



City of Racine, Wisconsin

## **COMMON COUNCIL**

### **AGENDA BRIEFING MEMORADUM (ABM)**

**COMMITTEE: Finance & Personnel Committee**

**LEGISLATION ITEM #:0880-24**

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**AGENDA DATE:** October 7, 2024 Finance and Personnel

October 15, 2024 Common Council

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**ABM Prepared by:** Emelia Lien, Benefits Manager

**Reviewed by:** Finance Director Kathleen Fischer

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**SUBJECT:** Communication sponsored by Alder Horton, on behalf of the Human Resources Benefits Manager, presenting a modification to the plan design for the City's Retiree Medicare Advantage health plan.

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#### **BACKGROUND AND ANALYSIS**

The Medicare Advantage plan is health plan that the City purchases for coverage for the Medicare Eligible retirees. The coverage has been purchased through United Healthcare and was first implemented on January 1, 2017. The current plan design of the Medicare Advantage plan consists of an embedded \$400 deductible and \$400 out-of-pocket maximum. Once the deductible and maximum out-of-pocket dollar amount is met, then all medical expenses are covered at 100%. This has been the plan design for the duration of offering this Medicare Advantage Plan. There were no modifications made to this plan design when the City moved to the HDHP (high deductible health plan) for active employees and pre-65 retirees.

The 2024 monthly premium billed to the City, per enrolled member, is \$283.21. The City currently has 843 members enrolled in the Medicare Advantage Plan resulting in a total annual cost to the City of over \$2.8 million. The retiree's have a 7.5% premium share in 2024.

Changes made by the Federal Government in the Inflation Reduction Act, which will be in effect for 2025, have greatly impacted the pricing of the Medicare Advantage plans and therefore the monthly premium amount the City would pay for such a plan.

The Inflation Reduction Act (2022) incorporates three major changes for Medicare Part D (Prescription Drug Coverage) in 2025;

1. Removal of the coverage gap
  - a. This is when members paid a significant portion of their prescription bills after the deductible/initial coverage stage.
2. A Lower maximum out-of-pocket cost
  - a. It is \$8,000 in 2024, but will be changing to \$2,000 for 2025
  - b. The new \$2,000 maximum out-of-pocket includes the amount paid by the member and others, such as the drug manufacturer.
  - c. Members, especially those with high-cost medications, can reach the maximum out-of-pocket without paying \$2,000 in deductible, copays or coinsurance
  - d. Once the maximum out-of-pocket is met, enrolled members pay \$0 for medications for the remainder of the year
3. New Medicare Prescription Payment Plan
  - a. Members can pay out-of-pocket prescription drug costs in the form of monthly payments over the course of the plan year instead of all at once to the pharmacy.
  - b. If member cannot make payment and defaults, the plan cannot continue to collect and will need to write off the outstanding dollar amount.

These federal government changes and the impact of them were not fully known by the providers until July of this year resulting in a bit of a scramble for the City and our benefit consultants. Because these changes shifted a significant amount of risk to the Health Plan providers it translated into higher premium costs for the City.

As part of our annual renewal process for our Medicare Advantage health plan our consultants requested quotes for our current provider (UHC) for 2025. To our surprise, UHC initially quoted an increase in premium cost to the City of almost \$1M. After much negotiation, the final renew quote that UHC offered us reflected over \$350,000 in increased costs to the City which was still unacceptable.

As a result of the elevated cost, our consultants, Brown & Brown went out to market to obtain quotes from other providers that offered Medicare Advantage plan options. Network Health submitted quotes for multiple Medicare Advantage plan designs and premium charges.

The City benefits team, consisting of HR, Attorneys, Finance, and City Administration analyzed all of the quotes with the following factors in mind: cost, parity to the active health plan, disruption, and comparability of benefits with surrounding agencies including Racine County and Racine Unified. Based on our thorough analysis we are presenting the recommendation to move to Network Health Option #8 for 2025 as noted on the attachment.

Moving to Network Health, with this new plan design, is projected to be a cost savings to the City (including Utilities) in the amount of approximately \$1M. The 2025 premium billed to the City, per enrolled member, would be \$163.00. The retiree's premium share would stay the same at 7.5% in 2025.

Due to significant cost increase resulting from the Federal legislative changes for 2025, the plan design not being assessed for over seven years, and to City's goal to achieving parity between the active employees, pre-Medicare eligible retirees, and Medicare eligible retirees, I am making the below recommendation to the Finance & Personnel Committee to approve the implementation of this Medicare Advantage Plan through Network Health.

**Staff Recommendation:**

That the modification to the plan design for the City's Retiree Medicare Advantage health plan be approved as presented and that the Human Resources Department be authorized to enter into an agreement with Network Health (NHP) for Retiree Medicare Advantage coverage for 2025.

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**FISCAL NOTE:**

City premium cost would be \$163 per member per month, for a total estimated cost of approximately \$1.7M. City cost will be included in the 2025 healthcare budget 70312 52115 at \$1.6M. The rest will be included in the Water Wastewater Budget.