

Public Employees Benefits Board Meeting

June 29, 2023

Public Employees Benefits Board

June 29, 2023

9:00 a.m. – 2:00 p.m.

This meeting will be hybrid with attendance options both in person and via Zoom

Health Care Authority
Sue Crystal A & B
626 8th Avenue SE
Olympia, Washington

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TAB 1

Public Employees Benefits Board Meeting
June 29, 2023
9:00 a.m. – 2:00 p.m.

This meeting will be hybrid with attendance options either in person or via Zoom. Masks are optional.

TO JOIN ZOOM MEETING – SEE INFORMATION BELOW

9:00 a.m.*	Welcome and Introductions		Sue Birch, Chair	
9:05 a.m.	Meeting Overview		Dave Iseminger, Director Employees & Retirees Benefits (ERB) Division	Information
9:10 a.m.	Approval of Meeting Minutes: • June 8, 2023	TAB 3	Sue Birch, Chair	Action
9:20 a.m.	UMP CDHP IRS Minimum Deductible	TAB 4	Janice McAlpin, Senior Account Manager Employees & Retirees Benefits (ERB) Division	Action
9:30 a.m.	UMP COVID-19 Over-The-Counter Test Coverage	TAB 5	Janice McAlpin, Senior Account Manager Employees & Retirees Benefits (ERB) Division	Action
9:40 a.m.	Pharmacy Formulary Development: from FDA Approval to Plan Coverage	TAB 6	Luke Dearden, Clinical Pharmacist Clinical Quality & Care Transformation (CQCT) Division	Information/ Discussion
10:05 a.m.	Open Enrollment Member Communications Survey	TAB 7	Michelle George, Communications Manager Communications (COM) Division	Information/ Discussion
10:25 a.m.	PEBB Program Benefits Cycle	TAB 8	John Partin, Section Manager Employees & Retirees Benefits (ERB) Division	Information/ Discussion
10:45 a.m.	2024 Medicare Premiums	TAB 9	Molly Christie, Fiscal Analyst Financial Services Division (FSD)	Information/ Discussion
11:15 a.m.	Medicare Update	TAB 10	Ellen Wolfhagen, Senior Account Manager Employees & Retirees Benefits (ERB) Division	Information/ Discussion
11:30 a.m.	General Public Comment			
12:10 p.m.	Closing			
12:15 p.m.	Transition to Executive Session			
12:20 p.m.	Executive Session			
2:00 p.m.	Adjourn		Sue Birch, Chair	

*All Times Approximate

The Public Employees Benefits Board will meet Thursday, June 29, 2023 at the Washington State Health Care Authority, Sue Crystal Rooms A & B, 626 8th Avenue SE, Olympia, WA. Attendance for this meeting can be in person or via Zoom. Masks are optional.

The Board will consider all matters on the agenda plus any items that may normally come before them.

Pursuant to RCW 42.30.110(1)(L), the Board will meet in in Executive Session to consider proprietary or confidential nonpublished information related to the development, acquisition, or implementation of state purchased health care services as provided in RCW 41.05.026. The Executive Session will begin at 11:15 p.m. and will conclude no later than 2:00 p.m.

No "final action," as defined in RCW 42.30.020(3), will be taken in the Executive Session.

This notice is pursuant to the requirements of the Open Public Meeting Act, Chapter 42.30 RCW.

To provide public comment by email, direct e-mail to: PEBBoard@hca.wa.gov.

Materials will be posted at <http://www.pebb.hca.wa.gov/board/> by close of business on June 26, 2023.

Join Zoom Meeting

<https://us02web.zoom.us/j/85477077431?pwd=b3A5aElyZ1BBRGNabW1iWS9YOVZ4QT09>

Meeting ID: 854 7707 7431

Passcode: 854455

One tap mobile

+12532158782,,85477077431#,,,,*854455# US (Tacoma)

+12532050468,,85477077431#,,,,*854455# US

Dial by your location

- +1 253 215 8782 US (Tacoma)
- +1 253 205 0468 US
- +1 669 444 9171 US
- +1 669 900 6833 US (San Jose)
- +1 719 359 4580 US
- +1 346 248 7799 US (Houston)
- +1 309 205 3325 US
- +1 312 626 6799 US (Chicago)
- +1 360 209 5623 US
- +1 386 347 5053 US
- +1 507 473 4847 US
- +1 564 217 2000 US
- +1 646 931 3860 US
- +1 689 278 1000 US
- +1 929 205 6099 US (New York)
- +1 301 715 8592 US (Washington DC)
- +1 305 224 1968 US

Meeting ID: 854 7707 7431

Passcode: 854455

Find your local number: <https://us02web.zoom.us/j/85477077431>

PEB Board Members

Name	Representing
Sue Birch, Director Health Care Authority 626 8 th Ave SE PO Box 42713 Olympia WA 98504-2713 V 360-725-2104 sue.birch@hca.wa.gov	Chair
Kurt Spiegel WA Federation of State Employees 1212 Jefferson ST SE #300 Olympia WA 98501 V 833-622-9373 PEBBoard@hca.wa.gov	State Employees
Elyette Weinstein 5000 Orvas CT SE Olympia WA 98501-4765 V 360-705-8388 PEBBoard@hca.wa.gov	State Retirees
Tom MacRobert 4527 Waldrick RD SE Olympia WA 98501 V 360-264-4450 PEBBoard@hca.wa.gov	K-12 Retirees
Michaela Doelman Office of Financial Management 302 Sid Snyder Ave Olympia WA 98501 C 360-790-8315 PEBBoard@hca.wa.gov	Benefits Management/Cost Containment

PEB Board Members

Name	Representing
Monica McLemore 10002 Aurora Ave N Seattle WA 98125 V 510-239-7162 PEBBoard@hca.wa.gov	Benefits Management/Cost Containment
John Comerford* 121 Vine ST Unit 1205 Seattle, WA V 206-625-3200 PEBBoard@hca.wa.gov	Benefits Management/Cost Containment
Harry Bossi 19619 23 rd DR SE Bothell WA 98012 V 360-689-9275 PEBBoard@hca.wa.gov	Benefits Management/Cost Containment
Legal Counsel Michael Tunick, Assistant Attorney General 7141 Cleanwater DR SW PO Box 40124 Olympia WA 98504-0124 V 360-586-6495 MichaelT4@atg.wa.gov	

*non-voting members

1/27/23



Washington State Health Care Authority
Public Employees Benefits Board

P.O. Box 42713 • Olympia, Washington 98504-2713
360-725-0856 • TTY 711 • FAX 360-586-9551 • www.pebb.hca.wa.gov

PEB BOARD MEETING SCHEDULE

2023 Public Employees Benefits (PEB) Board Meeting Schedule

The PEB Board meetings will be held at the Health Care Authority, Sue Crystal Center, Rooms A & B, 626 8th Avenue SE, Olympia, WA 98501.

February 2, 2023 (Board Retreat) 9:00 a.m. – 4:00 p.m.

March 9, 2023 - 9:00 a.m. – 1:30 p.m.

April 13, 2023 - 9:00 a.m. – 1:30 p.m.

May 11, 2023 - 9:00 a.m. – 1:30 p.m.

June 8, 2023 - 9:00 a.m. – 1:30 p.m.

June 29, 2023 – 9:00 a.m. – 1:30 p.m.

July 12, 2023 - 9:00 a.m. – 12:00 p.m.

July 19, 2023 - 9:00 a.m. – 12:00 p.m.

July 26, 2023 - 9:00 a.m. – 12:00 p.m.

If you are a person with a disability and need a special accommodation, please contact Connie Bergener at 360-725-0856

7/5/22

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: July 12, 2022

TIME: 9:19 AM

WSR 22-15-022

TAB 2

PEB BOARD BY-LAWS

ARTICLE I

The Board and its Members

1. **Board Function**—The Public Employees Benefits Board (hereinafter “the PEBB” or “Board”) is created pursuant to RCW 41.05.055 within the Health Care Authority; the PEBB’s function is to design and approve insurance benefit plans and establish eligibility criteria for participation in insurance benefit plans for Higher Education and State employees, State retirees, and school retirees.
2. **Staff**—Health Care Authority staff shall serve as staff to the Board.
3. **Appointment**—The Members of the Board shall be appointed by the Governor in accordance with RCW 41.05.055. Board Members shall serve two-year terms. A Member whose term has expired but whose successor has not been appointed by the Governor may continue to serve until replaced.
4. **Non-Voting Member**—There shall be one non-voting Members appointed by the Governor because of their experience in health benefit management and cost containment.
5. **Privileges of Non-Voting Member**—The non-voting Member shall enjoy all the privileges of Board membership, except voting, including the right to sit with the Board, participate in discussions, and make and second motions.
6. **Board Compensation**—Members of the Board shall be compensated in accordance with RCW [43.03.250](#) and shall be reimbursed for their travel expenses while on official business in accordance with RCW [43.03.050](#) and [43.03.060](#).

ARTICLE II

Board Officers and Duties

1. **Chair of the Board**—The Health Care Authority Administrator shall serve as Chair of the Board and shall preside at all meetings of the Board and shall have all powers and duties conferred by law and the Board’s By-laws. If the Chair cannot attend a regular or special meeting, he or she shall designate a Chair Pro-Tem to preside during such meeting.
2. **Other Officers**—(reserved)

ARTICLE III
Board Committees

(RESERVED)

ARTICLE IV
Board Meetings

1. Application of Open Public Meetings Act—Meetings of the Board shall be at the call of the Chair and shall be held at such time, place, and manner to efficiently carry out the Board's duties. All Board meetings, except executive sessions *as permitted by law*, shall be conducted in accordance with the Open Public Meetings Act, Chapter 42.30 RCW.
2. Regular and Special Board Meetings—The Chair shall propose an annual schedule of regular Board meetings. The schedule of regular Board meetings, and any changes to the schedule, shall be filed with the State Code Reviser's Office in accordance with RCW 42.30.075. The Chair may cancel a regular Board meeting at his or her discretion, including the lack of sufficient agenda items. The Chair may call a special meeting of the Board at any time and proper notice must be given of a special meeting as provided by the Open Public Meetings Act, RCW 42.30.
3. No Conditions for Attendance—A member of the public is not required to register his or her name or provide other information as a condition of attendance at a Board meeting.
4. Public Access—Board meetings shall be held in a location that provides reasonable access to the public including the use of accessible facilities.
5. Meeting Minutes and Agendas—The agenda for an upcoming meeting shall be made available to the Board and the interested members of the public at least 24 hours prior to the meeting date or as otherwise required by the Open Public Meetings Act.

Agendas may be sent by electronic mail and shall also be posted on the HCA website. An audio recording (or other generally accepted electronic recording) shall be made of the meeting. HCA staff will provide minutes summarizing each meeting from the audio recording. Summary minutes shall be provided to the Board for review and adoption at a subsequent Board meeting.

6. Attendance—Board Members shall inform the Chair with as much notice as possible if unable to attend a scheduled Board meeting. Board staff preparing the minutes shall record the attendance of Board Members at the meeting for the minutes.

ARTICLE V
Meeting Procedures

1. Quorum—Five voting members of the Board shall constitute a quorum for the transaction of business. No final action may be taken in the absence of a quorum. The Chair may declare a meeting adjourned in the absence of a quorum necessary to transact business.
2. Order of Business—The order of business shall be determined by the agenda.
3. Teleconference Permitted—A Board Member may attend a meeting in person or, by special arrangement and advance notice to the Chair, by telephone conference call, or video conference when in-person attendance is impracticable.
4. Public Testimony—The Board actively seeks input from the public at large, from enrollees served by the PEBB Program, and from other interested parties. Time is reserved for public testimony at each regular meeting, generally at the end of the agenda. Opportunity for public testimony at Board meetings shall also be made available immediately before the Board’s vote on a resolution. At the direction of the Chair, opportunities for public testimony may also be made available at other times during Board meetings. The Chair has authority to limit the time for public testimony, including the time allotted to each speaker, depending on the time available and the number of persons wishing to speak.
5. Motions and Resolutions—All actions of the Board shall be expressed by motion or resolution. No motion or resolution shall have effect unless passed by the affirmative votes of a majority of the Board Members present and eligible to vote, or in the case of a proposed amendment to the By-laws, a 2/3 majority of the Board.
6. Representing the Board’s Position on an Issue—No Board Member may endorse or oppose an issue purporting to represent the Board or the opinion of the Board on an issue unless the majority of the Board approve of such position.
7. Manner of Voting—On motions, resolutions, or other matters a voice vote may be used. At the discretion of the Chair, or upon request of a Board Member, a roll call vote may be conducted. Proxy votes are not permitted, but the prohibition of proxy votes does not prevent a Chair Pro-Tem designated by the Health Care Authority Director from voting.
8. Parliamentary Procedure—All rules of order not provided for in these By-laws shall be determined in accordance with the most current edition of Robert’s Rules of Order. Board staff shall provide a copy of *Robert’s Rules* at all Board meetings.
9. Civility—While engaged in Board duties, Board Members’ conduct shall demonstrate civility, respect, and courtesy toward each other, HCA staff, and the public and shall be guided by fundamental tenets of integrity and fairness.
10. State Ethics Law and Recusal—Board Members are subject to the requirements of the Ethics in Public Service Act, Chapter 42.52 RCW. A Board Member shall recuse

himself or herself from casting a vote as necessary to comply with the Ethics in Public Service Act.

ARTICLE VI
Amendments to the By-Laws and Rules of Construction

1. Two-thirds majority required to amend—The PEBB By-laws may be amended upon a two-thirds (2/3) majority vote of the Board.
2. Liberal construction—All rules and procedures in these By-laws shall be liberally construed so that the public's health, safety and welfare shall be secured in accordance with the intents and purposes of applicable State laws and regulations.

Last Revised March 9, 2023

TAB 3

Draft
Public Employees Benefits Board
Meeting Minutes

June 8, 2023
Health Care Authority
Sue Crystal Rooms A & B
Olympia, Washington
9:00 a.m. – 1:15 p.m.

The Briefing Book with the complete presentations and an audio recording of the meeting can be found at:
<https://www.hca.wa.gov/about-hca/programs-and-initiatives/public-employees-benefits-board-pebb-program/meetings-and-materials#meeting-materials>

Members Present in Olympia

Lou McDermott, Chair Pro-Tem
Kurt Spiegel
Elyette Weinstein
John Comerford
Harry Bossi
Tom MacRobert

Members Present via Zoom

Michaela Doelman
Monica McLemore (joined around 10:25 a.m.)

Members Absent

None

SEB Board Counsel

Michael Tunick, AAG

Call to Order

Lou McDermott, Chair Pro-Tem, called the meeting to order at 9:03 a.m. Sufficient members were present to allow a quorum. Board members and the public were able to attend either in person or virtually via Zoom.

Meeting Overview

David Iseminger, Director, Employees and Retirees Benefits (ERB) Division, provided an overview of the agenda.

Approval of Meeting Minutes

Elyette Weinstein moved, and Harry Bossi seconded a motion to approve the May 11, 2023 meeting minutes. Two amendments were named during the meeting – one change to the public comment section and one change to the present Board members list. Minutes were approved as amended by unanimous vote. Monica McLemore was absent for voting.

May Meeting Follow Up

David Iseminger, Director of the Employees and Retirees Benefits (ERB) Division, provided a verbal update regarding the Benefits 24/7 application and delaying its launch that was scheduled for June 12, 2023. At this time there a new launch date has not been identified.

UMP Hearing Instruments Benefit

Janice McAlpin, Senior Account Manager in the Employees and Retirees Benefits (ERB) Division, brought a resolution to the PEB Board for voting regarding aligning the UMP hearing instruments benefit with legislation passed in the 2023 session.

- *PEBB 2023-03 UMP Hearing Instruments Benefit.* Harry Bossi moved, and Tom MacRobert seconded a motion to approve the resolution. The resolution passed with a unanimous vote. Monica McLemore was absent for voting.

The following members of the public provided comments regarding the UMP hearing instruments benefit resolution:

- **Fred Yancey**, with concerns
- **Amy Fortier**, with concerns

UMP CDHP IRS Minimum Deductible

Janice McAlpin, Senior Account Manager in the Employees and Retirees Benefits (ERB) Division, presented information to the Board regarding the UMP Consumer Health Directed Plan (CDHP) and proposed resolution PEBB 2023-04 regarding setting the annual deductible for the plan to align with the minimum annual deductible level established by the Internal Revenue Service (IRS).

No action was taken, and voting is scheduled to occur on this resolution at the June 29, 2023 PEB Board meeting.

Federal Public Health Emergency Unwind

Shawna Lang, Portfolio Management and Monitoring Section Manager in the Employees and Retirees Benefits (ERB) Division, gave an update on the federal public health emergency unwind and COVID-19 benefit coverage changes. The presentation included public health emergency coverage and information as well as actions taken after the federal public health emergency ended for Washington Apple Health (Medicaid), and the PEBB Program plans, including Premera, Kaiser Permanente, and the Uniform Medical Plan. Topics also included UMP's COVID-19 coverage history, and proposed resolution PEBB 2023-05 regarding UMP over-the-counter COVID-19 test coverage.

No action was taken, and voting is scheduled to occur on this resolution at the June 29, 2023 PEB Board meeting.

Coordination of Benefits State Analysis

Molly Christie, Fiscal Analyst in the Financial Services Division, gave an overview of some information on a multi-state analysis regarding retiree health plan offerings. Details included plan options for retiree health coverage, benefit provisions and premium contribution strategies, summaries of plan options and premium contributions by state, types of coordination plans, and coordination of benefits comparisons including benefits and premiums.

Medicare Update

Ellen Wolfhagen, Senior Account Manager in the Employees and Retirees Benefits (ERB) Division, gave a Medicare update that included a recap on the PEBB Program retiree listening sessions, public forum update, retiree communications update, and where to find retiree communications and resources on the Health Care Authority's website.

Public Comment

The following members of the public provided comments:

- **Matt Groshong**
- **Amy Fortier**
- **Linnea Mulder**
- **Fred Yancey**
- **Cathy [no last name provided]**

Topics brought forth during public comments included requests for encouraging the Board and HCA to review a possible Part D plan structure for UMP Classic Medicare's drug coverage, changes to retiree assistance, formulary suggestions, acknowledgements of today's staff presentations and outreach efforts, and UnitedHealthcare concerns.

Their testimonies can be found in the audio recording for the June 8, 2023 PEB Board meeting at:

<https://www.hca.wa.gov/about-hca/programs-and-initiatives/public-employees-benefits-board-pebb-program/meetings-and-materials#meeting-materials>

Next Meeting

June 29, 2023

9:00 a.m. – 1:30 p.m.

Preview of June 29, 2023 PEB Board Meeting

Dave Iseminger, Director, Employees and Retirees Benefits (ERB) Division, provided an overview of potential agenda topics for the June 29, 2023 PEB Board Meeting.

Executive Session

Pursuant to RCW 42.30.110(1)(L), the Board met in in Executive Session to consider proprietary or confidential nonpublished information related to the development, acquisition, or implementation of state purchased health care services as provided in

RCW 41.05.026. The Executive Session began at 11:46 a.m. and concluded at 1:30 p.m.

Meeting adjourned at 1:31 p.m.

TAB 4

UMP Consumer-Directed Health Plan (CDHP) IRS Minimum Deductible

Janice McAlpin
Senior Account Manager
Employees and Retirees Benefits Division
June 29, 2023

Follow Up

Question:

What if IRS guidance results in a lowering of the minimum deductible?

Answer:

HCA would assess for upcoming year changes for rate impacts.

Resolution PEBB 2023-04

UMP CDHP Deductible IRS Minimum Deductible

Resolved that, for plan years beginning on or after January 1, 2024, HCA shall set the annual deductible for the UMP Consumer-Directed Health Plan (CDHP) at the minimum annual deductible level established by the Internal Revenue Service (IRS) to qualify the plan as a high deductible health plan.

Next Steps

- ▶ Updates to HCA member communications and websites to prepare for open enrollment
- ▶ Updates to Regence member communications and website to prepare for open enrollment
 - ▶ Including new 2024 identification cards for UMP High Deductible members
- ▶ Regence internal system updates
- ▶ Washington State Rx Services (WSRxS) updates
 - ▶ Combined medical and pharmacy deductible

Questions?

Janice McAlpin, Senior Account Manager
Employees and Retirees Benefits Division

Janice.McAlpin@hca.wa.gov

Appendix

Name of person with Issue	Resolution	Issue/Comments	Date	Adjudication
Fred Yancey (On behalf of Alan Burke WSSRA)	2023-04 and 2023-05	The Washington State School Retirees' Association has reviewed these proposals and have no concerns.	6/12/2023	Responded via email on 6/12/2023 and acknowledged feedback.

TAB 5

UMP COVID-19 Over-The-Counter Test Coverage

Janice McAlpin
Senior Account Manager
Employees and Retirees Benefits Division
June 29, 2023

Unwinding the Public Health Emergency (PHE)

- ▶ After May 11, Kaiser and UMP made the following changes:
 - ▶ Treatment costs are still covered as a medical expense
 - ▶ COVID-19 testing - all lab tests for COVID-19 will revert to standard plan benefits, which may include cost shares
 - ▶ Plans will reimburse for antibody tests that are for the purpose of supporting a COVID-19 diagnosis as part of the treatment or management of a patient's medical condition
 - Member cost shares may apply
 - ▶ Over-the-counter home test kits were covered through May 11, 2023
 - Tests purchased after May 11, 2023 are not covered

UMP COVID-19 Coverage History

- ▶ During the PHE, OTC COVID-19 tests were required to be covered with no member cost share by group health plans
- ▶ Federal PHE ended on May 11, 2023, and members were mailed notification letter from Regence on April 28
- ▶ After May 11, 2023
 - ▶ UMP resumed paying the standard rate for covered COVID-19 services, including virtual
 - ▶ Cost shares will apply
 - ▶ OTC COVID -19 tests not covered
 - ▶ All pre-authorization requirements will be reinstated
 - ▶ Personal protective equipment (PPE) will not be covered
- ▶ The 2023-2025 biennial operating budget included coverage for two OTC COVID-19 tests per member per month without cost share beginning July 1, 2023
 - ▶ Passed by legislature

Resolution PEBB 2023-05

UMP COVID-19 Over-The-Counter Test Coverage

Resolved that, beginning July 1, 2023, all Uniform Medical Plan (UMP) plans will cover up to two over-the-counter COVID-19 diagnostic tests per member per month, up to \$12 per test, without member cost-share.

If the Internal Revenue Service (IRS) issues future guidance that requires the deductible to be met prior to plan payment for over-the-counter COVID-19 diagnostic tests in high deductible health plans, the UMP Consumer-Directed Health Plan shall be amended to comply with IRS guidance.

Questions?

Janice McAlpin, Senior Account Manager
Employees and Retirees Benefits Division

Janice.McAlpin@hca.wa.gov

Appendix

Name of person with Issue	Resolution	Issue/Comments	Date	Adjudication
Fred Yancey (On behalf of Alan Burke WSSRA)	2023-04 and 2023-05	The Washington State School Retirees' Association has reviewed these proposals and have no concerns.	6/12/2023	Responded via email on 6/12/2023 and acknowledged feedback.

TAB 6

Formulary Development: FDA Approval to Plan Coverage

Luke Dearden
Clinical Pharmacist
Clinical Quality and Care Transformation Division
June 29, 2023

Objectives

- ▶ Describe the role of the U.S. Food and Drug Association (FDA) in reviewing and approving drugs
- ▶ Explain how new FDA approved drugs are then evaluated for formulary placement
 - ▶ Clinical evaluation
 - ▶ Cost evaluation
 - ▶ Implementation
 - ▶ Ongoing review

FDA Approval

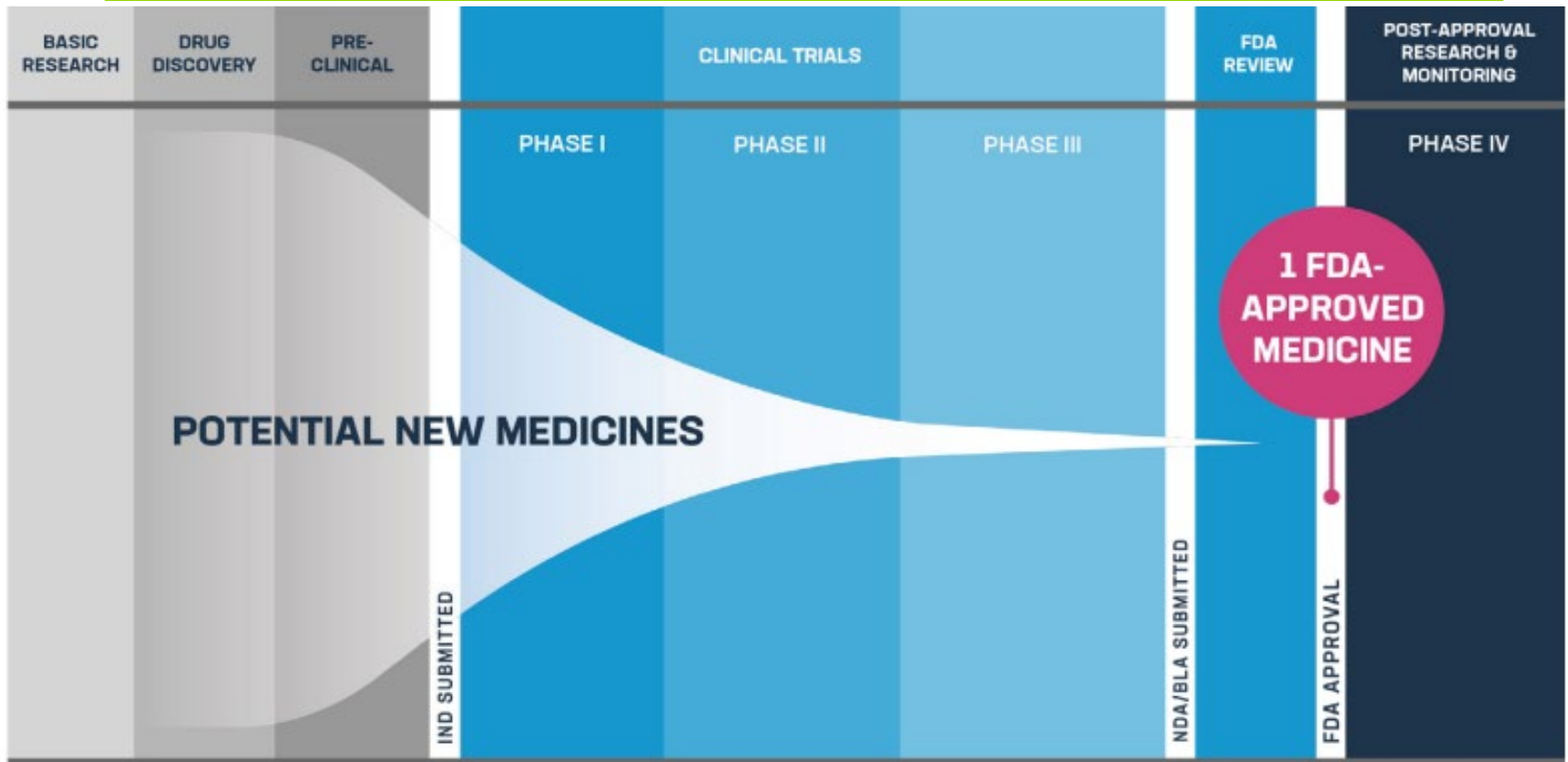
- ▶ FDA approval provides confidence that a drug is safe and effective
- ▶ Benefits must outweigh possible risks for the intended population
 - ▶ Analysis of the target condition
 - ▶ Review of benefits and risks found in clinical trials
 - ▶ Strategies for managing risk
- ▶ Not all drugs are evaluated the exact same way
 - ▶ A drug seeking approval for a common disease-state with many available treatments may be held to a higher safety and efficacy standard

Accelerated FDA Approval

- ▶ Certain drugs that aim to treat a serious or life-threatening condition may qualify for accelerated approval
 - ▶ These are often high-cost
- ▶ Approval may be granted based on a surrogate outcome
 - ▶ An outcome that may predict a benefit, but is not a clinically meaningful benefit by itself
 - ▶ Improved laboratory value vs. extended life
- ▶ FDA requires post-approval confirmatory trials intended to prove a clinical benefit
 - ▶ The FDA may rescind approval if no benefit is confirmed

FDA approval takes many years...

Drug Development



Key: IND=Investigational new drug application, NDA=New drug application, BLA=Biologics license application

Source: Pharmaceutical Research and Manufacturers of America (PhRMA)

Monitoring the Pipeline

- ▶ Pipeline drugs are expected to be reviewed by the FDA for approval
- ▶ Monitoring the drug pipeline is important for payors to anticipate how new products will affect health plans
 - ▶ Online resources
 - ▶ Manufacturer meetings
- ▶ After FDA approval, plans typically determine coverage of a new drug within 6 months
 - ▶ Often coverage is determined more quickly

Baseline Requirements for Coverage

- ▶ Must be a prescription drug or product approved by the FDA
- ▶ Does not have an over-the-counter (OTC) alternative
- ▶ Is not a vitamin, dietary supplement, or homeopathic drug
- ▶ Is not an excluded product by the plan
 - ▶ UMP excludes drugs indicated for cosmetic purposes, sexual dysfunction, and weight loss
- ▶ Must be obtained legally (e.g., dispensed from a licensed pharmacy by a registered pharmacist)

Clinical Evaluation

Pharmacy & Therapeutics (P&T) Committee

- ▶ A Pharmacy and Therapeutics (P&T) Committee consists of medical practitioners and pharmacists
- ▶ Primary responsibilities include:
 - ▶ Review of clinical trials, comparative effectiveness reports, and FDA-approved prescribing information in an unbiased manner
 - ▶ Consideration of current clinical guidelines and overall place in therapy
 - ▶ Consideration of specialist feedback and patient experience
 - ▶ Sometimes includes review of drug cost and other relevant cost data
- ▶ May specify how a drug needs to be covered by the plan
- ▶ Often oversee quality initiatives designed to improve cost or clinical outcomes

Clinical Evaluation (*cont.*)

- ▶ P&T Committee evaluation goes beyond the scope of FDA approval:
 - ▶ How does the new drug compare to other similar treatments?
 - ▶ Where is the drug's place in therapy (1st line, 2nd line, etc.)?
 - ▶ Does the drug provide a clinically meaningful benefit?
- ▶ Given the complexity of the review, two Committees may reach different conclusions on how a drug should be covered

Cost Evaluation

- ▶ The cost analysis process aims to determine which mix of drugs in a certain class to prefer.
 - ▶ Cost of new drugs are compared to the cost of similar drugs
- ▶ Not solely focused on short-term cost:
 - ▶ Drug utilization
 - ▶ Net cost to the plan (including manufacturer rebate offers)
 - ▶ Member experience
 - ▶ Clinical considerations
 - ▶ Market factors (e.g., generic entrants)

Implementation

- ▶ Formulary placement or preferred status is finalized after clinical and cost evaluation
- ▶ Utilization management (UM) strategies may also be implemented
 - ▶ Prior authorization
 - ▶ Quantity limit
 - ▶ Step therapy
- ▶ The pharmacy benefit manager (PBM) implements drug programming, which is applied at the pharmacy
 - ▶ Applies appropriate cost share based on formulary placement
 - ▶ Applies any applicable UM edits

How Does UMP Decide Which Drugs Are Preferred?

- ▶ Drug classes listed on the Washington Preferred Drug List (WA PDL) are reviewed by the Washington State P&T Committee
 - ▶ Staff at HCA conduct cost analyses based on the Committee's recommendations
 - ▶ Preferred drugs on the WA PDL are also preferred on the UMP PDL
- ▶ Drug classes not on the WA PDL are reviewed by the Washington State Prescription Drug Services (WSRxS) P&T Committee
 - ▶ Moda, based on the Committee's review, recommends which drugs should be preferred and what utilization management criteria should be applied
 - ▶ HCA reviews and typically approves Moda's recommendation

Ongoing Review

- ▶ Drug classes are reviewed on a regular basis which may lead to formulary adjustments
 - ▶ Prior authorization approval rates
 - ▶ Cost monitoring
 - ▶ Retrospective drug utilization review
 - ▶ New evidence or guidelines

Part D Formulary Guidelines

- ▶ Requires coverage of all drugs in protected classes
- ▶ At least 2 drugs in each class must be covered
- ▶ Limitations to mid-year formulary changes
 - ▶ Drugs determined to be unsafe
 - ▶ Generic entrants

Protected Classes
Immunosuppressants
Antidepressants
Antipsychotics
Anticonvulsants
HIV Medications
Antineoplastics

Questions?

Luke Dearden, Clinical Pharmacist
Clinical Quality and Care Transformation

Luke.Dearden@hca.wa.gov

TAB 7

Open Enrollment Member Communications Survey

Michelle George
Communications Manager
ERB Communications
June 29, 2023

Why Do a Survey?

- ▶ PEBB and SEBB Programs provide communications for open enrollment, including newsletters, web content, benefits fairs (in-person and virtual), emails, and webinars
- ▶ Newsletters are the primary open enrollment notice to members
- ▶ Continuous improvement to make sure communications are meeting members' needs

How Subscribers Receive Newsletters

- ▶ Sent to subscribers via mail or email
- ▶ Posted on the HCA website
- ▶ Promoted via social media (Facebook, Instagram)
- ▶ Provided as links by employers to employees

Survey Design

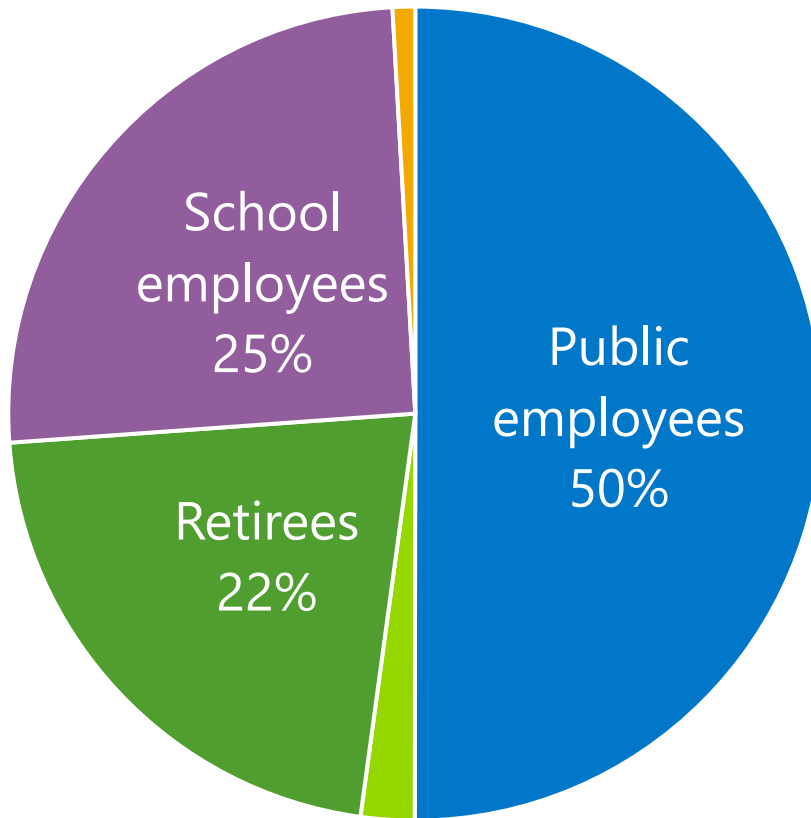
- ▶ Online survey
- ▶ Primary focus was the newsletters
- ▶ Respondents who are UMP members could choose to respond to UMP-specific questions
- ▶ Respondents could also respond to additional questions about other open enrollment communications

Survey Promotion

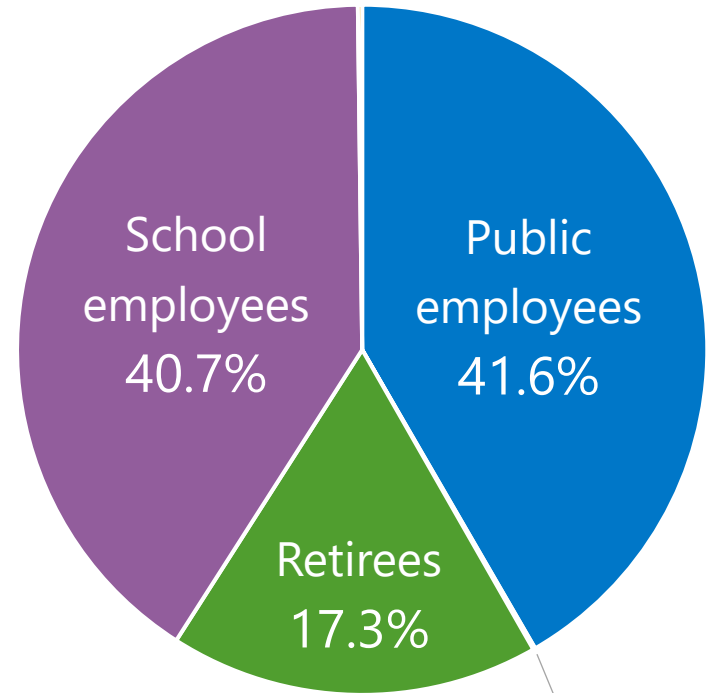
- ▶ Included invitation to participate in the February PEBB *For Your Benefit* and SEBB *Intercom* newsletters (mail and email)
- ▶ Created forwardable messages to be shared by benefits administrators, unions, and associations (such as retiree associations)
- ▶ Promoted on social media
- ▶ Sent message from HCA Director Sue Birch to other agency directors to encourage participation

Survey Respondents vs. Total Population

SEBB Cont. Coverage, 1%



SEBB Cont. Coverage, 0.2%



PEBB Cont. Coverage, 2%

PEBB Cont. Coverage, 0.1%

What We're Doing Well

- ▶ HCA is a trusted source of information
- ▶ HCA's website is a widely used resource
- ▶ Newsletters
 - ▶ Respondents are reading at least half or more
 - ▶ Respondents feel like they are understandable and user-friendly

Where We Can Improve

- ▶ Make information as easy to find as possible, including how to sign up for email delivery
- ▶ Promote health literacy and awareness of benefit offerings and how benefits work
- ▶ Use website usage data to put resources toward where members are finding information

What We're Already Doing

- ▶ Improving health literacy
 - ▶ HCA News* launched May 15
 - ▶ Newsletters include health literacy articles
- ▶ Getting member feedback
 - ▶ Retiree listening sessions and public forums
 - ▶ Open enrollment member communications survey
 - ▶ Website feedback survey

*www.news.hca.wa.gov

Next Steps

- ▶ Use feedback to improve materials and make member-specific communications
 - ▶ Provide more information for members preparing for retirement
 - ▶ Retiree versions of all PEBB Program newsletters, not just October edition
 - ▶ Create videos on benefits topics
- ▶ Improve newsletters
 - ▶ Focus on topics like details about benefits and how to use them, costs, changes, etc.
 - ▶ Include information about Board activities
- ▶ Continue to seek member feedback

Questions?

Michelle George, Communications Manager
ERB Communications

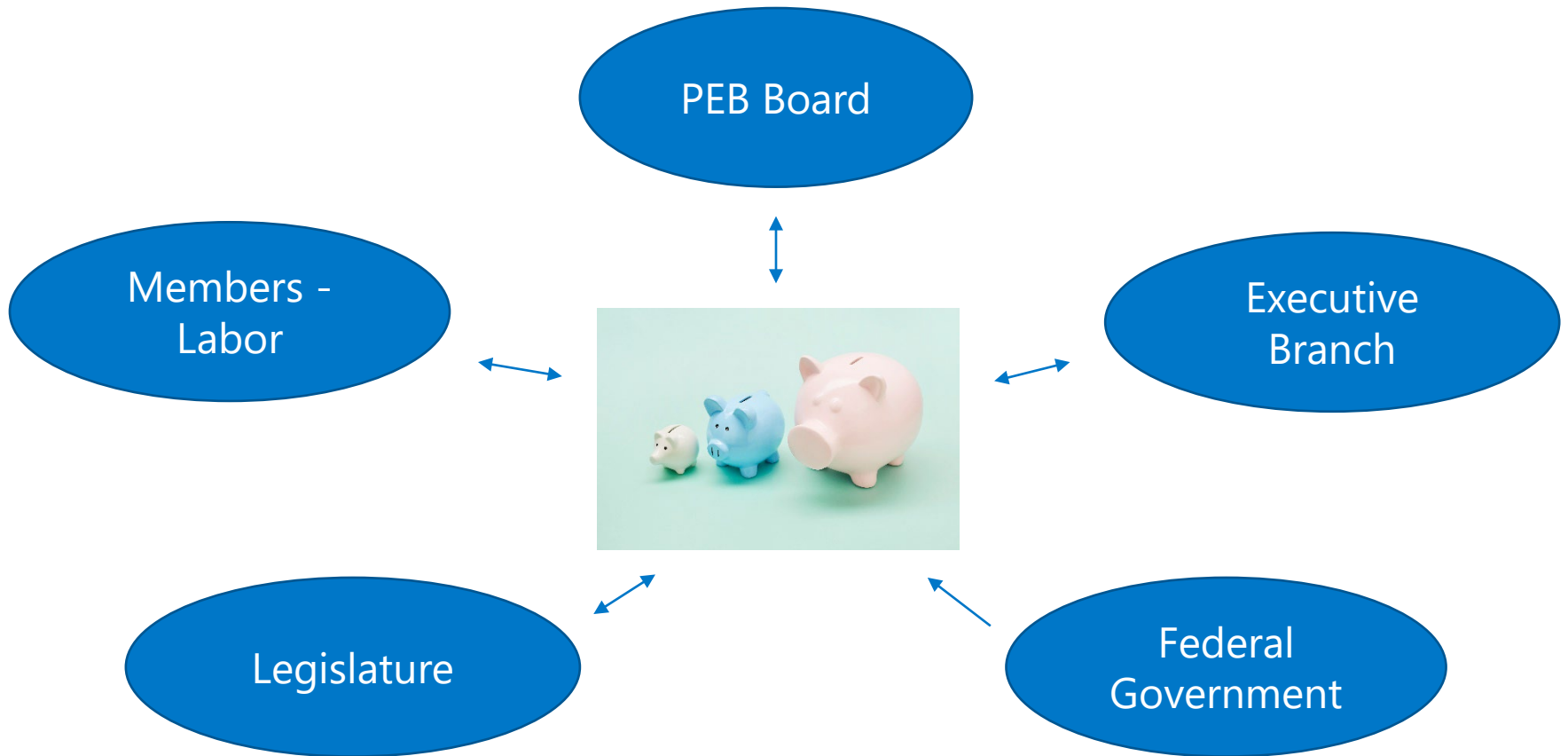
Michelle.George@hca.wa.gov

TAB 8

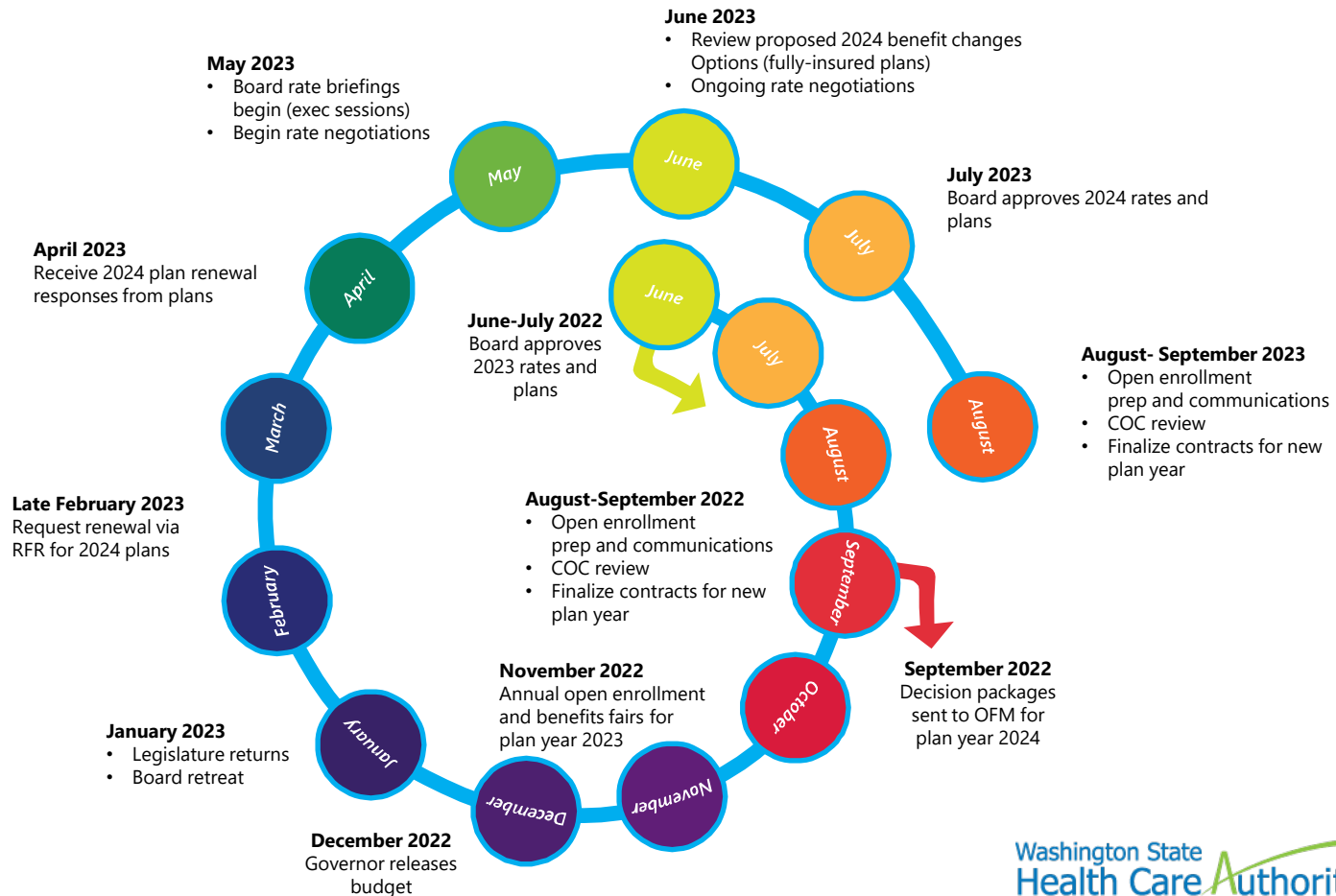
PEBB Program Benefit Cycles

John Partin
Section Manager
Employees and Retirees Benefits Division
June 29, 2023

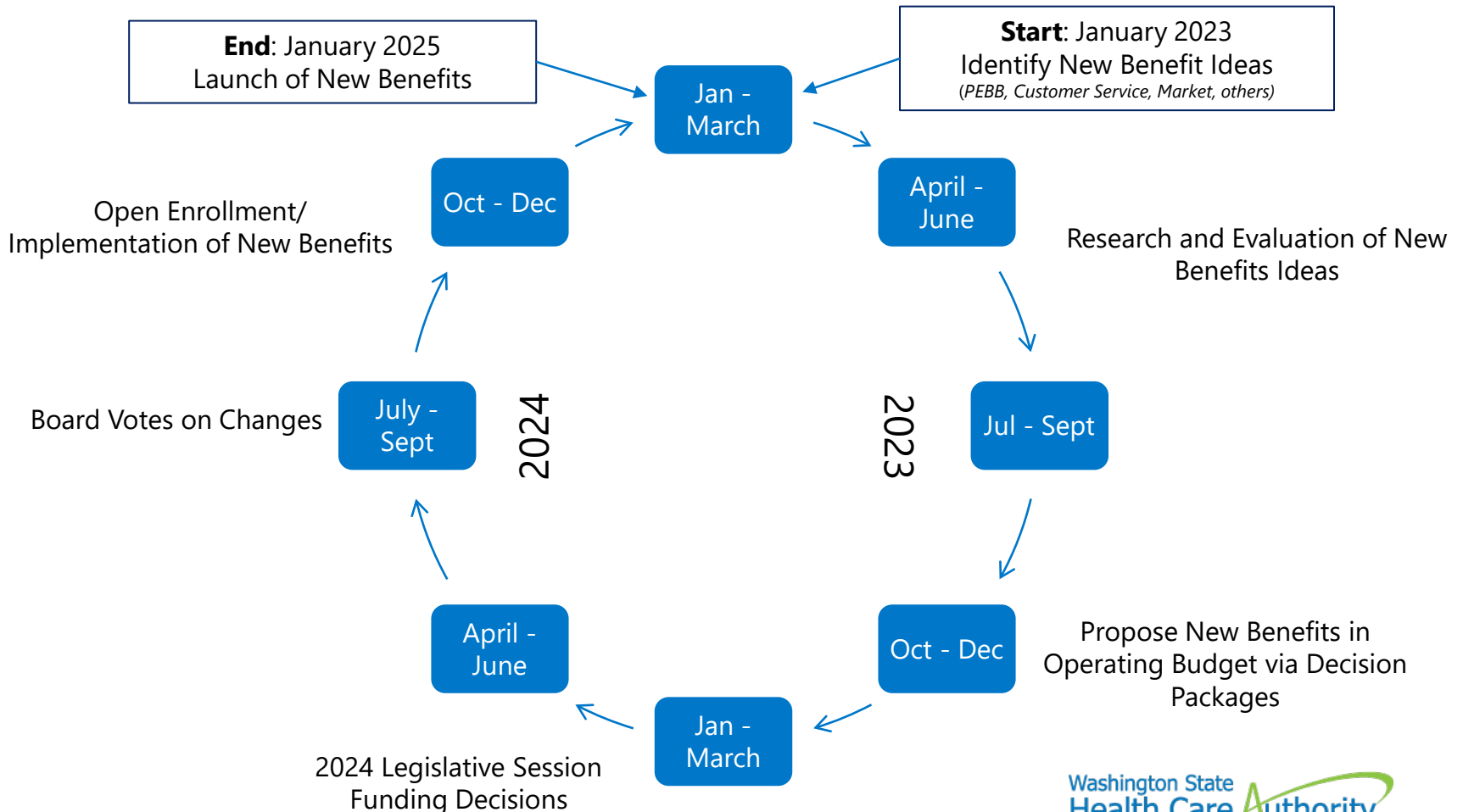
Development of Benefit Designs



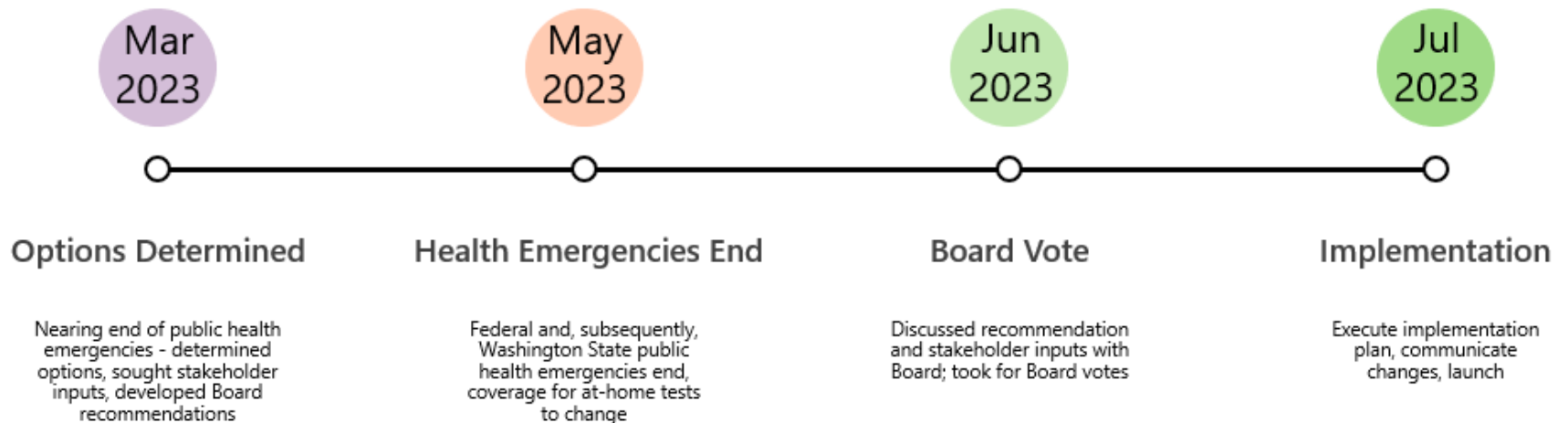
PEBB Program Contracts Renewal Cycle For Benefit Year 2024



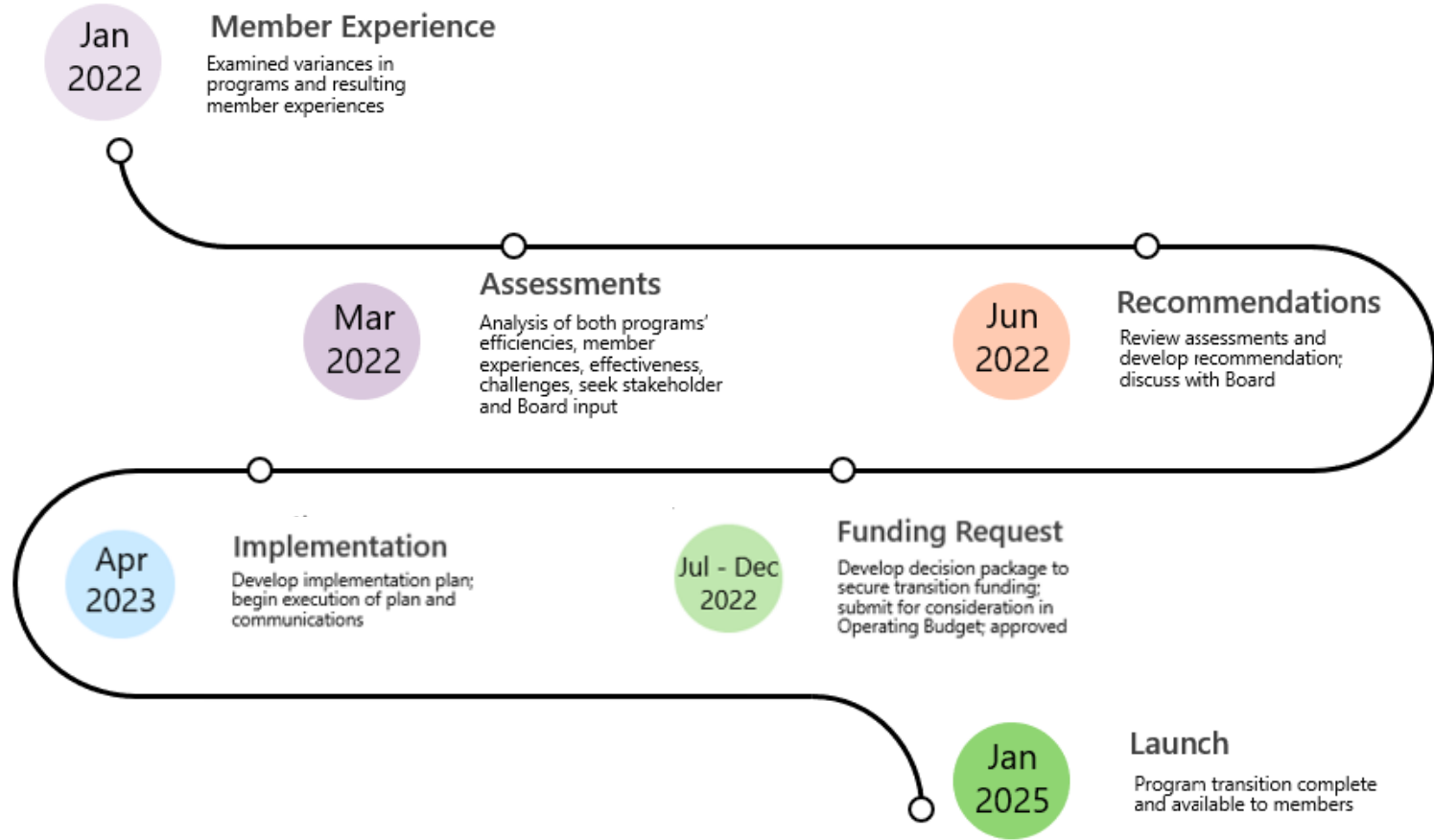
PEBB Program Benefits Planning Cycle for Benefit Year 2025



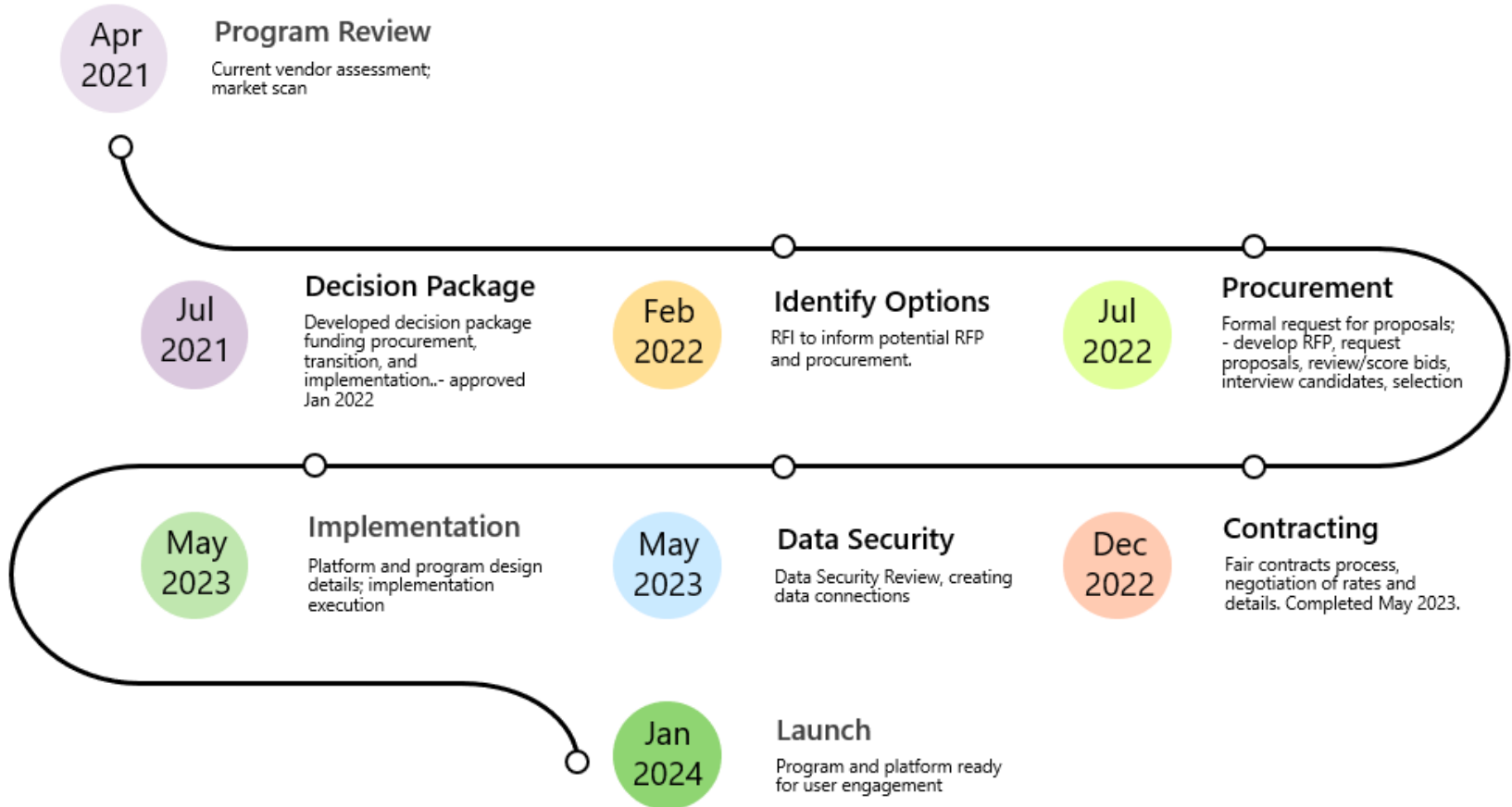
Home COVID-19 Tests



Vision Hardware



Wellness Platform



Questions?

John Partin, Section Manager
Employees and Retirees Benefits Division

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TAB 9

2024 PEBB Program Medicare Premiums

Molly Christie
Fiscal Information & Data Analyst
Financial Services Division
June 29, 2023

Follow Up

PEBB Medicare “Subsidies”

There are three different subsidies related to PEBB Medicare retiree coverage

- ▶ **To the plan:** Federal Medicare subsidies for Part C (Medicare Advantage) and D (Prescription Drug) Plans
 - Provided by Centers for Medicare and Medicaid Services (CMS) to the plan to reimburse for Medicare-covered services and most prescription drug costs (for Part D Plans)
 - Reduces overall plan costs and the amount members pay in premiums
 - Risk-adjusted and varies by plan, but typically covers 100% of Medicare-covered medical services and ~75% of pharmacy costs
- ▶ **To retirees:** Washington State “Medicare Explicit Subsidy”
 - Described in the state budget
 - Subsidizes a portion of the member’s monthly premium (\$183 or 50% of the carrier’s final bid rate, whichever is less)
 - Premiums approved by the PEB Board have the subsidy applied

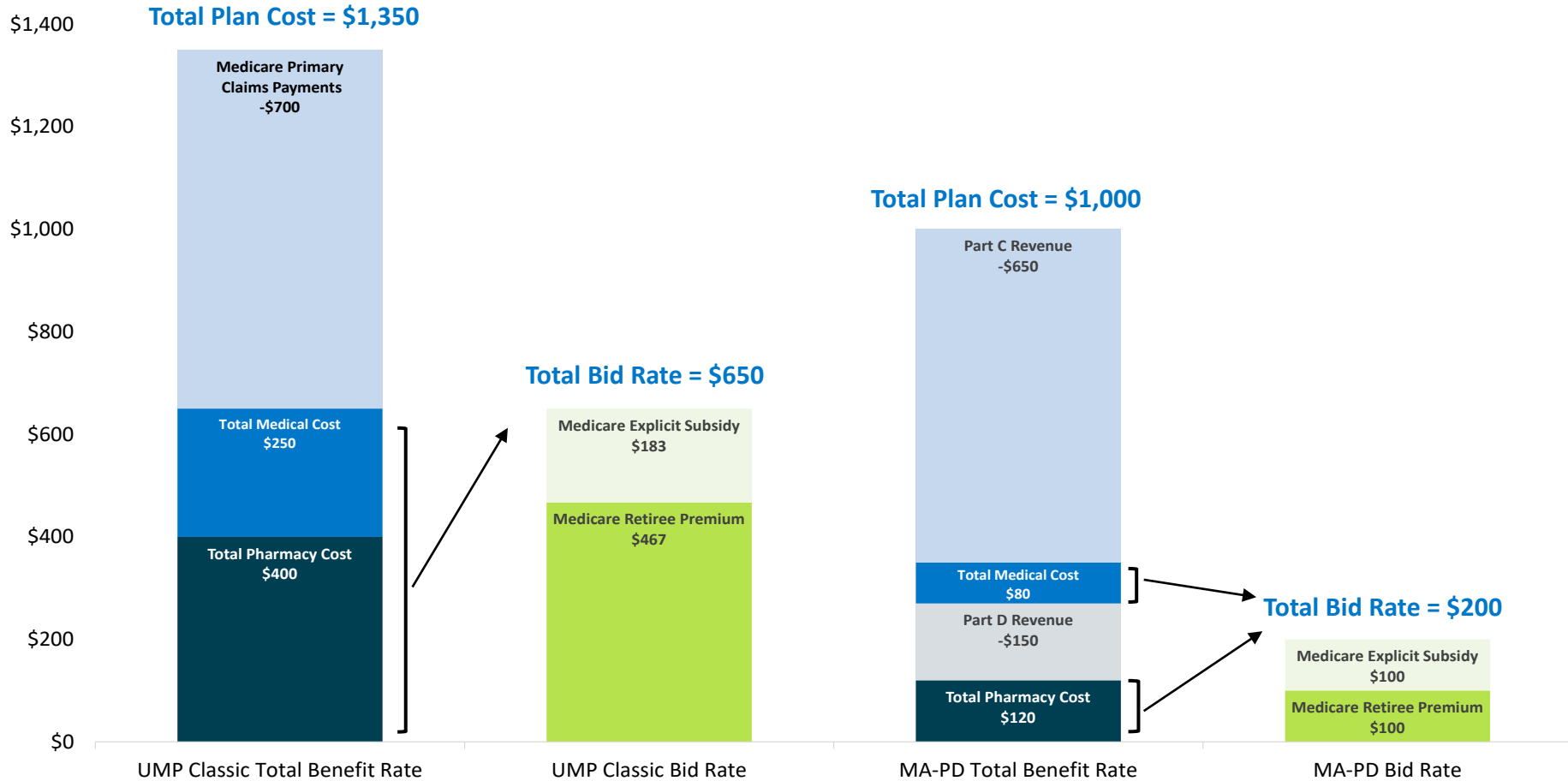
None of these subsidies require a specific income level of the member

PEBB Medicare “Subsidies” (*cont.*)

- ▶ **To the State:** Federal Retiree Drug Subsidy (RDS)
 - A subsidy received by the State and deposited into the General Fund each year for offering prescription drug coverage to retirees that is at least as generous as Medicare Part D
 - Historically, the annual RDS equals ~\$22-\$26M
 - Not directly applied to member premiums

None of these subsidies require a specific income level of the member

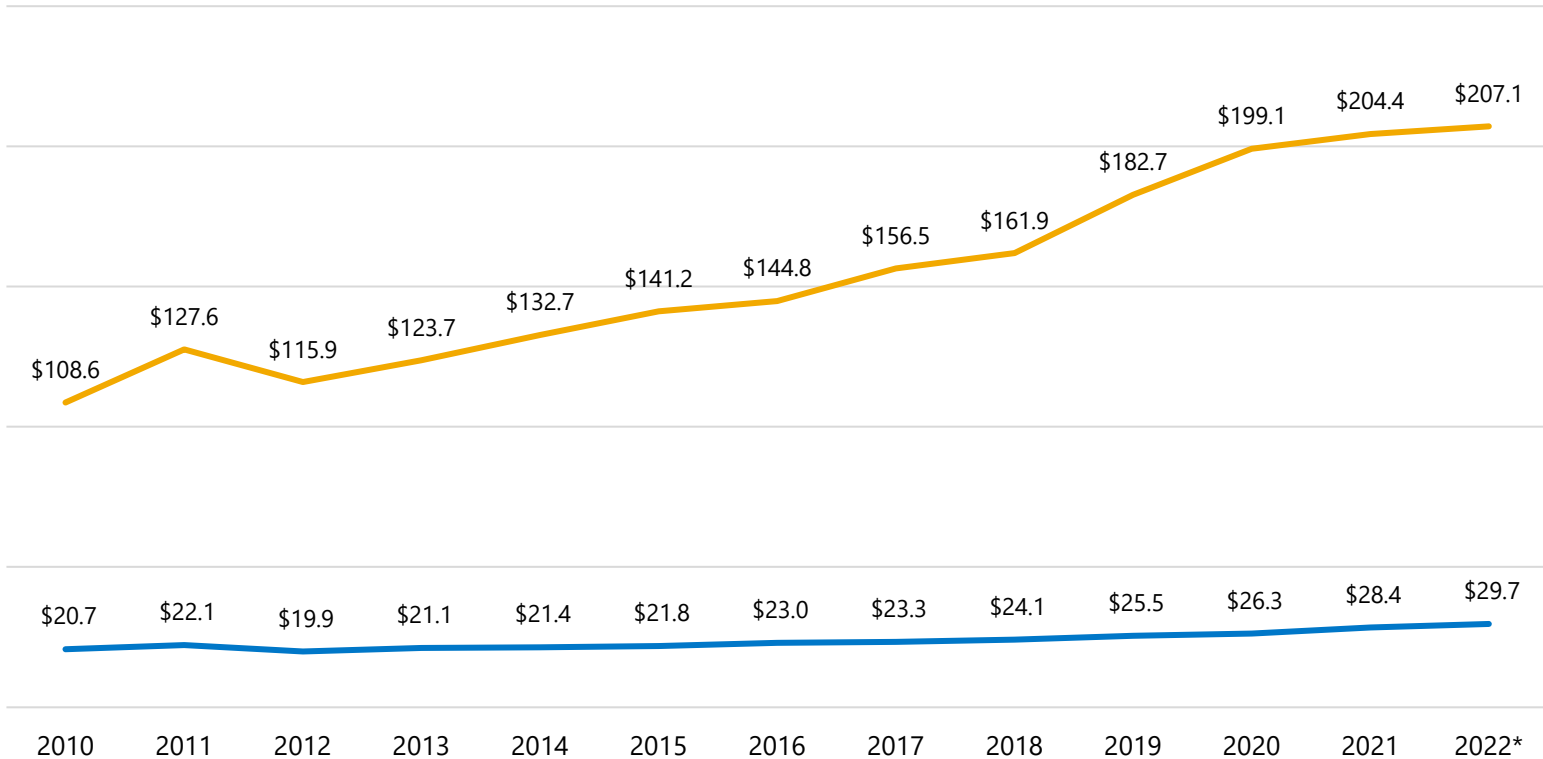
Illustrative Impact of Federal Medicare Subsidies on Premiums



- UMP Primary Claims Payments is an estimated amount based on historical claims data
 - All figures are for illustrative purposes only

Cost of Retiree Drug Subsidy (RDS)

Medicare Explicit Subsidy vs. RDS
\$ in millions



*2022 RDS Projection

— State Cost — RDS - GFS



PEBB Program Medicare Retiree Enrollment Summary

Enrollment Summary

Plan	Total	Percentage of Total
Kaiser Permanente NW Senior Advantage	2,364	2.2%
Kaiser WA Medicare Advantage & Original Medicare	23,877	22.4%
Uniform Medical Plan Classic Medicare	43,848	41.1%
UnitedHealthcare PEBB Complete	14,735	13.8%
UnitedHealthcare PEBB Balance	362	0.3%
Premera Blue Cross Medicare Supplement F	14,333	13.4%
Premera Blue Cross Medicare Supplement G	7,202	6.7%
Grand Total	106,721	

*Based on February 2023 enrollment

Preview of Proposed PEBB Program Medicare Retiree 2024 Premiums

Proposed Medicare Retiree 2024 Premiums

	Single Subscriber Premium*		Change in Single Subscriber Premium	
	2023 Final	2024 Proposed	%	\$
Kaiser NW Senior Advantage Proposed	\$176.13	\$193.95	10%	\$18
Kaiser WA Medicare Advantage & Original Medicare Proposed	\$174.59	\$188.62	8%	\$14
UMP Classic Medicare Proposed	\$438.34	\$532.94	22%	\$95
UnitedHealthcare (MA-PD) PEBB Complete Proposed	\$145.63	\$160.58	10%	\$15
UnitedHealthcare (MA-PD) PEBB Balance Proposed	\$122.94	\$135.65	10%	\$13
Premera Medicare Supplement Plan F Retired	\$115.16	\$119.05	3%	\$4
Premera Medicare Supplement Plan F Disabled	\$196.69	\$207.45	5%	\$11
Premera Medicare Supplement Plan G Retired	\$98.53	\$101.99	4%	\$3
Premera Medicare Supplement Plan G Disabled	\$164.05	\$169.20	3%	\$5

*Premium after Medicare Explicit Subsidy, proposed at \$183 or 50% of the premium, whichever is less for the 2024 plan year. Includes administrative fee of \$5.96 for 2024.

Annualized Proposed 2024 Premiums

	Annual Single Subscriber Premium
Kaiser NW Senior Advantage Proposed	\$2,327.40
Kaiser WA Medicare Advantage & Original Medicare Proposed	\$2,263.44
UMP Classic Medicare Proposed	\$6,395.28
UnitedHealthcare (MA-PD) PEBB Complete Proposed	\$1,926.96
UnitedHealthcare (MA-PD) PEBB Balance Proposed	\$1,627.80
Premera Medicare Supplement Plan F Retired	\$1,428.60
Premera Medicare Supplement Plan F Disabled	\$2,489.40
Premera Medicare Supplement Plan G Retired	\$1,223.88
Premera Medicare Supplement Plan G Disabled	\$2,030.40

*Premium after Medicare Explicit Subsidy, proposed at \$183 or 50% of the premium, whichever is less for the 2024 plan year. Includes administrative fee of \$5.96 for 2024.

Proposed Medicare Subscriber + Medicare Spouse/SRDP 2024 Premiums

	Monthly Single Subscriber Premium*	Monthly Subscriber + Spouse Premium
Kaiser NW Senior Advantage Proposed	\$193.95	\$381.94
Kaiser WA Medicare Advantage & Original Medicare Proposed	\$188.62	\$371.28
UMP Classic Medicare Proposed	\$532.94	\$1,059.92
UnitedHealthcare (MA-PD) PEBB Complete Proposed	\$160.58	\$315.20
UnitedHealthcare (MA-PD) PEBB Balance Proposed	\$135.65	\$265.34
Premera Medicare Supplement Plan F Retired	\$119.05	\$232.14
Premera Medicare Supplement Plan F Disabled	\$207.45	\$408.94
Premera Medicare Supplement Plan G Retired	\$101.99	\$198.02
Premera Medicare Supplement Plan G Disabled	\$169.20	\$332.44

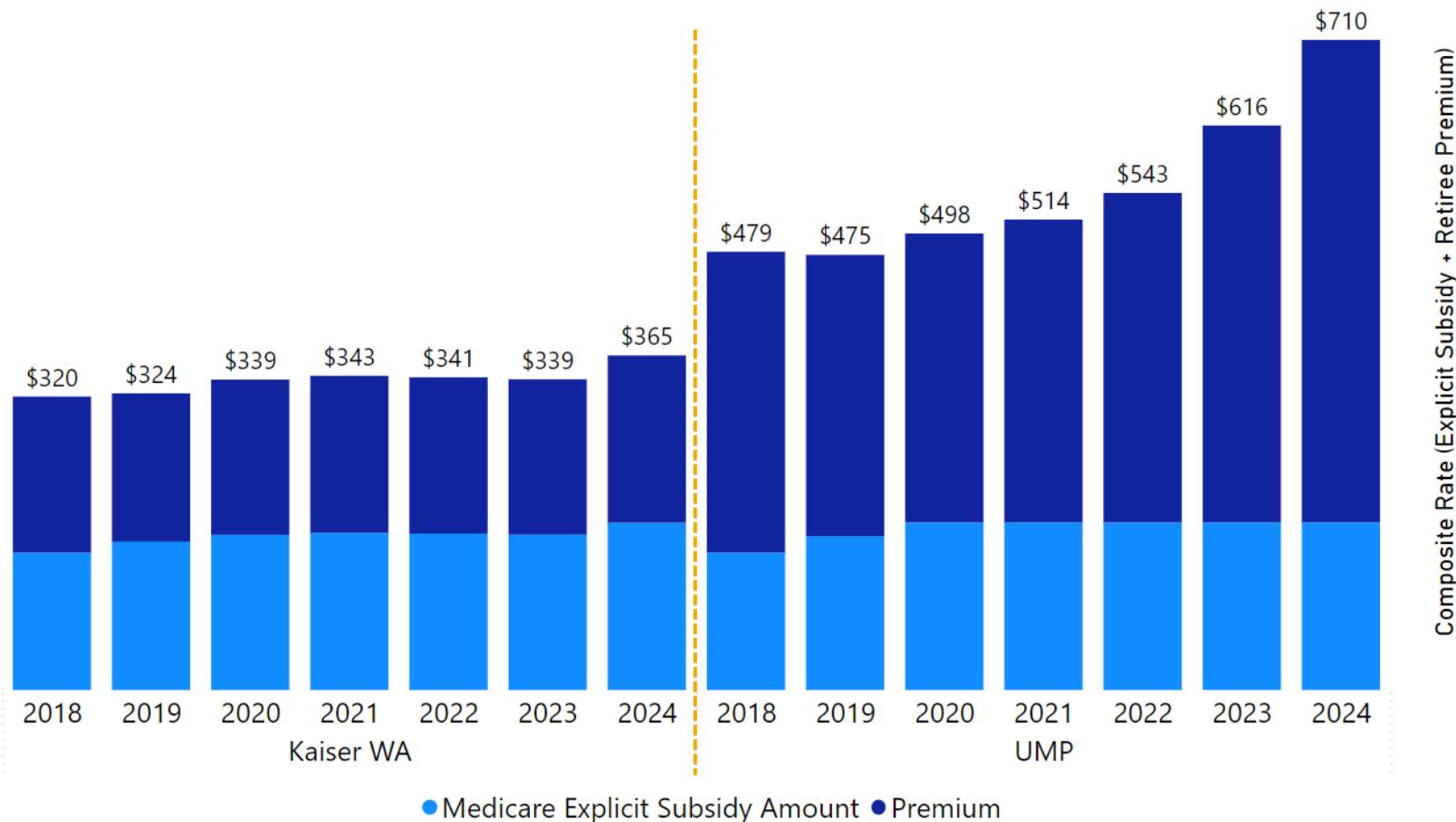
*Premium after Medicare Explicit Subsidy, proposed at \$183 or 50% of the premium, whichever is less for the 2024 plan year. Includes administrative fee of \$5.96 for 2024.
 SRDP – State registered domestic partner

Medicare Explicit Subsidy Amount by Plan

	Monthly Single Subscriber Premium*	Medicare Explicit Subsidy	Composite Rate
Kaiser NW Senior Advantage Proposed	\$193.95	\$183.00	\$376.95
Kaiser WA Medicare Advantage & Original Medicare Proposed	\$188.62	\$182.67	\$371.29
UMP Classic Medicare Proposed	\$532.94	\$183.00	\$715.94
UnitedHealthcare (MA-PD) PEBB Complete Proposed	\$160.58	\$154.63	\$315.21
UnitedHealthcare (MA-PD) PEBB Balance Proposed	\$135.65	\$129.69	\$265.34
Premera Medicare Supplement Plan F Retired	\$119.05	\$113.09	\$232.14
Premera Medicare Supplement Plan F Disabled	\$207.45	\$183.00	\$390.45
Premera Medicare Supplement Plan G Retired	\$101.99	\$96.03	\$198.02
Premera Medicare Supplement Plan G Disabled	\$169.20	\$163.25	\$332.45

*Premium after Medicare Explicit Subsidy, proposed at \$183 or 50% of the premium, whichever is less for the 2024 plan year. Includes administrative fee of \$5.96 for 2024.

Effect of Rate on Medicare Subsidy & Retiree Premium



*Premiums exclude ~\$5 administrative fee

UMP Classic Medicare Rate Detail

UMP Classic Medicare Rate Development

- ▶ Goal: set rates based on required cost to pay claims and administer UMP Classic Medicare
- ▶ Method: use actual historical claims experience to project future costs per member per month
 - ▶ HCA sets rates in consultation with contracted actuaries at Milliman; Regence does not set rates for UMP
 - ▶ Self-insured plan means **no profit margin** – only retain enough to cover actual costs to administer the plan, including statutorily mandated reserves
- ▶ Impacts: changes in health care costs, utilization, and benefits may increase or decrease cost assumptions used to set rates

UMP Classic Medicare Rate Components

- ▶ Pharmacy 60% of plan cost and trend remains in double digits
 - ▶ Only payer on pharmacy – no Medicare payments for non-Part D prescription drug coverage
 - ▶ Specialty drugs continue to drive overall cost and future trend
- ▶ Extensive medical coverage with coordination of benefits (COB) savings bank
 - ▶ Supplemental benefits (e.g., vision, hearing) not covered by traditional Medicare
 - ▶ Many retirees pay \$0 out-of-pocket costs and deductible reimbursed with COB savings bank

Challenges to Maintaining a Self-Insured COB Plan

- ▶ Washington is one of only 6 states that have been able to maintain a self-insured Medicare COB plan among its offerings, and has some of the richest benefits compared to those states
 - ▶ Steps have been taken to try to mitigate premium increases while minimizing benefit reductions
- ▶ COB plans do not have the advantage of the same federal subsidies provided to Part C & D plans
- ▶ The premium cost of UMP Classic is expected to increase, not decrease, in future years based on enrollment and cost trends

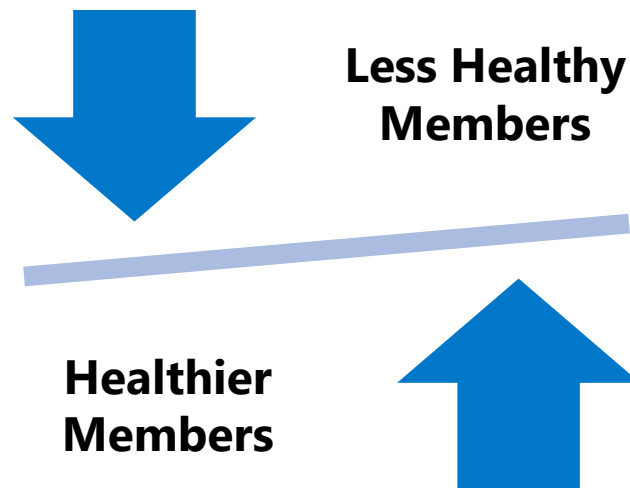
UMP Classic Medicare Rate Drivers

Projected to Actual 2022 Base Claim Experience PMPM		
Medical	(\$5)	
Pharmacy	(\$1)	
Change in reserves, admin, etc.	\$3	
<i>Total Claim Experience Impact</i>	(\$3)	A
Trend (Med + Rx) PMPM		
Updated 2022 to 2023*	\$5	
2023 to 2024	\$52	
<i>Total Trend Impact</i>	\$57	B
Enrollment Shift PMPM		
2022 to 2023	\$21	
2023 to 2024	\$26	
<i>Enrollment Shift Impact</i>	\$47	C
Total Impact PMPM	\$101	D = A + B + C
<i>Hearing Aid Benefit limit of \$3,000 per ear</i>	(\$6)	E
Final Impact with Hearing Aid Benefit Adjustment PMPM	\$95	F = D - E

*2023 rate included projected 2022-2023 trend of \$45; 2024 rate refines this projection to \$50.

Enrollment Shift Analysis

- ▶ Nearly 10,000 members exited UMP Classic Medicare for plan year 2023
- ▶ Milliman used a clinical risk grouping tool to determine the health of the members who were retained, and their relative costs
- ▶ The cost impact of this enrollment shift is included in the 2024 UMP Classic Medicare rate



Benefit Changes for PEBB Program Medicare Fully-insured Plans

Kaiser Foundation Health Plan of the Northwest (KPNW)

- ▶ **Hearing aid benefit enhancement:** change the benefit renewal period from 60 months to 36 months in partial alignment with UMP Classic Medicare

Current Benefit

Proposed Benefit

Hearing Aid Enhancement

\$1,400 per ear every 60 months

\$1,400 per ear every 36 months

Kaiser Foundation Health Plan of Washington (KPWA)

	Current Benefit	Proposed Benefit
Hearing Aid Enhancement		
	\$1,400 per ear every 60 months	\$1,400 per ear every 36 months
Chiropractic, Acupuncture, Massage Enhancement		
Chiropractic	12 visits/yr	24 visits/yr
Acupuncture	12 visits/yr	24 visits/yr
	<u>Original Medicare</u>	
	60 visits/yr (combined with PT, OT, ST, NDT, pulmonary and cardiac rehabilitation)	
Massage	<u>Medicare Advantage</u>	
	10 visits/yr	24 visits/yr

*Deductible waived on hearing aids for the KPWA Original Medicare Plan; deductible applies for KPWA Medicare Advantage

**KPWA Medicare Advantage 24 visits/yr non-spinal manipulation; unlimited visits for spinal manipulation

Kaiser Foundation Health Plan of Washington (KPWA) (*cont.*)

Current Benefit

Proposed Benefit

Pharmacy

First Fill

After the first prescription filled at a network retail pharmacy, maintenance drugs must be filled at a KPWA Clinic or through KPWA mail order

Remove First Fill program. Members may refill maintenance drugs at a network retail pharmacy.

United Healthcare (UHC)

	Current Benefit	Proposed Benefit
Hearing Aid Enhancement		
Partial UMP Alignment	\$2,500 combined both ears every 60 months	\$2,500 combined both ears every 36 months

PEBB Program Medicare Proposed Premium Resolutions

Proposed Resolution PEBB 2023-06

Medicare Explicit Subsidy

Resolved that, the PEB Board endorses the calendar year 2024 monthly Medicare Explicit Subsidy of \$183 or 50% of premium, whichever is less.

Proposed Resolution PEBB 2023-07

Kaiser NW Medicare Premium

Resolved that, the PEB Board endorses the Kaiser Foundation Health Plan of the Northwest Medicare plan premium.

Proposed Resolution PEBB 2023-08

Kaiser WA Medicare Premium

Resolved that, the PEB Board endorses the Kaiser Foundation Health Plan of Washington Medicare plan premium.

Proposed Resolution PEBB 2023-09

UHC Medicare Premium

Resolved that, the PEB Board endorses the UnitedHealthcare Medicare plan premiums.

Proposed Resolution PEBB 2023-10

Premera Medicare Premium

Resolved that, the PEB Board endorses the Premera Medicare Supplement plan premiums.

Proposed Resolution PEBB 2023-11

UMP Medicare Premium

Resolved that, the PEB Board endorses the Uniform Medical Plan (UMP) Classic Medicare plan premium.

Questions?

Molly Christie, Fiscal Information & Data Analyst

Financial Services Division

Molly.Christie@hca.wa.gov

TAB 10

Medicare Update

Ellen Wolfhagen
Senior Account Manager
Employees and Retirees Benefits Division
June 29, 2023

Overview

- ▶ Earlier, John Partin described the overall timelines for Health Care Authority & PEBB Program work
- ▶ Molly Christie previewed the 2024 Medicare rates
- ▶ Now let's discuss recent and next steps

2023 Board Presentation Topics

- ▶ How Medicare operates
- ▶ PEBB Program plan interactions with Medicare
- ▶ Retiree outreach and listening session updates
- ▶ Prior authorizations and Medicare appeals
- ▶ Centers for Medicare and Medicaid Services (CMS) proposed rules on Medicare Advantage (MA)

2023 Board Presentation Topics (*cont.*)

- ▶ Contract administration issues and resolutions
- ▶ Income-Related Monthly Adjustment Amount (IRMAA) impacts
- ▶ Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey insights
- ▶ Pharmacy appeals
- ▶ Retiree communications update

Agency Activities Related to Medicare Offerings Since Last Board Season

- ▶ Initiated a 50-state research analysis
- ▶ Hired project manager and began planning listening sessions for spring 2023
- ▶ Consulted other states on specific benefit designs, financial structures, and plan options
- ▶ Conducted a post-open enrollment communications survey (all members)

Agency Activities Related to Medicare Offerings Since Last Board Season (*cont.*)

- ▶ Submitted comments on CMS proposed rulemaking on Medicare Advantage
- ▶ Met with CMS Administrator highlighting federal Medicare subsidy concerns
- ▶ Performed financial analysis on specific benefit design ideas (identified in summer 2022 public comment and correspondence), presented insights to PEB Board in April 2023
- ▶ Hosted 24 listening retiree sessions and 3 public forums

Agency Activities Related to Medicare Offerings Since Last Board Season (*cont.*)

- ▶ Launched additional online HCA retiree resources, including FAQs and Medicare Myths*
- ▶ Contracted with a consultant firm to improve future retiree print and web communications
- ▶ Presented 50-state research results to PEB Board in early June 2023
- ▶ June Congressional delegation letter on Medicare subsidy

*<https://www.hca.wa.gov/about-hca/programs-and-initiatives/public-employees-benefits-board-pebb-program/retiree-engagement#faqs>

Congressional Delegation Letter

- ▶ HCA Director Sue Birch's June 15 letter went to the Washington Congressional Delegation (Senators and Representatives)
- ▶ Set out the financial disadvantage to members enrolled in UMP Classic Medicare
- ▶ **"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."**
- ▶ A copy of the letter seeking is included in the appendix

Upcoming Agency Activities

- ▶ Complete review of listening session summary notes
- ▶ Research ability, impacts, and timeline for options like converting UMP Classic drug coverage to a Part D plan
 - ▶ HCA identified possibility during initial 50-state research
 - ▶ Suggestion during listening sessions
 - ▶ Board and public comment suggestion in June 2023
- ▶ Complete legislative report due December 1, 2023
- ▶ Prepare insights for 2024 Board season on current UMP Classic Medicare Drug coverage compared to Part D plans

Influencing Factors

- ▶ All options explored may not be viable
- ▶ Major changes often take multiple years to enact and implement
- ▶ Timing factors
 - ▶ Changes occur only at the start of a plan year – each January
 - ▶ Legislative sessions occur at fixed points each year
- ▶ HCA will keep a steady pace on this work to balance how we:
 - ▶ Gather feedback/insights
 - ▶ Research options
 - ▶ Maintain as much flexibility for the earliest implementation dates possible

Questions?

Ellen Wolfhagen, Senior Account Manager
Employees and Retirees Benefits Division

HCAPEBBMedicare@hca.wa.gov

Appendix



**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,



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