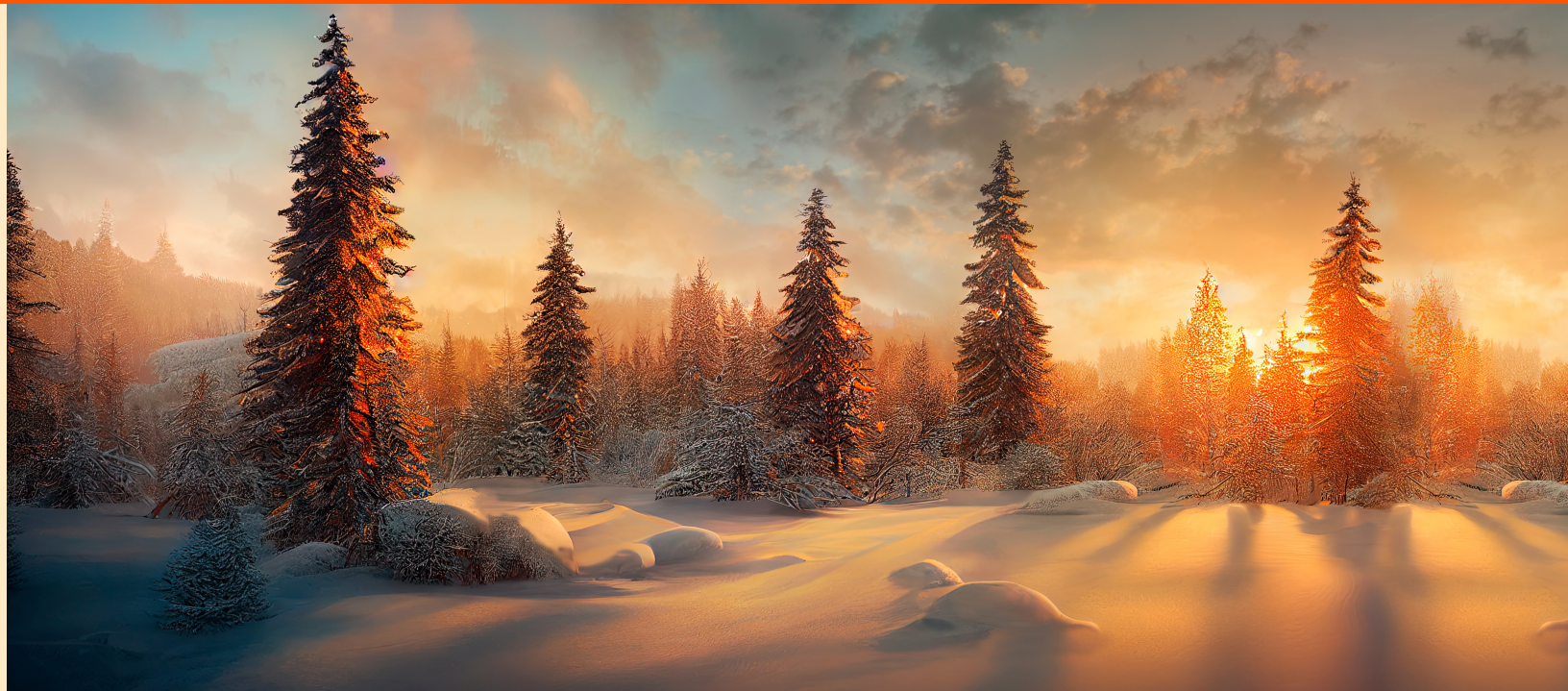
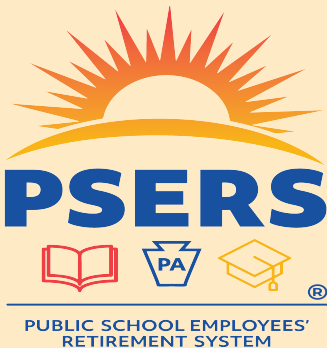


PSERS BUDGET REPORT - FY2023-24

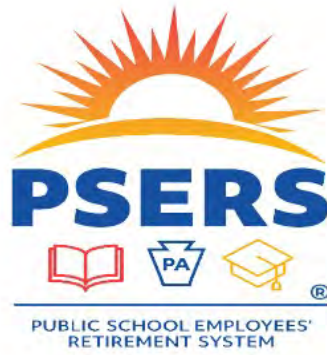


SECTION 4 - POSTEMPLOYMENT HEALTHCARE PROGRAMS

Health Options Program	Tab 14
Premium Assistance Program	Tab 15



HEALTH OPTIONS PROGRAM



Section 4 - Other PSERS Programs

Health Options Program

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, 2023 there are 124,397 participants (104,291 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, 2022 to January 1, 2023. 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, 2023. 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 Retirement Board issued an RFP for a Pharmacy Benefit Manager PSERS RFP 2022-4. The Retirement Board awarded OptumRx the contract with an initial term of two (2) years beginning January 1, 2023, with options to renew the contract, upon mutual consent of the parties, annually for three (3) additional years.

There was one plan change for the Enhanced Medicare Rx Option: the coinsurance for Speciality Drugs in the Initial Coverage phase will be reduced to 25% in 2023 (from 33% in 2022). There was also a benefit enhancement to the MetLife Dental option: the annual maximum will increase from \$1,350 to \$1,400 in 2023.

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 benefits for the prescription drug plans:

Standard Benefit	2023	2022
Deductible	\$505	\$480
Initial Coverage Limit	\$4,660	\$4,430
Out-of Pocket Threshold	\$7,400	\$7,040
Minimum Cost sharing in Catastrophic Coverage Portion of the Benefit		
Generic	4.15	3.95
Other	10.35	\$9.85

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. 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)

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 2023 option selection period conducted in the fall of 2022. The following is a list of HOP plans as of January 1, 2023.

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
CBC 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 2023 compared to the

2022 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	2023	2022	Increase/ (Decrease)
Medicare Supplement Plans			
Value Medical Plan	\$117	\$117	0%
Value Medical Plan w/ Value Medicare Rx Option	\$142	\$139	2%
Value Medical Plan w/ Basic Medicare Rx Option	\$184	\$183	1%
Value Medical Plan w/ Enhanced Medicare Rx Option	\$243	\$239	2%
HOP Medical Plan	\$209	\$207	1%
HOP Medical Plan w/ Value Medicare Rx Option	\$234	\$229	2%
HOP Medical Plan w/ Basic Medicare Rx Option	\$276	\$273	1%
HOP Medical Plan w/ Enhanced Medicare Rx Option	\$335	\$329	2%
Medicare Advantage Plans			
Aetna Medicare P01 PPO	\$466	\$450	4%
CBC PPO	\$258	\$250	3%
Highmark FreedomBlue PPO	\$336	\$336	0%
IBC Personal Choice 65 PPO	\$429	\$433	(1)%
UPMC PSERS HOP Custom HMO	\$243	\$243	0%
Legacy Medicare Advantage Plans (no new enrollment)			
Aetna Medicare P02 HMO	\$569	\$555	3%
IBC Keystone 65 Select HMO High Option	\$369	\$400	(8)%

Section 4 - Other PSERS Programs

Health Options Program (continued)

Southwestern Region: Allegheny, Fayette, Greene, Indiana, Washington, and Westmoreland Counties	2023	2022	Increase/ (Decrease)
Medicare Supplement Plans			
Value Medical Plan	\$115	\$115	0%
Value Medical Plan w/ Value Medicare Rx Option	\$140	\$137	2%
Value Medical Plan w/ Basic Medicare Rx Option	\$182	\$181	1%
Value Medical Plan w/ Enhanced Medicare Rx Option	\$241	\$237	2%
HOP Medical Plan	\$200	\$198	1%
HOP Medical Plan w/ Value Medicare Rx Option	\$225	\$220	2%
HOP Medical Plan w/ Basic Medicare Rx Option	\$267	\$264	1%
HOP Medical Plan w/ Enhanced Medicare Rx Option	\$326	\$320	2%
Medicare Advantage Plans			
Aetna Medicare P01 PPO	\$418	\$403	4%
CBC PPO	\$258	\$250	3%
Highmark Freedom Blue PPO	\$242	\$242	0%
UPMC PSERS HOP Custom HMO	\$243	\$243	0%
Legacy Medicare Advantage Plans (no new enrollment)			
Aetna Medicare P02 HMO	\$356	\$347	3%
Highmark Legacy Freedom Blue PPO	\$323	\$323	0%
Highmark Security Blue HMO	\$253	\$253	0%

North & Central Region: (All Other Counties in Pennsylvania)	2023	2022	Increase/ (Decrease)
Medicare Supplement Plans			
Value Medical Plan	\$102	\$102	0%
Value Medical Plan w/ Value Medicare Rx Option	\$127	\$124	2%
Value Medical Plan w/ Basic Medicare Rx Option	\$169	\$168	1%
Value Medical Plan w/ Enhanced Medicare Rx Option	\$228	\$224	2%
HOP Medical Plan	\$183	\$179	2%
HOP Medical Plan w/ Value Medicare Rx Option	\$208	\$202	3%
HOP Medical Plan w/ Basic Medicare Rx Option	\$250	\$245	2%
HOP Medical Plan w/ Enhanced Medicare Rx Option	\$309	\$301	3%
Medicare Advantage Plans			
Aetna Medicare P01 PPO	\$296	\$286	3%
CBC PPO	\$258	\$250	3%
Highmark FreedomBlue PPO	\$242	\$242	0%
UPMC PSERS HOP Custom HMO*	\$243	\$243	0%
Legacy Medicare Advantage Plans (no new enrollment)			
Aetna Medicare P02 HMO	\$356	\$347	3%
CBC Custom HMO	\$207	\$207	0%
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	2023	2022	Increase
Enhanced Medicare Rx Only	\$126	\$122	3%
Basic Medicare Rx Only	\$67	\$66	2%
Value Medicare Rx Only	\$25	\$22	14%

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 2023 compared to the 2022 rates in Pennsylvania for single coverage. These rates do not reflect the \$100 Premium Assistance benefit provided to eligible retirees.

All Regions	2023	2022	Increase
HOP Pre-65 Medical Plan			
HOP Pre-65 Medical Plan (Single Coverage)	\$990	\$990	0%
Pre-65 Medical Plan w/ Prescription Drugs	\$1,115	\$1,115	0%

Southeastern Region: Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties	2023	2022	Increase/ (Decrease)
Managed Care Plans			
Aetna Premier Open Choice PPO	\$2,113	\$2,113	0%
CBC PPO	\$1,698	\$1,371	24%
Highmark PPOBlue (80-70 Plan)	\$1,385	\$1,292	7%
IBC POS (\$20-\$40/\$250)	\$2,852	\$2,472	15%
UPMC Business Advantage	\$1,581	\$1,516	4%
Legacy Managed Care Plans (no new enrollments)			
Aetna Value Open Choice PPO	\$1,828	\$1,828	0%
IBC Personal Choice PPO	\$2,894	\$2,634	10%

Section 4 - Other PSERS Programs

Health Options Program (continued)

Southwestern Region: Allegheny, Fayette, Greene, Indiana, Washington, and Westmoreland Counties	2023	2022	Increase/ (Decrease)
Managed Care Plans			
Aetna Premier Open Choice PPO	\$2,113	\$2,113	0%
CBC PPO	\$1,698	\$1,371	24%
Highmark PPOBlue (80-70 Plan)	\$1,385	\$1,292	7%
UPMC Business Advantage	\$1,581	\$1,516	4%
Legacy Managed Care Plans (no new enrollments)			
Aetna Value Open Choice PPO	\$1,828	\$1,828	0%
Highmark PPOBlue (High Option)	\$1,745	\$1,784	(2)%

North & Central Region: (All other counties in Pennsylvania)	2023	2022	Increase/ (Decrease)
Managed Care Plans			
Aetna Premier Open Choice PPO	\$2,113	\$2,113	0%
CBC PPO	\$1,698	\$1,371	24%
Highmark PPOBlue (80-70 Plan)	\$1,385	\$1,292	7%
UPMC Business Advantage*	\$1,581	\$1,516	4%
Legacy Managed Care Plans (no new participants)			
Aetna Value Open Choice PPO	\$1,828	\$1,828	0%
CBC HMO	\$2,376	\$1,935	23%
Highmark PPOBlue (High Option)	\$1,745	\$1,784	(2)%

*Not available in all North & Central Region counties.

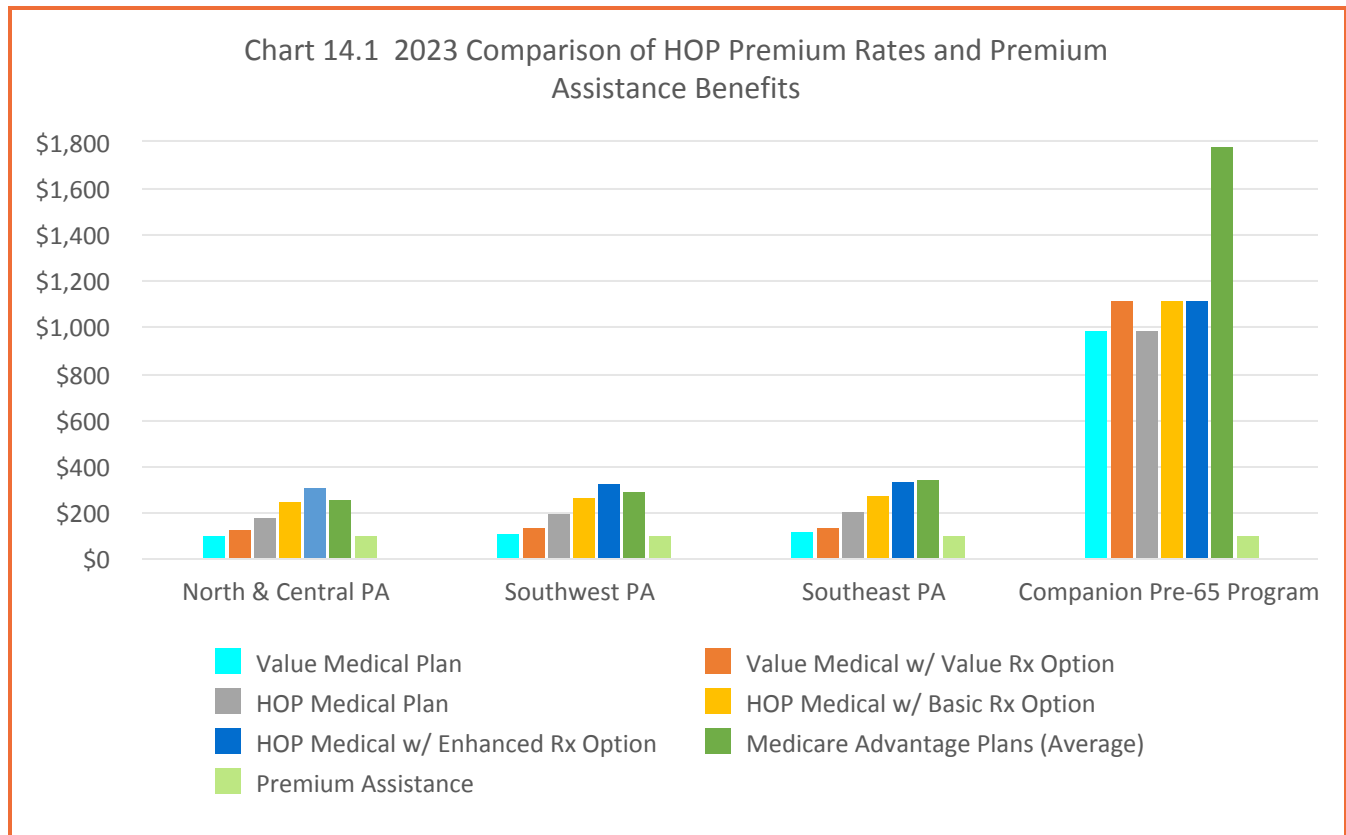
Section 4 - Other PSERS Programs

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, whichever is less. 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 shown in the table below, the percentage of Premium Assistance benefit coverage varies by region and plan.

2023	North & Central PA	Southwest PA	Southeast PA	Companion Pre-65 Program
Value Medical Plan	\$102	\$115	\$117	\$990
Value Medical w/ Value Rx Option	\$127	\$140	\$142	\$1,115
HOP Medical Plan	\$183	\$200	\$209	\$990
HOP Medical w/ Basic Rx Option	\$250	\$267	\$276	\$1,115
HOP Medical w/ Enhanced Rx Option	\$309	\$326	\$335	\$1,115
Medicare Advantage Plans (Average)	\$260	\$290	\$346	\$1,787
Premium Assistance	\$100	\$100	\$100	\$100

Section 4 - Other PSERS Programs

Health Options Program (continued)

HOP Enrollment

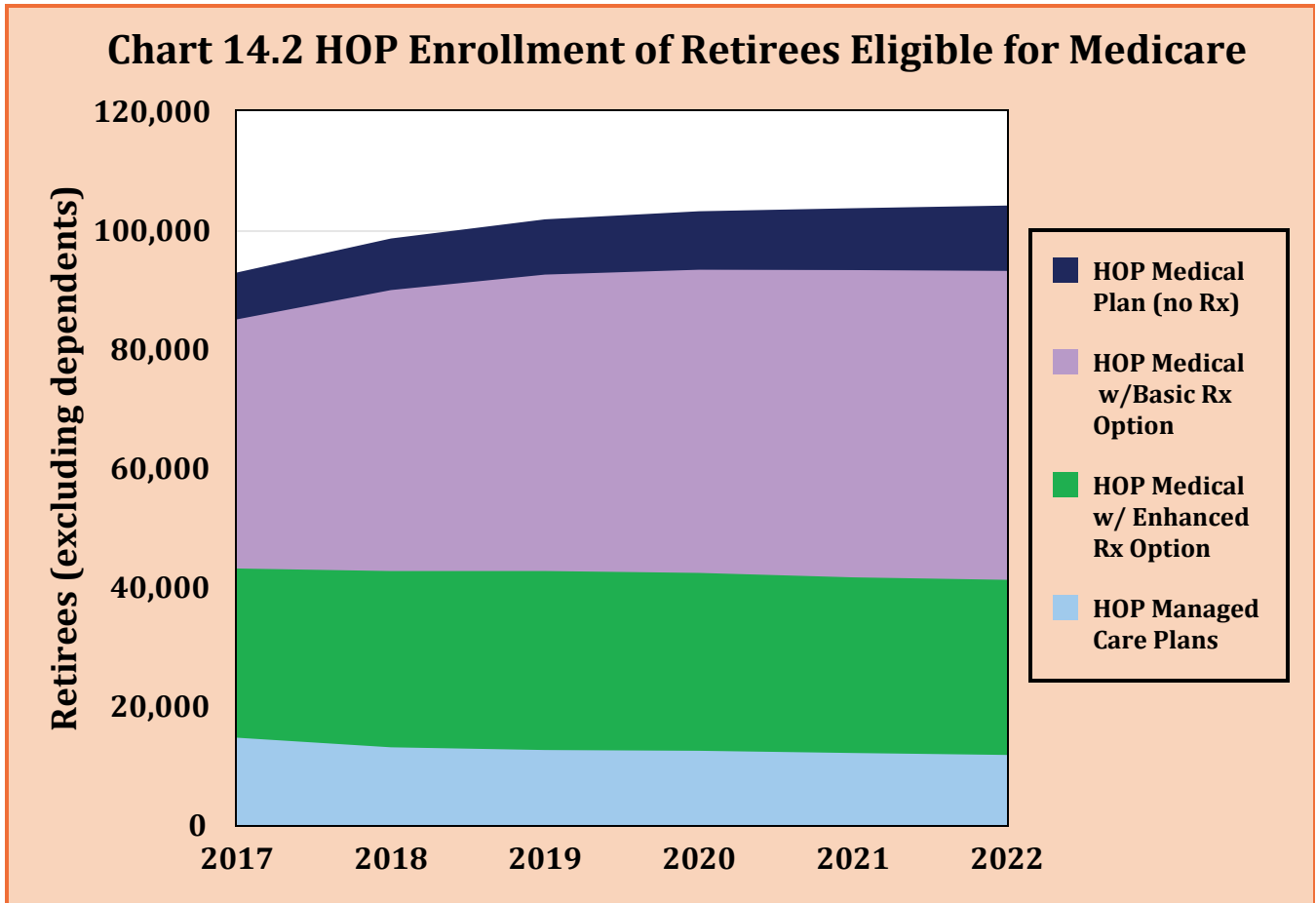
As of January 1, 2023 there are 124,397 participants (104,291 retirees plus their dependents) in the HOP. The total numbers of retirees by Option are:

Individuals Eligible for Medicare	Retirees	Participants
HOP Medical w/ Basic Medicare Rx Option	48,665	58,873
HOP Medical w/ Enhanced Medicare Rx Option	29,440	34,694
HOP Medical w/ Value Medicare Rx Option	2,866	3,260
HOP Medical Plan (no Rx)	10,642	11,817
HOP Enhanced Rx Only	79	98
HOP Basic Rx Only	167	213
HOP Value Rx Only	23	27
HOP Value Medical Only	74	89
HOP Value Medical w/ Enhanced Medicare Rx Option	11	16
HOP Value Medical w/ Basic Medicare Rx Option	56	74
HOP Value Medical w/ Value Medicare Rx Option	337	441
Highmark PPO/Legacy HMO	9,303	11,570
Keystone East HMO/IBC Legacy PPO	540	623
CBC PPO/Keystone Central Legacy HMO	700	886
UPMC HMO	935	1,213
Aetna PPO/Legacy HMO	295	339
Total Medicare Eligible	104,133	124,233
Individuals Not Eligible for Medicare		
HOP Pre-65 Medical Plan w/ Rx Coverage	94	96
HOP Pre-65 Medical Plan	29	32
Highmark PPO	11	11
CBC PPO/Keystone Central Legacy HMO	21	22
Keystone East HMO/IBC Legacy PPO	1	1
Aetna PPO/Legacy HMO	1	1
UPMC Business Advantage	1	1
Total Not Eligible for Medicare	158	164
Total in HOP	104,291	124,397

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 12% 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.

As of January 1, 2023 there are (33,614 participants 28,973 retirees plus their dependents) in the HOP voluntary dental and vision program. The total numbers of retirees by year since program inception:

Dental and Vision Enrollment Per Year (As of January 1)	Retirees	Participants	Increase (Participants)
2023**	28,973	33,614	20%
2022**	25,249	28,927	27%
2021*	17,456	22,829	21%
2020*	16,729	18,864	15%
2019*	14,482	16,436	25%
2018*	11,535	13,099	35%
2017*	8,497	9,701	

*Includes Dental Enrollment **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 4,683 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 \$495.9 million during the 2023 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 2023
Participant Contributions	\$418.7
CMS - Medicare Prescription Drug Payments	\$76.2
Interest Income	\$1.0
Total	\$495.9

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. Approximately 85,656 of the 104,291 HOP retirees receive Premium Assistance while an additional 7,821 retirees are enrolled in coverage through a Commonwealth public school employer or district health plan and also receive Premium Assistance. This accounts for approximately \$112

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

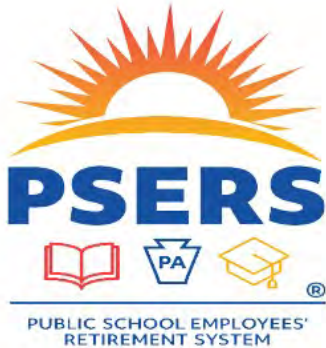
Calendar Year 2023

Self-funded Hospital, Medical & Major Medical Benefits	\$240.9
Self-funded Prescription Drug Benefits	\$188.1
Insured Managed Care and Dental Premiums	\$62.7
Total	\$491.7

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 September 30, 2022, HOP had net assets of \$396 million held in trust to pay the expenses of HOP for the exclusive benefit of participants.

PREMIUM ASSISTANCE PROGRAM



Premium Assistance Program

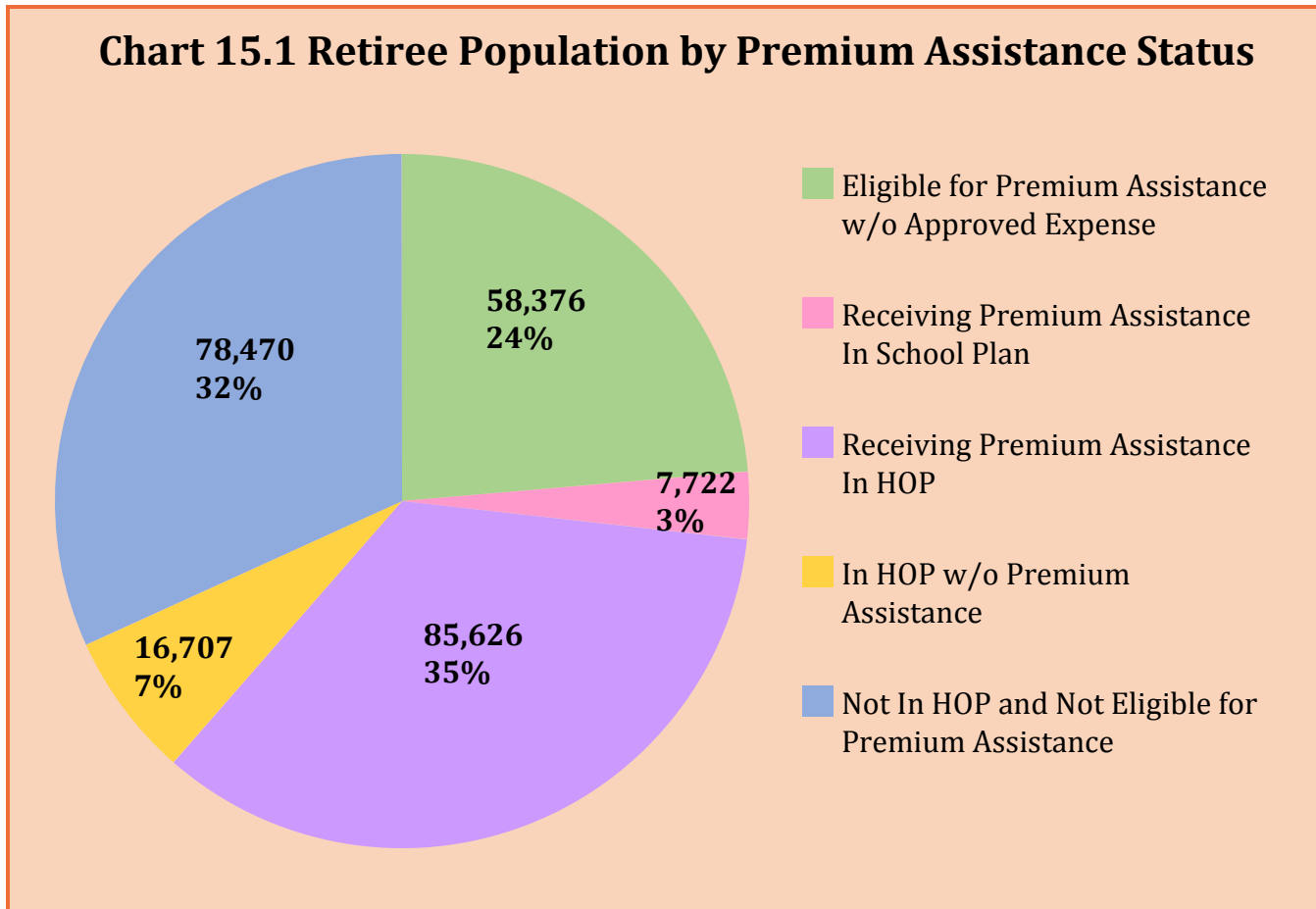
By law, PSERS provides up to \$100 per month in Premium Assistance to eligible retirees to help cover the cost of their health insurance. The Premium Assistance program began on July 1, 1992. The eligibility requirements for premium assistance are as follows:

- 24.5 years of credited service (for Class DC members, Medicare eligibility with at least 24.5 eligibility points), 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, 2022, PSERS had 246,901 retirees receiving a monthly benefit. Of these retirees 151,274 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, 58,376 are not receiving premium assistance payments because they do not have an out-of-pocket premium expense from an approved plan. Of the 93,348 retirees receiving premium assistance benefits, 85,626 are enrolled in HOP and 7,722 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



Premium Assistance Program (continued)

June 30, 2022	Number	Percentage
Eligible for Premium Assistance w/o Approved Expense	58,376	23.6%
Receiving Premium Assistance In School Plan	7,722	3.1%
Receiving Premium Assistance In HOP	85,626	34.7%
In HOP w/o Premium Assistance	16,707	6.8%
Not in HOP and Not Eligible for Premium Assistance	78,470	31.8%
Total Retiree Population	246,901	100.0%

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 FY2023-24 is 0.80% of payroll.

For the year ended June 30, 2022, employer contributions equaled \$117.2 million and net investment income totaled \$0.3 million. During this period, PSERS paid Premium Assistance benefits equaling \$113.7 million and incurred administrative expenses of \$0.8 million. As of September 30, 2022, the Premium Assistance Program had net assets of \$134.6 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.