

PSERS BUDGET REPORT - FY2022-2023

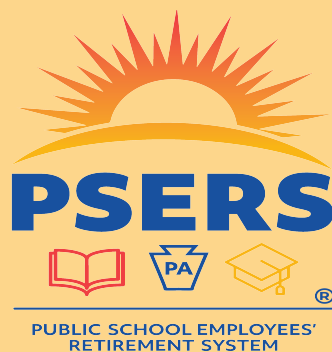


PA State Tree:
Eastern Hemlock

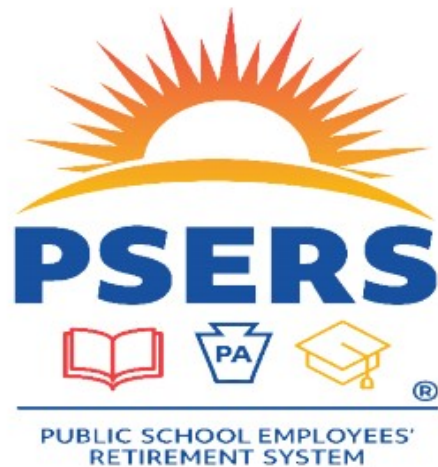
SECTION 4 - POSTEMPLOYMENT HEALTHCARE PROGRAMS

Health Options Program Tab 14

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Health Options Program



Section 4 - Other PSERS Programs

Health Options Program

Pursuant to Sec. 8502.2 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 commenced on January 1, 1994. As of January 1, 2022 there are 123,353 participants (103,881 retirees plus their dependents) in the HOP. The HOP is funded solely by and for eligible participants. The following is a summary of HOP initiatives during the period January 1, 2021 to January 1, 2022.

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 Prescription Drug (MAPD) group insurance plan and accompanying Pre-65 group insurance plan to PSERS retirees who participate in the HOP. The effective date of the insurance is January 1, 2022. As a result of the IFA, PSERS is expecting the following carriers to participate in HOP:

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

The HOP expanded the usual Option Selection Period to be a true Open Enrollment in Fall 2021 for the 2022 Plan Year. This means members who are currently enrolled can make changes for 2022 that typically require a Qualifying Event. For example, members can add their spouse and/or eligible dependents, add medical or prescription drug coverage if they don't already have it, or enroll in dental and vision coverage. In addition, if they have a spouse who is not already enrolled, this is an opportunity to ensure his or her coverage in the event of their death. Members who previously did not enroll in HOP, now have the option to join HOP effective January 1, 2022.

The HOP offers PSERS annuitants a variety of health benefits and insurance plans. Annuitants and their dependents may select among plans supplementing original Medicare, Medicare prescription drug plans, and dental insurance. Annuitants also may select a Medicare Advantage plan that provides prescription drug coverage and may include a dental and vision benefit. All plans offered through the HOP provide a Pre-65 plan for individuals not yet eligible for Medicare. Each year participants of the HOP may change their health benefit coverage to meet changing needs. The following is a summary of the standard Medicare Part D plans:

Standard Benefit	2022	2021
Deductible	\$480	\$445
Initial Coverage Limit	\$4,430	\$4,130
Out-of-Pocket Threshold	\$7,050	\$6,550
Minimum Cost sharing in Catastrophic Coverage Portion of the Benefit		
Generic	\$3.95	\$3.70
Other	\$9.85	\$9.20

These plan design limits and thresholds are tied to specific indices, including the average per capita Part D spending and the annual percentage increase in the Consumer Price Index.

Section 4 - Other PSERS Programs

Health Options Program (continued)

Medicare prescription drug plans are required to provide 75% coverage for generic drugs in the Coverage Gap for 2020 and beyond. There is effectively no additional funding from CMS; accordingly, the cost of the mandated benefit increase is paid by participants not receiving

low-income subsidies. Medicare prescription drug plans pay 5% of the cost of brand drugs in the Coverage Gap, with the manufacturer discount covering the remaining 70%. The following table shows how much members pay for drugs in the Coverage Gap.

The Member Pays in Coverage Gap:	Medicare Rx Discount
Generic Drugs	25%
Brand Drugs	25% (after 70% manufacturer discount and 5% plan benefit)
Non-preferred Brand Rx	25% (after 70% manufacturer discount and 5% plan benefit)

Section 4 - Other PSERS Programs

Health Options Program (continued)

Plans Available Through the Health Options Program

The HOP offers participants a choice among supplements 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 with or without prescription

drug coverage or a managed care plan. These options were available to new enrollees or HOP participants electing to change coverage during the 2022 option selection period conducted in the fall of 2021. The following is a list of HOP plans as of January 1, 2022:

For Individuals Eligible for Medicare:	For Individuals Not Eligible for Medicare:
HOP Value Medical Plan (Medicare supplement)	HOP Pre-65 Medical Plan
HOP Medical Plan (Medicare supplement)	
Value Medicare Rx Option (Medicare Part D)	HOP Pre-65 Medical Plan w/ Rx coverage
Basic Medicare Rx Option (Medicare Part D)	
Enhanced Medicare Rx Option (Medicare Part D)	
Medicare Advantage Plans	Companion Pre-65 Managed Care Plans
Aetna Medicare P01 PPO	Aetna Premier Open Choice PPO
Capital Blue Cross BlueJourney PPO	Capital Blue Cross PPO
Highmark FreedomBlue PPO	Highmark PPO Blue (80-70 Plan)
Independence Blue Cross Personal Choice 65 PPO	Independence Blue Cross POS (\$20-\$40/\$250)
UPMC PSERS HOP Custom HMO	UPMC Business Advantage

Section 4 - Other PSERS Programs

Health Options Program (continued)

HOP Program Plan 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 tables show the standard monthly premium rates for 2022 compared to the

2021 rates in Pennsylvania for single coverage. These rates do not reflect the \$100 Premium Assistance benefit provided to eligible retirees or discounts available to individuals enrolling at age 65.

Southeastern Region: Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties	2022	2021	Increase/ (Decrease)
Medicare Supplement Plans			
Value Medical Plan	\$117	\$117	0%
Value Medical Plan w/ Value Medicare Rx Option	\$139	\$140	(1)%
Value Medical Plan w/ Basic Medicare Rx Option	\$183	\$186	(2)%
Value Medical Plan w/ Enhanced Medicare Rx Option	\$239	\$245	(2)%
HOP Medical Plan	\$207	\$207	0%
HOP Medical Plan w/ Value Medicare Rx Option	\$229	\$230	0%
HOP Medical Plan w/ Basic Medicare Rx Option	\$273	\$276	(1)%
HOP Medical Plan w/ Enhanced Medicare Rx Option	\$329	\$335	(2)%
Medicare Advantage Plans			
Aetna Medicare P01 PPO	\$450	\$441	2%
CBC BlueJourney PPO	\$250	\$250	0%
Highmark FreedomBlue PPO	\$336	\$342	(2)%
IBC Personal Choice 65 PPO	\$433	\$794	(45)%
UPMC PSERS HOP Custom HMO	\$243	\$243	0%
Legacy Medicare Advantage Plans (no new enrollment)			
Aetna Medicare P02 HMO	\$555	\$547	1%
IBC Keystone 65 Select HMO (\$15/\$20)	\$400	\$393	2%

Section 4 - Other PSERS Programs

Health Options Program (continued)

Southwestern Region: Allegheny, Fayette, Greene, Indiana, Washington, and Westmoreland Counties	2022	2021	Increase/ (Decrease)
Medicare Supplement Plans			
Value Medical Plan	\$115	\$115	0%
Value Medical Plan w/ Value Medicare Rx Option	\$137	\$138	(1)%
Value Medical Plan w/ Basic Medicare Rx Option	\$181	\$184	(2)%
Value Medical Plan w/ Enhanced Medicare Rx Option	\$237	\$243	(2)%
HOP Medical Plan	\$198	\$198	0%
HOP Medical Plan w/ Value Medicare Rx Option	\$220	\$221	0%
HOP Medical Plan w/ Basic Medicare Rx Option	\$264	\$267	(1)%
HOP Medical Plan w/ Enhanced Medicare Rx Option	\$320	\$326	(2)%
Medicare Advantage Plans			
Aetna Medicare P01 PPO	\$403	\$395	2%
CBC BlueJourney PPO	\$250	\$250	0%
Highmark Freedom Blue PPO	\$242	\$253	(4)%
UPMC PSERS HOP Custom HMO	\$243	\$243	0%
Legacy Medicare Advantage Plans (no new enrollment)			
Aetna Medicare P02 HMO	\$347	\$342	1%
Highmark Legacy Freedom Blue PPO	\$323	\$323	0%
Highmark Security Blue HMO	\$253	\$253	0%

North & Central Region: (All Other Counties in Pennsylvania)	2022	2021	Increase/ (Decrease)
Medicare Supplement Plans			
Value Medical Plan	\$102	\$102	0%
Value Medical Plan w/ Value Medicare Rx Option	\$124	\$125	(1)%
Value Medical Plan w/ Basic Medicare Rx Option	\$168	\$171	(2)%
Value Medical Plan w/ Enhanced Medicare Rx Option	\$224	\$230	(3)%
HOP Medical Plan	\$179	\$179	0%
HOP Medical Plan w/ Value Medicare Rx Option	\$201	\$202	0%
HOP Medical Plan w/ Basic Medicare Rx Option	\$245	\$248	(1)%
HOP Medical Plan w/ Enhanced Medicare Rx Option	\$301	\$307	(2)%
Medicare Advantage Plans			
Aetna Medicare P01 PPO	\$286	\$280	2%
CBC BlueJourney PPO	\$250	\$250	0%
Highmark FreedomBlue PPO	\$242	\$248	(2)%
UPMC PSERS HOP Custom HMO*	\$243	\$243	0%
Legacy Medicare Advantage Plans (no new enrollment)			
Aetna Medicare P02 HMO	\$347	\$342	1%
CBC BlueJourney HMO	\$207	\$198	5%
Highmark SecurityBlue HMO	\$303	\$303	0%

*Not available in all North & Central Region counties.

Section 4 - Other PSERS Programs

Health Options Program (continued)

HOP participants may select Enhanced, Basic, or Value Medicare Rx Option coverage without enrolling in the HOP Medical Plan or Value Medical Plan. The monthly premium rates for the Medicare Rx Options do not vary by region. Stand-alone prescription drug coverage does not qualify for Premium Assistance.

Medicare Prescription Drug Plans All Regions	2022	2021	Increase
Enhanced Medicare Rx Only	\$122	\$128	(5)%
Basic Medicare Rx Only	\$66	\$69	(4)%
Value Medicare Rx Only	\$22	\$23	(4)%

HOP Options Program 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 tables show the monthly premium rates for 2022 compared to the 2021 rates in Pennsylvania for single coverage. These rates do not reflect the \$100 Premium Assistance benefit provided to eligible retirees.

All Regions	2022	2021	Increase
HOP Pre-65 Medical Plan			
HOP Pre-65 Medical Plan (Single Coverage)	\$990	\$941	5%
Pre-65 Medical Plan w/ Prescription Drugs	\$1,115	\$1,060	5%

Southeastern Region: Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties	2022	2021	Increase/ (Decrease)
Managed Care Plans			
Aetna Premier Open Choice PPO	\$2,113	\$2,113	0%
CBC PPO	\$1,371	\$1,371	0%
Highmark PPOBlue (80-70 Plan)	\$1,292	\$1,287	0%
IBC POS (\$20-\$40/\$250)	\$2,472	\$2,273	9%
UPMC Business Advantage	\$1,516	\$1,448	5%
Legacy Managed Care Plans (no new enrollments)			
Aetna Value Open Choice PPO	\$1,828	\$1,828	0%
IBC Personal Choice PPO	\$2,634	\$2,424	9%

Section 4 - Other PSERS Programs

Health Options Program (continued)

Southwestern Region: Alleghany, Fayette, Greene, Indiana, Washington, and West Moreland Counties	2022	2021	Increase/ (Decrease)
Managed Care Plans			
Aetna Premier Open Choice PPO	\$2,113	\$2,113	0%
CBC PPO	\$1,371	\$1,371	0%
Highmark PPOBlue (80-70 Plan)	\$1,292	\$1,287	0%
UPMC Business Advantage	\$1,516	\$1,448	5%
Legacy Managed Care Plans (no new enrollments)			
Aetna Value Open Choice PPO	\$1,828	\$1,828	0%
Highmark PPOBlue (80-70 Plan)	\$1,784	\$1,760	1%

North & Central Region: (All other counties in Pennsylvania)	2022	2021	Increase/ (Decrease)
Managed Care Plans			
Aetna Premier Open Choice PPO	\$2,113	\$2,113	0%
CBC PPO	\$1,371	\$1,371	0%
Highmark PPOBlue (80-70 Plan)	\$1,292	\$1,287	0%
UPMC Business Advantage*	\$1,516	\$1,448	5%
Legacy Managed Care Plans (no new participants)			
Aetna Value Open Choice PPO	\$1,828	\$1,828	0%
CBC HMO	\$1,935	\$1,935	0%
Highmark PPOBlue (High Option)	\$1,784	\$1,760	1%

*Not available in all North & Central Region counties.

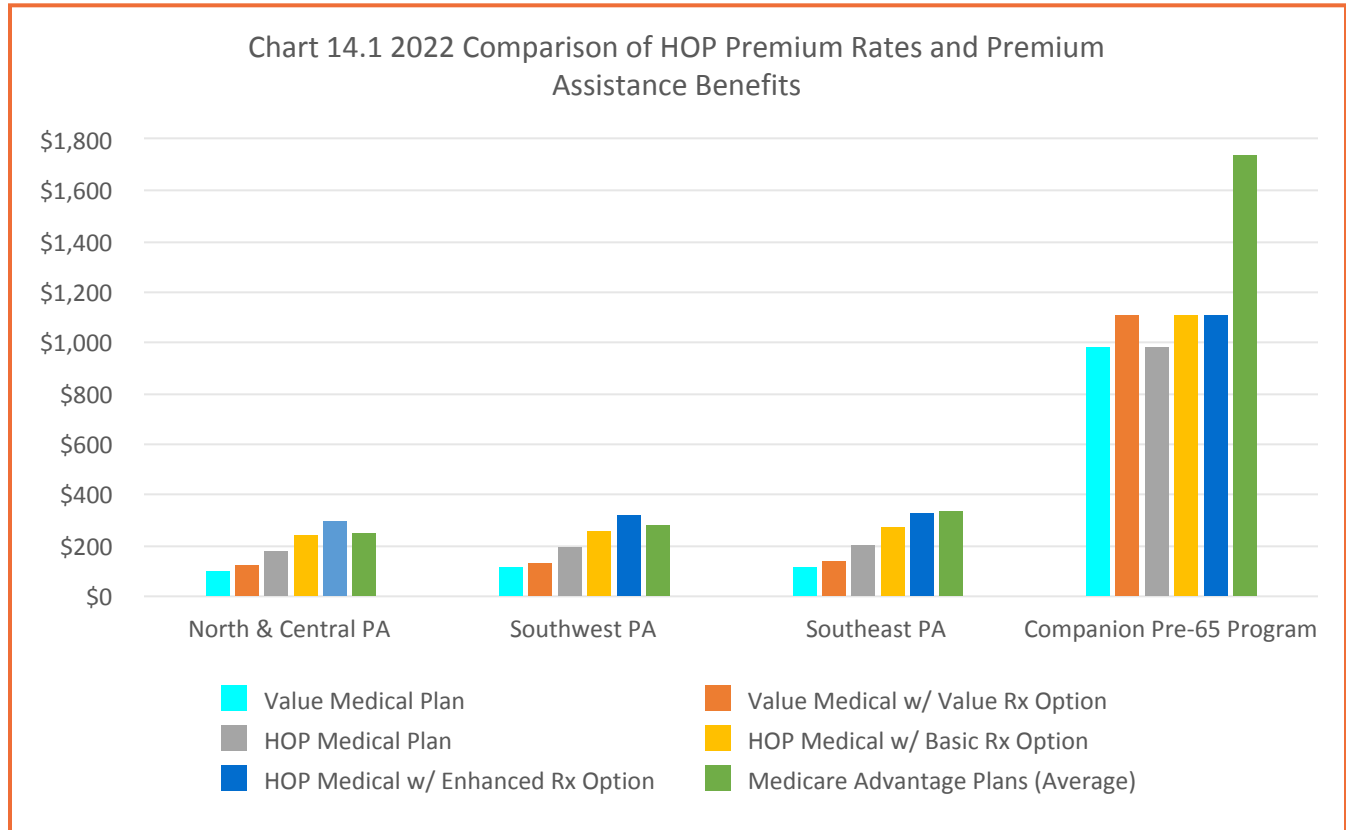
Section 4 - Other PSERS Programs

Health Options Program (continued)

HOP Premiums Compared to the PSERS Premium Assistance Benefit

Chart 14.1 displays the HOP monthly premiums paid by PSERS retirees for single coverage compared with the PSERS Premium Assistance benefit. Participating eligible annuitants are entitled to receive Premium Assistance payment 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.



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

2022	North & Central PA	Southwest PA	Southeast PA	Companion Pre-65 Program
Value Medical Plan	\$102	\$115	\$117	\$990
Value Medical w/ Value Rx Option	\$124	\$137	\$139	\$1,115
HOP Medical Plan	\$179	\$198	\$207	\$990
HOP Medical w/ Basic Rx Option	\$245	\$264	\$273	\$1,115
HOP Medical w/ Enhanced Rx Option	\$301	\$320	\$329	\$1,115
Medicare Advantage Plans (Average)	\$255	\$285	\$342	\$1,743
Premium Assistance	\$100	\$100	\$100	\$100

Section 4 - Other PSERS Programs

Health Options Program (continued)

HOP Enrollment

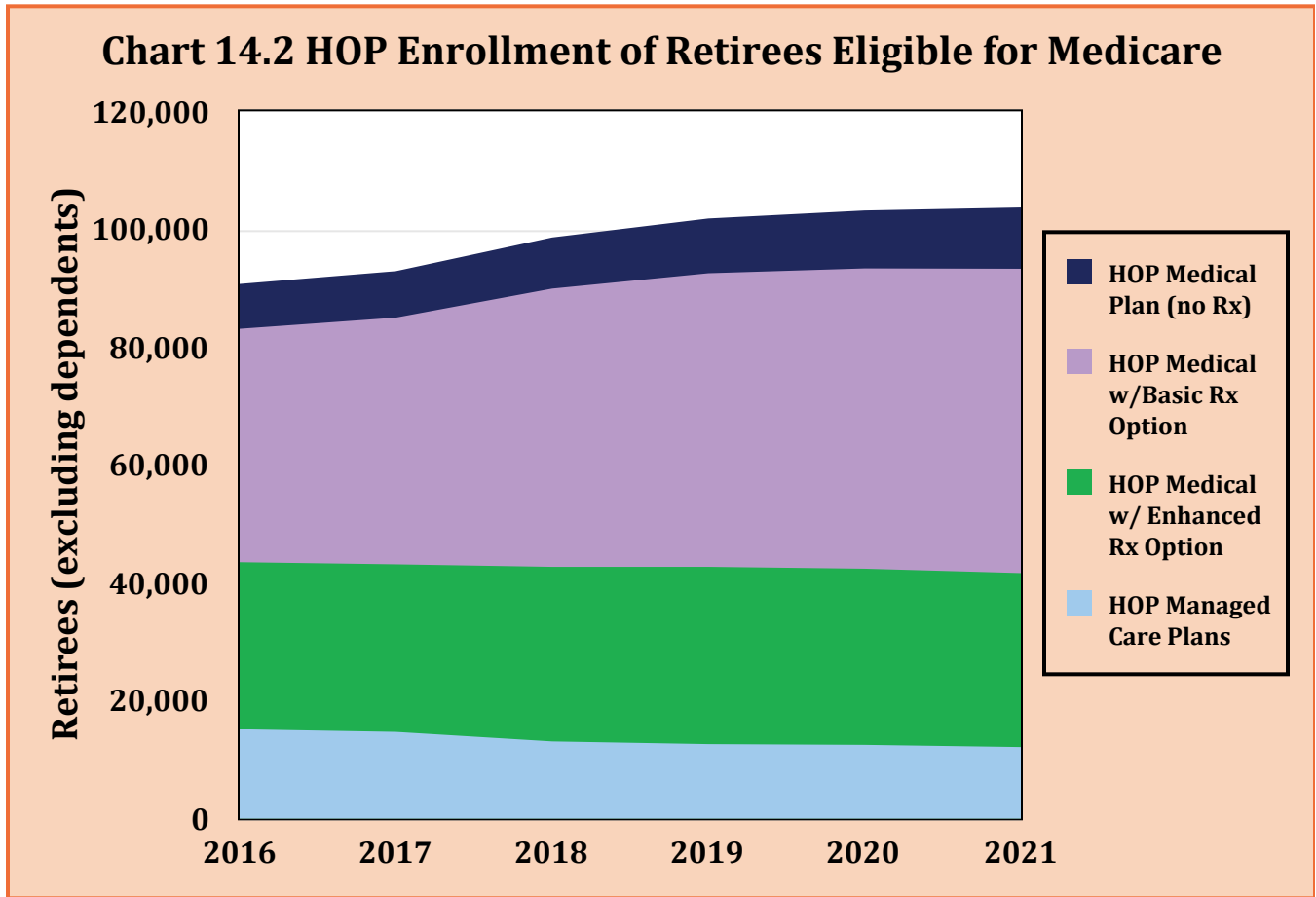
As of January 1, 2022 there are 123,353 participants (103,881 retirees plus their dependents) in the HOP. The total numbers of retirees by Option are:

Individuals Eligible for Medicare	Retirees	Participants
HOP Medical w/ Basic Medicare Rx Option	48,637	58,405
HOP Medical w/ Enhanced Medicare Rx Option	29,531	34,646
HOP Medical w/ Value Medicare Rx Option	2,646	2,966
HOP Medical Plan (no Rx)	10,031	11,111
HOP Enhanced Rx Only	83	104
HOP Basic Rx Only	191	243
HOP Value Rx Only	25	29
HOP Value Medical Only	69	80
HOP Value Medical w/ Enhanced Medicare Rx Option	10	15
HOP Value Medical w/ Basic Medicare Rx Option	55	78
HOP Value Medical w/ Value Medicare Rx Option	305	392
Highmark PPO/Legacy HMO	9,437	11,778
Keystone East HMO/IBC Legacy PPO	637	739
CBC PPO/Keystone Central Legacy HMO	704	891
UPMC HMO	991	1,292
Aetna PPO/Legacy HMO	331	381
Total Medicare Eligible	103,683	123,150
Individuals Not Eligible for Medicare		
HOP Pre-65 Medical Plan w/ Rx Coverage	125	126
HOP Pre-65 Medical Plan	41	43
Highmark PPO	4	4
CBC PPO/Keystone Central Legacy HMO	23	25
Keystone East HMO/IBC Legacy PPO	1	1
Aetna PPO/Legacy HMO	2	2
UPMC Business Advantage	2	2
Total Not Eligible for Medicare	198	203
Total in HOP	103,881	123,353

Section 4 - Other PSERS Programs

Health Options Program (continued)

Enrollment in the PSERS HOP continues to increase. As illustrated by Chart 14.2, the number of retirees participating in the HOP has increased 14% over the past 5 years.



Section 4 - Other PSERS Programs

Health Options Program (continued)

HOP Voluntary Dental and Vision Programs

Beginning January 1, 2016, HOP offered a voluntary MetLife Dental Plan to members and dependents enrolled in the HOP Medical Plan or the Value Medical Plan (those enrolled in a Medicare Advantage Plan are not eligible for this program as most of these plans have dental coverage). Beginning January 1, 2021, HOP began offering the MetLife Dental and EyeMed Vision Option. As with the previous dental program, dental and vision coverage is not available on a stand alone basis and participants must be enrolled in either the HOP Medical Plan or the Value Medical Plan.

Enrollment is typically limited to the initial offering or upon a qualifying event. For 2022, all HOP participants were given the opportunity to elect combined dental and vision benefits during a special open enrollment period, with benefits effective January 1, 2022.

As of January 1, 2022 there are (28,927 participants 25,249 retirees plus their dependents) in the HOP voluntary dental and vision program. The total numbers of retirees by year since program inception:

Dental Enrollment Per Year (As of January 1)	Retirees	Participants
2022*	25,249	28,927
2021*	17,456	22,829
2020	16,729	18,864
2019	14,482	16,436
2018	11,535	13,099

*Includes Dental & Vision Enrollment

Health Options Program Funding

A majority of the premium income is deducted from the retiree's monthly retirement benefit and transferred to the plan (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.

HOP income is projected to be \$480.7 million during the 2022 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 plan) from CMS and interest income. Table 14.1 displays the breakdown of these sources of income (Dollar amounts in millions):

Table 14.1 Income	Calendar Year 2022
Participant Contributions	\$409.2
CMS - Medicare Prescription Drug Payments	\$71.3
Interest Income	\$0.2
Total	\$480.7

Section 4 - Other PSERS Programs

Health Options Program (continued)

PSERS retirees enrolled in the HOP, who meet the eligibility requirements for Premium Assistance, receive up to \$100 per month as a partial reimbursement for the out-of-pocket premium expense. At January 1, 2022, 85,618 of the 103,881 HOP retirees receive Premium Assistance. This accounts for nearly \$103 million of the \$114 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. Table 14.2 displays the breakdown of the benefit expenses (Dollar amounts in millions):

Table 14.2 Benefit Expense

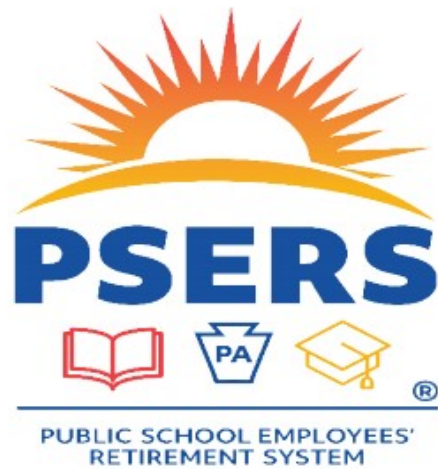
Calendar Year 2022

Self-funded Hospital, Medical & Major Medical Benefits	\$232.7
Self-funded Prescription Drug Benefits	\$159.9
Insured Managed Care and Dental Premiums	\$61.8
Total	\$454.4

In addition to the benefit expenses identified above, the HOP will pay \$11.8 million in enrollment and administrative expenses including reimbursing PSERS for its expenses.

As of December 31, 2021, HOP had net assets of \$386 million held in trust to pay the expenses of HOP for the exclusive benefit of participants.

Premium Assistance Program



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 Premium Assistance program began on July 1, 1992. The eligibility requirements for premium assistance are as follows:

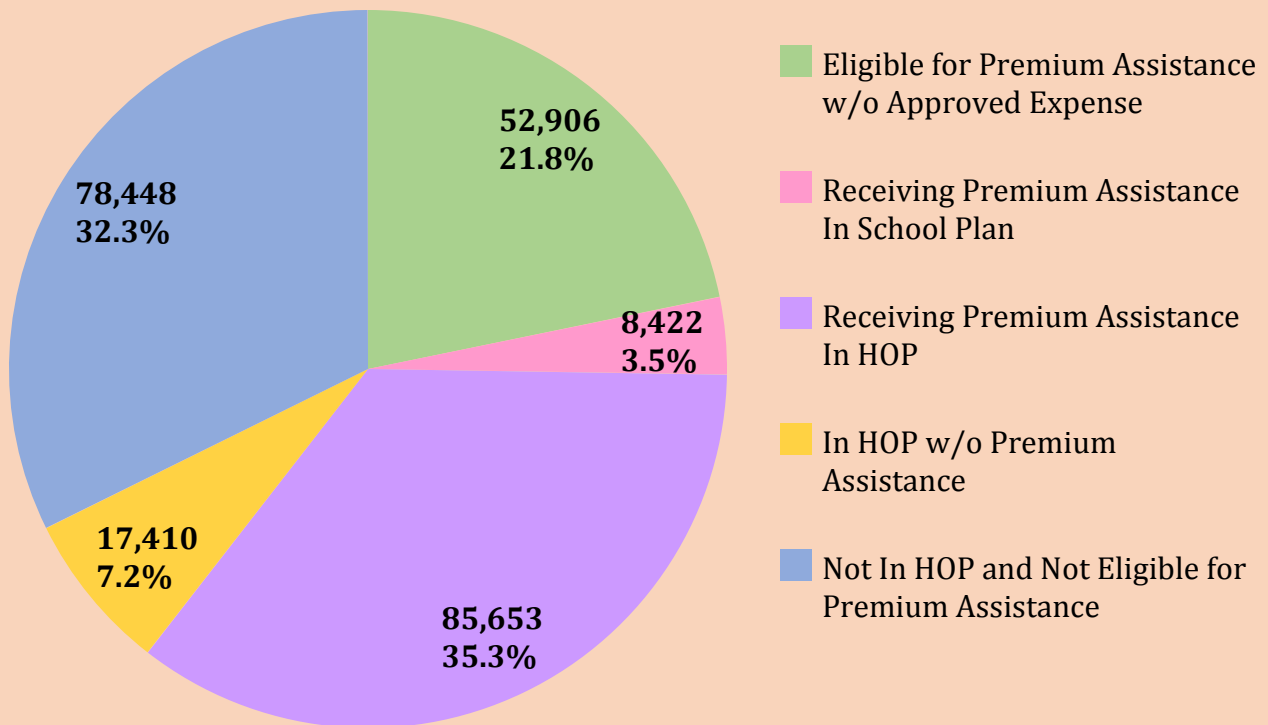
- 24.5 years of credited service, or
- 15 years of credited service if termination of employment and retirement occurred after superannuation age , or
- Receiving a disability annuity from PSERS; and
- Have an out-of-pocket premium expense from their former school employer’s health plan or the PSERS sponsored HOP.

Enrollment

As of June 30, 2021, PSERS had 242,839 retirees receiving a monthly benefit. Of these retirees 146,981 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, 52,906 are not receiving premium assistance payments because they do not have an out-of-pocket premium expense from an approved plan. Of the 94,075 retirees receiving premium assistance benefits, 85,653 are enrolled in HOP and 8,422 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 displayed in Chart 15.1:

Chart 15.1 Retiree Population by Premium Assistance Status



Premium Assistance Program (continued)

June 30, 2021	Number	Percentage
Eligible for Premium Assistance w/o Approved Expense ¹	52,906	21.8%
Receiving Premium Assistance In School Plan ¹	8,422	3.5%
Receiving Premium Assistance In HOP ¹	85,653	35.3%
In HOP w/o Premium Assistance	17,410	7.2%
Not In HOP and Not Eligible for Premium Assistance	78,448	32.3%
Total Retiree Population	242,839	100.0%

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

Funding

The Premium Assistance Program is funded by employer contributions. The contribution rate is calculated by PSERS actuary in accordance with the formula set forth in the Retirement Code². The contribution needed during FY2022/23 is 0.75% of payroll.

For the year ended June 30, 2021, employer contributions equaled \$116.5 million and net investment income totaled \$0.3 million. During this period, PSERS paid Premium Assistance benefits equaling \$113.5 million and incurred administrative expenses of \$1.1 million. As of December 31, 2021, the Premium Assistance Program had net assets of \$132 million.

²§8509. Health insurance premium assistance program: (a) Contribution rate.-- For each fiscal year beginning after July 1, 1991, the premium assistance contribution rate shall be established to provide reserves sufficient, when combined with unexpended amounts from the reserves set aside the previous fiscal year for health insurance assistance payments, to provide premium assistance payments in the subsequent fiscal year for all participating eligible annuitants. The Board is authorized to expend an amount not to exceed 2% of the health insurance account each year to pay for the direct expense of administering the health insurance premium assistance program, which expenditure may be included in the Board's consideration when it establishes the premium assistance contribution rate each year.