

The Ohio Story for the State of Delaware

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Ohio

Ohio Public Employees Retirement System

- OPERS had a significant health care fund.
- Started funding health care in 1974
- Pressures from pension side were making it difficult to continue funding health care at the usual amount
 - Baby boomers
 - Increase longevity



By 2011, the health care fund was poised to **run out** in about 10 years

Ohio health care benefits

OPERS had a very rich retiree health care benefit

- Health care for retiree and spouse after just 10 years of service
- Retirees paid a small part of the premium
- Reimbursement of Medicare part B premium
- Comprehensive group MA plan with Rx



The challenges were real

- Retirees were living longer in retirement
- Health care costs were rising
- GASB made liability look worse
- Pension envy

The health care plan was well managed

- **Group Medicare Advantage plan**
- **Rich gain sharing arrangement**
- **Employer Group Waiver Program with a wrap**
- **Pulling down lots of federal dollars**
- **Talented clinical and fiscal staff kept vendors accountable**
- **But the plan was still expensive \$370 a month**
- **Not competitive with individual Medicare plans.**



Retirees were leaving the plan to find cheaper plans.

Changes needed to be made to preserve the health care benefit

Changes to preserve the health care program:

- Reduce allowance levels
- Eliminate spousal allowance
- Eliminate Medicare Part B reimbursement
- Active employees must work longer to qualify for health care coverage
- Moved to the individual Medicare marketplace

All these changes saved the system ~\$600 million dollars a year; reduced OPEB by \$12 billion

These changes would cause retirees to **pay more** for health care

If the system did not move to the Individual Medicare Marketplace the average retiree would have to pay nearly \$200 more a month



**Actual slide used with
OPERS retirees in 2015**

2016 Plan Comparisons

<i>Projected 2016 rates for 72 year old</i>	OPERS	Medigap Plan	Typical Medicare Advantage Plan with Rx**
	Humana/ESI	Plan G*	\$0 premium plan
Premium medical & Rx	\$400	\$192	\$0
Annual deductible	\$250	\$147	\$0
Office visits	4%	\$0	\$10
Specialist visits	8%	\$0	\$40
ER visit	\$50	\$0	\$65
Outpatient	4%	\$0	20% \$260 max
Inpatient	4%	\$0	\$260/day, Days 1-7
Out of pocket max	\$850	NA	\$5,200

**Projected 2016 monthly rates for a 72 year-old estimated using 4% annual inflation. Plan G cost of \$160 plus a \$32 monthly prescription drug plan.*

*** May not be available in all regions*

Actual slide used with OPERS retirees in 2015

Connector Helps Retirees with Costs

With the affordable plans on the Connector most retirees will have money left over to cover a spouse in 2018 when spouse allowance ends.

Funds Available		Premium Costs	
Connector Allowance	\$ 337	Plan G and Rx Retiree	\$ 192
No longer paying to OPERS for HC	\$ 125	Plan G and Rx Spouse	\$ 192
Total funds available	\$ 462	Total Premium Costs	\$ 384

- 98% of retirees will receive \$337 a month in 2018 as their Connector Allowance.
- If both retiree and spouse select Medigap Plan Gs (A moderately priced plan) and a typical drug plan, their allowance will cover the entire cost with \$78 left each month for other expenses.
- There are other less expensive plans available too.

Actual slide used with OPERS retirees in 2015

The changes would have caused retirees to pay more for their health care if we did not move to a Connector

If OPERS retirees are not offered affordable choices available on the Connector, most retirees would see an increase of \$200 per month for their health care costs.

Most retirees would pay a 25% premium	\$103
Current Medicare B reimbursement will be eliminated	\$96.40
Approximate Total	\$200

Actual slide used with OPERS retirees in 2015

OPERS Medicare Connector (often called an exchange)

Beginning in 2016:

- OPERS no longer sponsors a plan for Medicare recipients
- The OPERS Medicare Connector (administered by OneExchange a Willis Towers Watson company) guides Medicare enrolled retirees through the selection and enrollment process of a plan on the individual Medicare market
- In the fall of 2015 145,000 retirees choose a plan that best suits their medical and financial needs
- Medicare Part A and Part B are required
- OPERS provides an Allowance through an HRA

Actual slide used with OPERS retirees in 2016

Lessons Learned from changing our health care

- Work with your stakeholders and prepare the media and legislature
- Compare yourself to others and share this info
- Survey your retirees and ask them the tough questions (share the results)
- Communicate the need for change during your deliberations and after you make your changes
- Be prepared for noise (but was less than I expected)
- Focusing on funding available helped us decide what was doable
- Guiding Principles were very helpful
- Moving to the Medicare Connector required a lot of communications

The results of using the individual Medicare marketplace and changes to the plan

Plan sponsor:

\$600M
a year reduction in retiree
health care costs

\$12B
reduction in their future
unfunded liability

Retiree:

Reduced
retiree
cost (\$200)



Money
to pay for
spouse's
premium



Reduced
medical
costs



More
tailored
options



Greater
choice



Retiree Quote from former AFSCME officer and steward

As a happily retired state employee, I'm kind of, I'm not sure the word is embarrassed, but I don't really want to tell people that don't have this good deal about it. Because, it's a really good deal, and a lot of people really are struggling to pay their medical expenses. And this really helps a lot.

Donna Adassa former state of Ohio
employee and AFSCME officer

Retiree Quote from former AFSCME officer

I was skeptical at first about Via Benefits. OPERS always had a group Humana Plan which I liked, but once we moved to Via Benefits I still have Humana. What surprised me was that with the Medigap Plan F I now have no out of pocket medical costs. I love my Humana Silver Sneakers and the complete medical coverage.

Through Via Benefits my wife and I selected different prescription drug plans. By choosing the plan that fits our individual Rx needs we save even more money.

The nice thing about Via Benefits is once you set it up it's no muss no fuss. My premiums get paid automatically each month and a week or so later I get reimbursed from my HRA account. It's like you can set it and forget it.

Ronald C. Alexander
Retired State of Ohio Employee
Former Statewide President of OCSEA AFSCME Local 11 AFL-CIO

Questions?

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