

PEBB Coverage for Catastrophic Retirees

INITIAL CONSIDERATION

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ISSUE STATEMENT

LEOFF Plan 2 catastrophic disability retirees and their survivors have different medical insurance access than survivors of members killed in the line of duty.

OVERVIEW

This report will provide information on what health insurance benefits/reimbursements are available to survivors of members who are killed in the line of duty and to members who are retired for catastrophic disability. This report will also the history of the health insurance premium reimbursement benefit.

BACKGROUND AND POLICY ISSUES

Survivor Premium Reimbursement

Legislation enacted in 2001¹ enabled surviving spouses of emergency service personnel killed in the line of duty on or after January 1, 1998, to purchase health care benefits from the PEBB. "Emergency service personnel" for this purpose included fire fighter and law enforcement members of the Law Enforcement Officers' and Fire Fighters' Retirement System and the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension System. Under the 2001 legislation, the cost of the insurance was paid by the surviving spouses and dependent children.

Under legislation enacted in 2006², the retirement allowance paid to survivors of all LEOFF 2 members killed in the course of employment includes reimbursement for the cost of participating in a PEBB health insurance plan. The survivors of members killed in the line of duty prior to January 1, 1998, as well as on or after January 1, 1998, are eligible to participate in the PEBB health insurance plans under the 2006 bill. This benefit (right to reimbursement for the health care insurance costs) is not considered a contractual right, and the Legislature reserved the right to amend or repeal the 2006 act for future reimbursements.

¹ Engrossed Substitute House Bill 1371 (2001)

² Senate Bill 6723 (2006)

Catastrophic Disability Premium Reimbursement

LEOFF Plan 2 does not provide access to any health care insurance for any disability retirees. A disability retiree may have access to health care insurance through employer or employee associations or the open market. Catastrophic disability retirees/survivors do not have access to benefits through PEBB unless they were already receiving PEBB benefits through their employer. This means these members are receiving benefits through COBA coverage (while available), through coverage offered to retirees through their employer (no common), or individual coverage from the open market. Shopping for private coverage can be challenging and expensive. Tracking and paying a diverse and shifting field of individual providers creates administrative challenges for DRS. The cost for coverage can be much greater under private coverage³.

Since 2010, LEOFF Plan 2 has provided a reimbursement to the disability allowance of a LEOFF Plan 2 member that is totally disabled in the line of duty that includes reimbursement for any payments made for employer-provided medical insurance. This includes medical insurance offered under the federal Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) and Medicare Parts A and B. The reimbursement is capped at the former employer's current COBRA amount or other employer provided retiree medical insurance premium amount⁴. The actual amount reimbursed depends on the health insurance plan selected by the retiree or surviving spouse.

History of Catastrophic Health Insurance Premium Reimbursement

During the 2008 interim, the Board studied options for extending the health care premium assistance to catastrophic retirees and their survivors. At the Board's request, the Legislature introduced HB 1679 in 2009. The 2009 bill proposed including catastrophically disabled LEOFF Plan 2 members, their spouses and dependent children in the PEBB risk pool, with the individuals paying their own PEBB premium until Medicare eligible.

The Health Care Authority fiscal note estimated a total cost of \$1.5 million the first biennium, ramping up to 4.7 million by the 2013-15 biennium. The fiscal note assumed, among other things, 14 new catastrophic retirees added on January 1 of each year. The 2009 version of HB 1679 failed.

In 2010, the Legislature substituted a new bill containing the provisions now found in law. SHB 1679:

- Did not expand PEBB participation
- Authorized the LEOFF trust fund to reimburse catastrophic retirees and their survivors for health insurance premiums up to authorized COBRA levels

The Actuary's fiscal note estimated a cost of about \$1.8 million per biennium, increasing contribution rates by .26% total. However, when the actuary presented supplemental rate increase options to the Board in June of 2010, it did not include a rate increase from SHB 1679.

³ In 2017, retiree medical premiums for an individual and spouse in PEBB (Uniform Medical) were \$1,243; Private coverage through the state's benefit exchange on average cost \$1,584.

⁴ RCW 41.26.470(10).

Experience May Lower Cost of Board’s Original PEBB Proposal

Writing a fiscal note requires predicting the future. Sometimes actual experience does not track those predictions. The estimates of future costs for including catastrophic retirees and their families in PEBB may have been overstated, due primarily to an overestimate of the number of catastrophic retirees.

Both the actuarial and health care authority fiscal notes assumed a higher rate of catastrophic retirements than current experience demonstrates. The Actuary’s office has completed two experience studies since that time showing a significantly lower catastrophic retirement rate.

Catastrophic Retirement Rates: Original vs. Revised	
2009 HCA Assumed Rate	14/year
Current Experience Study rate	4.5/year

The Actuary’s sensitivity analysis in the original SHB 1679 fiscal note found that cutting the estimated number of retirees in half reduces the estimated cost of the bill nearly by half. Given that analysis, the lower rate of actual catastrophic retirements indicates a significantly lower cost than estimated in the original fiscal notes.

SUPPORTING INFORMATION

Appendix A: Health Insurance Premiums for Recent Retirees

APPENDIX A: HEALTH INSURANCE PREMIUMS FOR NEW RETIREES - 2017

The following table compares the cost of insurance purchased through the Washington Health Exchange with PEBB retiree rates. Because of the many variables in health plan design, the comparison is not exact. It is intended to give an idea of what an individual retiree might pay for health insurance.

We calculated the estimated based on the following “average” new LEOFF 2 retiree:

- 56 years old
- \$60,000 annual pension
- Non-smoker

The Health Exchange provides bronze, silver, or gold coverage levels. To get as close as possible to the level of coverage available through employer provided health plans, the comparison looks only at “gold” plans and compares that to the Uniform Medical Classic plan. The costs, deductibles, and out-of-pocket maximums are for an individual and spouse.

Plan Provider	Individual Deductible	Individual Out of Pocket Max	Emergency Room Copay/ Coinsurance	Primary Care Copay	Premium (rounded)
Uniform Medical Retiree (State)	\$250	\$2000	\$75/ 15%	15%	\$1243 ⁱ
Plans Available From Washington Health Exchange (Gold level)					
Ambetter	\$1000	\$6350	\$250	20% coinsurance	\$1170
Bridgespan	\$1200	\$7,150	\$0/10%	\$30/10% coinsurance	\$1653
Community Health Plan	\$650	\$4800	\$250	\$0	\$1895
Kaiser Permanent	\$850	\$5000	\$200/ 20%	\$10	\$1402
LifeWise	\$1000	\$4500	\$200 / 30%	\$30	\$1560
Premera Blue Cross	\$1000	\$4500	\$200/30%	\$10	\$1823
Average Private Market Premium				\$1584	

The 2017 premiums for different levels of COBRA coverage calculated for the Northwest Fire Benefits Trust are provided below:

Northwest Fire Fighters Benefits Trust 2017 Benefit Options & Rates (WA COBRA Rates)

Plan Design	Plan \$50	Plan \$100	Plan \$200	Plan \$200A	Plan \$500	Plan \$750	Plan \$1,000	Plan \$1,500	Plan \$2,000	HSA \$1,500
Deductible	\$50	\$100	\$200	\$200	\$500	\$750	\$1,000	\$1,500	\$2,000	\$1,500
Coinsurance (In-Network/Out-of-Network)	100%/70%	90%/70%	80%/60%	80%/60%	80%/60%	80%/60%	80%/60%	80%/60%	80%/60%	80%/60%
Out-Pocket-Maximum	\$1,050	\$1,100	\$1,700	\$500	\$2,500	\$2,750	\$2,000	\$2,000	\$2,500	\$4,500
Office Visit Copay (Primary Care/Specialist)	\$0	\$10	\$10	\$10	\$15	\$15	\$20	\$20	\$25	Ded/Coins
Rx Copay	\$5 Generic / \$25 Formulary / \$50 Non-Formulary									Ded/Coins
Vision Coverage	Exam Every Year, No Copay, 100% / \$200 Hardware Every Year									
Plan Design	Plan \$50	Plan \$100	Plan \$200	Plan \$200A	Plan \$500	Plan \$750	Plan \$1,000	Plan \$1,500	Plan \$2,000	HSA \$1,500
Employee Only	\$829.85	\$681.23	\$647.78	\$805.09	\$609.39	\$584.61	\$579.66	\$530.12	\$511.55	\$453.32
Employee & Spouse	\$1,812.06	\$1,488.79	\$1,414.47	\$1,758.82	\$1,331.49	\$1,277.00	\$1,264.60	\$1,158.10	\$1,117.21	\$989.63
Employee & Child	\$1,355.02	\$1,112.26	\$1,057.76	\$1,314.15	\$994.58	\$953.72	\$945.04	\$864.54	\$833.56	\$739.43
Employee & Children	\$1,629.99	\$1,338.91	\$1,272.02	\$1,581.69	\$1,195.24	\$1,146.93	\$1,137.02	\$1,040.42	\$1,003.26	\$889.32
Employee & Spouse & Child	\$2,337.22	\$1,919.82	\$1,824.44	\$2,267.88	\$1,716.68	\$1,646.10	\$1,629.99	\$1,492.52	\$1,439.24	\$1,275.73
Employee & Spouse & Children	\$2,612.20	\$2,146.48	\$2,038.71	\$2,535.42	\$1,917.32	\$1,839.32	\$1,821.98	\$1,668.38	\$1,608.93	\$1,425.62

DiMartino Associates
EMPLOYEE BENEFITS CONSULTING

¹ Subsidized rate available through Public Employees' Benefits Board (PEBB) for state retirees.



PEBB Coverage for Catastrophic Retirees

Initial Consideration – April 25, 2018

Issue

- LEOFF Plan 2 catastrophic disability retirees and their survivors have different medical insurance access than survivors of members killed in the line of duty

Survivor Premium Reimbursement

- **Line-of-duty death benefit:**
 - Survivors of LEOFF 2 members killed in the line of duty allowed to participate in PEBB (2001)
 - PEBB Premiums reimbursed by LEOFF (2006)
- **Participation in the PEBB benefit system has two advantages:**
 - **Implicit Subsidy:** Pay same rate as entire PEBB pool
 - **Explicit Subsidy:** PEBB pays Medicare part B premiums for Medicare covered retirees

Catastrophic Disability Premium Reimbursement

- Coverage through COBRA, employer provided, or open market/exchange
- Premiums reimbursed by LEOFF (2006)
 - Before Medicare eligibility:
 - Reimbursement of health insurance premiums
 - Up to former employer's COBRA limit
 - At 65, Reimbursement of Medicare Premiums:
 - Part A (if any)
 - Part B
 - Not eligible for reimbursement of part C and D premiums

Cost Considerations

- Previous cost estimates (2009 Legislation)
 - \$1.5 million cost 2011-13 biennium
 - \$4.7 million 2013-15 biennium

- Mortality and experience impact cost

Catastrophic Retirement Rates: Original vs. Revised	
2009 HCA Assumed Rate	14/year
Current Experience Study rate	4.5/year

Policy Considerations

- Should PEBB coverage be extended to catastrophic retirees and survivors?
- Should covered benefits include reimbursement for Medicare C and D premiums?



Thank You

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