

**LRB-RESEARCH AND ANALYSIS SECTION**

**FINANCE AND PERSONNEL COMMITTEE**

**ITEM 13, FILE # 060339**

**JULY 10, 2006**

**MARK A. RAMION**

File # 060339 is a substitute resolution authorizing and approving the use of a Medicare Part D Prescription Drug Plan and a Medicare Part D Wrap plan in 2007 for all Medicare retirees.

**Background**

1. This resolution authorizes and approves the use of a Medicare Part D Prescription Drug Plan (PDP) and a Medicare Part D Wrap plan in 2007 for all Medicare retirees.
2. The federal government has provided opportunities to use the Medicare Part D drug plan to reduce the cost for Medicare formulary drugs for Medicare retirees.

**Discussion**

1. This resolution will authorize the Department of Employee Relations to enter into a three-party contract with Navitus Health Solutions and Dean Health Care to administer the Medicare Part D prescription drug and wrap program.
2. Navitus Health Solutions, the City's current Prescription Benefit Manager for the Basic Plan, and Dean Health Care, have prepared an administrative plan to provide a Medicare Part D benefit to retirees in the Basic Plan without changing their benefits.
3. Retirees selecting the Basic Plan will have a Medicare Part D PDP and a Medicare D Wrap. **No other Basic Plan alternative will be offered to Medicare-eligible retirees.** The Medicare PDP provides the following benefits:
  - A 75% payment for prescription medications
  - The member will have a \$285 annual deductible
  - The Medicare prescription formulary must be utilized

For those **under** age **65** years, the city pays 100% of the low cost HMO for management retirees who retire after January 1, 2004, 100% of any plan for those management employees who retired before January 1, 2004 and continues to pay 100% of any plan for eligible general city retirees (excluding police and fire personnel). City payment for fire and police retirees in this category is dependent upon a formulary ranging from 65%-100%.

For those age **65 years and older**, the city pays 25% of any health plan selected, basic or HMO. The cost of the plan for the individual will be dependent upon the retirees' Medicare status and whether or not there is a spouse or dependent child/children to be included.

4. The Medicare "Wrap" will fill the difference (all funding gaps will be covered) for the retiree. Retirees will see a reduction in their 20% co-insurance for all formulary drugs. Retirees will benefit from a 20% payment of the 25% co-insurance balance for the medication for formulary medications. The wrap refers to how Medicare and the Basic Plan will work together for individuals who are dually enrolled in each program. Specifically, Medicare serves as the primary payer, and Basic Plan coverage "wraps around" to fill in gaps in Medicare coverage. The wrap will pick up all of the Medicare deductible.
5. Under the terms of this resolution, the City agrees to allow retirees to return to the current Basic Plan drug plan administered by Navitus Health solutions if the Medicare Part D program were to be eliminated by the federal government.

**Fiscal Effect**

1. The Medicare PDP will pay an estimated \$175 per month of the \$255 per month drug cost for Medicare retirees. The administration by Navitus and the cost of the premium for the PDP are approximately \$51 per month per Medicare retiree. The net savings to each Medicare retiree is a premium reduction of \$100 per month, or \$200 per month for two with Medicare.
2. As the savings cited are based upon an average, the actual cost savings to the City may vary based upon the prescription medications utilized by the individual retirees. The City share of the cost for Medicare retirees is not expected to change with this agreement.

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