



Retirement Benefit Study Committee

February 28, 2022

Recent Ratings Commentary

- **Ratings commentary for the State's 2022 bond issuance emphasized the expectation that OPEB liabilities would be addressed**
 - Standard & Poor's: *"We believe Delaware's ability to pass and implement reforms will remain important in supporting the state's credit profile...We expect the state's committee to study OPEB will lead to legislative changes to reduce this liability in the years to come."*
 - Fitch Ratings: *"...an inability of the state to address its large net unfunded OPEB liability" is a factor that "could...lead to a negative rating action/ downgrade." "The commission formed to develop options to address OPEB liabilities, has issued an initial report that proposes transitioning OPEB from pay-go- to pre-funding to reduce the liability over time, as well as modifying the plan and benefits to reduce future liabilities. These recommendations are expected to be taken up by the general assembly in 2022."*

Medicare pensioner plan options

Overview of proposed options – Medicfill vs Group MA

Plan feature	Medicfill (current)	Proposed Group MA (Aetna)	Proposed Group MA (Highmark)
Plan type	<ul style="list-style-type: none"> Self-funded medical/EGWP 	<ul style="list-style-type: none"> Fully-insured MA (medical only) or MAPD 	<ul style="list-style-type: none"> Fully-insured MA (medical only) or MAPD
Federal funding	<ul style="list-style-type: none"> Retained by GHIP (EGWP only) 	<ul style="list-style-type: none"> Retained by Aetna 	<ul style="list-style-type: none"> Retained by Highmark
Medical plan design¹	<ul style="list-style-type: none"> Member responsible for Part B premium only (\$170.10/month for 2022) 	<ul style="list-style-type: none"> Same as Medicfill 	<ul style="list-style-type: none"> Same as Medicfill
Rx plan design²	<ul style="list-style-type: none"> Generic copay: \$8 / \$16 retail/mail Brand formulary: \$28 / \$56 Brand non-formulary: \$50 / \$100 Out-of-pocket max: None³ 	<ul style="list-style-type: none"> Same as Medicfill 	<ul style="list-style-type: none"> Same as Medicfill
Provider network	<ul style="list-style-type: none"> Passive PPO (members may seek care from any medical provider that accepts Medicare assignment) 	<ul style="list-style-type: none"> Same as Medicfill Mirrors access to providers available today 	<ul style="list-style-type: none"> Same as Medicfill Mirrors access to providers available today

1. Plan fully covers medical out-of-pocket costs not covered by Medicare Part B, other than the Part B premium

2. Prescription drug copays and 5% premium cost share applies for pensioners retiring on or after 7/1/2012; State share is 100% for pensioners retiring before 7/1/2012; State pays 100% of State Share for pensioners with 20+ years of service

3. Catastrophic Coverage: After yearly out-of-pocket drug costs reach \$7,050, retirees pay the greater of 5% coinsurance or from \$3.95 to \$9.85 copayment per script based on drug tier

Considerations for Medicare plan options

- Balance short term financial impact to the GHIP of Medicare Supplement vs. Medicare Advantage plan options with the longer-term impact of change in terms of OPEB liability
- Another option discussed by the Retirement Benefits Study Committee (RBSC) – the Medicare marketplace – is outside the scope of this RFP and was not considered in this analysis
- Changes in Medicfill program design that reduce the State's unfunded OPEB liability can be recognized once the changes have been announced, regardless of effective date
- Important for SEBC to thoroughly evaluate all options and make the best decision for the GHIP, for pensioners and for the State's retiree liability obligations
- Any change from the current Medicfill plan will require extensive outreach and communication in advance of the plan effective date
- If moving from Medicfill to Group MA, Medicare rates will reset to the fully-insured rate (with or without Rx), and will reduce overall subsidy for active and pre-65 rates

SEBC Decision Points:

- **Maintain Medicfill plan or move to Group MA product, effective 1/1/23 (or later)**
- **Aetna or Highmark**
- **Including/Excluding Part D drug coverage as part of Group MA product**

Medicare plan options

Subcommittee recommendation for SEBC vote

- On February 24th, 2022, the Combined Subcommittee met to discuss outstanding decisions related to the Medicare plan option to be offered to Medicare retirees on 1/1/23
- The Combined Subcommittee's recommended plan option will be voted on by the SEBC at the February 28th, 2022 SEBC meeting
- The Combined Subcommittee recommendation is summarized below:
 - Subcommittees recommend moving to Group Medicare Advantage plan (medical only), effective 1/1/2023, and to continue offering drug coverage through CVS EGWP

Indicative Actuarial Estimates

- The three major benefit eligibility options were modified to apply to employees hired on or after 1/1/12 for consideration of grandfathering options
- Actuarial estimates were prepared based on the Medicare Advantage proposals received, including the option recommended by the SEBC Finance Subcommittee on February 24th for consideration at the full SEBC meeting this afternoon

Indicative Actuarial Estimates

2021 Valuation		Total Benefits	ADC	Accrued Liabilities	Trust Assets	Funded Ratio	Discount Rate
Benefit Eligibility Changes Combined with MA	Baseline (Updated Experience and Trust Assets)	\$842	\$2,466	\$37,022	\$4,626	12.5%	2.16%
	Baseline + .36% of Payroll Appropriation	\$842	\$2,439	\$37,022	\$5,682	15.8%	2.16%
	Baseline + 1% of Budget Index Carveout	\$842	\$964	\$19,088	\$9,818	51.4%	7.00%
	Baseline + Appropriation + Carveout	\$842	\$910	\$19,094	\$10,874	56.9%	7.00%
	Medicare Advantage SEBC Recommended Plan	\$629	\$552	\$13,971	\$10,874	77.8%	7.00%
	Graduated State Share Based on YOS ¹	\$626	\$405	\$12,159	\$10,874	89.4%	7.00%
	Minimum Required Age 60/ 55 ¹	\$514	\$267	\$10,742	\$10,874	101.2%	7.00%
	Reduce Spousal Subsidy for Future Retirees ¹	\$579	\$397	\$12,128	\$10,874	89.7%	7.00%

¹ Benefit eligibility modification applied to employees hired on or after 1/1/2012

Note: All benefit options reflect the appropriation plus 1% carveout funding

Indicative Actuarial Estimates

		2050 Projection					
		Total Benefits	ADC	Accrued Liabilities	Trust Assets	Funded Ratio	Discount Rate
Benefit Eligibility Changes Combined with MA	Baseline (Updated Experience and Trust Assets)	\$842	\$2,466	\$37,022	\$4,626	12.5%	2.16%
	Baseline + .36% of Payroll Appropriation	\$842	\$2,439	\$37,022	\$5,682	15.8%	2.16%
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	Baseline + Appropriation + Carveout	\$842	\$910	\$19,094	\$10,874	56.9%	7.00%
	Medicare Advantage w \$0 / Month Premium	\$629	\$552	\$13,971	\$10,874	77.8%	7.00%
	Graduated State Share Based on YOS ¹	\$626	\$405	\$12,159	\$10,874	89.4%	7.00%
	Minimum Required Age 60/ 55 ¹	\$514	\$267	\$10,742	\$10,874	101.2%	7.00%
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Illustrated Impacts

OPEB Estimated Funded Ratio with Medicare Advantage and Enhanced Funding

