

# Employee Group Waiver Program (EGWP)

## Presentation

# Retiree Health Plan Advisory Board

## Employer Group Waiver Program (EGWP)



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# EGWP Program Objectives

Patient Name: \_\_\_\_\_  
Address: \_\_\_\_\_ Date: \_\_\_\_\_

**R<sub>x</sub>** Improve financial efficiency of retiree program while also:

- Preserve overall benefit value
- Minimizing member impact

MD: \_\_\_\_\_  
Signature: \_\_\_\_\_



# What is an EGWP?

- EGWP or Employer Group Waiver Program, “egg whip”, is a group sponsored Medicare Part D Plan.
- An “Enhanced” EGWP is an Medicare Part D Plan with additional wrap-around benefits designed to mirror the current retiree drug benefits.
- Individuals with Medicare Part A or Part B create eligibility for payments of federal subsidies to AlaskaCare.



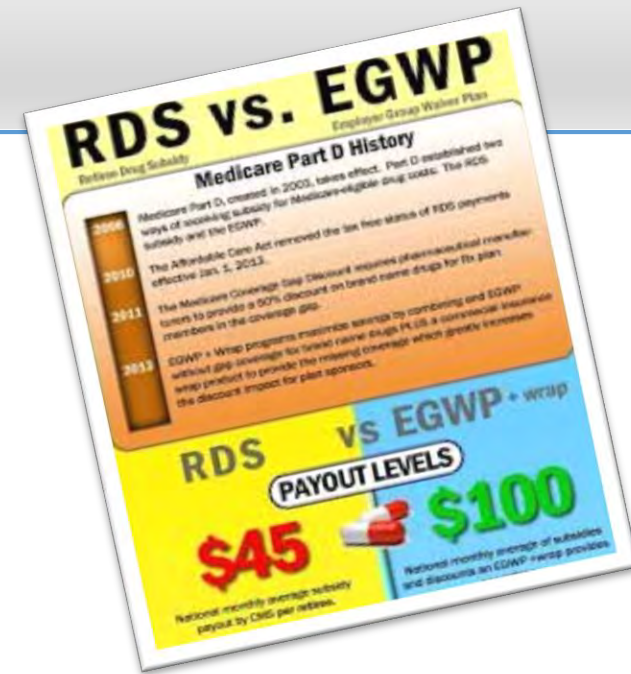
# Current AlaskaCare Program

- AlaskaCare receives Retiree Drug Subsidy (RDS) payments from the Centers for Medicare & Medicaid (CMS).
- RDS was established in 2004 to encourage employers to continue prescription benefits for Medicare eligible retirees by helping offset part of the cost.
- RDS subsidies:
  - Are limited on low or \$0 claimants;
  - Are capped for higher cost / utilization;
  - Do not reduce OPEB liabilities associated with retiree health benefits.
- RDS subsidies are approximately \$19M - \$21M annually.



# Medicare EGWP

- Available under Medicare Part D
- Allows Medicare Part D as a part of employer plans, customization to close gaps such as the “donut hole”, and to replicate the current plan.
- Subsidies are provided for all participants enrolled in Medicare Part A or Part B, even low/\$0 claimants.
- Subsidies are not capped based on higher costs / utilization.
- Estimated to be \$35M - \$44M in savings annually (\$16M - \$23M over RDS).
- EGWP creates an immediate reduction to the OPEB liability.



# Retiree Impact

Vast majority of members will experience no change. However, **EGWP is a Medicare Part D Plan, subject to CMS regulations.**

- CMS required communications.
- CMS pre-authorization requirements.
- CMS Medicare Medication Therapy Management Program (members may opt-out).
- CMS mandatory appeals process.
- CMS imposes a formulary, but overall benefit levels can be maintained with supplemental “wrap” plan.
- Prescriptions cannot exceed 90-day supply.
- CMS requires some drugs to be covered under Medicare Part B .
- CMS has Part D requirements for pharmacies.
- Explanation of Benefits (EOB) format will be different from Medical plan.



# Retiree Impact

- Other things that may impact retirees:
  - Medicare eligible retiree may get separate RX ID card.
  - Medicare eligible dependents may get separate RX ID card.
  - Retirees who are high wage earners, will need to notify the Division.
  - Retirees who are low income earners, may qualify for “extra help”.
  - Retirees with a PO Box may need to provide attestation of US residency.
- Retirees not eligible for Medicare will be enrolled in plan for retirees not yet age 65.
  - Retirees living outside the US.
  - Retirees actively working that don't qualify for Medicare A.
- Retirees opting out of Medicare Part D will be enrolled in alternative prescription drug plan.





# Summary Comparison—RDS vs. EGWP

	RDS	EGWP
OPEB Reduction	No	Yes
Annual Application	Yes	No
Network	Commercial	CMS Requirements, but can be customized
Benefits	No requirements, with Actuarial Attestation	CMS Requirements, but can replicate current benefits
Formulary	Commercial	Minimum CMS Requirements; can customize more generously
Clinical Programs	Commercial	CMS Requirements
Subsidies	Claims dependent; capped for catastrophic	Base subsidy for all members; Subsidies increase with costs
IRMAA	No	Yes
Out of Country	Yes	No, but can cover as OON
Plan Fiduciary	State	PBM
<b>Net Federal Subsidies</b>	<b>\$20M</b>	<b>\$40M (\$20M net of RDS)</b>



# Financial Analysis

	2018 Projection		
<b>EGWP</b>			
Base Subsidy	\$9.0M	to	\$10.0M
Coverage Gap Discount	+ \$22.0M	to	+ \$25.0M
Catastrophic Reinsurance	+ \$12.0M	to	+ \$15.0M
<b>= Total Subsidies</b>	<b>= \$43.0M</b>	<b>to</b>	<b>= \$50.0M</b>
Change in gross claims	+ \$2.0M	to	+ \$3.0M
Change in Member Costs	- \$0.1M	to	+ \$0.1M
Additional Admin Fees	- \$6.8M	to	- \$6.5M
ACA fees	- \$0.5M	to	- \$0.4M
Rebate Change	- \$2.5M	to	- \$1.5M
<b>= Net EGWP</b>	<b>= \$35.1M</b>	<b>to</b>	<b>= \$44.7M</b>
<b>RDS Subsidy</b>	<b>\$19.0M</b>	<b>to</b>	<b>\$21.0M</b>
<b>Estimated Savings</b>	<b>\$14.1M</b>	<b>to</b>	<b>\$25.7M</b>

**OPEB liability estimated to be reduced by approximately \$300M-\$350M. The FYE2016 unfunded liability is approximately \$300M**



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# Questions & Discussion



EGWP  
Frequently Asked  
Questions

### What is an EGWP or “Egg Whip?”

- A. An Employer Group Waiver Program (EGWP) is one method offered by the federal government to provide subsidies to the State of Alaska retiree health trusts for qualifying prescription drug costs. An EGWP, pronounced “egg whip”, is a *group* Medicare Part D prescription drug plan option.

### Why move to an EGWP?

- A. It is the most cost-effective way for the retirement system to provide retiree prescription drug coverage to Medicare eligible retirees and dependents. An EGWP is anticipated to generate approximately \$20 million per year in savings to the health plan through additional federal subsidies and between \$40 to \$60 million annually to the state at-large with minimal impact to the membership and existing plan. The savings from the EGWP can be reflected in the current year liability calculation for Other Post-Employment Benefits (OPEB), helping the State fulfill its promise to provide health benefits to our AlaskaCare retirees.

### How does an EGWP work?

- A. AlaskaCare, through a vendor, would contract with the Centers for Medicaid and Medicare Services (CMS) to serve as a Medicare Part D Plan Sponsor and manage compliance with CMS regulations. AlaskaCare retiree health plan members who are eligible for Medicare would be automatically enrolled into the EGWP for their prescription drug benefits.

### What is an “enhanced” EGWP?

- A. Medicare Part D prescription drug plans, including an EGWP, use a drug formulary. A formulary is a list of covered prescription drugs that a Medicare Part D plan will cover. An *enhanced* EGWP is an EGWP plan offered with a supplemental prescription drug benefit (also known as a “wrap”) that provides additional coverage for drugs not covered under the Medicare Part D formulary.

### Will switching to an enhanced EGWP plan cost me additional money with the current drugs I am taking?

- A. No. Although we must follow a Medicare Part D approved formulary, coverage for drugs that are not on the formulary will continue to be covered under the wrap supplemental drug benefit.

### Will I be charged a Medicare Part D premium when enrolled in an enhanced EGWP?

- A. No. The AlaskaCare retiree plan, through their Pharmacy Benefit Manager (PBM), will enroll eligible retirees into the enhanced EGWP. AlaskaCare will pay a fixed monthly administrative cost to the PBM for each enrolled member and, **with the exception of certain high wage earners** (see additional questions below), retirees and their Medicare eligible dependents will not be required to pay a premium to Medicare.

What if I don't want to be enrolled in the enhanced EGWP plan; can I opt-out of this coverage?

- A. CMS requires that you be given the opportunity to opt-out of EGWP. However, retirees that opt-out of EGWP will be placed in a prescription drug program that is much different than the plan prescription drug benefits offered today. This alternative plan may result in increased out-of-pocket expenses for you or your Medicare eligible dependents.

I am not Medicare eligible, but my spouse is. Will he/she be enrolled in the enhanced EGWP plan?

- A. Yes. If your spouse is eligible for Medicare, he/she will be enrolled in the enhanced EGWP plan while your coverage will continue to be provided through the prescription benefit plan available to non-Medicare eligible retirees and dependents.

What if I am eligible for Medicare, but my spouse or other dependents are not yet Medicare eligible?

- A. If your dependents are not currently Medicare eligible, they will continue to receive prescription drug benefits under AlaskaCare through the prescription benefit plan available to non-Medicare eligible retirees and dependents.

Will I receive a new ID card?

- A. Yes. Depending on the outcome of the Pharmacy Benefit Manager (PBM) procurement, all retirees will receive either one or two new ID cards. Some PBM vendors issue a separate ID card to Medicare eligible retirees and their Medicare eligible dependents. We anticipate a welcome kit containing new ID cards; plan information will be mailed in November to those enrolled in the enhanced EGWP.

What will be different with an enhanced EGWP compared to the current plan?

- A. Although you will be enrolled in an enhanced EGWP plan and may receive a separate ID card, most retirees will notice little to no difference when filling a prescription. However, the plan is subject to certain CMS regulations. This means:
- You will receive a number of mandatory mailings related to EGWP, most of which will not apply to you.
  - You will receive a monthly explanation of benefits of your prescription claims.
  - CMS has a list of drugs that require pre-authorization. You may have to get a pre-authorization for drugs where it was not previously required, or drugs that have already been pre-authorized through Aetna. You can start the pre-authorization process in December or the first time you fill a prescription in 2019.
  - Medicare limits prescriptions to 90-day. The plan will be amended from covering 90-day or 100 units, to exclusively covering 90-day prescriptions in compliance with CMS regulations.

- If you have multiple conditions and high drug utilization you may be enrolled in the Medicare Medication Therapy Management Program. CMS considers this program to be a member protection and requires AlaskaCare to enroll retirees covered under the enhanced EGWP. You may elect to opt-out of this program.
- If a prescription drug is denied, CMS has a mandatory 5-level appeal process that must be followed. This includes redetermination from the plan, a review by an Independent Review Organization, a hearing before an Administrative Law Judge, a review by the Medicare Appeals Council, and a Judicial review by a federal district court.
- There is a closed pharmacy network. Currently the Division estimates the number of non-EGWP pharmacies utilized by our members to be less than 20. Although we will work to contract with and bring into network any pharmacies that are identified as non-EGWP prior to implementation, should your pharmacy decline to join the network you will be provided with additional information.

#### What do I do if my drug needs to be pre-authorized?

- A. You or your provider may start the pre-authorization process in December by calling the Pharmacy Benefit Manager contracted by the Division of Retirement and Benefits.

#### Who is the Pharmacy Benefit Manager?

- A. Aetna, with their subcontractor CVS/Caremark, is currently the Pharmacy Benefit Manager (PBM) for the AlaskaCare plans. The Division periodically puts these services out to bid through a competitive bid process that is currently underway. The Division anticipates announcing award of that bid in July 2018 with the contract to take effect beginning January 1, 2019.

#### Will there be a separate Pharmacy Benefit Manager for the enhanced EGWP?

- A. No. There will be one Pharmacy Benefit Manager for all AlaskaCare prescription drug plans, including the enhanced EGWP.

#### Why do I need to obtain pre-authorization of medicines that I have been taking for years?

- A. Medicare does not allow pre-authorizations from another plan to be transferred to a Medicare Part D plan. Medicare may also require pre-authorization on drugs that previously did not require pre-authorization.

#### What does “formulary” mean and how does this affect me with the new AlaskaCare enhanced EGWP?

- A. A formulary is a list of medications covered under plan and it indicates the tier that the drug is covered at, i.e. generic, preferred, nonpreferred, or specialty; Medicare requires certain drugs to be covered at certain tiers; drugs not covered under a standard Medicare Part D

plan will be added to the AlaskaCare enhanced EGWP. While the EGWP formulary may be different than the one used by the retiree health plan today, by providing a wrap supplemental plan, members should not notice a difference in their covered drugs or copayments.

[Will all my current drugs be included in the formulary list for the AlaskaCare enhanced EGWP? How do I check to make certain?](#)

- A. Yes. AlaskaCare will send detailed information regarding the coverage tier under which your drug will be covered in the new formulary.

[What information can I expect to receive concerning AlaskaCare's change to an Enhanced EGWP for Medicare eligible retirees?](#)

- A. AlaskaCare will be sending a letter to the retirees providing detailed plan information through the contracted Pharmacy Benefit Manager (PBM). The PBM will send you Notification and Benefits Summary. Finally, once you are enrolled in the plan (anticipated to occur mid-November) the PBM will send you a Welcome Kit which will include a network directory, the plan formulary, and your ID card(s).

[CMS charges a higher premium for high wage earners, how will I know if will have to pay extra?](#)

- A. Certain high-income retirees will have to pay an extra surcharge; generally, if you are an individual earning more than \$85,000 per year or married earning more than \$170,000 per year, you will be charged an extra premium for being enrolled in Medicare Part D. CMS refers to this as Income Related Monthly Adjustment Amounts (IRMAA). Similar to Part B, this will be deducted directly from your Social Security check if you qualify for Social Security, or be invoiced to you directly. To determine if you will be assessed a surcharge, contact Social Security at 1-800-772-1213.

[What do I do if I am required to pay the extra surcharge?](#)

- A. If you receive notice that you are required to pay this extra premium, notify the Division of Retirement and Benefits. The Division will reimburse you the surcharge amount.

[What if I refuse to pay the extra surcharge?](#)

- A. If the extra surcharge is not paid, Medicare will cancel your enrollment in the AlaskaCare enhanced EGWP plan. This will be treated as an opt-out under the plan and you will be placed in a prescription drug program that is much different than the plan prescription drug benefits offered today. This alternative plan may result in increased out-of-pocket expenses for you or your Medicare eligible dependents.



Who can I call if I need more help in understanding this new plan?

- A. For general questions about how the plan works, or how your drugs are covered under the plan, call the pharmacy benefit manager after you receive your welcome kit. To find out if you will be subject to an extra surcharge because you earn a high income, you may contact Social Security at 1-800- 772-1213.

When will enhanced EGWP welcome kits be sent to me or my dependent if we turn age 65 after January 1, 2019?

- A. Upon Enrollment in the enhanced EGWP plan. This typically occurs in the three months prior to the month in which you or your dependent turns age 65.

What are the Coverage Gap Stage and the Catastrophic Coverage Stage?

- A. These are different stages defined by Medicare based on your total drug costs. AlaskaCare retiree plans have added extra coverage to standard Medicare Part D, so your out of pocket costs for drugs should be the same as you move through the tiers.

Who can I contact about this change?

- A. You may contact the Division of Retirement and Benefits at PO Box 110203, Juneau, AK 99811-0203. You may also contact the Retiree Health Plan Advisory Board (RHPAB) by submitting comments in writing by mail to RHPAB in care of the Division of Retirement and Benefits, PO Box 110203, Juneau, AK 99811-0203 or through email to [AlaskaRHPAB@alaska.gov](mailto:AlaskaRHPAB@alaska.gov).