



# The State of Maryland

## Presentation to the Public Employees' and Retirees' Benefits Sustainability Commission

October 19, 2010

**GRS**

Gabriel Roeder Smith & Company  
Consultants & Actuaries  
[www.gabrielroeder.com](http://www.gabrielroeder.com)



## How are other states responding to Healthcare Reform?

---

- ◆ In general, statewide governmental entities are taking a careful and measured approach to the impact of Healthcare Reform legislation
  - ▶ Implementing changes required by the Healthcare Reform regulations
  - ▶ Applying for available Federal dollars (ERRP Program)
  - ▶ Weighing the benefits of retaining “Grandfathered” status against the cost of additional changes necessary if such status is not retained.
  - ▶ Where possible, attempting to anticipate and plan for additional aspects of Healthcare Reform, where specific details are not yet known



# High Level Plan Design / State of Maryland (Active Employee and Pre-65 Retirees)

|                                 | Maryland PPO | Maryland POS | Maryland EPO |
|---------------------------------|--------------|--------------|--------------|
| Annual Deductible (Individual)  |              |              |              |
| In-Network                      | \$0          | None         | None         |
| Out of Network                  | \$250        | \$250        | N/A          |
| Annual Deductible (Family)      |              |              |              |
| In-Network                      | \$0          | None         | None         |
| Out of Network                  | \$500        | \$500        | N/A          |
| Office Co-pays (In-Network)     | \$15         | \$15         | \$15         |
| ER Copay                        | \$100        | \$100        | \$100        |
| Coinsurance (In-Network)        | 100%         | 100%         | 100%         |
| Coinsurance (Out-of-Network)    | 80%          | 80%          | N/A          |
| Out of Pocket Max. (Individual) |              |              |              |
| In-Network                      | None         | None         | None         |
| Out of Network                  | \$3,000      | \$3,000      | N/A          |
| Out of Pocket Max. (Family)     |              |              |              |
| In-Network                      | None         | None         | None         |
| Out of Network                  | \$6,000      | \$6,000      | N/A          |
| Rx Plan: Retail      Generic    |              | \$5 Copay    |              |
| Brand, Formulary                |              | \$15 Copay   |              |
| Brand, Non-Formulary            |              | \$25 Copay   |              |
| Rx Plan: Mail      Generic      |              | \$5 Copay    |              |
| Brand, Formulary                |              | \$15 Copay   |              |
| Brand, Non-Formulary            |              | \$20 Copay   |              |

*Note: The State of Maryland's basic retail and mail benefit offers a 1-45 day supply. Maryland also offers a 46-90 supply at retail and mail order for the following copays: Retail: \$10/\$30/\$50, Mail: \$10/\$20/\$20.*

# State A – Statewide public employee/retirement system located in the Southwest region of US with over 400,000 covered participants

|                                 | Maryland PPO | Maryland POS | Maryland EPO | State A                            |
|---------------------------------|--------------|--------------|--------------|------------------------------------|
| Annual Deductible (Individual)  |              |              |              |                                    |
| In-Network                      | \$0          | None         | None         | \$500                              |
| Out of Network                  | \$250        | \$250        | N/A          | Combined In/Out                    |
| Annual Deductible (Family)      |              |              |              |                                    |
| In-Network                      | \$0          | None         | None         | \$1,500                            |
| Out of Network                  | \$500        | \$500        | N/A          | Combined In/Out                    |
| Office Co-pays (In-Network)     | \$15         | \$15         | \$15         | \$30                               |
| ER Copay                        | \$100        | \$100        | \$100        | \$100 Copay + 20% after deductible |
| Coinsurance (In-Network)        | 100%         | 100%         | 100%         | 80% <sup>2</sup>                   |
| Coinsurance (Out-of-Network)    | 80%          | 80%          | N/A          | 60%                                |
| Out of Pocket Max. (Individual) |              |              |              |                                    |
| In-Network                      | None         | None         | None         | \$2,000 + deductible               |
| Out of Network                  | \$3,000      | \$3,000      | N/A          | Combined In/Out                    |
| Out of Pocket Max. (Family)     |              |              |              |                                    |
| In-Network                      | None         | None         | None         | \$6,000 + deductible               |
| Out of Network                  | \$6,000      | \$6,000      | N/A          | Combined In/Out                    |
| Rx Plan: Retail <sup>1 3</sup>  |              |              |              |                                    |
| Generic                         |              | \$5 Copay    |              | \$10 or \$15 Copay <sup>4</sup>    |
| Brand, Formulary                |              | \$15 Copay   |              | \$25 or \$35 Copay <sup>4</sup>    |
| Brand, Non-Formulary            |              | \$25 Copay   |              | \$45 or \$60 Copay <sup>4</sup>    |
| Rx Plan: Mail <sup>1 3</sup>    |              |              |              |                                    |
| Generic                         |              | \$5 Copay    |              | \$20 Copay                         |
| Brand, Formulary                |              | \$15 Copay   |              | \$62.50 Copay                      |
| Brand, Non-Formulary            |              | \$20 Copay   |              | \$100 Copay                        |

1) The State of Maryland's basic retail and mail benefit offers a 1-45 day supply. Maryland also offers a 46-90 supply at retail and mail order for the following copays: Retail: \$10/\$30/\$50, Mail: \$10/\$20/\$20.

2) For inpatient and outpatient services State A charges a per day (inpatient) or per visit (outpatient) copay in addition to the coinsurance.

3) For State A all Rx benefits are subject to a separate prescription drug deductible of \$50 per person / 90-day supply available at mail order only

4) 1st copay shown for a short-term retail prescription / 2nd copay shown for a maintenance prescription (after 2nd fill)



# State A - Responses to Early Healthcare Reform

## Key Decision Points

---

- ◆ State A has and will comply with all Healthcare Reform requirements as outlined by the regulations that have been released to date.
- ◆ **Early Retiree Reimbursement Program (ERRP):**
  - ▶ State A has applied and has been approved for the ERRP program
- ◆ **Grandfathered Status**
  - ▶ At this time, State A has chosen to retain it's Grandfathered status. In the future, like most employers, State A expects that it will likely lose its Grandfathered status as financial conditions require more substantial changes to the plans than the regulations allow.



## State A – Current Process / Issues

---

- ◆ State A's next plan renewal date is 9/1/2011
- ◆ As is their usual planning process, State A is in the process of evaluating a number of options and/or plan design changes with regard to their current plan offerings (copays, deductibles, contributions, etc.).
- ◆ State A is also working to anticipate the changes that may be necessary in future years under Healthcare Reform that aren't necessarily well defined yet (i.e. what can we anticipate the ultimate definition of Essential Benefits to be?)
- ◆ State A is continuing to evaluate changes to their plan designs for future years, weighing the benefits of remaining Grandfathered against the cost of current and future mandates required by losing Grandfathered status.

# State B – Statewide public employee/retirement system located in the Midwest region of US with over 200,000 covered participants

|  | Maryland PPO | Maryland POS | Maryland EPO | State B                    |
|--|--------------|--------------|--------------|----------------------------|
| Annual Deductible (Individual)         |              |              |              |                            |
| In-Network                             | \$0          | None         | None         | \$700                      |
| Out of Network                         | \$250        | \$250        | N/A          | \$1,400                    |
| Annual Deductible (Family)             |              |              |              |                            |
| In-Network                             | \$0          | None         | None         | Deductibles are Per-Person |
| Out of Network                         | \$500        | \$500        | N/A          | Deductibles are Per-Person |
| Office Co-pays (In-Network)            | \$15         | \$15         | \$15         | \$20                       |
| ER Copay                               | \$100        | \$100        | \$100        | \$200                      |
| Coinsurance (In-Network)               | 100%         | 100%         | 100%         | 80%                        |
| Coinsurance (Out-of-Network)           | 80%          | 80%          | N/A          | 60%                        |
| Out of Pocket Max. (Individual)        |              |              |              |                            |
| In-Network                             | None         | None         | None         | \$1,500                    |
| Out of Network                         | \$3,000      | \$3,000      | N/A          | \$3,000                    |
| Out of Pocket Max. (Family)            |              |              |              |                            |
| In-Network                             | None         | None         | None         | OOP Max is Per-Person      |
| Out of Network                         | \$6,000      | \$6,000      | N/A          | OOP Max is Per-Person      |
| Rx Plan: Retail <sup>1 3</sup> Generic |              | \$5 Copay    |              | \$4                        |
| Brand, Formulary                       |              | \$15 Copay   |              | 30% <sup>2</sup>           |
| Brand, Non-Formulary                   |              | \$25 Copay   |              | 40% <sup>2</sup>           |
| Rx Plan: Mail <sup>1 3</sup> Generic   |              | \$5 Copay    |              | \$10 Copay                 |
| Brand, Formulary                       |              | \$15 Copay   |              | \$75 Copay                 |
| Brand, Non-Formulary                   |              | \$20 Copay   |              | \$187.50 Copay             |

1) The State of Maryland's basic retail and mail benefit offers a 1-45 day supply. Maryland also offers a 46-90 supply at retail and mail order for the following copays: Retail: \$10/\$30/\$50, Mail: \$10/\$20/\$20.

2) Copay is equal to 30% of the cost of the drug with a \$30 minimum and \$60 maximum (Formulary Brand), and a \$75 minimum and \$150 maximum (Non-Formulary Brand)

3) State B's Rx plan covers PPI's at OTC and generic only, and covers all diabetes medications and testing supplies for disease management participants at 100%.



## State B - Responses to Early Healthcare Reform Key Decision Points

---

- ◆ State B has and will comply with all Healthcare Reform requirements as outlined by the regulations that have been released to date.
- ◆ **Early Retiree Reimbursement Program (ERRP):**
  - ▶ State B has applied and has been approved for the ERRP program
- ◆ **Grandfathered Status**
  - ▶ At this time, State B has continued with its strategic plan developed over the last several years. This involves plan design changes that result in a loss of Grandfathered status.



## State B – Current Process / Issues

---

- ◆ State B's next plan renewal date is 1/1/2011
- ◆ This past year, State B followed its usual process of making plan design changes intended to achieve a target of 20% retiree cost-sharing.
- ◆ State B is moving its Medicare eligible retirees to an employer Group Waiver Plan (EGWP) rather than participating in the Retiree Drug Subsidy (RDS) program.
- ◆ State B is also evaluating whether prescription drug plan design changes for its Medicare eligible retirees would allow the plan to take advantage of the new manufacturer discount for brand prescriptions in the Part D coverage gap (donut hole).

# State C – Statewide public employee/retirement system located in the Southeast region of US with over 400,000 covered participants

|                                 | Maryland PPO | Maryland POS | Maryland EPO | State C                |
|---------------------------------|--------------|--------------|--------------|------------------------|
| Annual Deductible (Individual)  |              |              |              |                        |
| In-Network                      | \$0          | None         | None         | \$350                  |
| Out of Network                  | \$250        | \$250        | N/A          | Combined In/Out        |
| Annual Deductible (Family)      |              |              |              |                        |
| In-Network                      | \$0          | None         | None         | \$700                  |
| Out of Network                  | \$500        | \$500        | N/A          | Combined In/Out        |
| Office Co-pays (In-Network)     | \$15         | \$15         | \$15         | \$10 + 20% Coinsurance |
| ER Copay                        | \$100        | \$100        | \$100        | \$125                  |
| Coinsurance (In-Network)        | 100%         | 100%         | 100%         | 80%                    |
| Coinsurance (Out-of-Network)    | 80%          | 80%          | N/A          | 60%                    |
| Out of Pocket Max. (Individual) |              |              |              |                        |
| In-Network                      | None         | None         | None         | \$2,000                |
| Out of Network                  | \$3,000      | \$3,000      | N/A          | Combined In/Out        |
| Out of Pocket Max. (Family)     |              |              |              |                        |
| In-Network                      | None         | None         | None         | \$4,000                |
| Out of Network                  | \$6,000      | \$6,000      | N/A          | Combined In/Out        |
| Rx Plan: Retail <sup>1 2</sup>  |              |              |              |                        |
| Generic                         |              | \$5 Copay    |              | \$9 Copay              |
| Brand, Formulary                |              | \$15 Copay   |              | \$30 Copay             |
| Brand, Non-Formulary            |              | \$25 Copay   |              | \$50 Copay             |
| Rx Plan: Mail <sup>1 2</sup>    |              |              |              |                        |
| Generic                         |              | \$5 Copay    |              | \$22 Copay             |
| Brand, Formulary                |              | \$15 Copay   |              | \$75 Copay             |
| Brand, Non-Formulary            |              | \$20 Copay   |              | \$125 Copay            |

1) The State of Maryland's basic retail and mail benefit offers a 1-45 day supply. Maryland also offers a 46-90 supply at retail and mail order for the following copays: Retail: \$10/\$30/\$50, Mail: \$10/\$20/\$20.

2) For State C there is a separate \$2,500 Rx Out of Pocket Maximum. 90-day supply available at mail order only



## State C - Responses to Early Healthcare Reform Key Decision Points

---

- ◆ State C has and will comply with all Healthcare Reform requirements as outlined by the regulations that have been released to date.
- ◆ **Early Retiree Reimbursement Program (ERRP):**
  - ▶ State C has applied for, but has not yet been approved for the ERRP program
- ◆ **Grandfathered Status**
  - ▶ At this time, State C plans to maintain Grandfathered status through 2011, but financial conditions likely will force a change.



## State C – Current Process

---

- ◆ State C's next plan renewal date is 1/1/2011
- ◆ For State C, the incremental cost of losing Grandfathered status and complying with the mandate for 1<sup>st</sup> dollar coverage for preventive care is significant.
- ◆ Also, financial conditions make it unlikely that any new employer contributions toward the cost of the plan will be available, making it likely that future cost increases will be paid for by the employee, if they occur. This also makes it less likely that this State will be able to maintain Grandfathered status.
- ◆ State C is evaluating potential plan design options that are compliant with Healthcare Reform regulations (Non-Grandfathered), and meet the budget requirements of the State.

# State D – Statewide public employee/retirement system located in the Mid-Atlantic region of US with over 200,000 covered participants

|  | Maryland PPO | Maryland POS | Maryland EPO | State D                                 |
|--|--------------|--------------|--------------|---|
| Annual Deductible (Individual)         |              |              |              |   |
| In-Network                             | \$0          | None         | None         | \$250                                   |
| Out of Network                         | \$250        | \$250        | N/A          | \$500                                   |
| Annual Deductible (Family)             |              |              |              |   |
| In-Network                             | \$0          | None         | None         | \$500                                   |
| Out of Network                         | \$500        | \$500        | N/A          | \$1,000                                 |
| Office Co-pays (In-Network)            | \$15         | \$15         | \$15         | \$15                                    |
| ER Copay                               | \$100        | \$100        | \$100        | \$50 Copay + Deductible and Coinsurance |
| Coinsurance (In-Network)               | 100%         | 100%         | 100%         | 80%                                     |
| Coinsurance (Out-of-Network)           | 80%          | 80%          | N/A          | 60%                                     |
| Out of Pocket Max. (Individual)        |              |              |              |   |
| In-Network                             | None         | None         | None         | \$1,750                                 |
| Out of Network                         | \$3,000      | \$3,000      | N/A          | \$3,500                                 |
| Out of Pocket Max. (Family)            |              |              |              |   |
| In-Network                             | None         | None         | None         | \$2,625                                 |
| Out of Network                         | \$6,000      | \$6,000      | N/A          | \$5,250                                 |
| Rx Plan: Retail <sup>1 2</sup> Generic |              | \$5 Copay    |              | \$5 Copay                               |
| Brand, Formulary                       |              | \$15 Copay   |              | \$15 Copay                              |
| Brand, Non-Formulary                   |              | \$25 Copay   |              | \$50 Copay                              |
| Rx Plan: Mail <sup>1 2</sup> Generic   |              | \$5 Copay    |              | \$10 Copay                              |
| Brand, Formulary                       |              | \$15 Copay   |              | \$30 Copay                              |
| Brand, Non-Formulary                   |              | \$20 Copay   |              | \$100 Copay                             |

1) The State of Maryland's basic retail and mail benefit offers a 1-45 day supply. Maryland also offers a 46-90 supply at retail and mail order for the following copays: Retail: \$10/\$30/\$50, Mail: \$10/\$20/\$20.

2) For State D there is a separate Rx deductible of \$75 for single coverage and \$150 for family. Also, there is a Rx Out of Pocket limit of \$1,750 for single coverage and \$3,500 for family. A fourth copay tier of \$50 is in place for Specialty prescriptions. 90 Day supply available at mail order only.



## State D - Responses to Early Healthcare Reform Key Decision Points

---

- ◆ State D has and will comply with all Healthcare Reform requirements as outlined by the regulations that have been released to date.
- ◆ **Early Retiree Reimbursement Program (ERRP):**
  - ▶ State D has applied for, but has not yet been approved for the ERRP program
- ◆ **Grandfathered Status**
  - ▶ At this time, State D plans to maintain Grandfathered status through fiscal year 2012, but financial conditions could force a change.



## State D – Current Process / Issues

---

- ◆ State D's next plan renewal date is 7/1/2011
- ◆ State D's plan is performing better financially than expected
- ◆ Like State C, the incremental cost of losing Grandfathered status and complying with the mandate for 1<sup>st</sup> dollar coverage for preventive care for State D is a significant concern.
- ◆ State D is evaluating potential plan design options and is also analyzing the impact of potential future guidance on the topic of "Essential Benefits" under Healthcare Reform.
- ◆ Public hearing process for the next fiscal year starts in the late fall and will conclude prior to the next legislative session.