

# Coordination of Benefits (COB) State Analysis

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# Background

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- ▶ **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

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- ▶ **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

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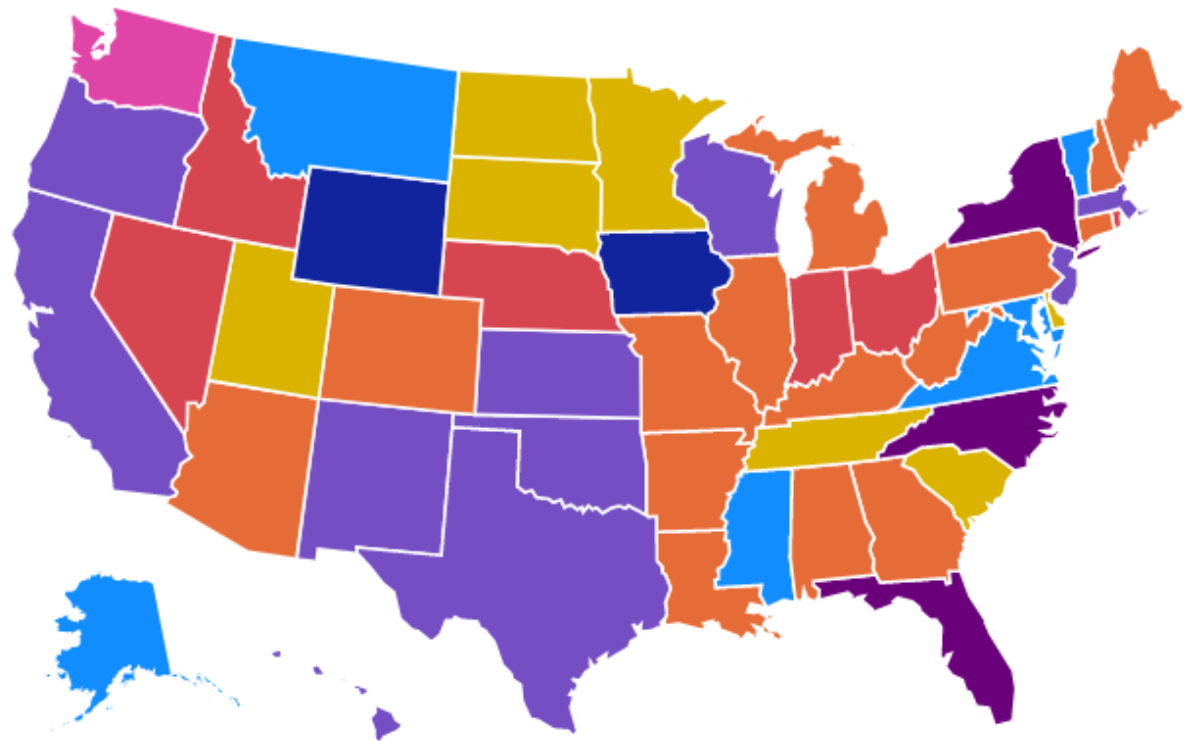
- ▶ **Benefits vary widely by state and by plan**
  - ▶ HMO vs. PPO
  - ▶ Deductibles, out-of-pocket limits, cost-share (coinsurance and copays), visit limits, etc.
  - ▶ Covered benefits
  - ▶ Some states do not offer any plans to public retirees
- ▶ **States vary widely in the amount of premium charged 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

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## 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.*)

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## ▶ 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

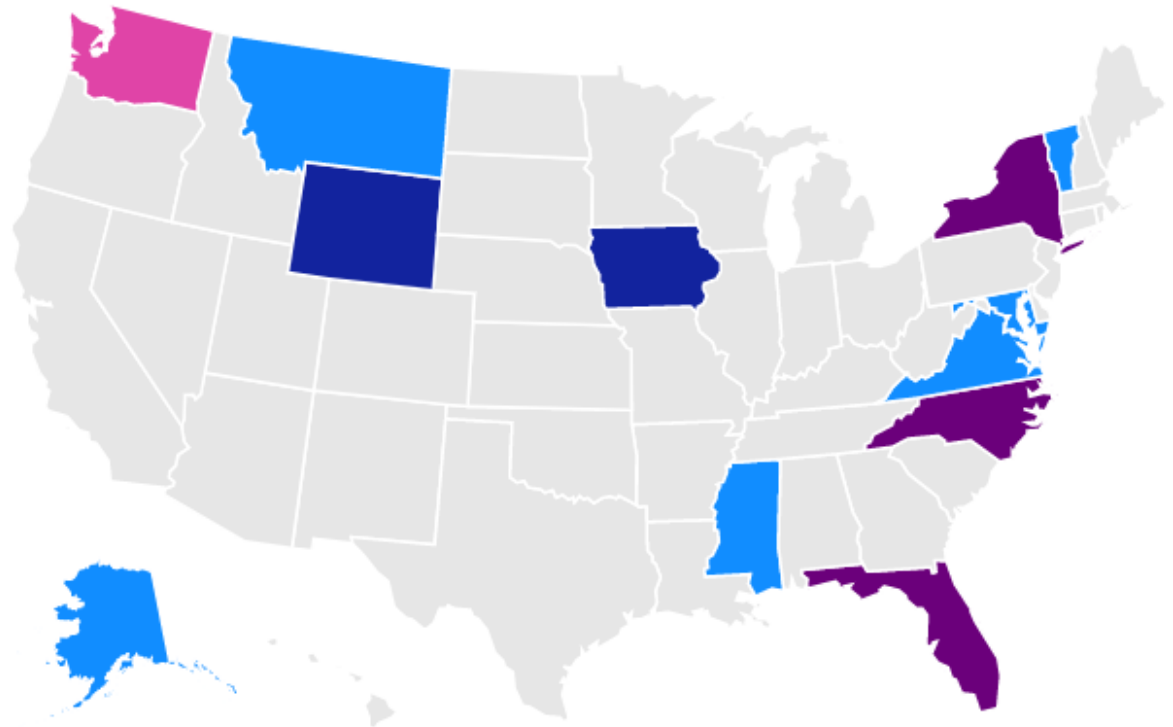
\*Lowest cost plan does not include prescription drug coverage

# States with Coordination Plan(s)

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## Plan Type

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





# Types of Coordination Plans

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- ▶ 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

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	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
<b>Member cost-share</b>	<b>\$15</b>	<b>\$3</b>	<b>\$0</b>

# COB Benefits Comparison

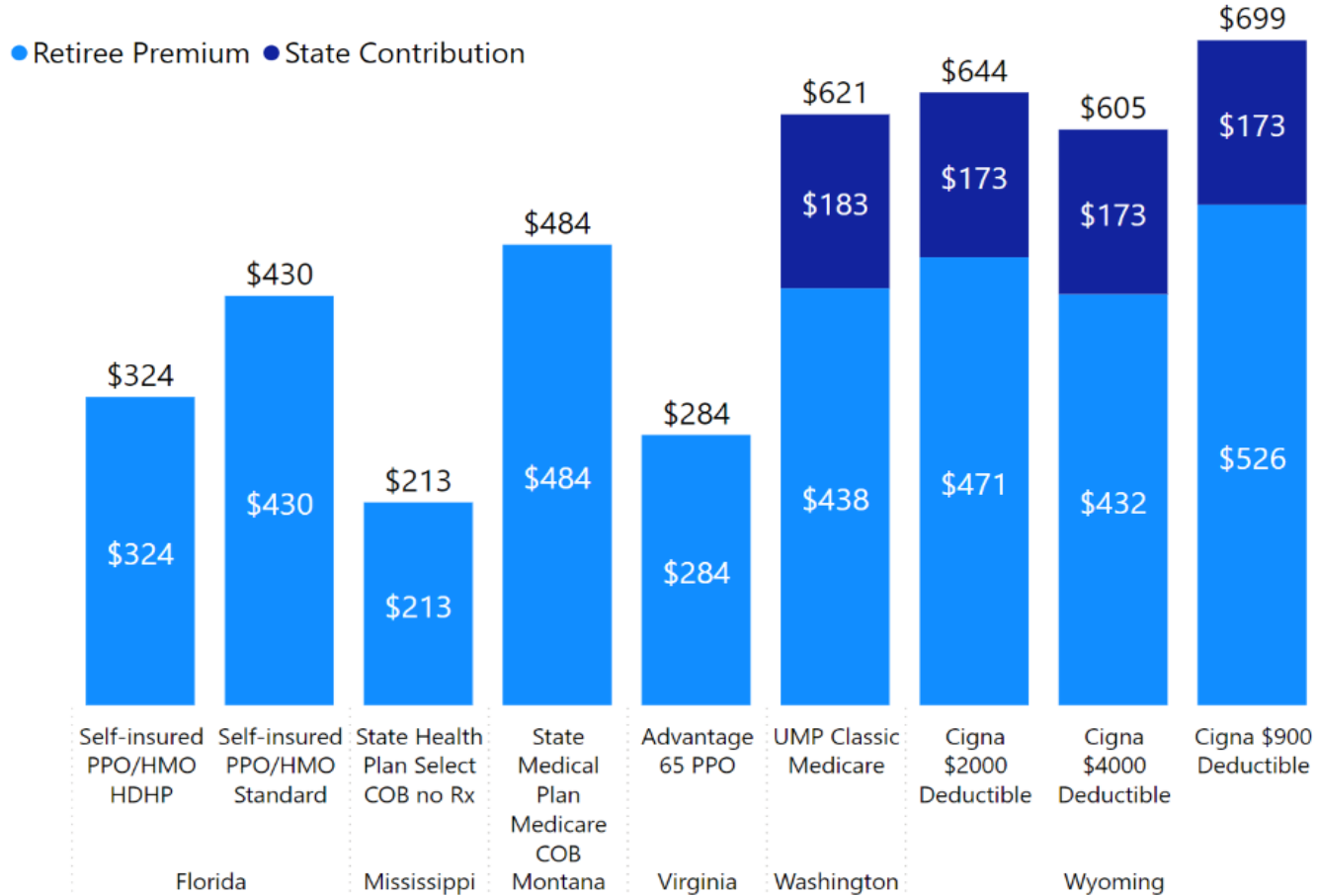
	Medical	Pharmacy	Vision Hardware	Hearing aids	State Premium Contribution
<b>Florida</b>	COB	Standard	Offered separately	Not covered	No
<b>Mississippi</b>	COB	None	Offered separately	Not covered	No
<b>Montana</b>	COB	Part D	Offered separately	Not covered*	No
<b>Virginia</b>	COB	Part D	Offered separately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

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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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