CSA

Retiree Welfare Fund

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MEDICARE ADVANTAGE PLAN UPDATE

On Wednesday, July 14, 2021, the Municipal Labor Committee (MLC) Steering Committee and General Membership voted to approve implementation of the proposed Customized Medicare Advantage health plan, effective January 1, 2022. As you may know, the MLC is a bargaining organization made up of the various labor unions in New York City, so this decision is intended to improve the current health plan of all municipal retirees, including CSA retirees.

We know there has been public misinformation about how this might directly impact your benefits. We understand how critical our health plan is to CSA members, and a handful of retirees have asked why the MLC approved this plan. The enclosed materials, prepared by the MLC, present the background and their rationale for implementing the new plan and compare the current GHI Senior Care plan, which many of our retirees are enrolled in, to the new customized group Medicare Advantage plan.

Please be assured that we are constantly working to protect *all* the retirement benefits, including health care, that you earned through your many years of service to the children and City of New York. As you will see, several of the new benefits, such as an allowance toward a hearing aid and reimbursement for transportation and private duty nursing, are benefits you already receive from the CSA Retiree Welfare Fund, and will thus extend these welfare fund benefits.

We will work diligently to help ensure that all your questions are answered by those who developed the new plan. Please watch your email and mail for announcements of future informational sessions to discuss provisions of the new plan, and procedures to enroll in the new plan for next January. Until then, feel free to contact Fund Administrator Dr. Douglas V. Hathaway at dhathaway@csawf.org with any questions or concerns you may have.

In Good Health,

Mark Cannizzaro
Chairperson, Board of Trustees

Douglas V. Hathaway, Ph.D.
Fund Administrator

MLC Path To Preserving Benefits

Introduction

Health care costs have risen dramatically in the last decade. Many families across the country — and in the metropolitan area — are paying thousands of dollars every year as their share of the costs of the health insurance that they get from their employers.

New York City's annual health care costs have risen from some $5 billion to $11 billion in ten years, but City workers have largely been spared this burden. We still have quality, premium-free health coverage, thanks to the negotiating power that the Municipal Labor Committee wields with health insurers and providers.

Meanwhile the unions' own welfare funds spend millions of dollars every year to subsidize services that regular health insurance does not cover and that otherwise members would have to pay for themselves.

But despite these successes in sheltering our members and their families from rising costs, it has become necessary to take some additional steps and make strategic changes to deal with rising healthcare expenses.

As you know, the Active Members' healthcare plan has gone through multiple changes, including changing co-pays to incentivize more appropriate usage and by avoiding the use of expensive hospital settings for procedures like colonoscopies that could appropriately be done in outpatient facilities or physicians' offices. The result has been more than $4.5 billion in savings this past decade.

Unfortunately, the Retirees' Senior Care Program faces the same challenges. Without strategic action, retirees will be looking at additional out-of-pocket costs and eventually premiums that, once in place, will only grow.

The need is particularly urgent for the services provided by the unions' welfare funds, ranging from prescription drugs to dental/optical benefits. The Health Care Stabilization Fund, run jointly by the City and the MLC, faces the same pressures of rising healthcare costs, and will be completely depleted within the next year unless steps are taken now.

To ensure quality care and premium free health coverage for our retirees, the MLC has developed our own group Medicare Advantage Plan — a plan unlike any other MA program in existence.

This new plan mirrors and improves on the Senior Care Plan and will have aggressive oversight to ensure that member services are protected. Most importantly, under this plan retirees will still have access to the same providers and hospitals that they now use.

Critics have pointed out that previous individual Medicare Advantage saved money by limiting care. In our case, by developing a custom group Medicare Advantage plan, we will not only be able to preserve the same level of care, but the City and the MLC will also be able to tap into additional federal subsidies that we cannot now use to subsidize our Senior Care program.

All the savings from our proposed group Medicare Advantage program will be devoted to the Health Care Stabilization Fund and will go to support services for our members.

We have created a path to preserve members' benefits, and to protect all that we have fought and worked for.

MLC Path To Preserving Benefits

Strategic Plan

Our goal, as always, is to provide quality healthcare in an economically sustainable construct for our members and their families. We have seen in the recent years this become increasingly strained. In ten years, we have seen the City's cost for healthcare, both medical and hospital, rise from some $5 billion to $11 billion. Increases of this magnitude simply are not sustainable if we are to provide a quality, premium-free healthcare plan for our members.

To meet this goal, we have three components in play: (1) the plan for active members; (2) the plan for retirees; and (3) the Stabilization Fund, a fund jointly created and controlled by the MLC and the City, which supports benefits for both the active and retiree populations.

Accordingly, the MLC, as part of the last two sets of bargaining agreements, negotiated with the City to achieve savings in the "actives" plan, implementing programs to avoid the use of expensive hospital settings for procedures like colonoscopies that could appropriately be sited in outpatient facilities or physicians' offices; incentivize members to avoid unneeded use of costly hospital emergency rooms when appropriate, less expensive venues, like urgent care centers and/or primary care physicians, are more appropriate; increased specialist copays to encourage better relationships with primary care physicians; implemented managed care through Empire for utilization and high cost claims management; and secured a reduction in costs by having new hires go into the enhanced HIP HMO plan for their first year, a program that has seen over 95% of those hires remain in the plan after the expiration of the fixed period. Over the past two agreements, we have achieved significant savings—some $4.5 billion—which contributed to our wage increases without sacrificing quality and with maintaining a premium-free plan.

The retirees health plan has not been immune from these pressures. But for last year's aberrational Covid experience, the cost of Senior Care has increased well beyond expected norms. Over the past six years, the Senior Care plan cost has increased nearly 30%, which is 50% more than the average Medigap plan over that same period. To address this problem—and recognizing that there had been no changes to the retiree program corresponding to what had been undertaken for the actives—it had been agreed to put copays into place for Senior Care to work towards maintaining a premium-free, quality program. Implementation of that decision was deferred because of Covid's turning the world upside down and the onset of the bidding process for a Medicare Advantage program that promised significant savings. The expected resumption of "normal" increases in healthcare costs for retirees—a group that understandably makes significant use of medical providers—would certainly threaten the ability to maintain a premium-free plan.

Along with these challenges, we are also confronted with a steady diminishment of the Stabilization Fund, a fund that provides essential benefits to actives and retirees, including contributions to our welfare funds which typically provide prescription drug, dental and optical coverage; covers the costs for our PICA program for actives and pre-65 retirees, encompassing cancer drugs and injectables; funding enhanced mental health coverage; payment for the Empire Managed Care programs; and funding for various other health and welfare related benefits. the fund balance, net of reserves, stood at some $1.25 billion. Given the increasing costs of healthcare and benefits, the fund has been significantly depleted, with a balance, net of reserves, as of May 31,2021 at $391 million. While we have taken steps to support the Stabilization Fund through the above measures, the increasing costs of benefits have outstripped the resources of the Fund and it is presently scheduled to run out of money in FY 22 putting into doubt the provision of these essential benefits. Accordingly, as part of the Medicare Advantage construct, we insisted upon—and obtained—the City's agreement that *all savings generated from the Medicare Advantage program will go to support the Stabilizatio Fund.*

Where are these savings coming from? The federal government subsidizes Medicare Advantage programs because the programs relieve it from much of the back-office tasks associated with the Medicare program. This subsidy is *not* available for Senior Care, because Senior Care is not an MA program. Given the peril of the increasing cost of healthcare to our quality, premium-free programs and the fact that in the past several years the federal subsidies for Medicare Advantage programs have greatly increased to incentivize their use, it was determined to see what such a program could mean for us. Accordingly, working with our long-time healthcare consultants (Segal) and the City's (Milliman), an RFP-type proposal was put out for a plan customized for our members' needs. As we will now turn to, educated by Segal and Milliman, the result of the RFP was that we can benefit from these subsidies *to the tune of $500 million and more annually*—all while maintaining the same providers and hospitals that our retirees are currently using.

Customized Group Medicare Advantage Plan for NYC Retirees

- Senior Care plan becoming increasingly expensive; design changes were inevitable and in fact were scheduled for January 2021, but deferred due to COVID and MA discussions
- Implementing a MA plan produces **$500m+ in savings per year**, starting as early as January 1, 2022. This helps stabilize the long term financial status of retiree health care, and helps temporarily save the SF from depletion
- Offering this plan allows us to continue providing retirees with a health care plan with **no employee premium for health care**
- MA plans take advantage of significant Federal government subsidies, producing large savings and enhanced benefits, with minimal impact to retirees

Implementing MA brings long-term stability to post-65 retiree health coverage

About Customized Group Medicare Advantage (MA)

- More than 36% of all retirees today have moved into MA plans, and that continues to grow at strong pace – MA plans are stable and not going away
- While private companies administer the programs, the federal government is still paying the majority of the cost; with strict regulations and requirements enforced by Centers for Medicare & Medicaid Services (CMS)
- The plan that will be offered to City retirees is a **Group Medicare PPO**, which does not restrict access to providers or services like an Individual Medicare HMO might
- In a MA PPO, retirees can still see any doctor who accepts Medicare
- Federal subsidies to MA plans increase with higher quality of care, better programs, and greater member satisfaction; they are **<u>not based on managing/restricting care</u>**
- Simpler retiree experience: one ID card, one set of EOBs

Healthier Retirees = Larger Federal Subsidies

Why Customized MA Through the Alliance?

- Trusted partners: Alliance has a history of understanding and responding to the needs of the welfare funds and our members
- Alliance guarantees the cost to the City for the MA plan for at least 5 years, so savings are guaranteed for at least that time
- Provides many enhanced benefits to retirees as part of the MA plan, such as: hearing aid allowance, transportation, meals, wellness incentives, and out-of-pocket protection
- Alliance guaranteed that members will be able to use Memorial Sloan Kettering (MSK) and Hospital for Special Surgery (HSS) without disruption, and is working to bring both hospitals in network by 1/1/2022
- Superior provider access – same network as current Senior Care plan (see next slide) – this is not a restricted network

Provider Access

- **Per the Alliance, there will be no disruption in the member/ provider experience:**
  - Over 90% of current utilization ***will be covered on in-network basis***
  - In less than 10% of cases, Alliance concierge service will work with members and providers to arrange payment; however, ***members will be held harmless***
    - Alliance will also proactively perform outreach to these providers
  - Neither Medicare nor a Medicare Advantage plan will pay for services rendered by a provider that has opted-out of Medicare (less than 1% of all providers)
    - ***Medicare does not pay these providers under the current Senior Care plan***

"The Alliance was created to leverage Empire's proven national Medicare Advantage capabilities and combine the EmblemHealth and Empire provider networks that your retirees already know and use today. **There will be no disruption in the member/provider experience.**"

Stated on 3/12/2021
by The Alliance

Common Misconceptions about MA PPOs

Misconception	Alliance Group MA PPO Plan
• *"The MA Plan is making my copays go up on some services."*	• MLC and City had agreed to increase retiree copays in the Senior Care Plan effective January 1, 2021, but those changes were delayed due to COVID and the possibility of putting in an MA plan.
• *"I won't have the option to stay in Senior Care."*	• Retirees will still have the option to stay in Senior Care, HIP VIP or possibly other plans. However, there will be a cost to retirees to remain in these programs. • Based on the MA coverage, Emblem does not recommend retirees stay in the older plans.
• *"The Senior Care plan in place today provides retirees with protection from catastrophic costs."*	• The Senior Care plan does not have a cap on retirees' out-of-pocket costs; while the MA plan does protect retirees with an annual cap.
• *"I may not be able to see my doctor with an MA plan."*	• According to the Alliance, there will be no disruption in the member/provider experience.
• *"My drug rider coverage will have formulary and network changes."*	• The Drug Rider plan the Alliance will offer is the same plan as today, at a lower cost.

Plan Design Comparison: General

Provision	Senior Care (Today)	Senior Care (as of 1/1/22)	Alliance Medicare Advantage Plan
Annual Deductible	$253	$253	$253
Ann. Retiree Out-Of-Pocket Max*	No Limit / Protection	No Limit / Protection	$1,470
PCP Visit	No Copay	$15 Copay	$0 Copay
Specialist Visit	No Copay	$15 Copay	$15 Copay
Diagnostic Tests (X-rays, lab, radiology, etc.)	No Copay	$15 Copay	$15 Copay
Mental Health / Substance Use Disorder	No Copay	$15 Copay	$15 Copay
Urgent Care Center	No Copay	$15 Copay	$15 Copay
Preventive Services	No Copay	No Copay	No Copay
Rehab. Services	No Copay	$15 Copay	$15 Copay
Durable Medical Equipment (DME)	$25 Deductible, $2,500 Ann. Benefit Max. (combined with PDN & Ambulance)	Same as Today	Deductible applies, $0 Copay, no Ann. Max
Private Duty Nursing (PDN)	$25 Deductible, $2,500 Ann. Benefit Max. (combined with DME & Ambulance), 20% Coins.	Same as Today	Deductible applies, 20% Coins., $2,500 Ann. Max
Eye / Hearing Exam	No Copay	$15 Copay	$10-$15 Eye / $0 Hearing Copays**

* Out of Pocket Maximum protects retirees from catastrophic claims

** Eye exams, $10 copay is for PCPs, $15 copay is for Specialists. Hearing Exams must be Hearing Care Solutions in-network providers.

Plan Design Comparison: Hospital

Provision	Senior Care (Today)	Senior Care (as of 1/1/22)	Alliance Medicare Advantage Plan
Inpatient Stay	$300 Copay per stay, $750 ann. max.	$300 Copay per stay, $750 ann. max.	$300 Copay per stay, $750 ann. max.
Hospital Stay Coinsurance*	0% Coins. days 1-60 100% Coins. days 61-90 50% Coins. days 91-201 100% Coins. days 202-365	0% Coins. days 1-60 100% Coins. days 61-90 50% Coins. days 91-201 100% Coins. days 202-365	0% Coins. for all 365 days
Skilled Nursing Facility	No Copay days 1-100	No Copay days 1-100	No Copay days 1-100
Home Health Care	No Copay	No Copay	No Copay
Hospital Outpatient Services	No Copay	No Copay	No Copay
Outpatient Surgery	No Copay	No Copay	No Copay
Ambulance Services	$25 Deductible, $2,500 Ann. Benefit Max. (combined with PDN & DME)	Same as Today	$0 Copay, Deductible does not apply, no Ann. Max.
Emergency Care	$50 Copay	$50 Copay	$50 Copay

* Enhanced Hospital 365 Day Optional Rider would cover all of these coinsurances, but requires retiree to pay for it today. The Medicare Advantage plan would cover all of these automatically, at no additional cost.

Plan Design Comparison: Other

Provision	Senior Care (Today)	Senior Care (as of 1/1/22)	Alliance Medicare Advantage Plan
Meal Delivery	Not Covered	Not Covered	Up to 14 meals x 4 events = 56 meals / year, after inpatient stay or for certain weight / health conditions; also includes Healthy Pantry benefit
Fitness / Mobility Programs	Not Covered	Not Covered	Silver Sneakers program at no cost
Transportation	Not Covered	Not Covered	24 rides annually, up to 30 miles / ride
Fitness Tracker Device	Not Covered	Not Covered	Included at no cost
Hearing Aids	Not Covered	Not Covered	Up to $500 allowance, every 12 months
Voluntary Incentive Gift Card	Not Covered	Not Covered	Up to $200 in gift cards for completion of certain wellness activities

In Summary…

- Still **no retiree premium** for basic health coverage; continued Medicare Part B Reimbursement
- MA will have equivalent access to providers as Senior Care
- More emphasis on quality of care under MA plans
- Out-of-Pocket cost protection is provided (none under Senior Care)
- Inpatient hospital stay coverage improves, as does the cost of the optional Medicare D Drug Rider
- Several services (ex. non-PCP office visits, diagnostic services) will have copays
- Many “extra” services not offered under Senior Care (can save significant money for retirees)