

OPEB Benefits Reform



OPEB Recommendation Summary

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Quintin Robinson, Director of Human Resources

Access Only Medical Coverage

(Estimated Financial Impact: \$27M savings in FY15)

- Total of roughly 4,000 retirees in City of Memphis medical plan
 - ~1,500 Post-65 retirees with Medicare Coverage (**Move to Access Only Coverage**)
 - ~1,100 Post-65 retirees without both Medicare A and B (**Grandfather**)
 - ~1,400 Pre-65 Medicare-eligible retirees (**Move to Access Only**)
- **“Access Only Post-65 Medicare Retirees”** – Would pay 100% of the premium to remain in the city’s medical plans versus the 30% share they currently pay, premiums would more than triple.
- **Alternative for Post-65 Medicare Retirees** – add Medicare supplement (Medigap) and Medicare Part D prescription drug coverage for \$150 to \$300 per individual or \$300 to \$600 for a couple. * Medicare supplement would cover expenses not paid by primary Medicare coverage and Part D provides prescription drug coverage. Combined with their Medicare Parts A and B, the retirees would replace city coverage at nearly one-third the cost.
- **Alternatives for Pre-65 Retirees** – City’s switch to Access Only would create a special enrollment event that would allow pre-65 retirees to seek coverage through a current employer, enroll in a working spouse’s plan ** or seek replacement coverage through the federal exchange with monthly premiums costing \$300 to \$600 per individual.
- PwC has conducted an impact analysis that shows moving to Access Only coverage would reduce the OPEB unfunded liability from \$1.3B to approximately **\$300M**.
- **“Grandfathered Non-Medicare Group”** – retirees would continue City’s coverage under the current 70/30 cost share arrangement.

**estimated based on Medicare.gov calculator using zip code 38112. City would sponsor Medicare Supplement (Medigap) plans for the Post 65-group, ensuring lower group rate coverage for all post-65 Medicare Retirees regardless of age, pre-existing conditions*

** Approximately 488 Pre-65 retirees have working spouses whose employers offer family medical coverage*