

Coordination of Benefits (COB) State Analysis

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Background

- ▶ **Question:** How do other states provide health benefits to retirees who are enrolled in Medicare?
 - ▶ What types of plans are offered?
 - ▶ What benefits are covered?
 - ▶ What are the premiums, and do states contribute toward costs?
- ▶ **Methodology:** Milliman completed an analysis of all 50 states using their proprietary data library for health plan benchmarking, the Milliman Atlas of Public Employer Health Plans
- ▶ **Results:** There is great variability in whether and how states supplement Medicare coverage for retirees
 - ▶ Washington is the only state that offers every plan type

Plan Options for Retiree Health Coverage

- ▶ **Employers have several options for offering health benefits to retirees who are enrolled in Medicare:**
 - ▶ Medical
 - Coordination of coverage with original Medicare
 - Medicare Advantage (MA)
 - Medicare Supplement
 - ▶ Pharmacy
 - Medicare Part D: standalone or integrated with medical
 - Standard drug coverage: integrated with medical; creditable or non-creditable

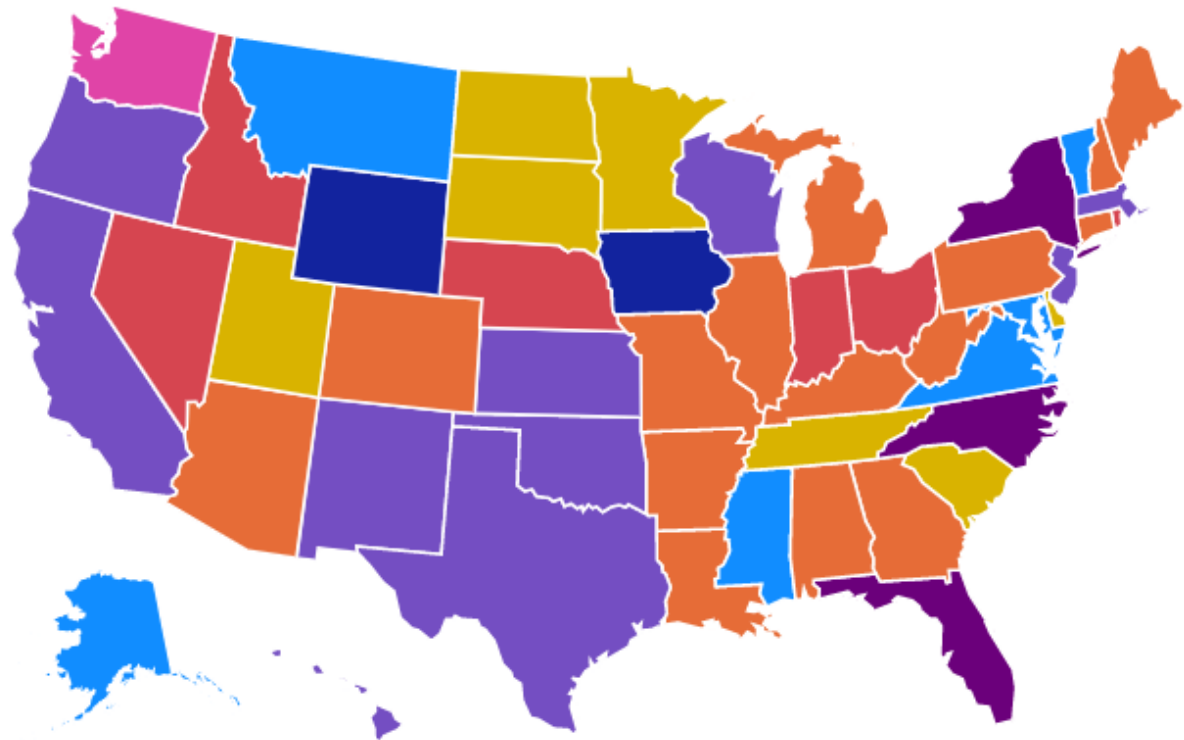
Benefit Provisions & Premium Contribution Strategies

- ▶ **Benefits vary widely by state and by plan**
 - ▶ HMO vs. PPO
 - ▶ Deductibles, out-of-pocket limits, cost-share (coinsurance and copays), visit limits, etc.
 - ▶ Covered benefits
 - ▶ Some states do not offer any plans to public retirees
- ▶ **States vary widely in the amount of premium charged to public retirees**
 - ▶ Fixed dollar or fixed percentage, regardless of what plan a retiree selects – most common (including Washington)
 - ▶ Variable contribution amount based on years of service
 - ▶ No contribution

Summary of Plan Options by State

Plan Type

- Coordination - 6
- Coordination + Medicare Supplement - 2
- MA - 15
- MA + Coordination - 3
- MA + Coordination + Medicare Supplement - 1
- MA + Medicare Supplement - 10
- Medicare Supplement - 7
- None - 6



Summary of Plan Options by State (*cont.*)

▶ Number of plans offered*:

- ▶ Average 4 plans
- ▶ Range of 1 to 20 plans
 - ▶ More plans correlated with larger retiree population and/or regional availability

▶ Funding status

- ▶ 20 states have only fully-insured plans (MA, Medicare Supplement)
- ▶ 13 states have only self-insured plans (COB, Medicare Supplement)
- ▶ 11 states have both fully-insured and self-insured plans
- ▶ 6 states offer no plans for Medicare eligible retirees

*Excludes 6 states that do not offer plans and grandfathered plans (i.e., plans that are not offered to new retirees)

Summary of Premium Contributions by State

Total 2023 monthly premium by plan type
(before employer contribution, if any)

	Medicare Advantage	Medicare Supplement	Coordination of Benefits
Median	\$200	\$411	\$462
Minimum	\$0	\$96	\$213*
Maximum	\$625	\$660	\$699

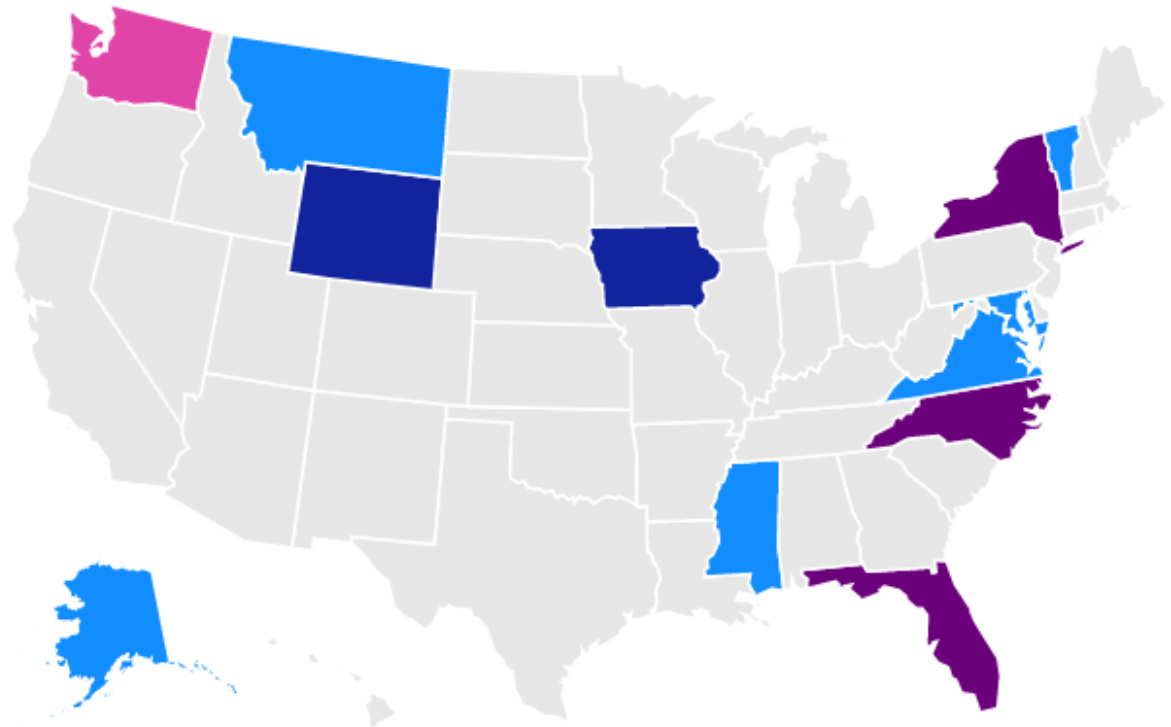
Total premiums unavailable for NY, PA and GA
Benefit coverage levels vary significantly

*Lowest cost plan does not include prescription drug coverage

States with Coordination Plan(s)

Plan Type

- Coordination
- Coordination + Medicare Supplement
- MA
- MA + Coordination
- MA + Coordination + Medicare Supplement
- MA + Medicare Supplement
- Medicare Supplement
- None



Types of Coordination Plans

- ▶ There are several ways that plans can design COB provisions for retirees who have Medicare as primary
 - ▶ **Carve-out:** Benefits costs are determined based on total plan eligible charges assuming no Medicare payment, less the amount of Medicare payment
 - ▶ **Maintenance of Benefits (MOB):** Subtracts Medicare payments from total plan eligible charges, then applies the plan's benefit limits and cost-sharing provisions to the remaining charges
 - ▶ **Coordination of Benefits (COB):** Medicare is treated as primary carrier and plans pay all amounts not covered by Medicare up to the amount that would be paid in the absence of Medicare
 - ▶ Only 6 states have COB plans: Florida, Mississippi, Montana, Virginia, Washington, and Wyoming

Types of Coordination Plans (*cont.*)

Illustration

	Carve-out	Maintenance of Benefits	Coordination of Benefits
Provider billed	\$200	\$200	\$200
Plan allowed amount	\$100	\$100	\$100
Plan normal benefit	\$85	\$85	\$85
Medicare pays	\$80	\$80	\$80
Plan pays	\$5	\$17	\$20
Member cost-share	\$15	\$3	\$0

COB Benefits Comparison

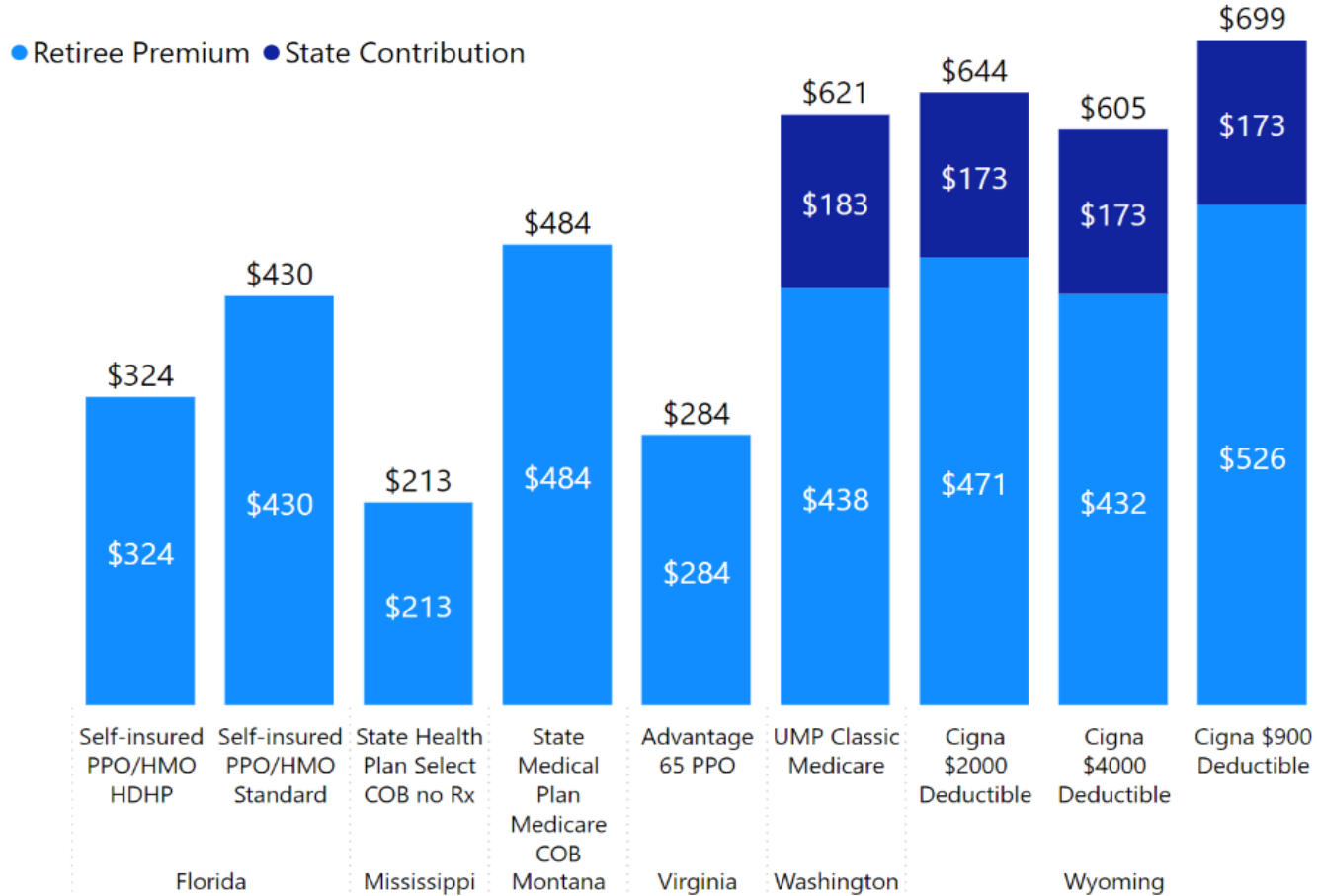
	Medical	Pharmacy	Vision Hardware	Hearing aids	State Premium Contribution
Florida	COB	Standard	Offered separately	Not covered	No
Mississippi	COB	None	Offered separately	Not covered	No
Montana	COB	Part D	Offered separately	Not covered*	No
Virginia	COB	Part D	Offered separately	Included in medical**	No
Washington	COB	Standard	Included in medical	Included in medical	Yes
Wyoming	COB	Part D	Offered separately	Not covered	Yes

*Hearing aids (for dependent children under age 19, and medically necessary cochlear implants, per medical policy)

**\$40 copayment for one hearing test every 48 months; up to \$1200 limit for hearing aids and/or supplies every 48 months

- ▶ Other covered services and benefit design features, including member cost-shares (deductibles, co-insurance/copay, out-of-pocket limits), are not easily comparable across states due to differences in COB provisions and plan administration.

2023 COB Premium Comparison



Summary

There is extensive variability in state sponsored retiree health coverage:

► Plan options

- ▶ Most states offer at least one health plan for retirees who are enrolled in Medicare
- ▶ WA is the only state that offers all plan types – MA, Medicare Supplement, and COB

► Benefits

- ▶ There is a broad range of cost-shares and supplemental benefits
- ▶ UMP offers very rich benefits (hearing aids, routine vision, prescription drugs, little to no member cost-share for medical services), which contributes to a higher premium

► State contribution

- ▶ Many states (~2/3) subsidize retiree premiums, but only 2 of out the 6 states with COB plan(s) provide any subsidy (WA and WY)

Questions?

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