

SERS Health Care Board Sustainability Review: 2019

July 17, 2019

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Agenda

- Introductions
- SERS Financial Status
 - Measures of financial performance
 - How did SERS get here?
- Key Interactions
 - Subsidization
 - Enrollment
 - Demographics
 - Expenses
- Discussion
- Next Steps

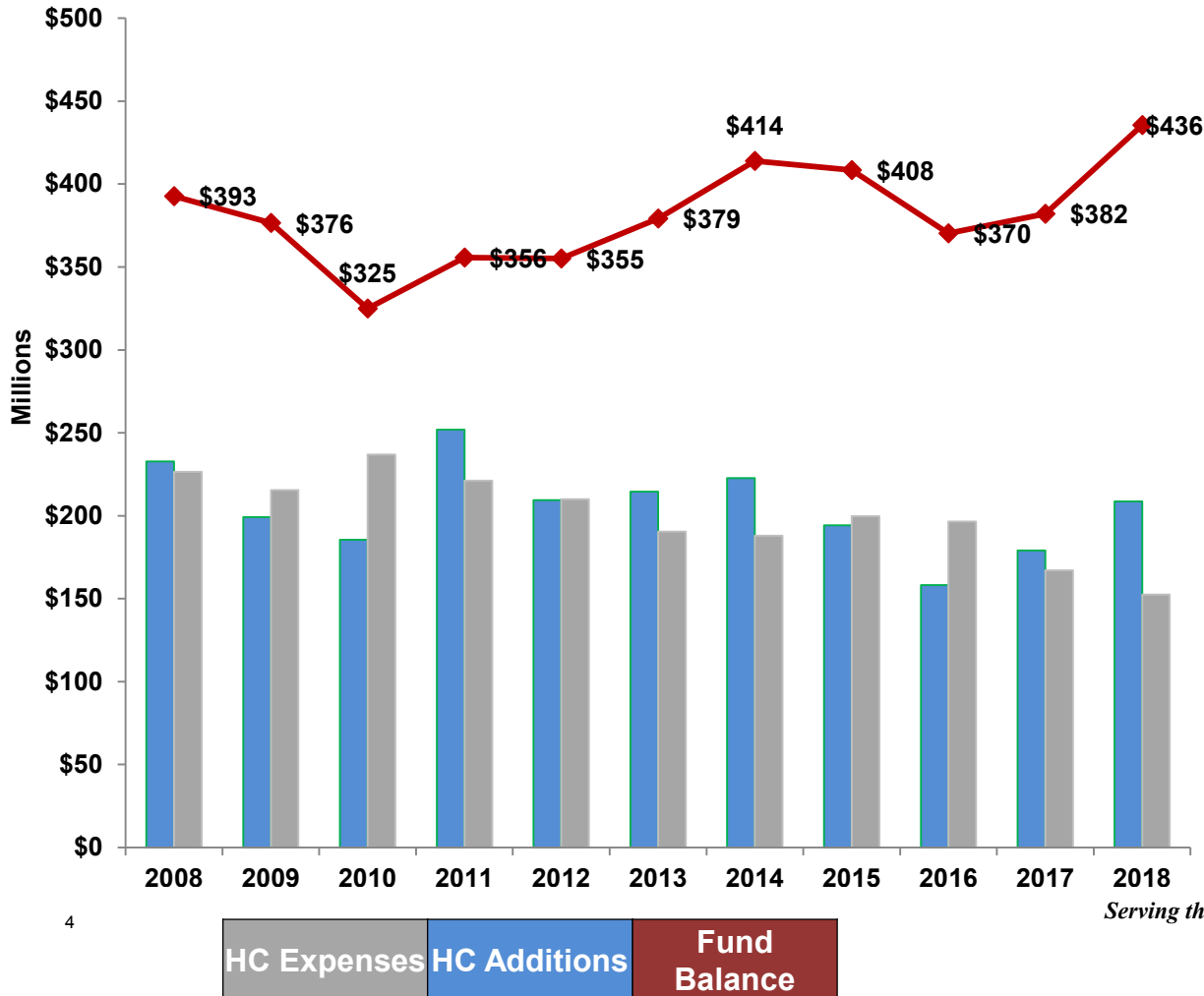


Introductions

- **Michael Madalena** - Health Care Consultant
- **Christi Pepe** - Health Care Director
- **Michael Steiner** - Health Care Data Analyst
- **Penny Baker** - Assistant Health Care Director
- **Emily Madalena** - Research and Content Consultant



SERS Financial Status

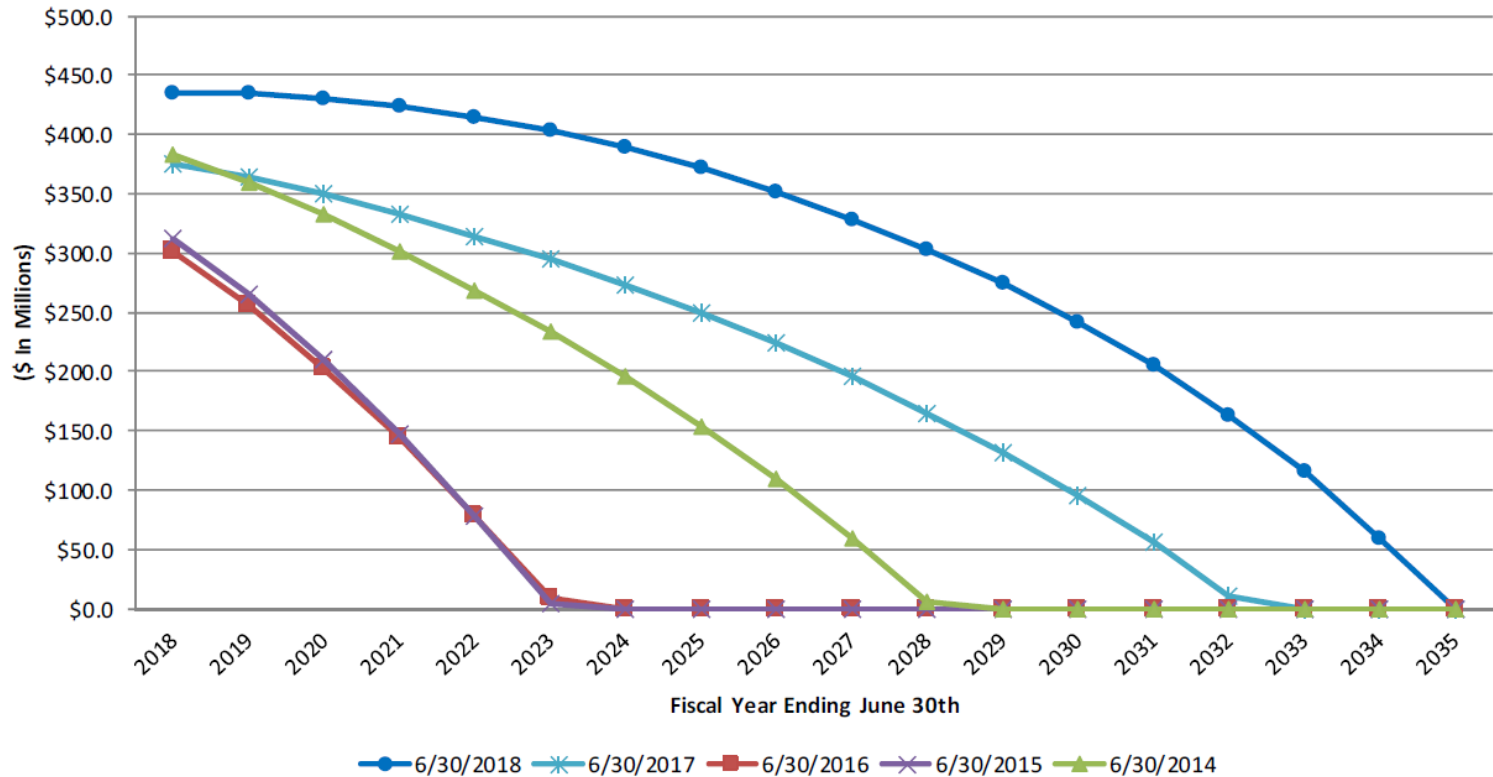


- Different measures of financial solvency
 - Solvency- An entity's ability to pay for its expenses and debts as they become due
 - Common insurance industry metrics:
 - Incurred but not reported
 - Months of claim expense
- Meet former guidelines' standards for success
- Remember: modern health care is expensive and changing rapidly
 - Is it reasonable to hold health care programs to pension standards?



SERS Actuarial Projection

Health Care Fund Balance

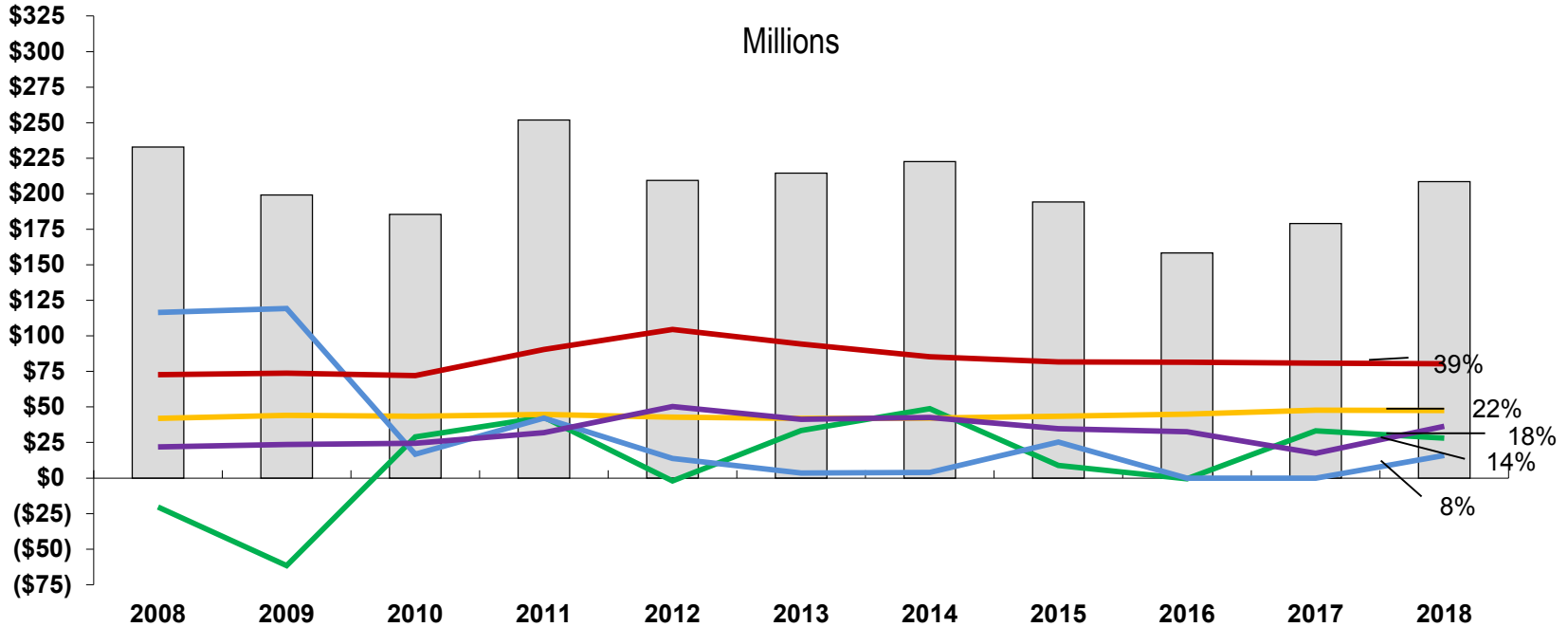


Source: Ohio SERS Retiree Health Care Valuation Report (June 30, 2018)

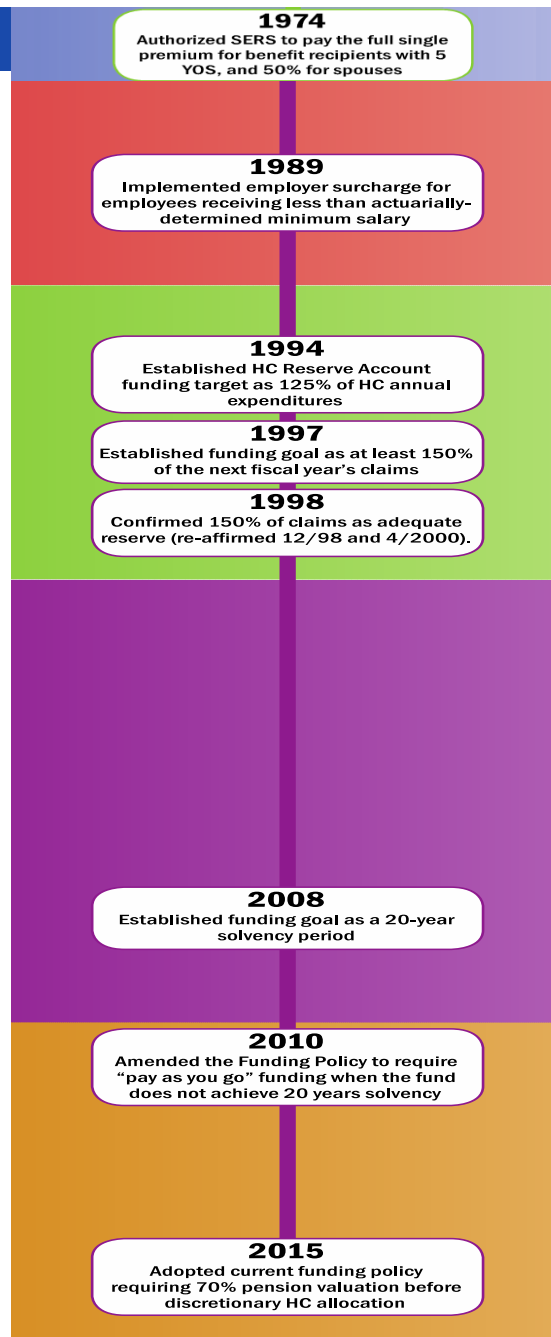
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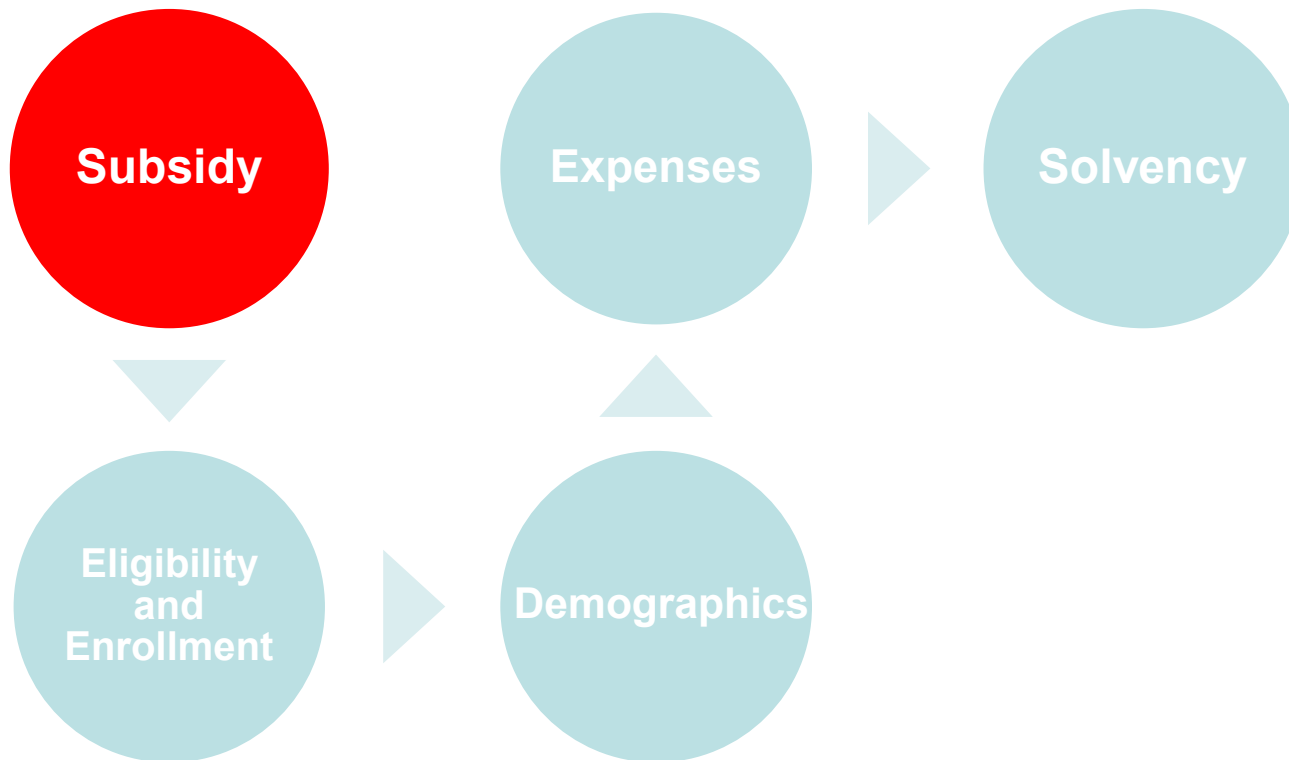
SERS Financial Status



How did we get here?



Interactions



- If the SERS wants to make changes to the program to extend plan longevity, must be aware that:
 - Not all changes to the program have equal effect
 - “Ripple effect”
 - One change causes different behavior in a different area
 - Selection bias
 - Most significant and impactful area: subsidy

History of Subsidization

1986

Established 70% premium for spouse and dependents phased in over 5 years

1989

Required 15-75% premium for new service retirees with <25 YOS

1989

25+ YOS, disability recipients, and surviving spouses continued with no premium

1993

Required Medicare age to qualify for subsidy for newly eligible retirees (rescinded 1999)

2003

Established premium for those without Med A >25 YOS same as AB

2004

Increased zero premium categories to 15% premium

2005

Established 25% premium discount program for benefit recipients at or below 125% of FPL

2006

Increased lowest premium categories from 15% to 17.5%

2008

Required 20 YOS for subsidy for new service retirees 25 YOS for subsidy for spouses

2008

Required eligibility for school employer HC at separation requirement for subsidy

2011

Collapsed prior categories to create current subsidy structure. Added a \$35,00 surcharge (current) and a per-plan upward adjustment factor (eliminated 2014)

2012

Added 3 of 5 years of eligibility for employer HC at separation for subsidy



Subsidized Member Premiums

- Main takeaways:
 - Precedent of grandfathering membership prior to subsidization changes
 - Grandfathering has the effect of muting impact, but is a common approach when making changes
 - Can subsidize Medicare and non-Medicare eligible members differently

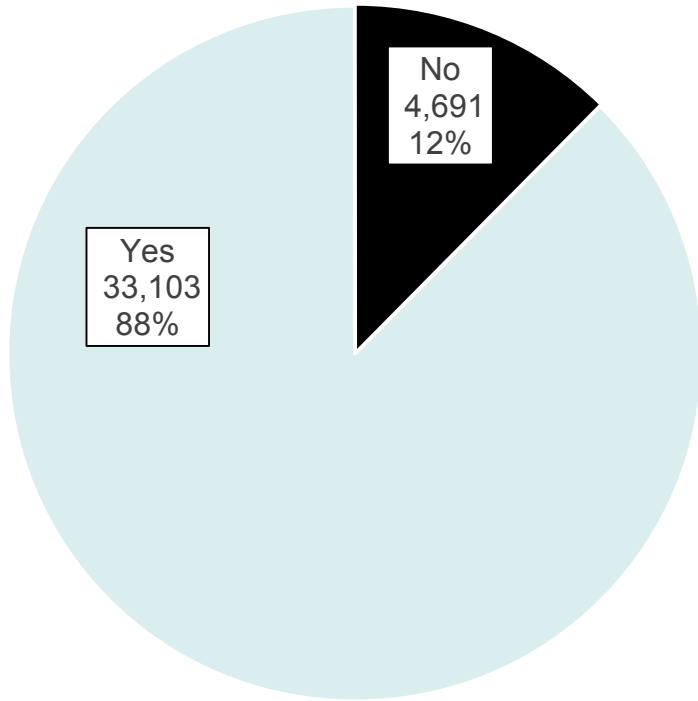
Service Years	Retirement on or before July 1, 1989	August 1, 1998 through July 1, 2008	Retirement on or after August 1, 2008	Disability Recipients
5-9.999	50.00%	Not eligible		50%
10-14.999	17.5%	100%		33%
15-19.999	17.5%	50%	100%	
20-24.999	17.5%	25%	50%	
25-29.999	17.5%	17.5%	30%	
30-34.999	17.5%		20%	
Spouse Premium				Child(ren) Premium
24.999 or less	100%	Spouse premium is based on service retiree, disability recipient, or member's service credit.		70%
25-29.999	90%			
30+ years	80%			

Members need to have 20+ years of qualified service credit, or receive a disability benefit. Also must, at time of disability, retirement, or separation from service be eligible to participate in the health care plan of last school employer, or have been eligible to participate in the health care plan of his or her school employer at least three of the last five years of service

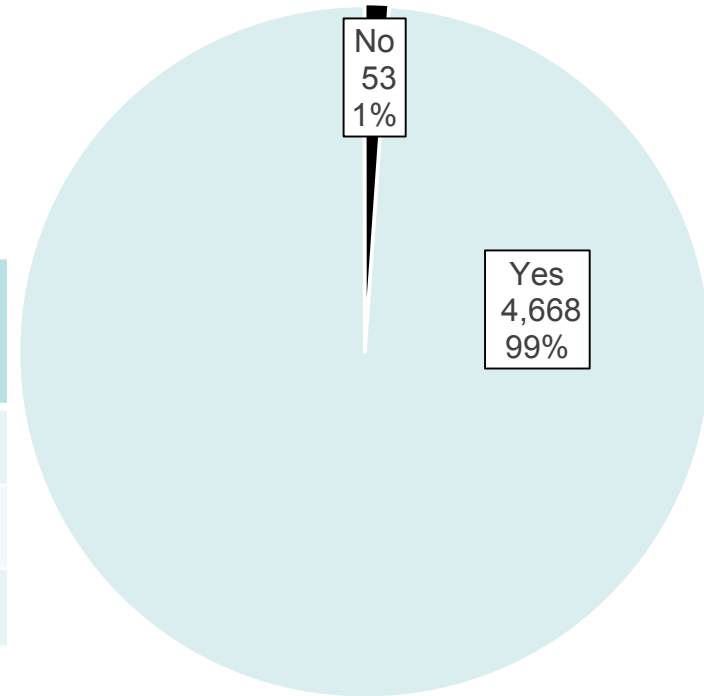


Enrollees Receiving Subsidy

Medicare



Non Medicare



Group	Annualized Subsidy Dollars (as of January 2019)
Medicare	\$45,640,000
Non-Medicare	\$49,883,000
Total	\$95,523,000



Premium Subsidy: Enrollment Type

SERS Retirees, Spouses, and Dependents: CY 2019

Population	Count	Subsidy Dollars	% of Subsidy
<i>SERS Plan Medicare</i>	<i>37,874</i>	<i>\$45,640,000</i>	<i>48%</i>
Disability	2,190	\$3,445,000	4%
Service	28,142	\$40,777,000	43%
Spouses and Dependents	7,542	\$1,418,000	1%
<i>SERS Plan Non-Medicare</i>	<i>4,757</i>	<i>\$49,883,000</i>	<i>52%</i>
Disability	732	\$8,505,000	9%
Service	3,546	\$40,684,000	43%
Spouses and Dependents	479	\$694,000	1%
<i>Waived Medicare</i>	<i>17,259</i>		
Disability	509		
Service	13,298		
Spouses and Dependents	3,452		
<i>Waived Non-Medicare</i>	<i>25,943</i>		
Disability	1,787		
Service	20,412		
Spouses and Dependents	3,744		
Grand Total	85,833	\$95,523,000	



Premium Subsidy: Years of Service (Contributors Only)

SERS Disability and Service Retirees by YOS: CY 2019						
Population	Disability		Service		Total Count	Total Dollars
	Count	Subsidy Dollars	Count	Subsidy Dollars		
SERS Plan Medicare	2,190	\$3,445,000	28,142	\$40,777,000	30,332	\$44,222,000
5 to 9.99	79	\$85,000	144*	\$141,000	223	\$226,000
10 to 14.99	151	\$220,000	1,633*	\$767,000	1,784	\$987,000
15 to 19.99	291	\$412,000	2,910	\$2,768,000	3,201	\$3,180,000
20 to 24.99	564	\$809,000	5,318	\$7,302,000	5,882	\$8,111,000
25 to 29.99	640	\$1,093,000	9,311	\$14,852,000	9,951	\$15,946,000
30 to 34.99	330	\$582,000	6,866	\$11,450,000	7,196	\$12,032,000
35+	135	\$245,000	1,960	\$3,496,000	2,095	\$3,741,000
SERS Plan Non-Medicare	732	\$8,505,000	3,546	\$40,684,000	4,278	\$49,189,000
5 to 9.99	17	\$127,000	*		17	\$127,000
10 to 14.99	57	\$568,000	1*	\$0	58	\$568,000
15 to 19.99	58	\$576,000	11	\$7,000	69	\$583,000
20 to 24.99	58	\$572,000	194	\$1,437,000	252	\$2,008,000
25 to 29.99	133	\$1,638,000	703	\$7,322,000	836	\$8,959,000
30 to 34.99	186	\$2,284,000	2,154	\$25,721,000	2,340	\$28,005,000
35+	223	\$2,741,000	483	\$6,198,000	706	\$8,939,000
Grand Total	2,922	\$11,951,000	31,688	\$81,461,000	34,610	\$93,411,000

* Enrollees in this category who retired after 8/08 receive no subsidy.



Premium Subsidy:

All SERS Health Care Enrollees by Years of Service

Population	Pre-89	8/89 - 7/08	8/08 & After
SERS Plan Medicare	\$4,041,000	\$27,468,000	\$14,131,000
< 5	\$600	\$600	\$0
5 to 9.99	\$152,000	\$44,000	\$37,000
10 to 14.99	\$798,000	\$96,000	\$104,000
15 to 19.99	\$1,025,000	\$2,036,000	\$127,000
20 to 24.99	\$850,000	\$5,352,000	\$1,916,000
25 to 29.99	\$605,000	\$11,436,000	\$4,336,000
30 to 34.99	\$474,000	\$7,168,000	\$5,107,000
35+	\$137,000	\$1,336,000	\$2,505,000
SERS Plan Non-Medicare	\$114,000	\$9,193,000	\$40,575,000
< 5			\$3,000
5 to 9.99		\$82,000	\$55,000
10 to 14.99		\$111,000	\$471,000
15 to 19.99		\$52,000	\$543,000
20 to 24.99		\$141,000	\$1,873,000
25 to 29.99	\$1,000	\$1,231,000	\$7,808,000
30 to 34.99	\$25,000	\$5,532,000	\$22,839,000
35+	\$89,000	\$2,045,000	\$6,983,000
Grand Total	\$4,155,000	\$36,661,000	\$54,706,000

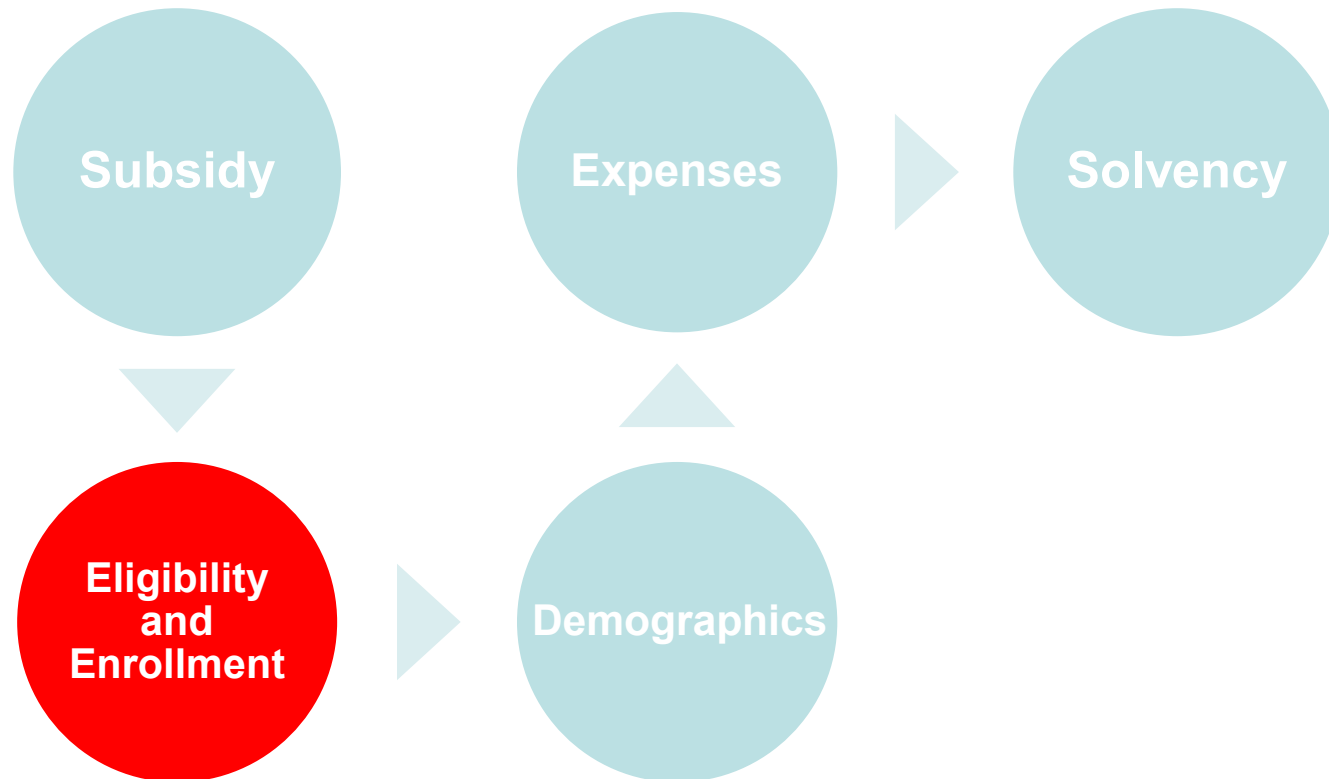


Premium Subsidy: Review

- SERS' health care subsidy is worth \$95 million per year to members.
- 48% of subsidy dollars are in the Medicare population, 52% in the non-Medicare population.
 - Base premium for non-Medicare is 7 times more expensive than Medicare.
- Service retirees account for 86% of subsidy dollars.
 - Disability Enrollees account for 12%.
 - Spouses and Dependents account for 2%.
- Health care enrollees with more than 20 years of service account for 92% of subsidy dollars.



Interactions



Enrollment and Eligibility History

1962-1973

Benefit recipients paid the entire premium amount

1974

Authorized SERS to pay the full single premium for benefit recipients with 5 YOS, and 50% for spouses

1977

Added HC eligibility for dependents (50%)

1986

Required 10 years of qualified service for new service retirees

1989

Established irrevocable waiver of coverage excepting for age 65 and group terms

2008

Allowed one-time option for waived eligibility for Medicare to enroll in the Medicare Advantage plan

2014

Authorized dependent enrollment to age 26 to comply with the ACA

2014

Allowed one-time enrollment for waived members who were enrolled in ORS

2016

Eliminated eligibility for members re-employed with access to employer insurance and no Medicare B enrollment

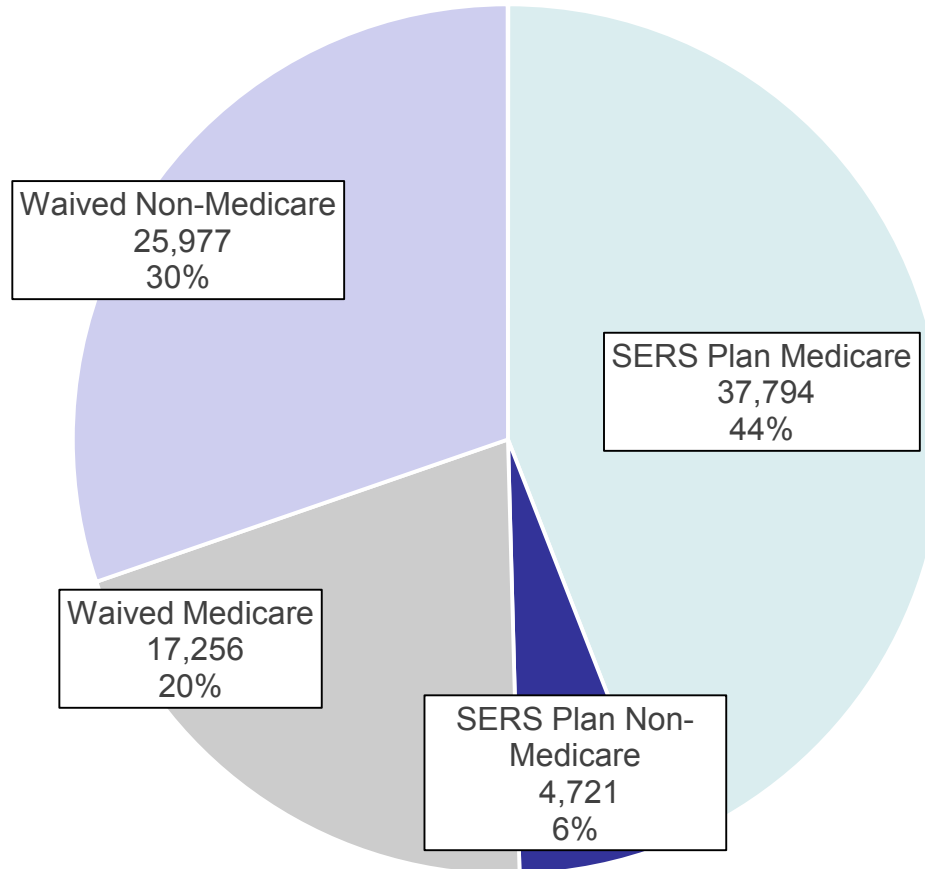
2017

Required disability beneficiaries requesting health care to apply for early Medicare



2018 Health Care Program

Enrolled and waived



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Non-Medicare Choices

Ohio Market (individual 60-year-old member)

Source: ACA 2019 QHP landscape data

County	Plan Count	Premium		
		Lowest	Median	Highest
Hamilton	48	\$501.36	\$904.81	\$1,231.75
Cuyahoga	39	\$527.53	\$1,064.63	\$1,322.75
Franklin	30	\$496.36	\$1,065.71	\$1,244.00
Stark	83	\$510.71	\$927.21	\$1,610.85

- In the Non-Medicare space, SERS is the insurer of last resort
- Vast majority of non-Medicare membership has 30-34.99 years of service
- SERS Marketplace Wraparound plan available

SERS 2019 Premiums

Aetna Choice POS II				
NON-MEDICARE				
Service Years	Retirement on or before July 1, 1989	Aug. 1, 1989 through July 1, 2008	Retirement on or after Aug. 1, 2008*	Disability Recipients
5 to 9.999	\$659	Not Eligible	Not Eligible	\$659
10 to 14.999	\$253	\$1,282	\$1,282	\$447
15 to 19.999	\$253	\$ 659	\$1,282	\$447
20 to 24.999	\$253	\$ 347	\$ 659	\$447
25 to 29.999	\$253	\$ 253	\$ 409	\$253
30 to 34.999	\$253	\$ 253	\$ 284	\$253
*If you retired on or after Aug. 1, 2008 with 35 or more years of service credit, call SERS for your premium.				
Spouse premium				Child(ren) premium
24.999 or less	\$1,032	Spouse premium is based on the service retiree, disability recipient or member's service credit		
25 to 29.999	\$ 932			\$253
30 or more years	\$ 833			

AultCare PPO				
NON-MEDICARE				
Service Years	Retirement on or before July 1, 1989	Aug. 1, 1989 through July 1, 2008	Retirement on or after Aug. 1, 2008*	Disability Recipients
5 to 9.999	\$539	Not Eligible	Not Eligible	\$539
10 to 14.999	\$211	\$1,042	\$1,042	\$367
15 to 19.999	\$211	\$ 539	\$1,042	\$367
20 to 24.999	\$211	\$ 287	\$ 539	\$367
25 to 29.999	\$211	\$ 211	\$ 337	\$211
30 to 34.999	\$211	\$ 211	\$ 236	\$211
*If you retired on or after Aug. 1, 2008 with 35 or more years of service credit, call SERS for your premium.				
Spouse premium				Child(ren) premium
24.999 or less	\$839	Spouse premium is based on the service retiree, disability recipient or member's service credit		
25 to 29.999	\$759			\$159
30 or more years	\$678			

The premium charts above reflect premium subsidies. If you do not qualify for a subsidy, you pay the full premium regardless of your years of service.

Medicare Eligible Choices

- According to information produced by OptumInsight in 2018:
 - SERS Plan has richer coverage than MAPD Plans in the market
 - SERS OOP max is \$3,000, making it better than any other MAPD plan.
 - SERS PCP and ER copays are at or near the highest.
 - SERS premiums are mid-market.

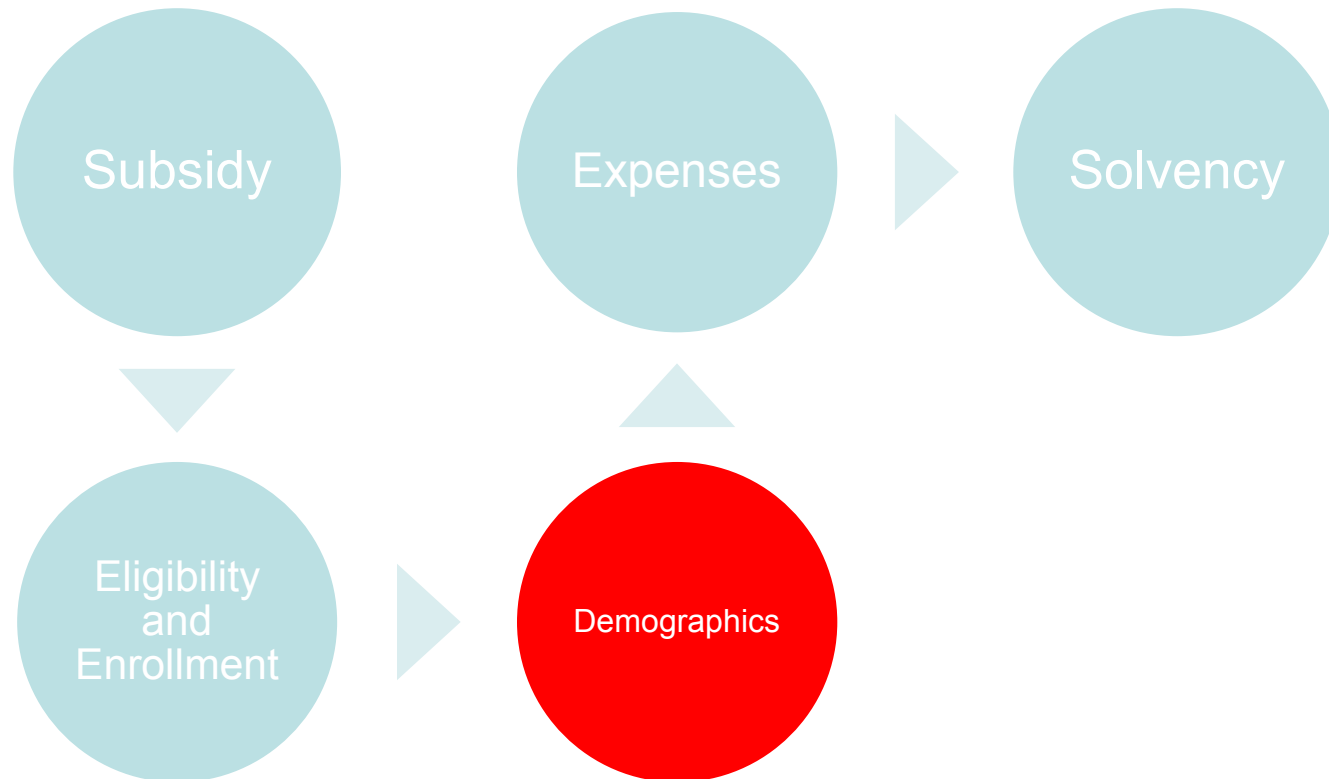
Plan Percentile (1)	Front End Deductible (Out-of-Network)	OOP Max (In-Network)	IP Hosp Copay / Day (up to 7) (2)	IP Hosp Max Number of Copay Days	OP Surgery (Max Amt)	PCP	Specialist	ER
10%	\$0	\$3,400	\$179	4	\$195	\$5	\$25	\$80
50%	\$0	\$4,900	\$243	5	\$290	\$10	\$45	\$80
75%	\$0	\$6,200	\$257	6	\$350	\$15	\$45	\$80
90%	\$1,025	\$6,700	\$257	6	\$395	\$15	\$50	\$80
100%	\$2,000	\$6,700	\$300	7	\$425	\$35	\$50	\$100
SERS (In)	\$0	\$3,000	\$107	5	\$200	\$20	\$40	\$100

(1) Definition of Plan Percentile: 75% of the MAPD plans in the market offer a \$15 PCP Copayment or less.

(2) SERS benefit is \$150/day for 5 days. This translates to \$107/day for a 7 day stay. Most MAPD plans have a 5- to 7-day copay.



Interactions



Demographics

- SERS' membership stands apart from sister systems
 - Majority female
 - Older
 - Fewer years of service
 - Significantly lower salary

	Average Age		Salary		Avg. Monthly Benefit (Retirees Only)	Years of Service Credit	
	Active	New Retiree	Active	New Retiree		Active	New Retiree
SERS (2018)	46.8	63.9	\$21,045	\$34,090	\$1,281	7.4	21.2
OPERS (2017)	42.4	60.7	\$38,822	\$54,627	\$2,276	9.4	23.4
STRS (2018)	43.8	63.0	\$60,104	\$78,110	\$3,454	12.5	26.3

All SERS Benefit Recipients	Average Age	Average Monthly Benefit
Service, disability and survivor (81,332)	73.7	\$1,241



Effects of Pension Reform: SERS of the Future

- Effects of pension reform
 - Rules drive retirement
- Length of employment
- Participation in SERS health care offerings



Health Care Enrollees by Years of Service

YOS	2006	2018
< 5	1%	0%
5 to 9.99	9%	1%
10 to 14.99	16%	6%
15 to 19.99	18%	10%
20 to 24.99	18%	17%
25 to 29.99	23%	30%
30 to 34.99	13%	27%
35+	3%	8%

- Including spouses and children, but ultimately driven by the retiree's years of service
 - Spouse has equal number of years of service as retiree



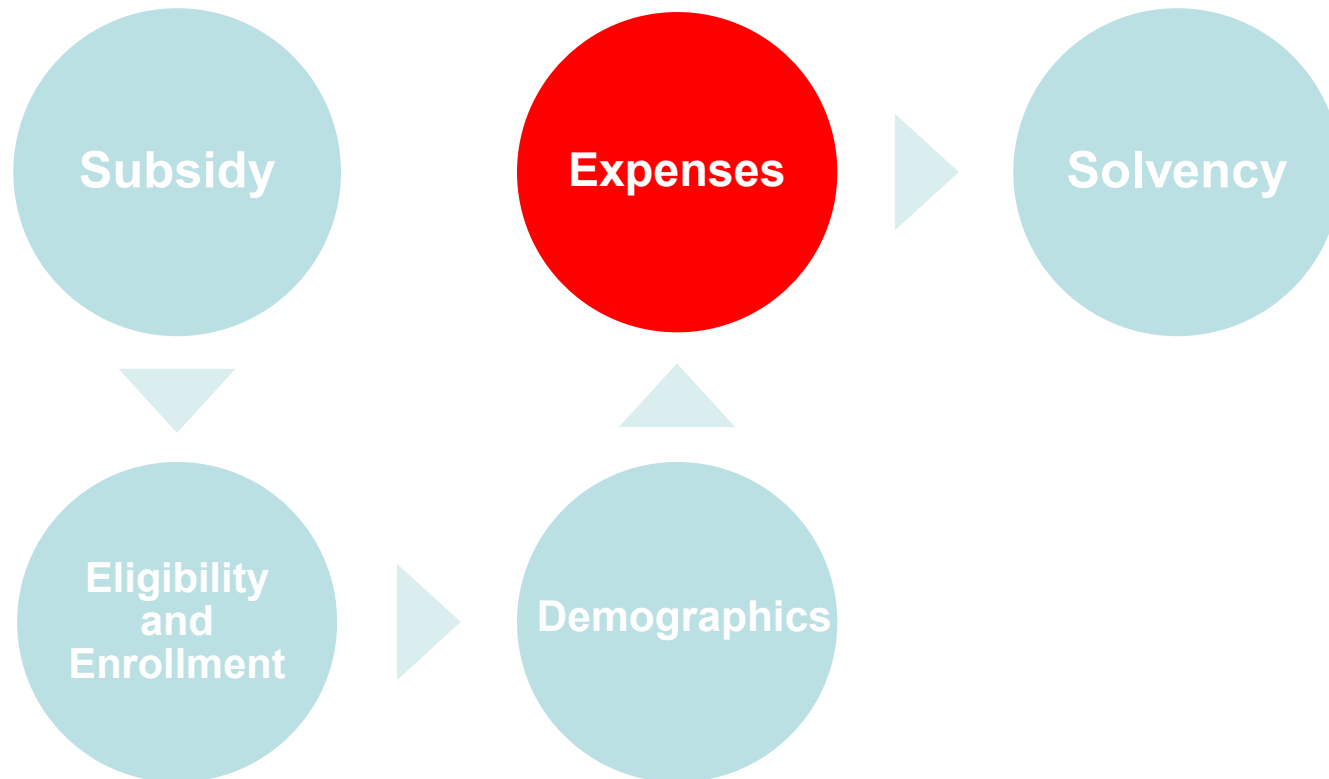
New Health Care Enrollment

Population	2015	2016	2017	2018	2019
65 and Over	1,895	2,170	2,726	1,633	491
SERS HC	40%	39%	35%	43%	54%
Waived	60%	61%	65%	57%	46%
Under 65	2,317	2,965	4,493	1,274	520
SERS HC	24%	22%	20%	36%	51%
Waived	76%	78%	80%	64%	49%

- 2019 population counts are through June

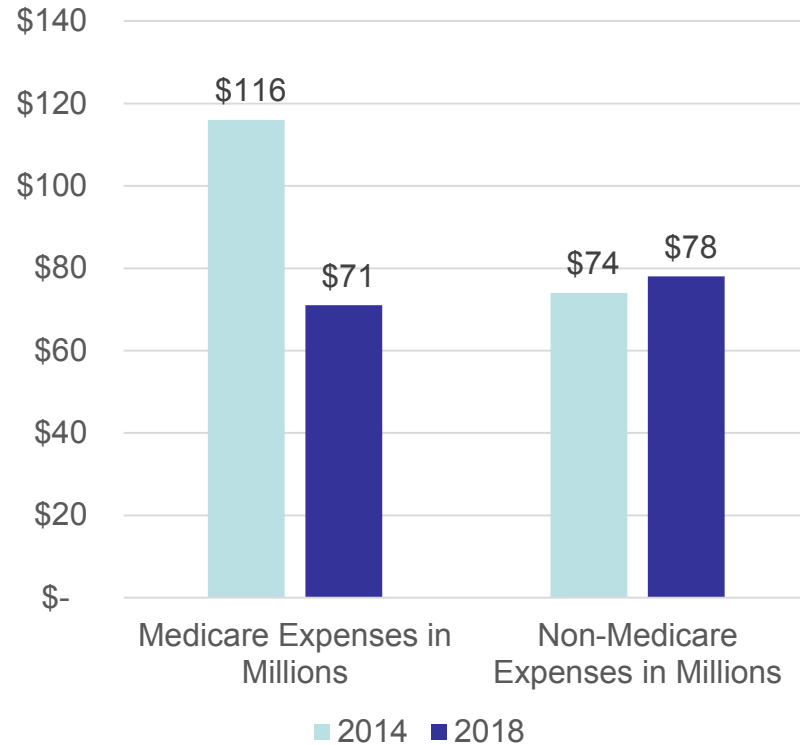


Interactions



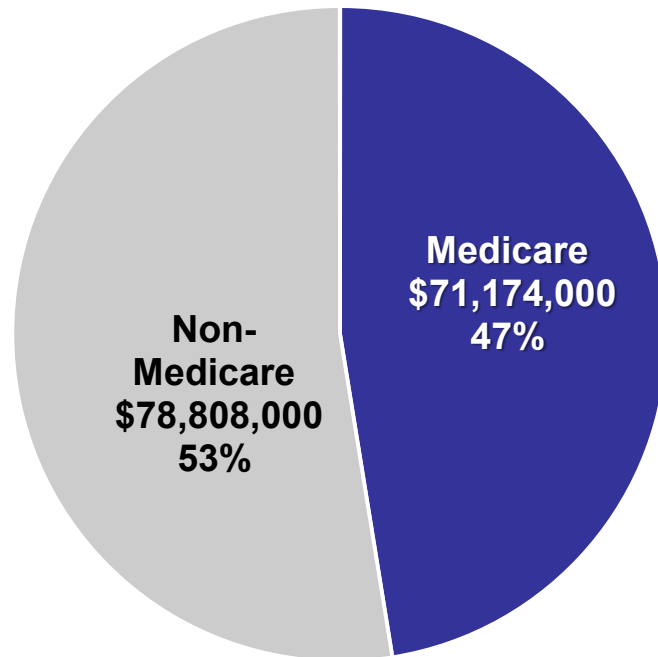
Expenses

- Per capita differences and trends
- Impact of MA
- Impact of EGWP
 - Claim subsidies
 - LICS
 - Safe harbor changes
- Benchmark comparisons

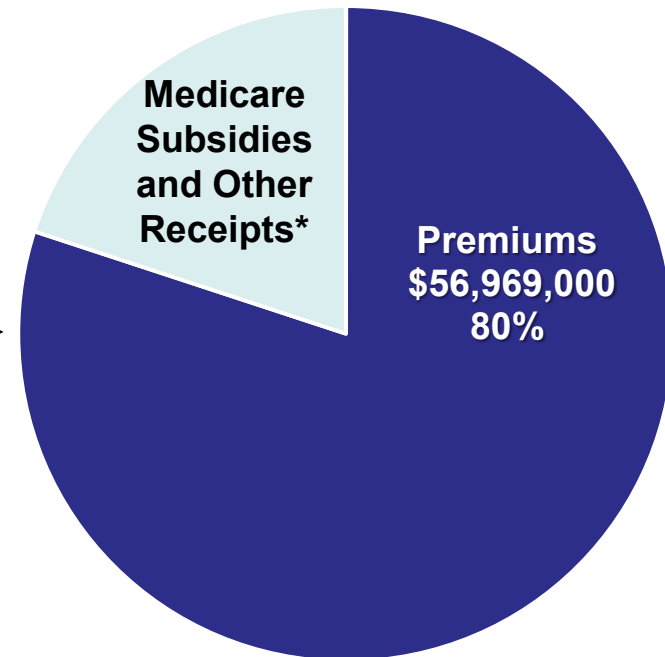


Medicare Program 2018 (All Plans)

Expenses



Additions

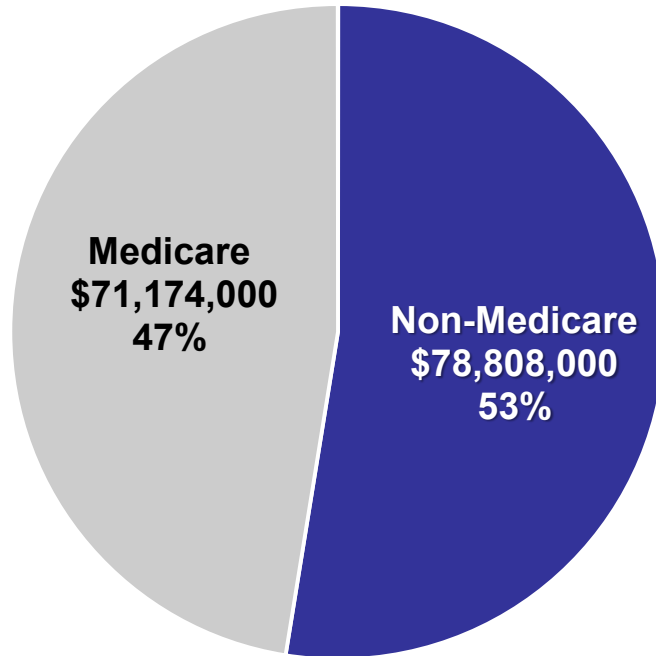


*Aetna MA Risk Share and PDP Subsidy

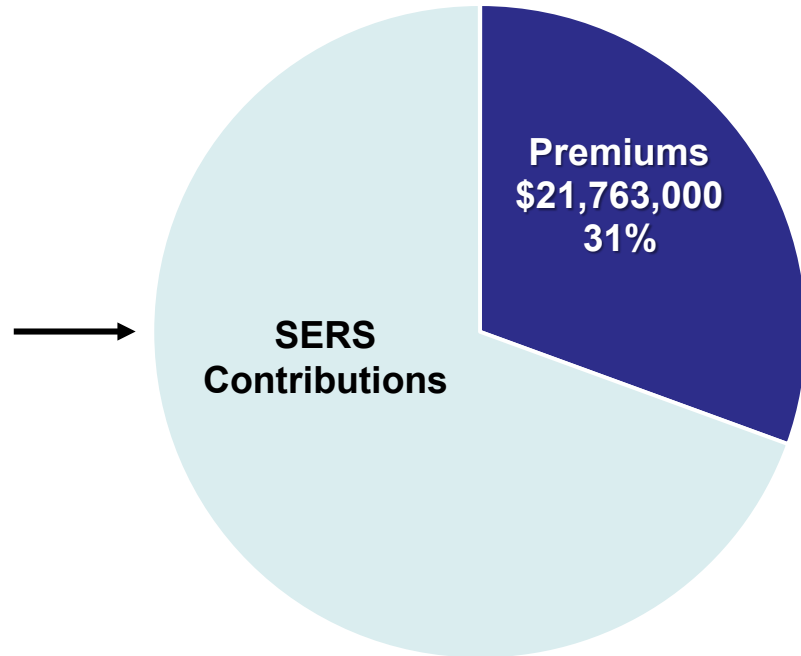


Non-Medicare Program 2018 (All Plans)

Expenses

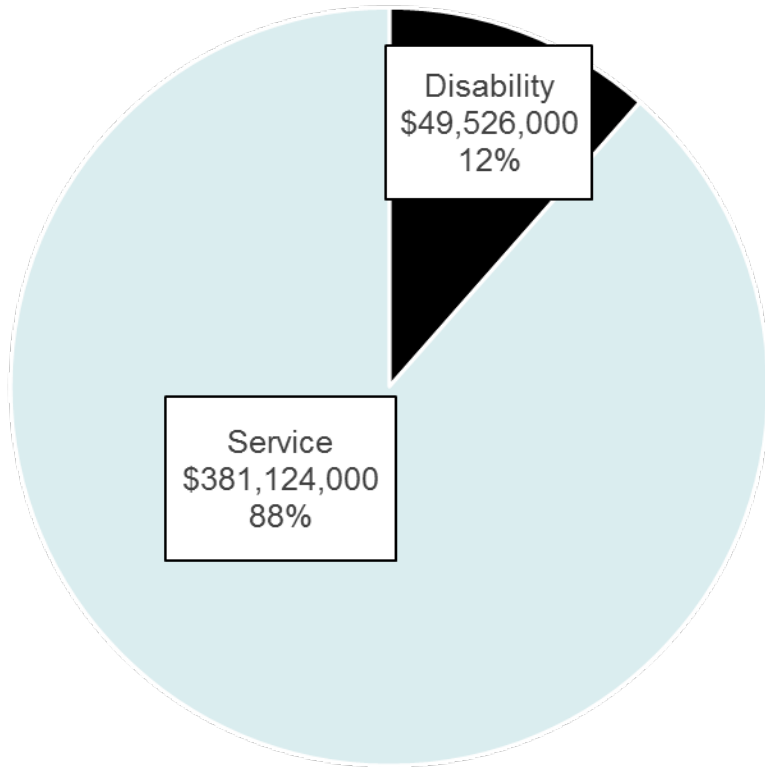


Additions

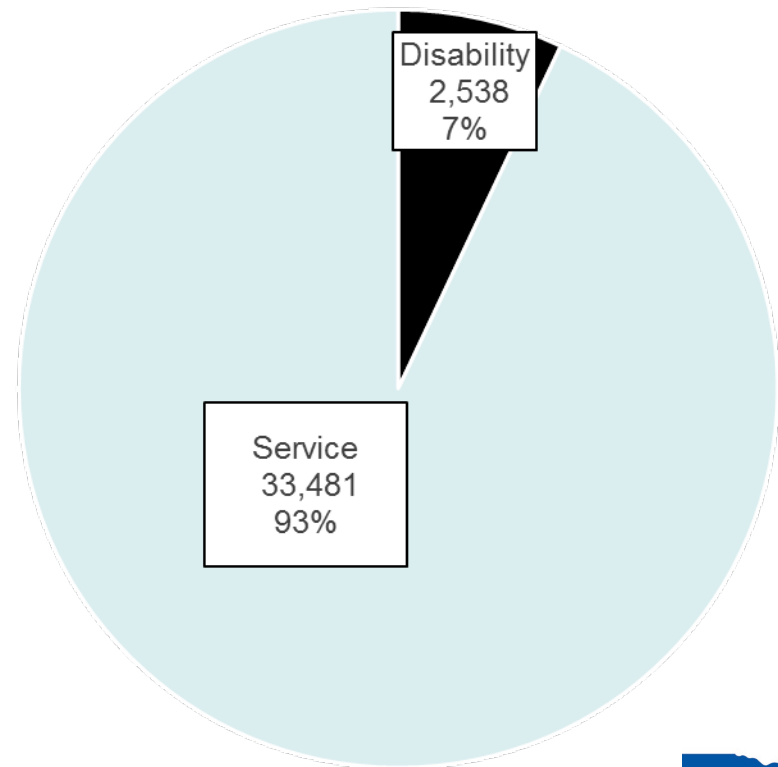


Medicare Program 2018 (Aetna MA Only)

Total Claims

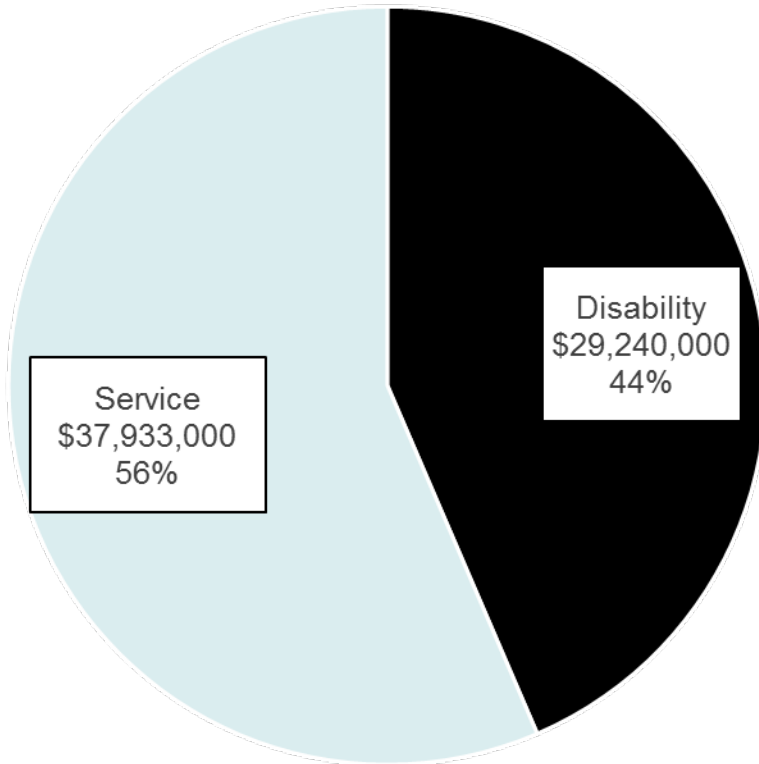


Enrollment

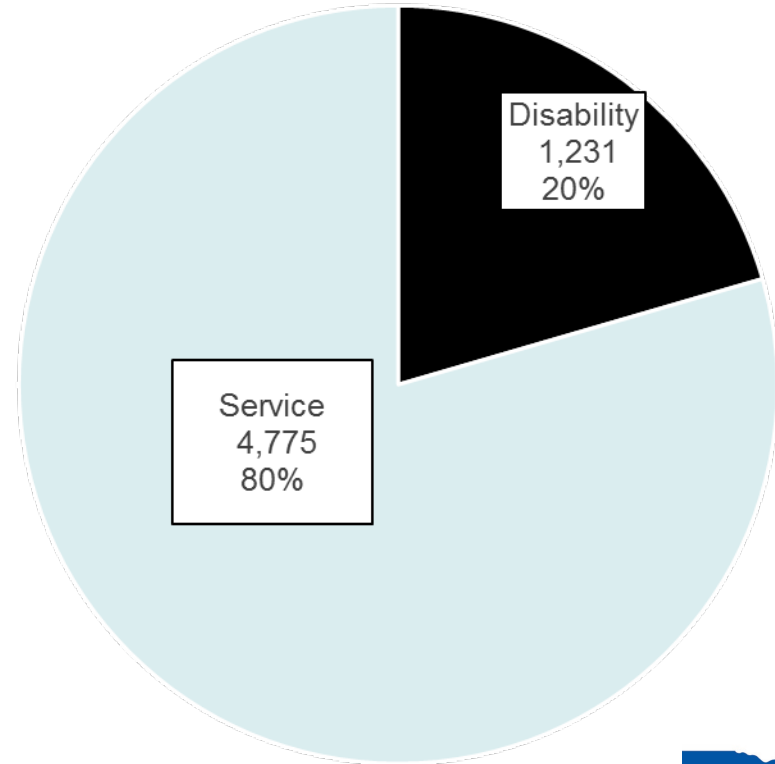


Non-Medicare Program 2018 (Aetna Only)

Total Claims



Enrollment



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Marketplace Wraparound Cost vs. Non-Medicare Group Plan Cost

	Per Member Per Month
SERS Non-Medicare Plan	\$750 (net of premium) PMPM
Marketplace Wraparound	\$55* PMPM *Claims and administrative costs, January 2017 to April 2019



Discussion

- Subsidization drives enrollment, which drives demographics, which drive expense distribution
 - Expense subsidization: non-Medicare enrollees with Medicare
 - "Spread of risk"
 - Enrollee decision-making
- Multiple ways to define financial success
- Important to define priorities and goals for SERS

