FAQ About the New Benefits for Medicare Retirees

1. Q. I've heard your going to move me to an MAPD plan. What is MAPD?

A. MAPD is a Medicare Advantage/Prescription Drug plan. This is a plan that's licensed by the federal government through the Centers for Medicare and Medicaid Services (CMS). These plans provide both medical and prescription drug benefits to Medicare-eligible retirees through a fee-for-service plan, a Preferred Provider Organization (PPO) or an HMO. PEIA is NOT considering the HMO option; we will only consider fee-for-service or PPO plans. CMS pays the MAPD plan to provide coverage for Medicare members, and the MAPD takes full responsibility for paying for benefits for the member.

2. Q. I'm a Medicare retiree with PEIA coverage, what will happen to me if we go to an MAPD plan?

A. PEIA has released a Request for Proposals (RFP) to see if we can find a vendor to provide MAPD benefits for our Medicare-eligible retirees. In this RFP, PEIA described a mandatory benefit design which is identical to the plan design adopted by the PEIA finance board on December 20, 2006. That includes:

A comprehensive medical plan with no deductible and an out-of-pocket maximum of $500 per person per year that includes both copayments and coinsurance. That means that a Medicare retiree would pay no more than $500 in a plan year for medical care. After the retiree meets the $500 out-of-pocket maximum, then the plan will pay 100% of that retiree's medical costs for the rest of the plan year.

A prescription drug plan that's the same as the one offered to the active employees. The deductible on prescriptions will be $75 per individual, and when that's met, the member will pay $5 for generic drugs, $15 for preferred brand name drugs, and $50 for non-preferred brand name drugs. It WILL NOT be a Medicare Part D Plan. There will be no donut hole. There will be an out-of-pocket maximum on prescription drug copayments of $1750 per member. After the retiree meets the $1750 out-of-pocket maximum on drugs, then the plan will pay 100% of that retiree's drug costs for the rest of the plan year. This is the same benefit we offer active employees.

If we find a vendor to provide these MAPD benefits, then PEIA will transfer the eligibility and responsibility for all of these retirees to the MAPD plan on July 1, 2007. You will receive a new medical/prescription drug ID card from the MAPD plan to use after July 1. When you go to the doctor after July 1, you will present that new ID card, and the doctor will bill the MAPD for the services. You will pay your office visit copayment to the doctor's office. You will also be responsible for 20% coinsurance on any lab work, imaging and other services. You will receive an Explanation of Benefits (EOB) from the MAPD plan that tells you exactly how much you owe for the services you received.

This change means that you will have coverage through an MAPD plan, just as some active employees now have managed care coverage through a plan offered by PEIA. There will still be an association with PEIA. You will still have your life insurance through PEIA.

3. Q. Do I have to enroll in a Medicare Part D Plan before December 31, 2006?

A. NO. You do not need to buy a Medicare Part D Plan. You will continue to have drug coverage from PEIA. If we hire an MAPD plan, then your drug coverage will be provided through THAT plan. You do not need to do anything now.

4. Q. Will the $500 that I have to pay first on Medicare count toward my PEIA out-of-pocket maximum?

A. Because of the way the new plan is designed, you will not pay a Medicare deductible. See the answer to question #2 above.

5. Q. If the MAPD ends, does that mean I won't have PEIA anymore?

A. No. If the MAPD ends, PEIA will continue to provide medical benefits to retirees, either through the PEIA PPB Plan or through some other plan for which we contract.

6. Q. What happens if we don't save any money with the MAPD plan?

A. If that happens, PEIA will reassess the program and will continue to provide medical benefits to retirees, either through the PEIA PPB Plan or through some other plan for which we contract.

7. Q. Do I have to keep Medicare Part A and Part B?

A. Yes. In order for PEIA to collect the MAPD subsidy from the federal government, you will continue to pay your Medicare Part B premium through Social Security.

8. Q. Why is PEIA doing this?

A. There are two reasons to pursue these benefits:

1. Medicare is currently paying a very favorable capitation for MAPD plans. These are federal dollars that will help pay the medical costs of Medicare retirees if we move them to a MAPD plan.
2. PEIA and its participating employers are now required to report the financial liability for Other Post-Employment Benefits (OPEB), including retiree health benefits. This liability has been estimated by two different actuarial firms to be $8 billion, if the state continues to provide retiree benefits as they are currently offered. Moving to an MAPD plan and making the benefit changes will reduce this liability by about $3.5 billion. Since the OPEB liability will have an affect on the state's bond rating, it is

imperative that we act now to reduce the liability as much as possible.

10. Q. How did we get this $8 billion OPEB liability?

A. A.The state and its employers have always had a liability for retiree health care benefits, but beginning July 1, 2007, due to a change in accounting standards, the employers now have to report that liability on their financial statements. After much study, the retiree health benefits liability related to the current PEIA coverage has been estimated at $8 billion. The $8 billion represents the current value of what the state owes for current active and retired employees. It doesnt include the additional cost for each active employee that accrues every day.

It means that if we set aside $8 billion today to pay for future benefits, we would probably have enough money, including the interest that money would earn, to pay for the benefits for everyone covered under the plan right now. Thus, the total liability is actually much larger than $8 billion. The State is permitted to state the OPEB liability with the value of todays dollars. The $8 billion actuarially accrued liability can be spread out over 30 years for accounting purposes, but its not as simple as dividing the $8 billion by 30. There are both discount rate and investment rates that affect the actual present value factor that can be used. We also have to account for future increases in health care costs and new health care technologies, as well as the cost of retiree benefits for every current and future active employee. By changing retiree benefits now for current and future retirees, we can reduce that liability in coming years.

11. Q. Couldn't we delay this by a year?

A. If we delay these changes for a year, it will only increase the state's future liability and require more drastic changes in the future. It is imperative that we begin to deal with this issue immediately, so that we can take control of the future liability without creating an unreasonable hardship on any plan member. West Virginia is not the only state dealing with these issues. Every public entity is now required to report its OPEB liability, and all of them are working on ways to minimize the impact of the liability.

9. Q. What if I live outside West Virginia for part or all of the year? How will this change affect me?

A. Since PEIA will be contracting with an MAPD plan to provide coverage throughout the country, it should have little or no effect on retirees who live out of state.

11. Q. What if a retiree cannot afford these changes? Will they lose coverage?

A. If a retiree truly cannot afford these changes, PEIA offers a Retiree Assistance Program that provides premium and benefit relief to retirees who are at or below

250% of the Federal Poverty Level. The program reduces premiums and out-of-pocket costs for these retirees based on their income and their years of public service.

Since PEIA does not have income information for retirees, the only way we can administer the program is by requiring retirees to apply for this assistance. The application form is not complicated, but it does require the retiree to submit a copy of his/her most recent tax return so that we can determine what level of assistance the retiree qualifies for.

12. Q. I am a Medicare retiree, but my spouse doesn't have Medicare yet. What will happen to me and my spouse?

A. YOUR coverage will move to the MAPD plan, but your spouse will continue to have coverage through the PEIA PPB Plan until he or she reaches Medicare age, at which point he or she will also move to the MAPD plan. PEIA has designed benefits to keep costs for these "split" coverages at approximately the level they were before the move to MAPD.

13. Q. What about my lifetime maximum benefit? Will the amount I've used of it follow me to the MAPD?

A. No. Under MAPD there is no lifetime maximum benefit, so if you met or nearly met your lifetime maximum benefit under PEIA, you will start anew with MAPD and will have no maximum. If for some reason the retiree had to come back to the PEIA PPB plan in the future, he or she would come back with the same lifetime maximum that existed when he/she left the PEIA Plan.