pharmacy Benefit Consulting and Medicare Part D Compliance Services for the PSERS Health Options Program (HOP) effective February 1, 2013. The Retirement Board accepted the results of the RFP and entered into a contract

with IPC/EvergreenRx.

- » The Retirement Board continues to expand the capabilities of the HOPbenefits.com website. Currently the website gives HOP Medical Plan participants access to personal health information and provides them with the ability to inquire and receive updates on the status of their claims.
- » The Retirement Board continues to make changes in the Basic and Enhanced Medicare Rx Options as required by the Affordable Care Act (health care reform). Effective January 1, 2013, the following benefit changes were adopted:

The Member Pays in the Coverage Gap:	2012 Medicare Rx Option	2013 Medicare Rx Option
Basic Option		
Generic Rx	86%	79%
Brand	50%	47.5%
	(50% Manufacturer's Discount)	(50% Manufacturer's Discount)

These benefit requirements are unfunded federal mandates and the cost of these reductions in patient's out-of-pocket expenses increase the premium cost that will be paid by plan participants.

- » The School District of Philadelphia (District) terminated its post-65 retiree health insurance program covering approximated 3,000 PSERS retirees and their dependents effective January 1, 2013. The termination of this program, approved for Premium Assistance, created a Qualifying Event under the PSERS Health Options Program (HOP) for these participants. To assist in the transition from the District's post-65 retiree health insurance program to HOP, the Retirement Board:
  1. Mailed an enrollment packet to each of the District's post-65 health plan participants that included a letter from the District, a comparison of benefits and a HOP enrollment form.
  2. Conducted informational/enrollment meeting in the greater Philadelphia area for those persons affected by the termination, and
  3. Called individuals not submitting an application to HOP to make sure they understood that the District's plan was terminating.

If a retiree was receiving Premium Assistance from PSERS to help pay their out-of-pocket premium expense to the District's post-65 health insurance program and failed to enroll in HOP, their Premium Assistance benefit was terminated. Those retirees losing their Premium Assistance benefit can reinstate

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### Health Options Program

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this addition to their retirement benefit by enrolling in HOP within 180 days of the termination of their benefits under the District's program.

#### Plans Available Through HOP

HOP offers participants a choice among a supplement to Medicare, various Medicare prescription drug plans, and Medicare Advantage plans. Participants under age 65 and not eligible for Medicare may elect to enroll in a high deductible health insurance plan without prescription drug coverage or a managed care plan. These options are available to new enrollees or HOP participants electing to change coverage during the 2013 option selection period conducted in the fall of 2012. The following is a list of HOP plans as of January 1, 2013:

For Individuals Eligible for Medicare:	For Individuals Not Eligible for Medicare
HOP Medical Plan (Medicare supplement)	HOP Pre-65 Medical Plan
Basic Medicare Rx Option (Medicare Part D)	HOP Pre-65 Medical Plan w/ Rx coverage
Enhanced Medicare Rx Option (Medicare Part D)	
Medicare Advantage Plans	Companion Pre-65 Managed Care Plans
Aetna Medicare PPO	Aetna PPO Plan
Capital Blue Cross SeniorBlue PPO	Capital Blue Cross PPO
Geisinger Gold Preferred PPO	Geisinger Choice PPO
Highmark FreedomBlue PPO	Highmark PPO Blue
Independence Blue Cross-Keystone 65 HMO	Independence Blue Cross-Keystone HMO
UPMC for Life HMO	UPMC Health Plan



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#### HOP Premiums

##### Paid By Individuals ELIGIBLE for Medicare

The premiums paid by participants eligible for Medicare generally vary by geographical area. The exceptions are the premiums for the HOP Medicare Rx Options. The following is a summary of the 2012 and 2013 standard premium costs in Pennsylvania for single coverage:

Southeastern Region: Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties	2012	2013	Increase/ (Decrease)
<b>Medicare Supplement Plan</b>			
HOP Medical Plan	\$ 199	\$ 199	0%
w/ Basic Rx	\$ 226	\$ 227	0.4%
w/ Enhanced Rx	\$ 280	\$ 281	0.4%
<b>Medicare Advantage Plans (compared with 2010 legacy plan)</b>			
Aetna Medicare 15 Special PPO	\$ 315	\$ 329	4%
Highmark FreedomBlue PPO	\$ 556	\$ 575	3%
Independence Blue Cross / Keystone East HMO	\$ 368	\$ 289	(22)%
<b>Legacy Medicare Advantage Plans (no new participants)</b>			
Aetna Medicare 10 Special Plan HMO	\$ 389	\$ 406	4%
IBC's Personal Choice 65 PPO	\$ 636	\$ 636	0%

Southwestern Region: Allegheny, Fayette, Greene, Indiana, Washington, and Westmoreland Counties	2012	2013	Increase/ (Decrease)
<b>Medicare Supplement Plan</b>			
HOP Medical Plan	\$ 195	\$ 195	0%
w/ Basic Rx	\$ 222	\$ 223	0.5%
w/ Enhanced Rx	\$ 276	\$ 277	0.4%
<b>Medicare Advantage Plans (compared with 2010 legacy plan)</b>			
Aetna Medicare 15 Special PPO	\$ 306	\$ 306	0%
Highmark FreedomBlue PPO	\$ 261	\$ 281	8%
UPMC for Life HMO	\$ 211	\$ 234	11%
<b>Legacy Medicare Advantage Plans (no new participants)</b>			
Aetna Medicare 15 Special Plan HMO	\$ 384	\$ 353	(8)%
Highmark SecurityBlue HMO	\$ 252	\$ 272	8%

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### Health Options Program (continued)

North & Central Region: All other counties in Pennsylvania	2012	2013	Increase
<b>Medicare Supplement Plan</b>			
HOP Medical Plan	\$ 164	\$ 164	0%
w/ Basic Rx	\$ 191	\$ 192	0.5%
w/ Enhanced Rx	\$ 245	\$ 246	0.4%
<b>Medicare Advantage Plan (compared with 2010 legacy plan)</b>			
Aetna Medicare 15 Special PPO	\$ 212	\$ 228	8%
Capital Blue Cross SeniorBlue PPO	\$ 210	\$ 228	9%
Geisinger Gold Preferred PPO	\$ 191	\$ 198	4%
Highmark FreedomBlue PPO	\$ 241	\$ 260	8%
UPMC for Life HMO	\$ 211	\$ 234	11%
<b>Legacy Medicare Advantage Plans (no new participants)</b>			
Aetna Medicare 10 Special Plan HMO	\$ 232	\$ 244	5%
Highmark SecurityBlue HMO	\$ 252	\$ 271	8%
Keystone Central SeniorBlue HMO	\$ 209	\$ 223	7%

Medicare Prescription Drug Plans All Regions	2012	2013	Increase
Basic Medicare Rx Only	\$ 27	\$ 28	0.4%
Enhanced Medicare Rx Only	\$ 81	\$ 82	0.1%



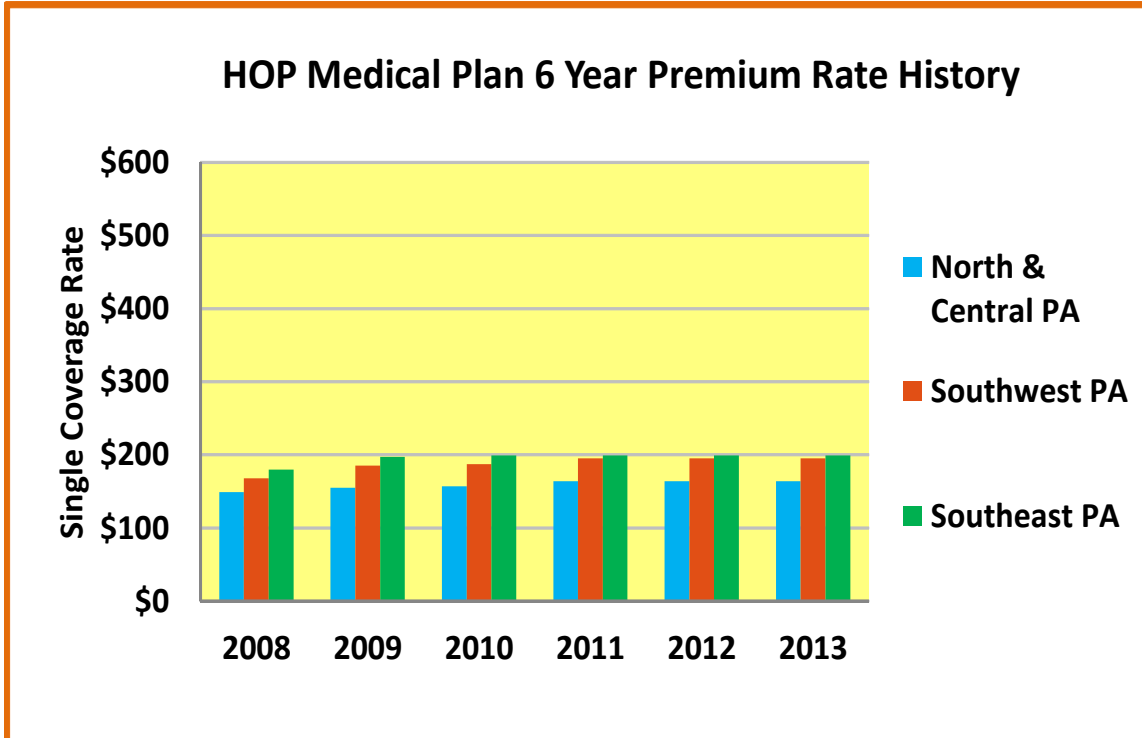
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**Health Options Program**  
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**Premium History**

**HOP Medical Plan**

The following chart illustrates the HOP Medical Plan monthly premium rates for single coverage since 2008. Rates vary by region in the Commonwealth to reflect differences in the cost of health care.



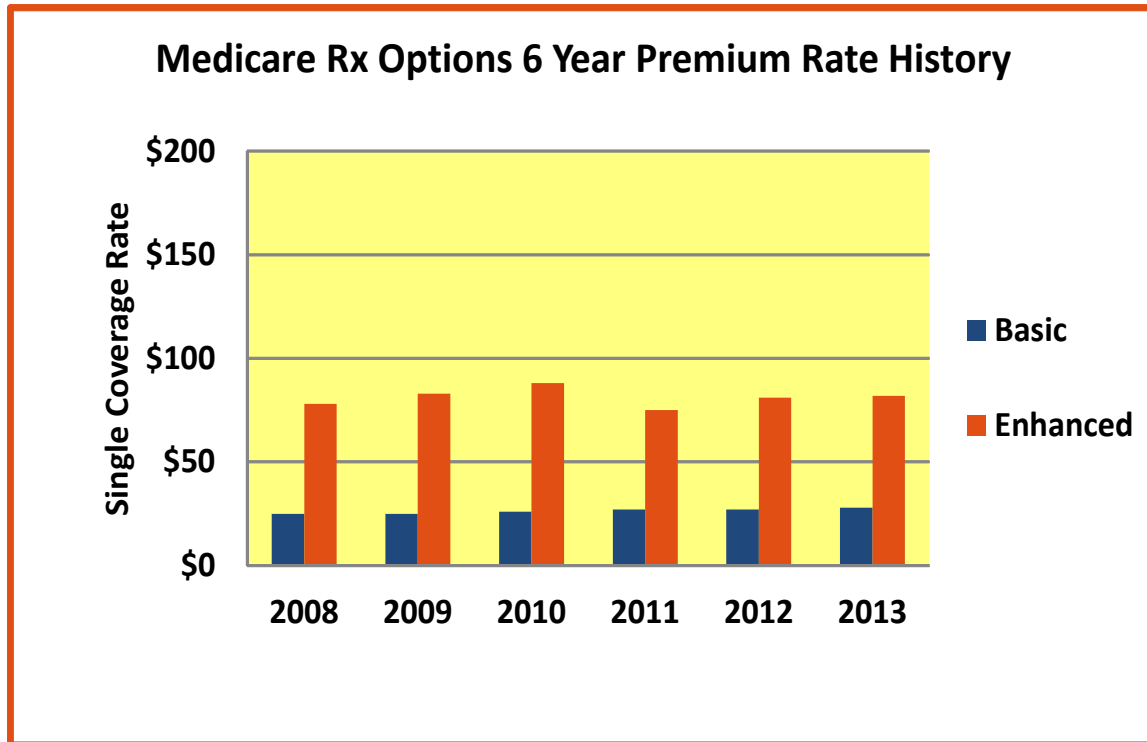
This remarkable premium stability can be attributed to:

1. The following plan design changes adopted by the Retirement Board to manage the utilization of health care services: in 2008, replacing the Medicare Part B deductible (\$131 in 2007) with a \$10 per physician visit copay and, in 2012, adding a \$25 per emergency room visit copay (waived if admitted), \$25 copay for high cost Imaging (MRI and CT Scans), and a 10% copay up to \$100 for durable medical equipment.
2. Increasing number of enrollees at age 65 (baby-boomer generation), thereby lowering the average age of the participant population.

## **Health Options Program** (continued)

### **Basic and Enhanced Medicare Rx Options**

The following chart illustrates the Basic and Enhanced Medicare Rx Options monthly premium rates for single coverage since 2008. The rates for the Medicare Rx Options do not vary by region.



This relative premium stability can be attributed to:

1. Plan design changes adopted by the Retirement Board to encourage the use of generic drugs.
2. Increasing number of enrollees at age 65 (baby-boomer generation), thereby lowering the average age of the participant population in the Basic Rx Option.

The significant decrease in the premium cost of the Enhanced Rx Option in 2011 is attributable to the reduction in benefits (plan payments) of 50% of the cost of brand drugs as mandated by the Affordable Care Act. The participants out-of-pocket expense remained the same while their monthly premium decreased.



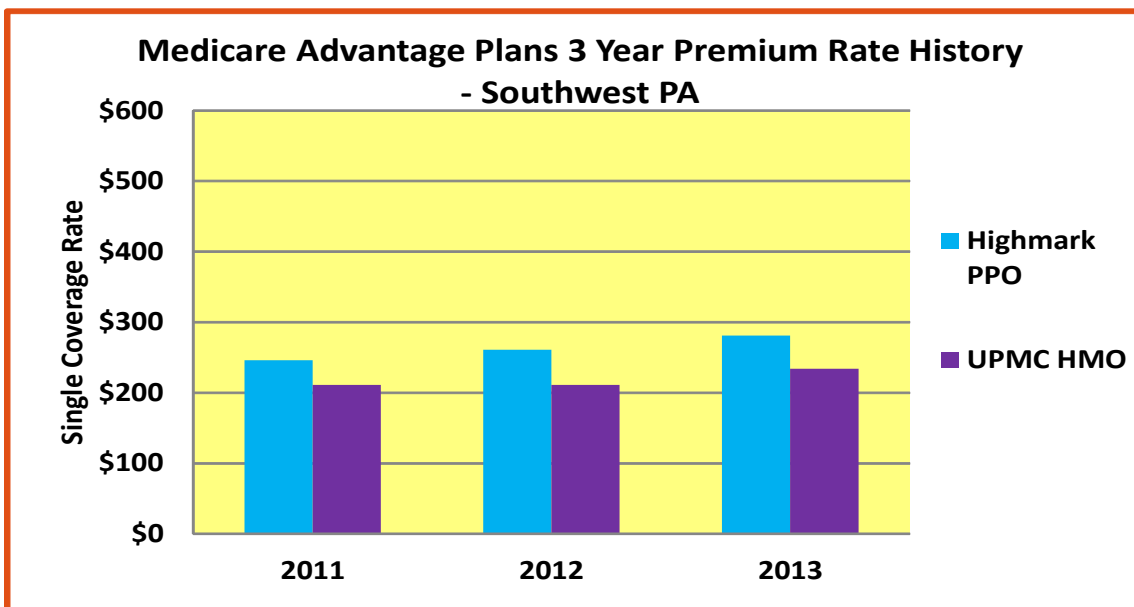
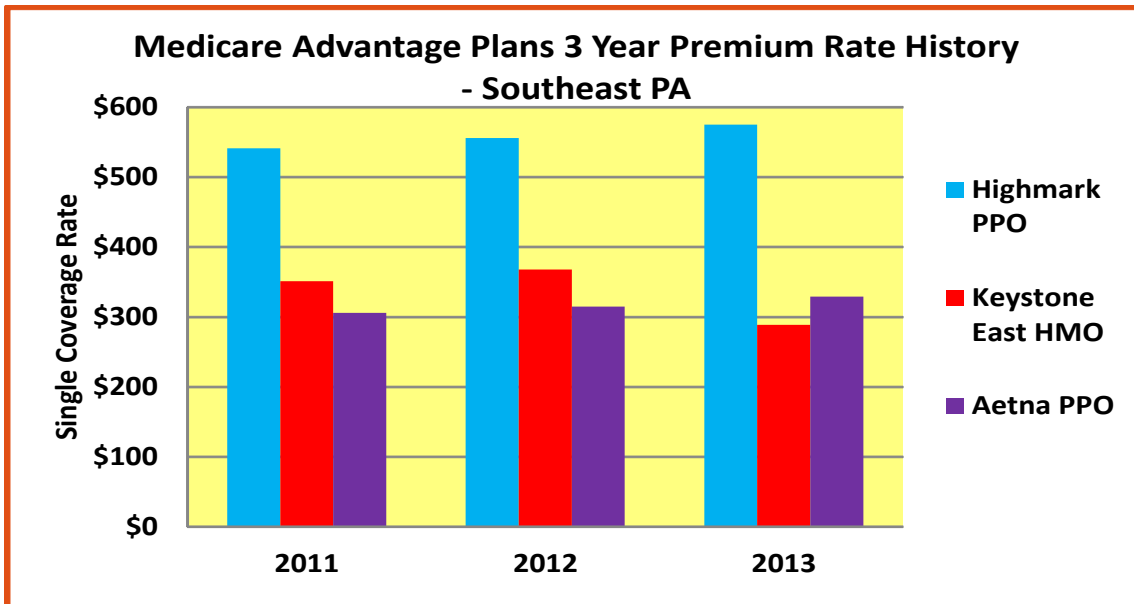
**Health Options Program**

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**Medicare Advantage Plans**

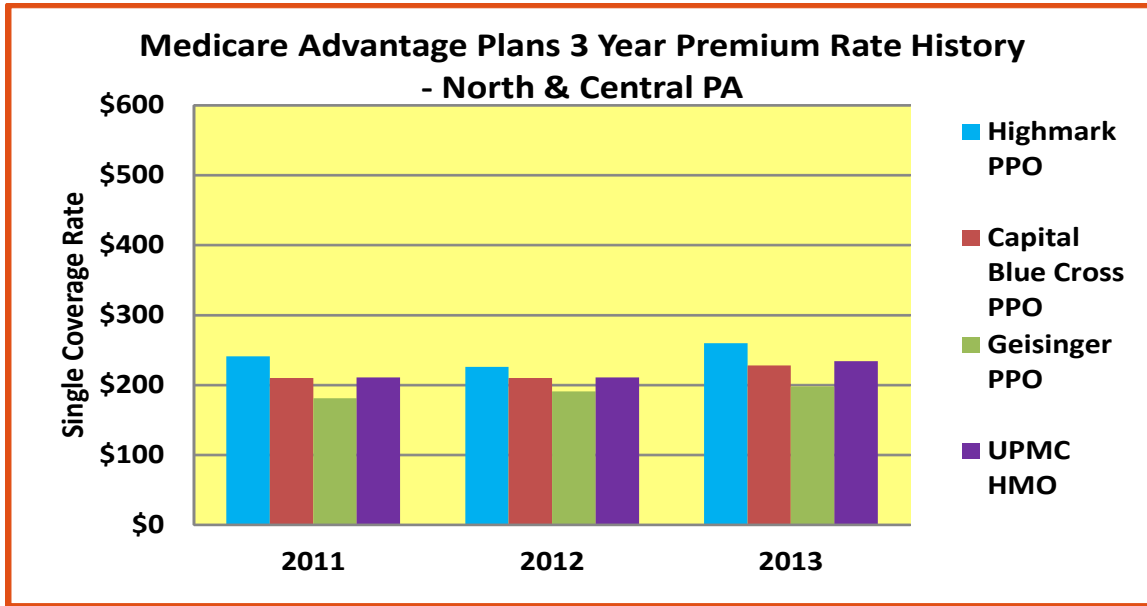
PSERS issues an Invitation for Application (IFA) to allow qualified insurance carriers to apply to offer a fully insured Medicare Advantage group insurance plan through HOP. Other than requiring prescription drug coverage, the insurance carriers are given wide latitude to offer a plan tailored to the PSERS retiree population.

The following charts illustrate the Medicare Advantage monthly premium rates for single coverage since 2011.



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### Health Options Program (continued)



#### HOP Premiums Paid By Individuals NOT ELIGIBLE for Medicare

The premiums paid by participants not eligible for Medicare generally do not vary by geographical area. The exceptions are the regional managed care plans. The following is a summary of the 2012 and 2013 premium costs in Pennsylvania for single coverage:

All Regions	2012	2013	Increase
<b>HOP Pre-65 Medical Plan (for comparison)</b>			
HOP Pre-65 Medical Plan (Single Coverage)	\$ 650	\$ 676	4%
Pre-65 Medical Plan w/ Prescription Drugs	\$ 750	\$ 780	4%

Southeastern Region: Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties	2012	2013	Increase/ (Decrease)
<b>Active Managed Care Plan</b>			
Aetna PPO	\$ 878	\$ 960	9%
Highmark PPOBlue	\$ 1,026	\$ 1,169	14%
Keystone East HMO	\$ 1,051	\$ 1,185	13%
<b>Legacy Managed Care Plans (no new participants)</b>			
Aetna Citizen HMO Plan	\$ 1,201	\$ 1,201	0%
IBC's Personal Choice PPO	\$ 1,248	\$ 1,189	(5)%

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### Health Options Program (continued)

Southwestern Region: Allegheny, Fayette, Greene, Indiana, Washington, and Westmoreland Counties	2012	2013	Increase
<b>Active Managed Care Plan</b>			
Aetna PPO (not available in all counties)	\$ 878	\$ 960	9%
Highmark PPOBlue	\$ 1,026	\$ 1,169	14%
UPMC HMO	\$ 1,967	\$ 2,256	15%
<b>Legacy Managed Care Plans (no new participants)</b>			
Aetna HMO	\$ 1,201	\$ 1,201	0%
Highmark HMO	\$ 1,285	\$ 1,459	14%

North & Central Region: All other counties in Pennsylvania	2012	2013	Increase
<b>Active Managed Care Plan</b>			
Aetna PPO (not available in all counties)	\$ 878	\$ 960	9%
Geisinger	\$ 957	\$ 1,050	10%
Highmark PPOBlue	\$ 716	\$ 786	10%
Keystone Central PPO	\$ 1,026	\$ 1,169	14%
UPMC EPO	\$ 1,967	\$ 2,256	15%
<b>Legacy Managed Care Plans (no new participants)</b>			
Aetna Patriot Plan HMO	\$ 1,201	\$ 1,201	0%
Highmark HMO	\$ 1,285	\$ 1,459	14%
Keystone Central HMO	\$ 968	\$ 1,057	9%



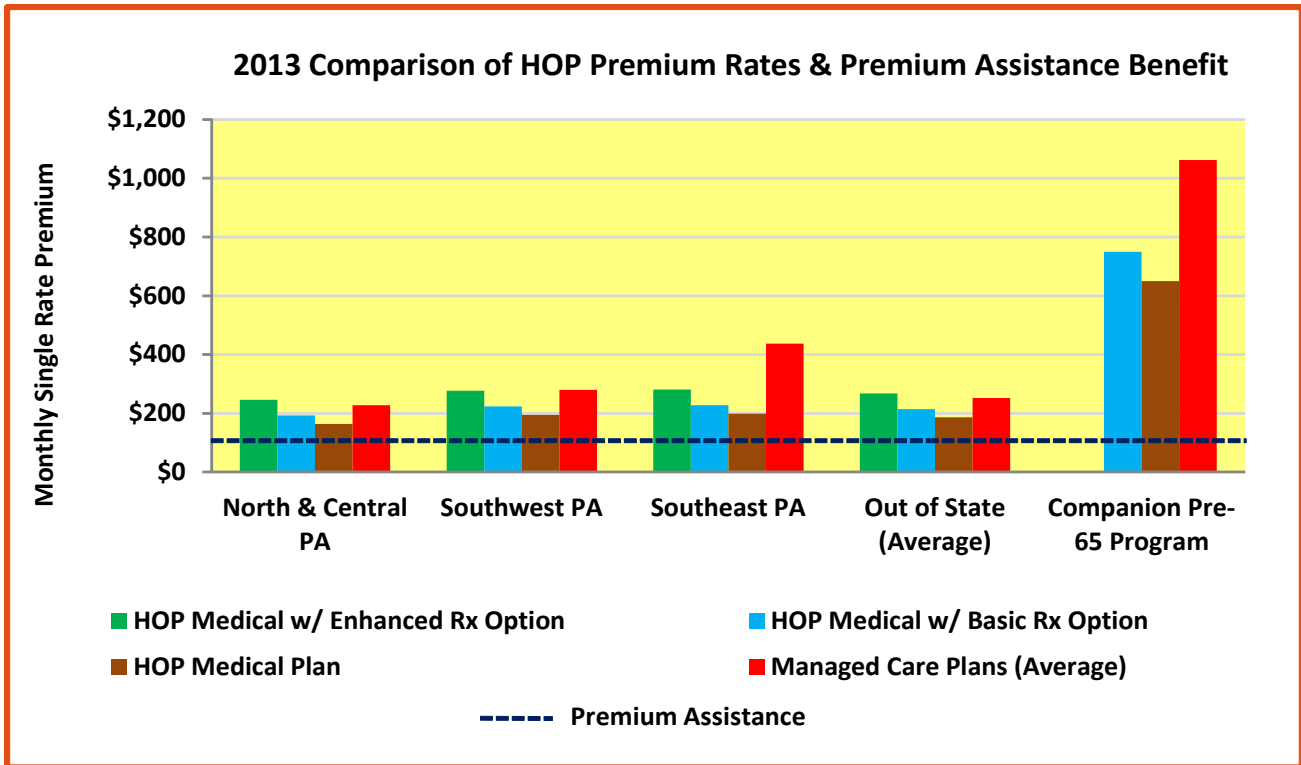
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## Section 5 - Other PSERS Programs

### Health Options Program (continued)

#### HOP Premiums Compared to the PSERS Premium Assistance Benefit

The following charts illustrate the HOP premiums paid by PSERS retirees for single coverage compared with the PSERS Premium Assistance benefit. Participating eligible annuitants are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. The premiums for 2-person and family coverage would be at least twice the cost of single coverage. Premium Assistance is an offset for the PSERS retiree's premium only.



	North & Central PA	Southwest PA	Southeast PA	Out of State (Average)	Companion Pre-65 Program
HOP Medical w/ Enhanced Rx Option	\$ 246	\$ 277	\$ 281	\$ 268	N/A
HOP Medical w/ Basic Rx Option	\$ 192	\$ 223	\$ 227	\$ 214	\$ 750
HOP Medical Plan	\$ 164	\$ 195	\$ 199	\$ 186	\$ 650
Managed Care Plans (Average)	\$ 227	\$ 280	\$ 437	\$ 252	\$ 1,062
Premium Assistance	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100

As illustrated in the table above, the percentage of Premium Assistance benefit coverage varies by region and plan.

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### Health Options Program (continued)

#### HOP Enrollment

As of January 1, 2013 there are 83,142 participants (67,639 retirees plus their dependents) in the HOP. The majority of the HOP participants were enrolled in the HOP Medical Plan with Enhanced Medicare Rx Option. The total numbers of retirees by Option are:

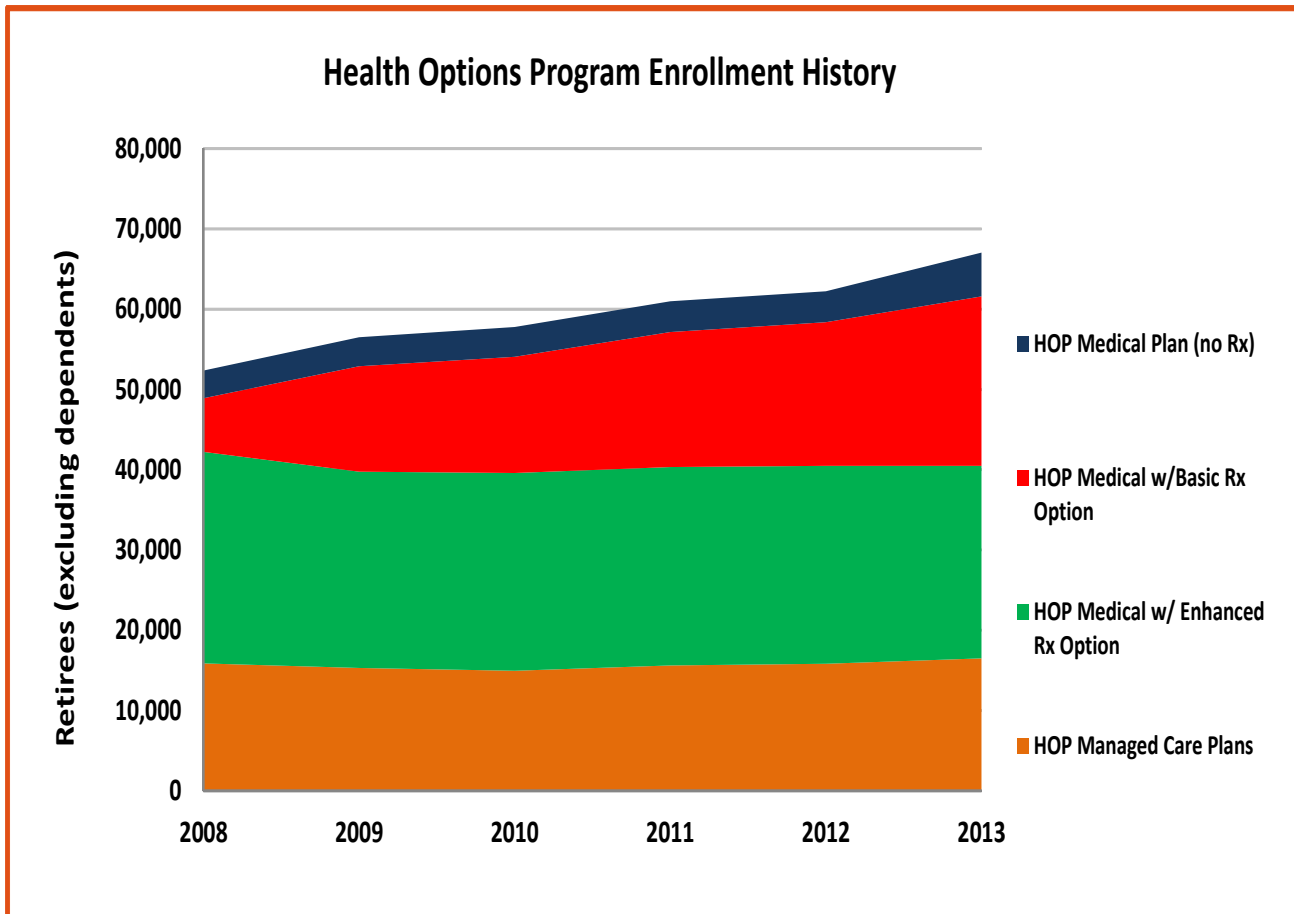
Individuals Eligible for Medicare	Retirees	Participants
HOP Medical w/ Enhanced Medicare Rx Option	23,990	28,912
HOP Medical w/Basic Medicare Rx Option	21,110	26,001
HOP Medical Plan (no Rx)	5,457	6,181
HOP Enhanced Rx Only	82	101
HOP Basic Rx Only	222	288
Aetna PPO/Legacy HMO	751	914
Geisinger PPO	206	268
Highmark PPO/ Legacy HMO	13,025	17,003
Capital BC PPO/Keystone Central Legacy HMO	811	1,068
Keystone East HMO/IBC Legacy PPO	1,226	1,510
UPMC HMO	330	446
<b>Total Medicare Eligible</b>	<b>67,210</b>	<b>82,692</b>
<b>Individuals Not Eligible for Medicare</b>		
HOP Pre-65 Medical Plan	79	82
HOP Pre-65 Medical Plan w/Rx Coverage	177	182
Aetna PPO/Legacy HMO	18	19
Geisinger PPO	11	12
Highmark PPO	56	57
Capital BC PPO/Keystone Central Legacy HMO	17	17
Keystone East HMO/IBC Legacy PPO	70	80
UPMC HMO	1	1
<b>Total Not Eligible for Medicare</b>	<b>429</b>	<b>450</b>
<b>Total in HOP</b>	<b>67,639</b>	<b>83,142</b>



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**Health Options Program**  
(continued)

The enrollment in the PSERS Health Options Program continues to increase. As illustrated by the following chart, the number of members has increased 28% over the past 5 years.



**Funding**

A majority of the premium income is deducted from the retiree’s monthly retirement benefit and transferred to the plans (claims administrator for the self-funded Options). Approximately 5,000 retirees submit monthly premium payments to the HOP Administration Unit, as their monthly retirement benefits, if any, are insufficient to cover the premium cost. In addition, individuals enrolled in a Medicare Rx Option without HOP Medical Plan coverage must submit monthly premium payments.

HOP income is projected to be \$267.3 million during the 2013 Plan (Calendar) Year. A majority of this income comes from premium payments from participants. Other sources of funding are Medicare prescription drug payments (for participants enrolled in a Medicare prescription drug

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### Health Options Program (continued)

plan) from the Center for Medicare and Medicaid Services (CMS), anticipated payment from the Early Retirement Reinsurance Program (ERRP) from Health and Human Services (HHS), and interest income. The following is a breakdown of these sources of income (Dollar amounts in Millions):

<b>Income</b>	<b>CY2013</b>
Participant Contributions	\$ 232.0
CMS - Medicare Prescription Drug Payments	35.0
HHS – Early Retiree Reinsurance Program	0.3
<b>Total</b>	<b>\$ 267.3</b>

PSERS retirees enrolled in HOP, who meet the eligibility requirements for Premium Assistance, receive \$100 per month as a partial reimbursement for the out-of-pocket premium expense. Approximately 58,600 of the 67,600 HOP participants receive Premium Assistance. This accounts for about \$70 million of the \$111 million annual benefit expense of the Premium Assistance Program. The following Premium Assistance Program section provides additional information.

Contributions and interest income pay for the benefits provided to HOP participants plus administrative expenses. The following is a breakdown of the benefit expenses (Dollar amounts in Millions):

	<b>Calendar Year</b>
<b>Benefit Expenses</b>	<b>2013</b>
Self-funded Hospital, Medical & Major Medical Benefits	\$ 111.0
Self-funded Prescription Drug Benefits	74.0
Managed Care Contributions	70.0
<b>Total</b>	<b>\$ 255.0</b>

In addition to the benefit expenses identified above, the HOP will pay \$7 million in enrollment and administrative expenses including reimbursing PSERS for its expenses.

As of December 31, 2012, HOP had net assets of \$158 million held in trust to pay the expenses of HOP for the exclusive benefit of participants.



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## Premium Assistance Program

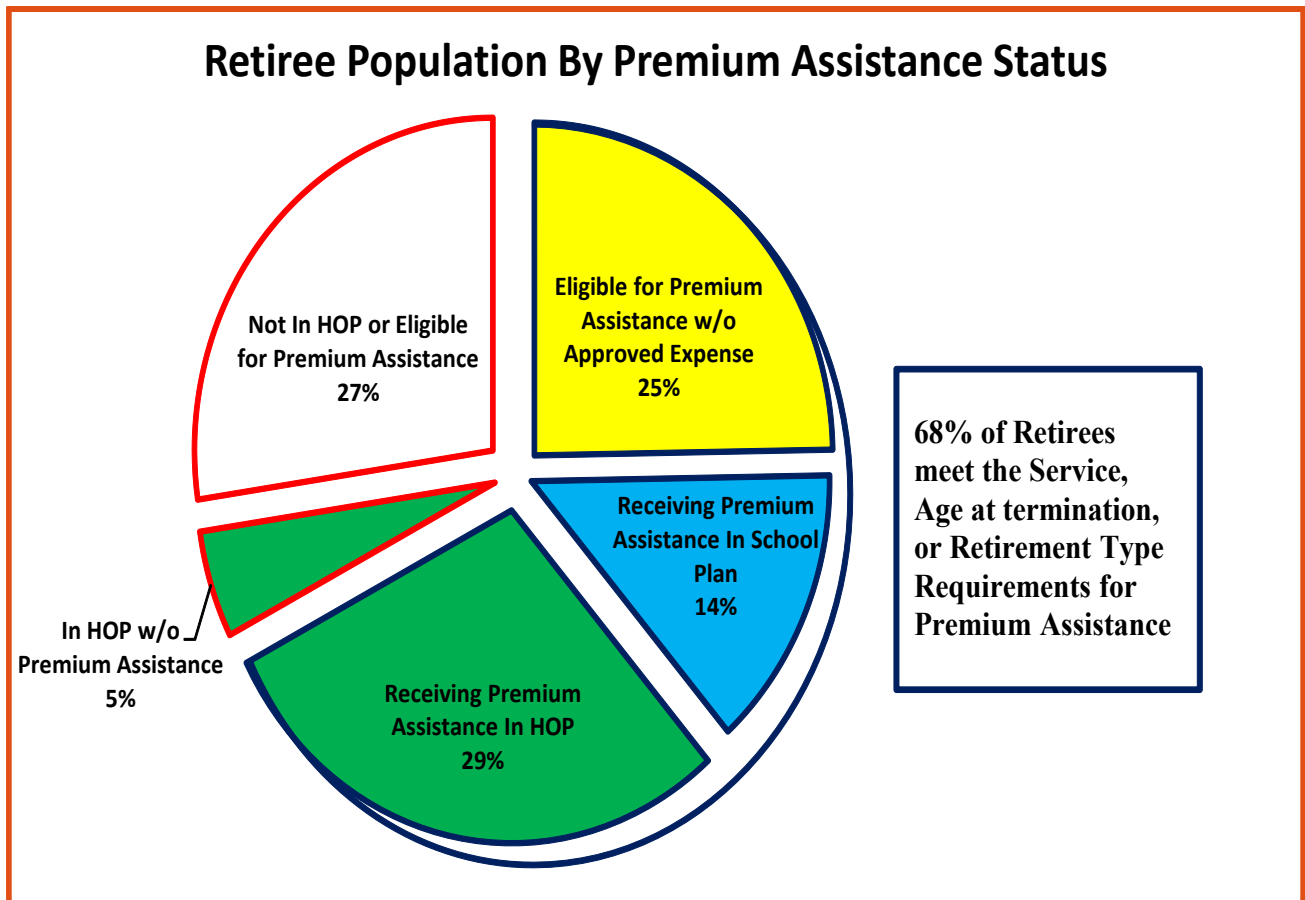
In accordance with Sec. 8509 of the Public School Employees' Retirement Code 24 Pa. C.S. § 8509, PSERS provides up to \$100 per month in Premium Assistance to eligible retirees to help cover the cost of their health insurance. The eligibility requirements for premium assistance are as follows:

- 24.5 years of credited service, or
- 15 years of credited service if termination of employment and retirement occurred after age 62, or
- Receiving a Disability annuity from PSERS; and
- Have an out-of-pocket premium expense from their former school employer's health plan or the PSERS sponsored Health Options Program (HOP).

### Enrollment

As of June 30, 2012, PSERS had 190,560 retirees (excluding survivor annuitants and beneficiaries) receiving a monthly benefit. Of these retirees 128,485 meet the service, service and age at termination of school service, or retirement type (disability) eligibility requirements for the premium assistance program. Of the retirees meeting these requirements, 47,108 are not receiving premium assistance payments because they do not have an out-of-pocket premium expense from an approved plan. Of the 81,377 retirees receiving premium assistance benefits, 55,025 are enrolled in HOP and 26,352 are participating in their former school employer's health plan and have an out-of-pocket premium expense.

A breakdown of retirees by their premium assistance status is as follows:



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### Premium Assistance Program

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June 30, 2012	Number	Percentage
Eligible for Premium Assistance w/o Approved Expense <sup>(1)</sup>	47,108	24.7%
Receiving Premium Assistance In School Plan <sup>(1)</sup>	26,352	13.8%
Receiving Premium Assistance In HOP <sup>(1)</sup>	55,025	28.9%
In HOP w/o Premium Assistance	9,942	5.2%
Not In HOP or Eligible for Premium Assistance	52,133	27.4%
<b>Total Retiree Population <sup>(2)</sup></b>	<b>190,560</b>	<b>100%</b>

(1) Meeting the service, service and age at termination of school employment or retirement type requirements.

(2) As of June 30, 2012 Actuarial Valuation (Excludes Survivor Annuitants and Beneficiaries)

#### Funding

The Premium Assistance Program is funded by employer contributions. The contribution rate calculated by PSERS actuary for FY2013/14 is 0.93% of payroll. For the year ended June 30, 2012, employer contributions totaled \$81.3 million and net investment income totaled \$0.4 million, while PSERS paid Premium Assistance benefits totaling \$97.2 million and administrative expenses of \$2.1 million.

As of June 30, 2012, the Premium Assistance Program had net assets of \$93.8 million.



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