



**STATE OF WASHINGTON
HEALTH CARE AUTHORITY**

626 8th Avenue, SE • P.O. Box 45502 • Olympia, Washington 98504-5502

June 15, 2023

The Hon. Patty Murray, Senator
The Hon. Suzan DelBene, Representative
The Hon. Marie Gluesenkamp Perez, Representative
The Hon. Cathy McMorris Rodgers, Representative
The Hon. Pramila Jayapal, Representative
The Hon. Adam Smith, Representative
United States Capitol
Washington, D.C. 20510

The Hon. Maria Cantwell, Senator
The Hon. Rick Larsen, Representative
The Hon. Dan Newhouse, Representative
The Hon. Derek Kilmer, Representative
The Hon. Kim Schrier, Representative
The Hon. Marilyn Strickland, Representative
United States Capitol
Washington, D.C. 20510

Dear Members of the Washington State Congressional Delegation:

Public sector Medicare-enrolled retirees participating in the most popular option of Washington State's offered health insurance retiree plans are at a significant financial disadvantage because of existing provisions of the Social Security Act. Limitations on the types of plans that qualify and receive significant risk-adjusted subsidies administered by the Center for Medicare & Medicaid Services (CMS), disproportionately burden Medicare enrollees in high-quality plans that feature benefits equal to, or more robust than, plans that do qualify for these valuable subsidies.

In this letter the Washington State Health Care Authority (HCA) outlines our understanding of current limitations in federal law that result in the state's ongoing challenges to sustain a beloved and valued state sponsored plan for its Medicare retirees, due to thousands of dollars in subsidies that are not able to be realized.

PEBB Background

The Public Employees' Benefits Board (PEBB) Program, dating back to the 1980s, is a state-sponsored and administered benefits offering program with a suite of self-insured and fully insured insurance benefits made available to eligible employees, non-Medicare retirees, Medicare retirees, and their dependents. The PEBB Program provides benefits for public, higher education, and K-12 employees and retirees. As of April 2023, approximately:

- 395,000 Washingtonians are covered by medical plans offered in the PEBB Program
- 115,000 of those covered in the PEBB Program are retirees
- 92.8% of PEBB Program retirees are enrolled in Medicare Parts A & B, and the remaining retirees are not yet Medicare eligible

The PEBB Program has a range of plan offerings available to its Medicare retirees, included in Table 1 on the next page. For decades, the most popular plan selected by PEBB Medicare retirees is called “Uniform Medical Plan (UMP) Classic Medicare”. This plan is a self-insured coordination of benefits (COB) plan, with creditable Medicare Part D prescription drug coverage. As a COB plan this means Original Medicare Fee-For-Service pays primary on medical claims and UMP pays secondary, but for pharmacy claims UMP is the sole payer.

Table 1: Plan Options for PEBB Program Medicare Retirees (January 2023)

| | Plan Type | Availability | Provider Network | Drug Coverage | % PEBB Medicare Population Enrolling |
|--|---|---------------------|-------------------------|--------------------------|---|
| Uniform Medical Plan (UMP) Classic Medicare | Self-Insured, Coordination of Benefits (COB) | Nationwide | PPO | Creditable Drug Coverage | 41.2% |
| Kaiser Permanente WA Original Medicare | Coordination of Benefits (COB) | Regional | HMO | Creditable Drug Coverage | 3.2% |
| Kaiser Permanente WA Medicare Advantage | Medicare Advantage (MA) | Regional | HMO | Creditable Drug Coverage | 19.4% |
| Kaiser Permanente NW Senior Advantage | Medicare Advantage (MA) | Regional | HMO | Creditable Drug Coverage | 2.2% |
| UnitedHealthcare PEBB Balance | Medicare Advantage plus Prescription Drug (MA-PD) | Nationwide | PPO | Part D | 0.3% |
| UnitedHealthcare PEBB Complete | Medicare Advantage plus Prescription Drug (MA-PD) | Nationwide | PPO | Part D | 13.6% |
| Premera Blue Cross Plan F* | Medicare Supplement | Nationwide | PPO | None | 13.4% |
| Premera Blue Cross Plan G | Medicare Supplement | Nationwide | PPO | None | 6.6% |

* closed to new enrollment

Federal Subsidy Qualification

Although there are multiple federal subsidies in the Medicare space, the most valuable and comprehensive federal subsidies are those that are risk-adjusted and available only to Medicare Advantage (MA, also known as Part C) plans and Medicare Advantage plus Prescription Drug (MA-PD) plans. The eligibility for these specific subsidies is included in Sections 1853, 1854, and 1858 under Title XVIII of the Social Security Act. Because plans that coordinate benefits with Original Medicare are not included in these Social Security Act provisions, plans like UMP Classic Medicare are ineligible to receive these valuable subsidies which offset plan costs and help make monthly premiums more affordable. HCA understands this is not simply a matter of possible regulatory interpretation by CMS, but instead a limitation in the Social Security Act itself.

Plans that do receive these subsidies are at a significant advantage compared to COB plans (like UMP Classic Medicare). The subsidies received by the carriers can be worth thousands of dollars per enrollee annually, (especially for plans with pharmacy coverage) and directly drive down the overall monthly premiums owed by an enrolled retiree. **But even more importantly, these subsidies that other plans receive are risk-adjusted – meaning that as their covered populations age and more services are used, the subsidies the carriers receive also increase.** This further insulates enrollees in those subsidized plans from substantial premium spikes. In contrast, if the cost required to provide care to an aged population in COB plans (like UMP Classic Medicare) increases, there is little to insulate all enrolled retirees from having substantial increases in their monthly premiums.

The value of these risk-adjusted subsidies, and their ultimate impact on monthly premiums owed by enrolled retirees, is *significant*. Although the valuable risk-adjusted subsidies described in the letter are not the only piece in play for setting the PEBB Program’s Medicare premiums, they are the *primary* factor driving the large differences in the annual premium costs of UMP Classic Medicare compared to all the other plan options available to our Medicare retirees.

Table 2: 2023 Annual Medicare Plan Premiums per enrollee*

| | |
|--|------------|
| Uniform Medical Plan (UMP) Classic Medicare | \$5,260.08 |
| Kaiser Permanente WA Original Medicare & Medicare Advantage (Part C) | \$2,095.08 |
| Kaiser Permanente NW Senior Advantage Medicare Advantage (Part C) | \$2,113.56 |
| UnitedHealthcare PEBB Balance Medicare Advantage plus Prescription Drug (MA-PD) | \$1,475.28 |
| UnitedHealthcare PEBB Complete Medicare Advantage plus Prescription Drug (MA-PD) | \$1,747.56 |

| | |
|--|------------|
| Premera Blue Cross Plan F [^] | \$1,381.92 |
| Premera Blue Cross Plan G | \$1,968.60 |

** Does not include Part B premiums paid directly to the Social Security Administration, nor Part D premiums if a retiree is enrolled in Plan F or Plan G*

[^] closed to new enrollment

Historically, it appears that the subsidies originally developed in the Social Security Act were designed to help make Medicare Advantage (Part C) plans, and later extended to Medicare Advantage-Prescription Drug (MA-PD) plans, competitive enough to enter the market and become sustainable. The competitive advantage of these subsidies has proven so powerful in reducing premiums that as of 2023 almost half of Medicare enrollees nationwide are now enrolled in a Part C or MA-PD plan. State plans for public sector retirees are illustrative here, as of 2023: 25 states offer only Medicare Advantage plan options or a combination of Medicare Advantage and Medicare Supplemental plan options, 8 states offer only Medicare Supplemental plan options, and 3 states offer no plan options to their aged 65+ retirees while another 3 states offer a subsidy for individual market plan options; only 10 states, in addition to Washington State, have a combination of offerings that include some form of a COB plan, but there is *wide variability in plan design compared to UMP Classic Medicare* (i.e., some with no drug coverage, some with *much* higher deductibles and out of pocket maximums compared to UMP Classic Medicare, etc.) **It is now the traditional, non-privatized original Medicare plan designs that are at such a competitive disadvantage that they need similar financial support to survive.**

Washington State Stakeholders

Importantly, numerous retiree stakeholder organizations in Washington State have raised significant concerns about the overall national trend toward privatization of Medicare. HCA has been engaging with many retiree organizations on a regular basis over the past year on a wide range of retiree insurance topics, since the 2023 premium increase and structural subsidy disadvantage of the Uniform Medical Plan Classic became more pronounced. Among our work, this past winter/spring the agency has been engaging in 24 listening sessions with retiree enrollees. One of the most common themes raised during these listening sessions has been finding a way to maintain *affordable* traditional, non-privatized Medicare plan choices for retirees, who gave decades of public service with the promise of an affordable retirement. Retiree stakeholders encouraged HCA's creation of this letter, and we would be happy to connect your offices with interested stakeholders who desire federal action on this issue.

Conclusion

In recent years, Washington state PEBB program retirees enrolled in UMP Classic Medicare have faced significant premium increases compared to other available plan options – for example, an approximately 20% single year increase between plan years 2022 and 2023. A primary driver of these annual premium differences is the fact that coordination of benefit plans are **not** eligible for substantial risk-adjusted subsidies made available in the Social Security Act and distributed by CMS. Modifying the eligibility provisions for these subsidies could provide

significant financial relief to tens of thousands of public sector retirees in Washington State. HCA is ready and available to meet with you or our staff to further discuss this important topic and answer any questions.

Sincerely,



Susan E. Birch, MBA, BSN, RN
Director

cc: Kelli Jackson – kelli_jackson@murray.senate.gov
Elizabeth Darnall – elizabeth_darnall@murray.senate.gov
Kevin Chang – kevin_chang@cantwell.senate.gov
Abe Friedman – abe.friedman@mail.house.gov
Mai Nguyen – mai.nguyen@mail.house.gov
Noelle Gasper – noelle.gasper@mail.house.gov
Olivia Babine – Olivia.babine@mail.house.gov
Liz Payne – liz.payne@mail.house.gov
Victoria Bautista – Victoria.bautista@mail.house.gov
Elizabeth Beltran – elizabeth.beltran@mail.house.gov
Maggie Sauerhage – Maggie.sauerhage@mail.house.gov
Rachel Madley – rachel.madley@mail.house.gov
Alicia Bissonnette- Alicia.bissonnette@mail.house.gov
Morgan Wilson – Director, Federal & Inter-State Affairs, GOV
Molly Voris – Senior Policy Advisor – GOV
Mich'l Needham – Chief Policy Officer, PD, HCA
Dave Iseminger – PEBB & SEBB Program Director, ERB, HCA