

Employer Group Waiver Plan (EGWP) FAQs

EGWP: An opportunity for Alaska to maintain existing pharmacy benefits for Medicare-eligible retirees *and* achieve cost savings for years to come.

An Employer Group Waiver Plan, known as an EGWP or “Egg Whip,” is a program offered by the federal government that will increase federal subsidies for prescription drugs for the retiree health trust. This is an administrative change to how pharmacy benefits are managed for Medicare-eligible retirees and dependents. The pharmacy benefit for AlaskaCare retirees remains the same.

AlaskaCare currently receives a federal subsidy for the retiree health prescription drug benefit. Using an enhanced EGWP plan instead, the retiree health trust would receive significantly higher subsidies than we do today, saving the trust up to \$20 million annually and providing \$40-\$60 million each year in additional State savings through a reduction in the unfunded liability. The Division must manage the health plan to ensure retirees can access their earned benefits throughout the entire course of their life, and an AlaskaCare EGWP allows the State to keep existing pharmacy benefits for Medicare-eligible retirees and beneficiaries, while increasing federal reimbursement of existing costs, reducing the State’s direct costs for these benefits in the long term.

Thirty-three other states have already implemented EGWPs and have already begun to realize cost savings. At the same time, both employers and retirees have reported high satisfaction: a 2014 survey conducted by Avalere of retirees in EGWP plans found that over 92% were satisfied with the quality of their coverage. As Alaska, along with the rest of the U.S., faces rising health care costs, EGWPs are a proven win-win for maintaining high quality coverage for today’s and tomorrow’s Alaska retirees.

An AlaskaCare EGWP is just one way the Division is looking to reduce the cost of health care while maintaining or improving benefits for retirees. As part of the ongoing retiree health plan modernization project, the Division is evaluating adding benefits like preventive care, enhanced travel, and removing the lifetime maximum. Our goal is to improve, protect, and sustain the health plan as it continues to offer high quality benefits for current and future generations of retirees. For more information about the modernization project, please go to:

<http://doa.alaska.gov/drb/alaskaCare/retiree/advisory.html> .

If you have questions or concerns about EGWPs, we want to hear from you!

You may contact the Division of Retirement and Benefits at:

Alaska Department of Administration
Division of Retirement and Benefits
PO Box 110203
Juneau, AK 99811-0203

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You may also share your thoughts with the Retiree Health Plan Advisory Board (RHPAB) by submitting comments in writing by mail to:

Retiree Health Plan Advisory Board
c/o Alaska Department of Administration, Division of Retirement and Benefits
PO Box 110203
Juneau, AK 99811-0203

You can also send comment via email to AlaskaRHPAB@alaska.gov.

General Questions

1) Why is the State considering a change to an EGWP?

Moving to an EGWP will have minimal impact to the membership and existing plan and make providing pharmacy benefits more affordable for the health trust and the State. EGWP can save the health plan approximately \$20 million per year, and between \$40 to \$60 million more annually to the State with no diminishment and minimal impact to the membership and existing plan.

EGWP is one method offered by the federal government to provide subsidies to the State of Alaska retiree health trusts. The subsidies help the State to keep the health plan funding healthy without impacting most members. We already have a federal reimbursement plan in place today. It's called a Retiree Drug Subsidy program (RDS), but EGWP provides greater returns.

Many large employers have made the move from RDS to EGWP because of the significant cost savings and the ability to match existing benefits. Implementing an EGWP means that retirees and beneficiaries who are eligible for Medicare **will have the same level and access to pharmacy benefits as they do now**, while making more federal funds available to cover those costs. The savings helps the State fulfill its promise to provide retirement benefits to our AlaskaCare retirees.

2) What is an “enhanced” EGWP?

An enhanced EGWP, like the AlaskaCare EGWP, is a plan that includes drugs not typically covered under Medicare. This ensures that prescription drugs which are covered under the AlaskaCare plan today will be covered under the AlaskaCare EGWP. This enhanced coverage is also called a “wrap.”

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3) How does an EGWP work?

Much the same way it works today. When a member goes to the pharmacy they will present their AlaskaCare pharmacy ID card. The pharmacy will submit the claim. If the prescription is covered by Medicare, it will be covered by EGWP. Members will pay their normal copay (\$0 mail order, \$4 generic, \$8 brand) and collect their medication. If the prescription is not covered by Medicare, it will automatically bill to the “wrap” plan. The member will pay their same copay and collect their medication. Either way, the member shouldn't notice a difference.

In the beginning, members may need to get prior authorizations for certain medications. A list of those medications will be available closer to the implementation date. If you are taking a medication that requires prior authorization, you will be contacted with information on what forms you or your doctor need to complete.

4) How am I enrolled in EGWP?

If you are eligible for Medicare, you will be automatically enrolled in the AlaskaCare EGWP plan.

5) Who is the Pharmacy Benefit Manager for AlaskaCare plans?

Aetna, with their subcontractor CVS/Caremark, is currently the Pharmacy Benefit Manager (PBM) for the AlaskaCare plans. Beginning January 1, 2019, OptumRx will become the AlaskaCare pharmacy benefits manager. The Division and the PBM will send out a welcome kit with information including ID cards later in the year.

6) Why is this changing?

Periodically the Division competitively bids these contracts through a Request for Proposal (RFP). This gives the Division an opportunity to seek better service at lower cost for members and the plan. The current procurement process has resulted in OptumRx being selected to provide Pharmacy Benefit Management (PBM) services beginning January 1, 2019. Aetna, with their subcontractor CVS/Caremark, will remain the PBM for the AlaskaCare plans in the interim period.

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7) Will there be a separate Pharmacy Benefit Manager for the AlaskaCare EGWP?

No. There will still be one Pharmacy Benefit Manager (PBM) for all AlaskaCare prescription drug plans, including the AlaskaCare EGWP.

8) Why would the State consider changing pharmacy benefits for Medicare-eligible retirees?

Alaska law already requires that for Alaska retirees and beneficiaries, Medicare become the primary coverage for major benefits once they are Medicare eligible. As a Medicare Part D plan, an EGWP would follow this same statutory requirement. By implementing an *enhanced* EGWP, like the proposed AlaskaCare EGWP (which covers some medications that are not currently covered under Medicare Part D), the benefits will remain the same as those in place today.

9) I heard EGWP isn't constitutionally protected? Does that mean this plan isn't protected either?

No! As an AlaskaCare member, your health benefits are protected, and it's the Division's job to ensure those benefits remain protected and sustained. Although the EGWP is not protected under Alaska's constitution, your retiree benefits are. Using an enhanced EGWP and covering additional medications that are not covered by a standalone EGWP, will ensure that you continue to receive the same level of benefits consistent with the protections in the Alaska Constitution.

10) Can the State leave EGWP if it is not performing as expected?

Yes. The Division will be closely monitoring the program and will evaluate whether it is in Alaska's best interest to continue using this type of program. If the Division determines that it is not meeting the needs of our members or the State, the Division can disenroll.

11) What information can I expect to receive about a change to an AlaskaCare EGWP for Medicare eligible retirees?

AlaskaCare will send a letter to all retirees and beneficiaries providing detailed plan information, as well as other important transition information from OptumRx as the new Pharmacy Benefit Manager (PBM) vendor. You will receive a welcome kit including a new ID card, and how to find a network pharmacy in your area.

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- 12) If I am enrolled in an AlaskaCare EGWP will this reduce my prescription drug coverage?

No, the prescription drugs covered under the current plan and the AlaskaCare EGWP will be the same.

- 13) Will my prescriptions cost more because of this change?

No. There will be no change in pharmacy copays.

- 14) Will this change require me to use a different pharmacy or doctor?

No. There will be minimal, if any, impact for our members. Just like today, an AlaskaCare EGWP uses a pharmacy network, which most of Alaska's pharmacies participate in. The Division estimates that there are less than 20 individual pharmacies that do not participate in an EGWP network, and Optum RX will be working directly with these pharmacies to bring them into the network. If your preferred pharmacy declines to join this network, you will be provided information about other options.

- 15) Will my co-pays be higher under the enhanced EGWP?

No. Pharmacy co-payments will not change.

- 16) What are the Coverage Gap Stage and the Catastrophic Coverage Stage?

Although these are terms you may hear associated with an EGWP, these stages will not impact your benefits. These are different stages defined by Medicare based on your total drug costs. AlaskaCare retiree plans have extra coverage, so your out of pocket costs for drugs will not change.

Eligibility and Enrollment Questions

- 1) What if I become eligible for Medicare after January 1, 2019?

You can expect to receive information from Medicare three month prior to turning age 65, and though you should enroll in Medicare Part A and B, you do not need to enroll in an individual Medicare Part D plan. You will be automatically enrolled in the AlaskaCare EGWP by the State.

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

In most cases, no. The AlaskaCare retiree plan, through Optum Rx, will enroll eligible retirees into the AlaskaCare EGWP. AlaskaCare will pay a monthly administrative cost to the PBM for each enrolled member, and most retirees and their Medicare eligible dependents will not be required to pay a premium to Medicare.

CMS does require a premium payment of high income individuals who are eligible for Medicare. See Question #1 of the high income earners section below for more information about this situation and whether it may impact your household.

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

Yes. If your spouse is eligible for Medicare and you are not, he/she will be enrolled in the AlaskaCare EGWP plan, while your coverage will continue to be provided the same way it is today.

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

If your dependents are not currently Medicare eligible, they will continue to receive prescription drug benefits the same way they do today. If one of your dependents becomes eligible for Medicare in the future, he or she would be enrolled in the AlaskaCare EGWP at that time.

5) I have more than one AlaskaCare coverage and don't have a co-pay because my prescription costs are covered at 100 percent. Will this change?

No. If you are covered under two or more AlaskaCare plans and are not required to pay a co-pay today there will be no change under the AlaskaCare EGWP.

6) What if I or my spouse are currently enrolled in an EGWP through another employer?

We anticipate that this situation will be rare, and the Division will provide more information to impacted members.

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7) Will I receive a new ID card?

Yes. The Division will work closely with the new PBM to make the transition as smooth as possible for all members. This will include a welcome kit containing ID cards, plan information and other resources to help members. Members should expect to receive new ID cards before the transition January 1, 2019.

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

You can opt-out, but this is highly discouraged and will result in higher costs for both you and the health plan. Centers for Medicare and Medicaid Services (CMS) requires that you be given the opportunity to opt-out of EGWP. Retirees that opt-out of the AlaskaCare EGWP will be placed in a prescription drug program that is much different than the plan prescription drug benefits offered today. This will result in increased out-of-pocket expenses for you or your Medicare eligible dependents.

Pre-Authorization and Appeals Questions

1) What differences could I expect in the AlaskaCare EGWP?

Here's what won't change:

- Copayments will remain the same at \$0 mail order, \$4 generic, \$8 brand
- Covered medications will remain the same
- Filling prescriptions at the pharmacy will remain the same
- The value of your benefit will remain the same

Here's what will be different:

- You will receive a number of mandatory mailings from the OptumRx.
- You will receive a separate monthly explanation of benefits of your prescription claims.
- Medicare limits filling of prescriptions to a 90-day supply. While the current plan allows filling a prescription for 90 days or up to 100 units, CMS regulations only allow coverage of 90-day supply. The Alaska plan will be amended to match this requirement.
- The pharmacy network will change. We don't believe these changes will substantially impact members, but you will want to check to be sure your preferred pharmacy is in network.

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- 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 seek pre-authorization for drugs that have already been pre-authorized through Aetna under the current plan. You or your doctor can start the pre-authorization process in December 2018, or the next time you fill a prescription during or after January 2019.
- If you have multiple medical conditions and high drug utilization, you may be enrolled in the Medicare Medication Therapy Management Program by the State. CMS developed this program as a member protection. This program helps you and your doctor make sure that your medications are working to improve your health and provides a comprehensive review that includes: how your medications are working; if they have side effects; and any interactions between drugs you are taking. You can opt out of this program.
- The appeals process may change. If you fill a prescription that is not covered by Medicare, the prescription will automatically be processed under the wrap and any appeals will follow the current process. In very rare cases, a member may follow the Medicare appeals process instead. This process is the same as what is in place today for medical claims covered under Medicare Parts A and B. **We anticipate that this will only apply in rare circumstances.** A comparison of the two appeals process is below:

	EGWP – Part D	AlaskaCare Wrap (current AlaskaCare appeal process)
Step 1	Redetermination by PBM	Redetermination by PBM
Step 2 (clinical)	Independent Review Organization	Independent Review Organization
Step 3	Federal Administrative Law Judge	Division of Retirement and Benefits
Step 4	Medicare Appeals Council	State Administrative Law Judge
Step 5	Federal District Court	State Superior Court

- 2) Will all my current prescriptions be covered in an AlaskaCare EGWP? How and when can I verify this?

Yes. The Division will provide a full list of covered drugs in November 2018.

- 3) How will I know if one of my prescriptions must be pre-authorized by CMS? What can I do to ensure I can still get my prescriptions filled on time?

You will receive a welcome kit with information about your pharmacy benefits in November 2018, and beginning in December 2018, you or your health care provider

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can begin the pre-authorization process by contacting OptumRx, who will work with you on pre-authorizations. In addition, the Division will work with OptumRx to provide targeted communications to members who are known to be taking medications that require pre-authorization.

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

Medicare does not allow pre-authorizations from another plan to be transferred to the EGWP. Medicare may also require pre-authorization for drugs that previously did not require pre-authorization.

- 5) Could the pre-authorization decision result in a determination that I must try a new, less expensive drug before the plan will cover the medication I am currently taking? (This is known as step therapy.)

No. Pre-authorization is used to determine if Medicare will cover the drug under the Medicare Part D (pharmacy program), under the Medicare Part B (medical program), or will not cover the drug at all because it is excluded under Medicare.

If your current prescription is not covered by Medicare, it would be covered through the wrap as part of the AlaskaCare EGWP.

If your prescription is covered under Medicare Part B, your copay will remain the same.

- 6) Does EGWP mean the Pharmacy Benefit Manager (PBM) will decide what medication my doctor can prescribe?

No. Your doctors can still prescribe whatever medication they think is most appropriate for you and your co-pay will remain the same as it is today, \$0 mail order, \$4 generic, and \$8 brand. Depending on what they prescribe, the medication may require pre-authorization. And just like today, all claims, not just prescription drug claims, must be medically necessary in order to be covered by the health plan. Determinations of medical necessity are part of the claims processing function for all health care plans and can be complex depending on the situation. AlaskaCare has long relied on our Pharmacy Benefit Manager (PBM) to make evidence-based decisions on medical necessity as part of the pharmacy claims processing function, and this process will continue under an AlaskaCare EGWP.

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There may be instances in which a member's doctor will disagree with coverage decisions related to medical necessity. In these cases, we encourage members to appeal the PBM's decision.

Information for High Income Earners

- 1) [CMS charges a higher premium for high wage earners. How will I know if will have to pay extra if I am enrolled in the enhanced EGWP?](#)

Certain high-income retirees will have to pay an extra surcharge, consistent with the extra surcharge applied to Medicare Part B today. Generally, if you are an individual earning more than \$85,000 per year or a married couple who earns more than \$170,000 per year, you will be charged an extra premium for being enrolled in an AlaskaCare EGWP because it is a group Medicare Part D plan. CMS refers to this as Income Related Monthly Adjustment Amounts (IRMAA). **If you are charged an IRMAA for your prescription drug coverage, the Division will cover the full cost of the premium. Contact the Division to learn about your options.**

Similar to Medicare Part B, the IRMAA premium amount will be deducted directly from your Social Security check if you qualify for Social Security or will otherwise be invoiced to you directly. The Social Security Administration (SSA) will send you a letter with your IRMAA premium amount and the reason for the determination. If you disagree with the IRMAA premium amount or your income has gone down, you should contact Social Security at 1-800-772-1213 to resolve the determination.

The Social Security Administration will use your Modified Adjusted Gross Income (MAGI) to determine if the income-related monthly adjustment amount (IRMAA) applies. MAGI is the sum of:

- Adjusted Gross Income (AGI), which can be found on the last line your IRS 1040 tax form (line 37 on form 1040, line 21 on form 1040A, or line 4 on form 1040EZ), *plus*
- Any tax-exempt interest income (line 8b on form 1040).

To make this determination, SSA requests income information from the IRS for the tax year that is two years prior to the premium year. For example, Social Security will use your MAGI from 2017 to determine your 2019 IRMAA. IRMAA is automatically re-determined each year as long as you file an income tax return.

The below table shows the IRMAA for 2018 and is for illustrative purposes only. The MAGI and IRMAA are subject to change.

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Individuals MAGI (based on 2016)	Couples MAGI (based on 2016)	2018 Extra Monthly Surcharge Amount
Equal to or below \$85,000	Equal to or below \$170,000	\$0
\$85,001-\$107,000	\$107,001-\$214,000	\$13.00
\$107,001-\$133,500	\$214,001-\$267,000	\$33.60
\$133,501-\$160,000	\$267,001-\$320,000	\$54.20
Above \$160,000	Above \$320,000	\$74.80

For more information about Social Security determinations of IRMAA:

<https://www.ssa.gov/pubs/EN-05-10536.pdf>

2) What are my options if I am required to pay the extra surcharge?

If you receive notice that you are required to pay the IRMAA premium for the enhanced EGWP, notify the Division of Retirement and Benefits as soon as possible. The Division will fund a Health Reimbursement Arrangement account that can be used to reimburse you the surcharge amount if it is deducted from your social security or pay the premium to CMS on your behalf if you do not qualify for social security. Either way, the full amount of premium will be covered by the plan.

3) What if I refuse to pay the extra surcharge?

If you refuse to pay the extra surcharge, 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. Please contact the Division if you have concerns about this surcharge or would like to understand the options available.

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

For general questions about how the plan works, or how your drugs are covered under the plan, call the OptumRx 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.