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AGENDA MEMORANDUM

DATE: September 20, 2005

TO: Lane County Board of Commissioners

PRESENTED BY: Karen Artiaco, Risk and Benefits Manager

AGENDA ITEM TITLE: IN THE MATTER OF ALLOWING ELIGIBLE RETIREES TO CHOOSE EITHER TO ENROLL IN THE COUNTY'S CURRENT MEDICARE SUPPLEMENT PLAN OR TO RECEIVE A QUARTERLY PAYMENT IN THE AMOUNT OF THE PREMIUMS PAID FOR THE MEDICARE SUPPLEMENT PLAN

I. MOTION

IN THE MATTER OF ALLOWING ELIGIBLE RETIREES TO CHOOSE EITHER TO ENROLL IN THE COUNTY'S CURRENT MEDICARE SUPPLEMENT PLAN OR TO RECEIVE A QUARTERLY PAYMENT IN THE AMOUNT OF THE PREMIUMS PAID FOR THE MEDICARE SUPPLEMENT PLAN

II. ISSUE/PROBLEM

Should the Board approve a modification to the current administration of Lane County retiree medical benefits to allow those retirees who are Medicare-eligible to have a choice of enrolling in the County's current Medicare supplement plan, or of receiving a quarterly reimbursement that equals the amount paid by the County for this coverage, so that they can purchase other Medicare supplements that might better meet their needs.

III. DISCUSSION

A. Background

The Lane Manual in Chapter 2, Section 2.30, Rule XIV Health and Life Insurance, paragraph (3) Medicare Reimbursement, says that Lane County retirees who meet certain hire date and years of service requirements "shall be eligible for County paid retiree medical insurance ...". The Administrative Procedures Manual describes the retiree medical benefits further. In Chapter 3, Section 56, Section C, 2, 4 states "Retirees eligible for Medicare will be enrolled in the Medicare supplement Plan...". Medicare rules prohibit a retiree from enrolling in more than one similar Medicare supplement plan at a time.

The Medicare supplement plan selected by Lane County many years ago in order to meet the requirements of the Lane Manual and APM for Medicare eligible retirees, was

developed and offered by Regence Blue Cross/Blue Shield. This is an individual Medicare supplement that Regence offers on the open insurance market to any qualified person, but they agreed to enroll and bill the premiums for qualified Lane County retirees on a group basis. This plan has remained in place with few modifications to the plan. The cost of the premiums have continued to be reasonable and Lane County has not found another Medicare supplement plan that offers the same or better benefits at less cost. Lane County currently pays \$82 per month for this benefit. Retirees are not able to enroll spouses or dependents in this plan.

The benefits of this plan have never included a prescription drug benefit. Since Medicare has also not offered a prescription drug benefit, retirees have had to pay the entire cost of their prescriptions once they qualify for Medicare.

PERS also offers retirees health insurance plans that include Medicare supplement plans. Retirees have a one-time window of up to 3 months after their retirement date to enroll in one of the PERS health insurance programs. The retirees must pay monthly premiums to PERS for this coverage. But any PERS retiree who has worked for a PERS employer for more than 8 years is entitled to a partial subsidy for both their regular medical insurance, as well as for their Medicare supplement premium. The current subsidy for the Medicare supplement premium is \$60 per month.

Part of Lane County's PERS Employer Rate, .59%, pays for the subsidies and for the administration costs of the medical plans. Yet, due to the generous retiree benefits provided by Lane County, only those retirees who do not qualify for County-paid benefits ever use the PERS insurance plans. Therefore, few Lane County retirees benefit from the money Lane County contributes toward the PERS health insurance program.

The Medicare Modernization Act has now added a limited prescription drug benefit to Medicare as of January 1, 2006. Many insurance companies are developing products that will meet the new Medicare prescription drug plan. PERS has also modified their Medicare supplement plans in order to provide a drug benefit that meets the Medicare requirements. PERS is offering a one-time three-month open enrollment period from January 1, through March 31, 2006 for any PERS retiree who would like to enroll in one of their Medicare supplement plans.

B. Analysis

While Lane County's past practice has been to provide a Medicare supplement benefit, not merely a certain dollar commitment toward that benefit, there does not appear to be anything in the Lane Manual, APM, or labor contracts that would prevent Lane County from offering Medicare eligible retirees the choice of enrolling in the current Regence Medicare Supplement Plan or to receive a quarterly payment in an amount equal to the premiums for that same period. In this way, those retirees eligible for County-paid medical benefits would be able to use the money to purchase one of the plans offered by PERS, or any other Medicare supplement plan, that might better meet their needs.

At this time, the cost of the least expensive PERS Medicare supplement available for Lane County residents, less the \$60 PERS subsidy, is about \$84 per month. With the County's cash payment of \$82 per month, Lane County retirees would only have to pay an additional \$2 per month from their own funds in order to enroll in a plan that would provide them with a prescription drug benefit. If retirees choose the most expensive PERS Medicare supplement plan, they might have to pay as much as \$12 per month in addition to the amount they receive from the County.

Lane County already makes quarterly payments to eligible retirees to reimburse them for the cost of the Medicare Part B insurance premium that is deducted from their monthly Social Security benefit. The quarterly payment for their Medicare supplement premium could be paid at the same time.

Finance Operations Manager Kay Blackburn noted that the IRS could consider this kind of payment taxable income unless the retiree provided proof of enrollment in another plan and of payments made. Lane County sends letters to Medicare eligible retirees once a year and asks them to verify their Medicare status and mailing address. We could modify that letter and ask that the retiree also verify that they are enrolled in a Medicare supplement plan, and add the plan number, so that the County could show that we have attempted to meet the IRS's requirements.

Since we will be working with procedures already in place, offering retirees an option for cash payment should not add a significant amount of staff time once the program is in place and retirees are familiar with the routine. Retirees would be told that they could not re-enroll in the County's Medicare supplement plan once they make the decision to accept the quarterly cash payment.

If we tie future cash payments to the cost of the Regence premium, offering retirees this option should not add to the long-term cost of this benefit. We will continue to emphasize in our communications with retirees that the County is not expanding its retiree medical benefit to include prescription drug coverage for those who are Medicare qualified, nor are we guaranteeing the availability of prescription drug coverage for any retiree. We are simply giving the retiree the option of using the amount of the premium normally paid by the County to purchase another Medicare supplement plan whose benefits would more closely match the needs of the retiree.

PERS has already sent information to retirees about this one time open enrollment. Plus retirees are also receiving information from other Medicare supplement insurance providers. If the Board wishes to allow this benefit option, it is best to do so as quickly as possible so that we can send information to Lane County retirees and answer their questions about this new option.

C. Alternatives and Options

The Board could choose to approve offering those Medicare eligible retirees who qualify for County-paid health benefits the choice of enrolling in the County's Medicare supplement plan or receiving a quarterly payment in the amount of the current premium.

The Board could choose to not approve offering this option to these qualified retirees and retain the existing benefit rules and administration.

D. Recommendation

Human Resources recommends that the Board approve offering this option so that retirees can choose to use the cash payment from Lane County in connection with the County paid PERS subsidy to provide better medical benefits for themselves once they become Medicare eligible than they currently receive from Lane County's Medicare supplement plan.

E. Timing

This option can be offered to all Medicare eligible employees who retire after the Board approves the option. The option can be offered to other Medicare eligible retirees who qualify for County-paid medical benefits as of January 1, 2006.

IV. ATTACHMENTS

A. Board Order

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

**RESOLUTION AND
ORDER 05-**

) **IN THE MATTER OF ALLOWING**
) **QUALIFIED RETIREES TO CHOOSE**
) **TO ENROLL IN EITHER THE**
) **COUNTY'S CURRENT MEDICARE**
) **SUPPLEMENT PLAN OR TO**
) **RECEIVE A QUARTERLY PAYMENT**
) **IN THE AMOUNT OF THE**
) **PREMIUMS PAID FOR THE**
) **MEDICAL SUPPLEMENT PLAN**

WHEREAS, the Lane Manual, Chapter 2, Section 2.3 provides that Lane County employees who meet the County's hire date and years of service requirements shall be eligible for County paid retiree medical insurance; and

WHEREAS, the County's practice has been to provide those qualified retirees who are Medicare-eligible with a Medicare Supplement Plan which has not provided prescription drug coverage; and

WHEREAS, a portion of the Employer Rate paid by Lane County to the Oregon Public Retirement System (PERS) pays to underwrite an insurance program for PERS retirees that includes a selection of Medicare Supplement Plans that do include some prescription drug benefits; and

WHEREAS, the Board of County Commissioners does not intend to expand current retiree benefits to include prescription drug coverage, but does realize that qualified retirees may wish to use the amount that the County now pays toward the existing Plan to purchase coverage that could include prescription drug coverage from PERS or other insurance providers; now, therefore,

IT IS HEREBY RESOLVED AND ORDERED, that, qualified Lane County retirees who are Medicare eligible shall be given the option enrolling in the County's Medicare Supplement Plan or to receive a quarterly payment in the amount of the premiums paid for the County's Medical Supplement Plan to be used for the purchase of an alternate medicare supplement plan.

Dated this _____ day of _____, 2005.

Anna Morrison, Chair
Board of County Commissioner

APPROVED AS TO FORM
Date 10/3/05
Teresa Fisher
OFFICE OF LEGAL COUNSEL