

City of Smyrna

Retiree Marketplace Impact Analysis

September 5, 2023


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Subsidy level


Variables that define subsidy



Driven by cost and volatility tolerance



Retiree impact largely dependent on how subsidy is delivered, not the amount



“Defined contribution” approaches eliminate exposure to unrestricted medical inflation

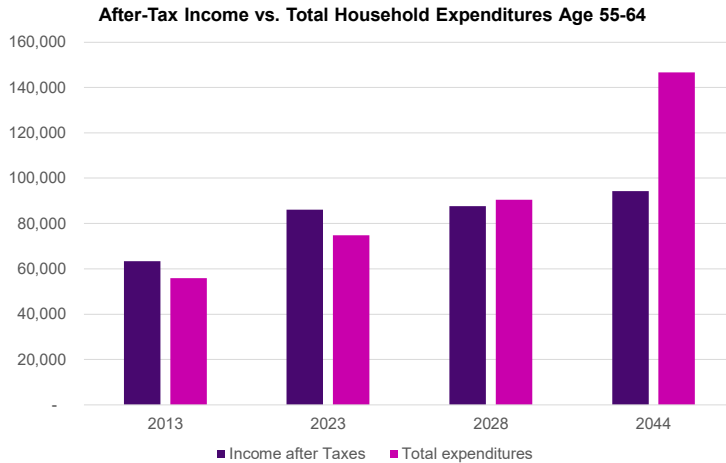
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Rising cost of goods creates affordability issues for retirees



Source: Federal Bureau of Labor Statistics' data on consumer spending, 2013 - 2022

- Retirees with fixed income levels face an increased risk of an income gap (expenditures exceeding income), even if inflation rates moderate in the near future
- Nearly 40% of employees are already living paycheck to paycheck and are not adequately preparing for healthcare expenses in retirement
- 60% – 70% of employees living paycheck to paycheck report avoiding medical care

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The Inflation Reduction Act will have far-reaching impacts for retirees

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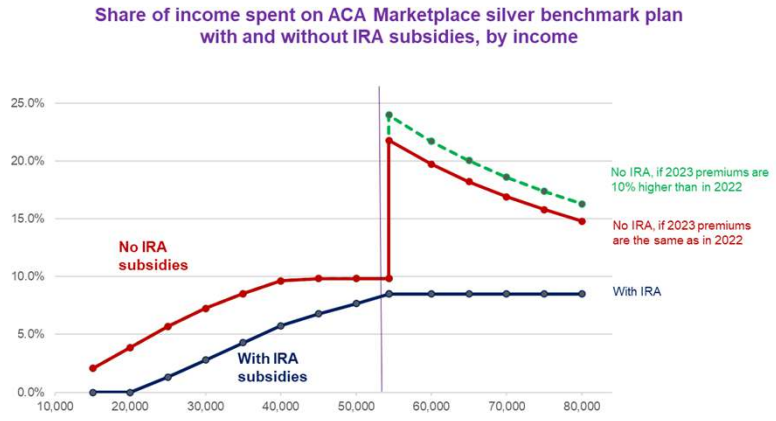
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Reduced premium costs for many early retirees

- Renews the ACA subsidies provided by the American Rescue Plan Act (ARPA) for three more years (2023-2025)
- Enhances and extends eligibility for subsidies to all households, regardless of income
- **Many retirees leave employer plans due to defined dollar caps**
- **The IRA expands premium tax credits which are NOT CAPPED and inflate MORE than health care trend**



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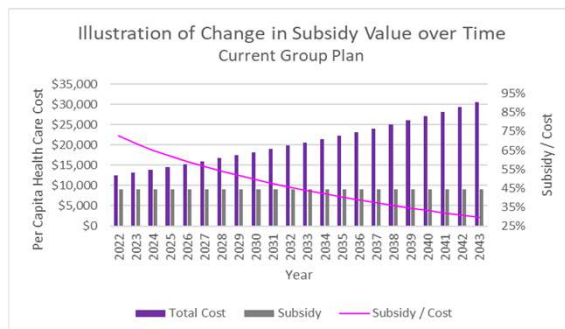
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Reduced premium costs for many early retirees

Defined dollar caps quickly deteriorate in value

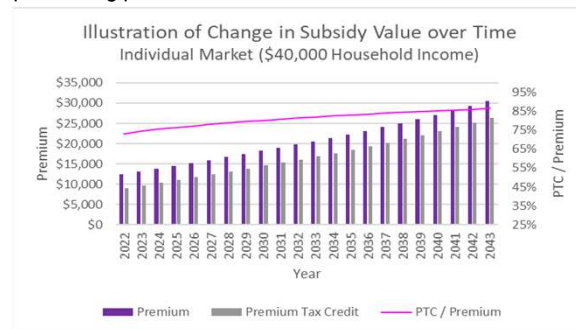
Capped plan:

Decreasing purchasing power of employer subsidy relative to total cost



Marketplace:

PTCs trend more closely to underlying plan costs, increasing purchasing power



PTCs are likely to inflate relative to premiums...the exact opposite of many employer subsidy structures

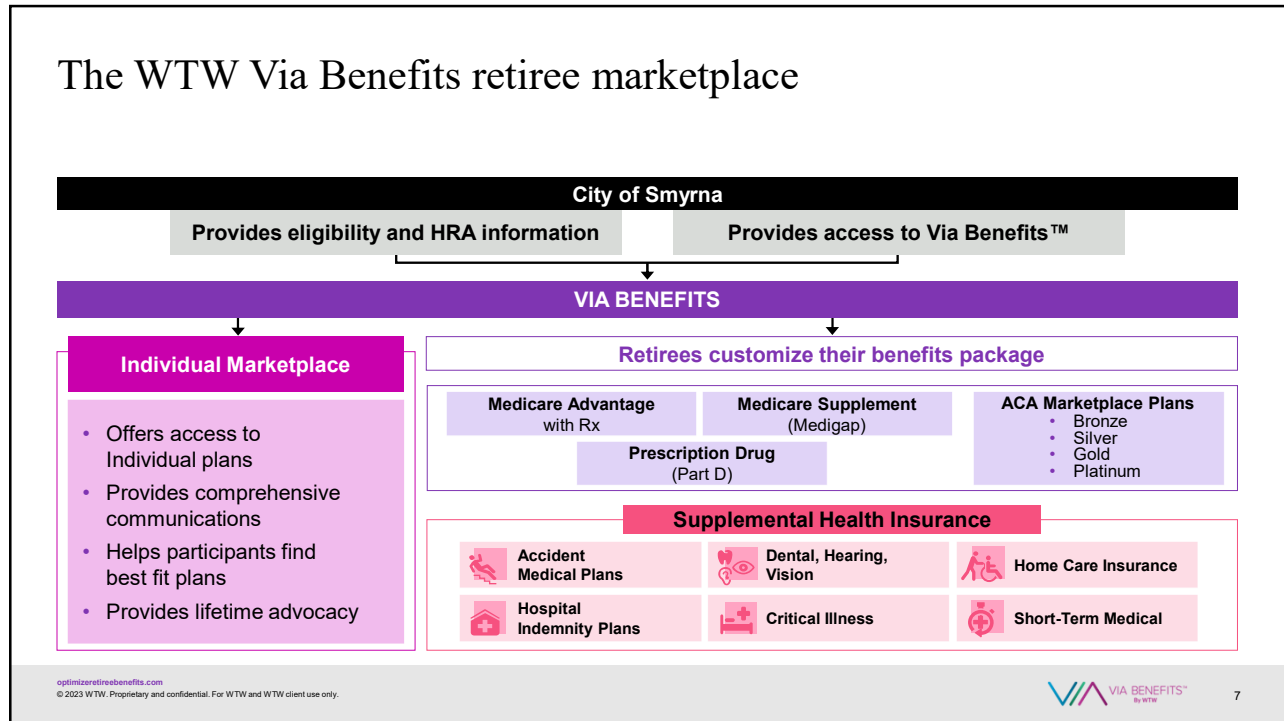
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The WTW Via Benefits retiree marketplace



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City of Smyrna: retiree health insurance

Analysis summary - moving to the Pre-Medicare marketplace in 2024



100%

of retirees would be better off financially in the individual marketplace (compared to the current plan)



\$5,654

is the average annual savings (for those who would be better off financially)

Results by cohort:

Cohort Name	Members	Annual Premium	Average Employer Subsidy	Average Adjusted HRA ¹	Subsidy Reduction	Winners Percentage	Average Savings
Base COS	17	\$10,562	\$5,540	\$12,000	-117%	100%	\$4,733
High COS	10	\$10,913					\$7,220

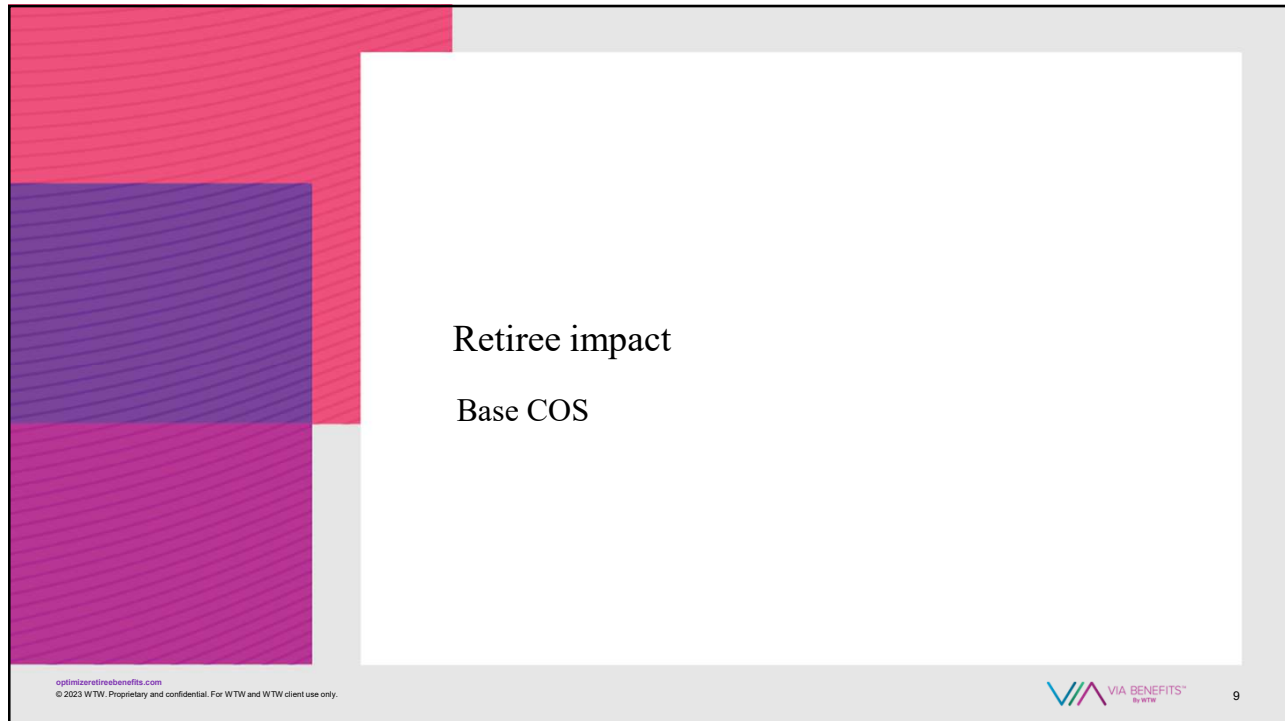
¹Adjusted for Contribution Differentials

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The diagram shows a large white rectangle on a grey background. To the left of the rectangle are three overlapping squares: a red one at the top, a purple one in the middle, and a magenta one at the bottom. The text "Retiree impact" and "Base COS" is centered within the white rectangle.

Retiree impact

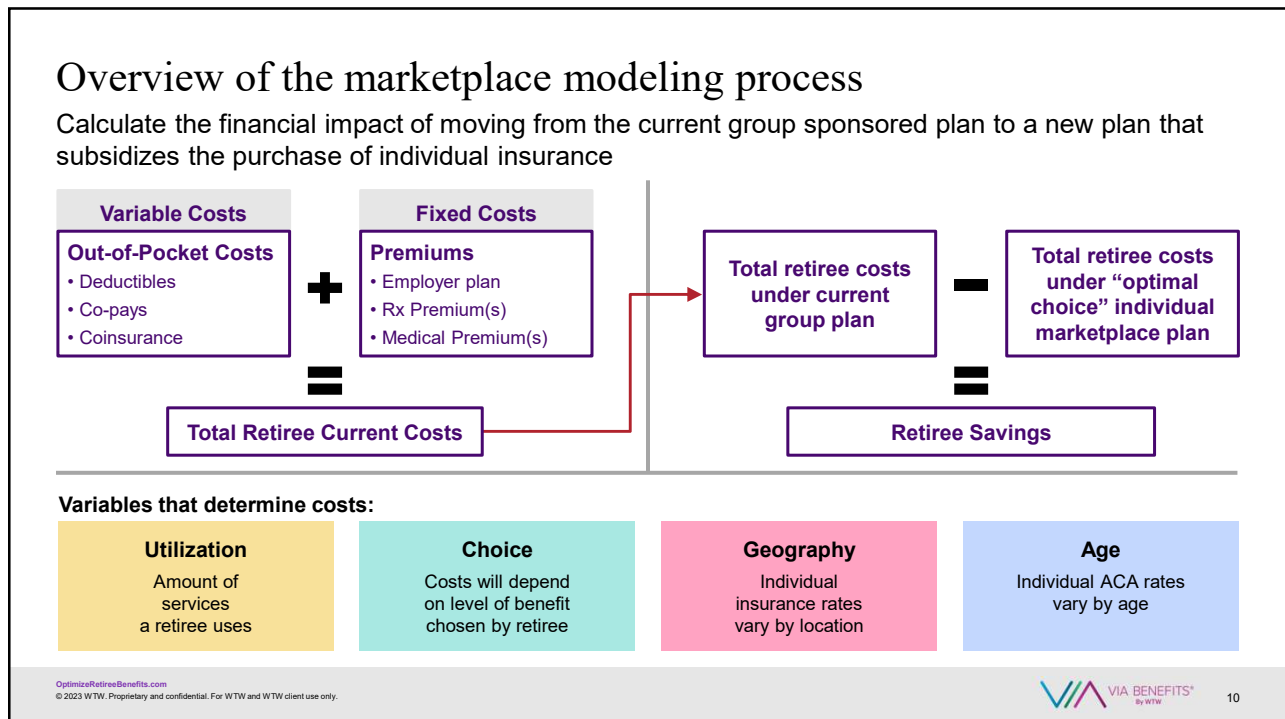
Base COS

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Base COS

Current plan design/cost/contributions, population demographics

Pre-Medicare Plan Design

Total headcount	17	Medical benefits (\$ or % paid by the retiree)		Rx Benefits	
Average age	61	Deductible	\$1,000	Deductible	\$0
		Out-of-pocket maximum (medical only)	\$3,000	Out-of-Pocket Maximum	\$3,000
		Out-of-pocket maximum (medical/Rx combined)	N/A	Annual Maximum Benefit	N/A
Total group plan premium	\$10,562	Inpatient hospital	20%	Retail	
Average contribution \$	\$5,022	Skilled nursing facility copay per day(10+)	0%	Generic	\$15 copay
Average contribution %	48%	Outpatient surgery	20%	Brand Formulary	\$40 copay
		Outpatient non-surgery	20%	Brand Non-Formulary	\$70 copay
Top 5 most populous zip codes		Physician office visit (primary) retiree copay	\$30	Mail Order	
Rank	Zip	State	Headcount	Generic	\$45 copay
1	30082	GA	2	Brand Formulary	\$120 copay
2	30064	GA	2	Brand Non-Formulary	\$270 copay
3	30157	GA	2		
4	30106	GA	2		
5	30114	GA	1		
		Physician office visit (specialist) retiree copay	\$40		
		Emergency room	retiree copay \$250		
		X-ray/Labs	retiree copay \$30		
		Outpatient rehab/physical medicine	retiree copay \$30		
		Durable medical equipment	20%		
		Ambulance	20%		
		Vision	20%		

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Retiree savings analysis

Illustrative enrollee, first year (2024) – excluding Premium Tax Credits (PTCs)

Pre-Medicare Retiree Benefits

Comparison of **SAMPLE** Financials between Current Group Plan and Future Individual Market Options
Excluding impact of PTCs

	Current Group Plan	Select Individual Market Options			Optimal Choice Bronze High
		Bronze High	Silver High	Gold High	
Sample Retiree Financials					
Fixed Cost (e.g., premiums)					
Premium at 50th percentile	\$10,562	\$9,761	\$11,933	\$12,561	\$9,761
City of Smyrna Subsidy/Unadjusted HRA	(\$5,540)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)
Total	\$5,022	(\$2,239)	(\$67)	\$561	(\$2,239)
Variable Cost (e.g., copays)					
Medical at 50th percentile	\$500	\$3,949	\$3,223	\$1,776	\$3,949
Rx at 50th percentile	\$520	\$1,558	\$1,432	\$1,369	\$1,558
Total	\$1,020	\$5,507	\$4,655	\$3,145	\$5,507
Total Retiree Cost	\$6,042	\$3,268	\$4,588	\$3,706	\$3,268
Total Retiree Savings	—	\$2,774	\$1,454	\$2,336	\$2,774
City of Smyrna Financials					
Subsidy/HRA	\$5,540	\$12,000	\$12,000	\$12,000	\$12,000
Total City of Smyrna Savings	—	(\$6,460)	(\$6,460)	(\$6,460)	(\$6,460)

*HRA reflects no adjustment for differences in geography-based costs and an adjustment for current group plan retiree contributions

Sample Illustration Statistics: 50th Percentile Claims | 50th Percentile Geography | 50th Percentile Retiree Contribution

50% Percentile

50% of individuals will have lower claims/premiums/ contributions than the illustration shown here

PTC

Qualifying individuals will receive a Federal PTC equal to [second-lowest Silver Plan premium in a geography] minus [fixed percentage of individual's household income]; "fixed percentage," varies based on income level relative to the Federal Poverty Line

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Retiree savings analysis

Average enrollee, first year (2024) – including PTCs

Pre-Medicare Retiree Benefits

Comparison of Average Financials between Current Group Plan and Future Individual Market Options
Including impact of PTCs; excluding impact of Metal Gap Plans

	Current Medical Plan	Overall Optimal Choice	
Sample Retiree Financials		HRA Only (No PTC)	With PTC ²
Fixed Cost (e.g., premiums)			
Premium	\$10,562	\$9,889	\$9,917
City of Smyrna Subsidy/HRA ¹ /PTC	(\$5,540)	(\$12,000)	(\$12,000)
Total	\$5,022	(\$2,111)	(\$2,083)
Variable Cost (e.g., copays)			
Medical	\$394	\$2,716	\$2,374
Rx	\$551	\$1,071	\$936
Total	\$945	\$3,787	\$3,311
Total Retiree Cost	\$5,967	\$1,676	\$1,228
Total Retiree Savings	—	\$4,291	\$4,739
Plan Sponsor Costs			
Subsidy/HRA	\$5,540	\$12,000	\$12,000
Total Client Savings	—	\$ (6,460)	\$ (6,460)

¹HRA reflects no adjustment for differences in geography-based costs and an adjustment for current group plan retiree contribution
² Assuming 0% of individuals collect PTC (informed by data from U.S. Census Bureau and CMS) rather than employer HRA

PTC

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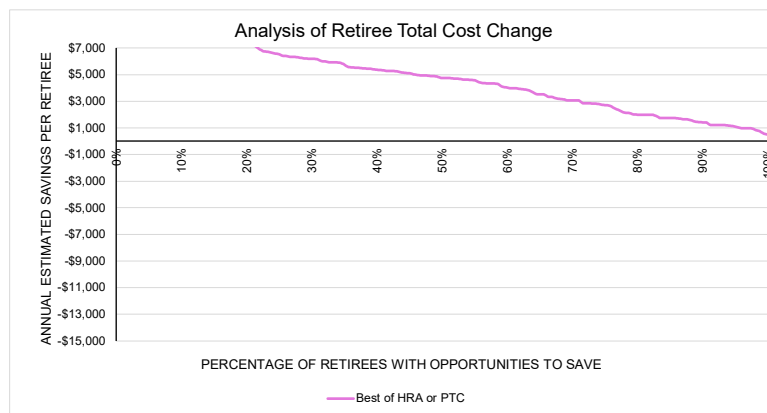
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Base COS

Retiree savings analysis

All utilizers moving to the Pre-Medicare individual marketplace, first year (2024)



KEY STATS: Pre-Medicare Ret/Dep \$12,000/\$12,000 Annual HRA

Impact Assuming No PTCs		Impact with PTC	
Avg Loss	\$0	Avg Loss	\$0
Avg Win	\$4,277	Avg Win	\$4,733
% Loss	0.00%	% Loss	0.00%
% Win	100.00%	% Win	100.00%
% Neutral	0.00%	% Neutral	0.00%

Loss: retiree savings less than \$0

Win: retiree savings more than +\$0

Key Takeaway:

Up to **100%** of retirees can "win" financially if they select the "best choice" marketplace plan, compared to the current group plan

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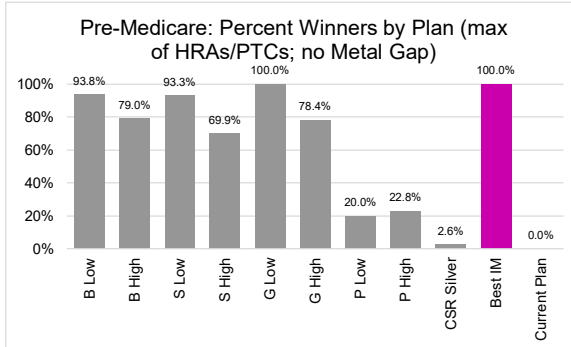
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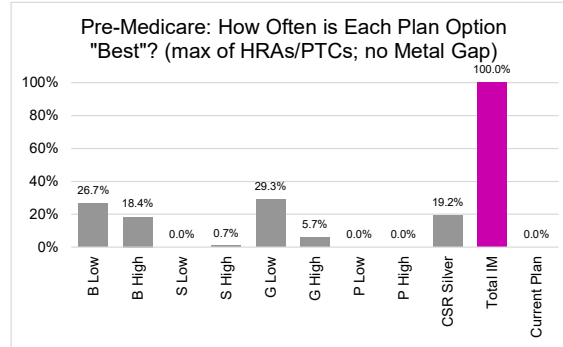
Base COS

Retiree savings analysis

All utilizers, first year (2024) – base HRA of \$12,000



The % of winners that would be generated by each plan individually



The % of winners produced by each plan based on optimal outcomes

Key takeaway: retirees can "win" financially under many different individual marketplace options, illustrating the tangible value of choice

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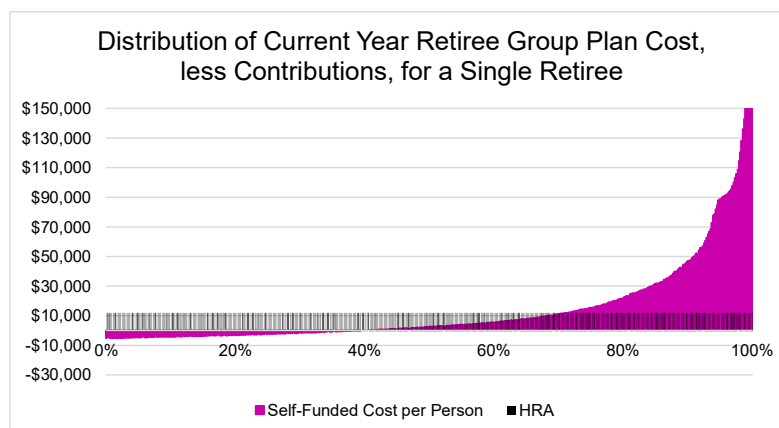
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Base COS

Pre-Medicare employer risk avoidance - first year (2024)



- Employer retains unlimited downside risk of large claims in current design
- HRA/marketplace eliminates risk

Upside risk (favorable/positive outcomes) under the group plan are limited to retiree premium level.

Key takeaway: City of Smyrna is shouldering the risk of claims' exceeding budget; said burden could turn catastrophic in any given year

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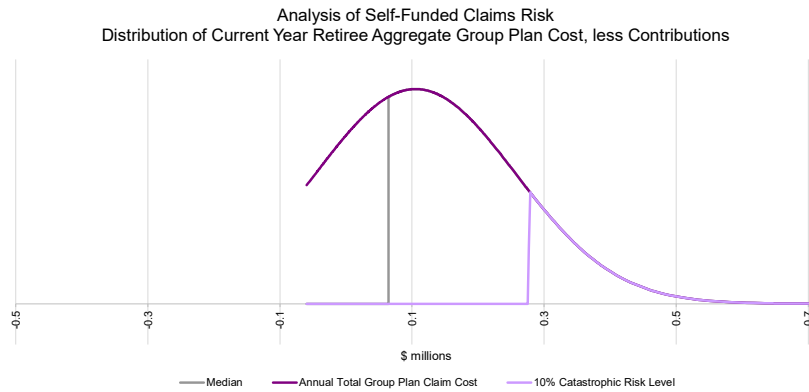
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Employer risk avoidance (cont.)



Under the current employer group plan, there is a **10%** chance of "catastrophic" claims experience exceeding **\$287 Thousand**

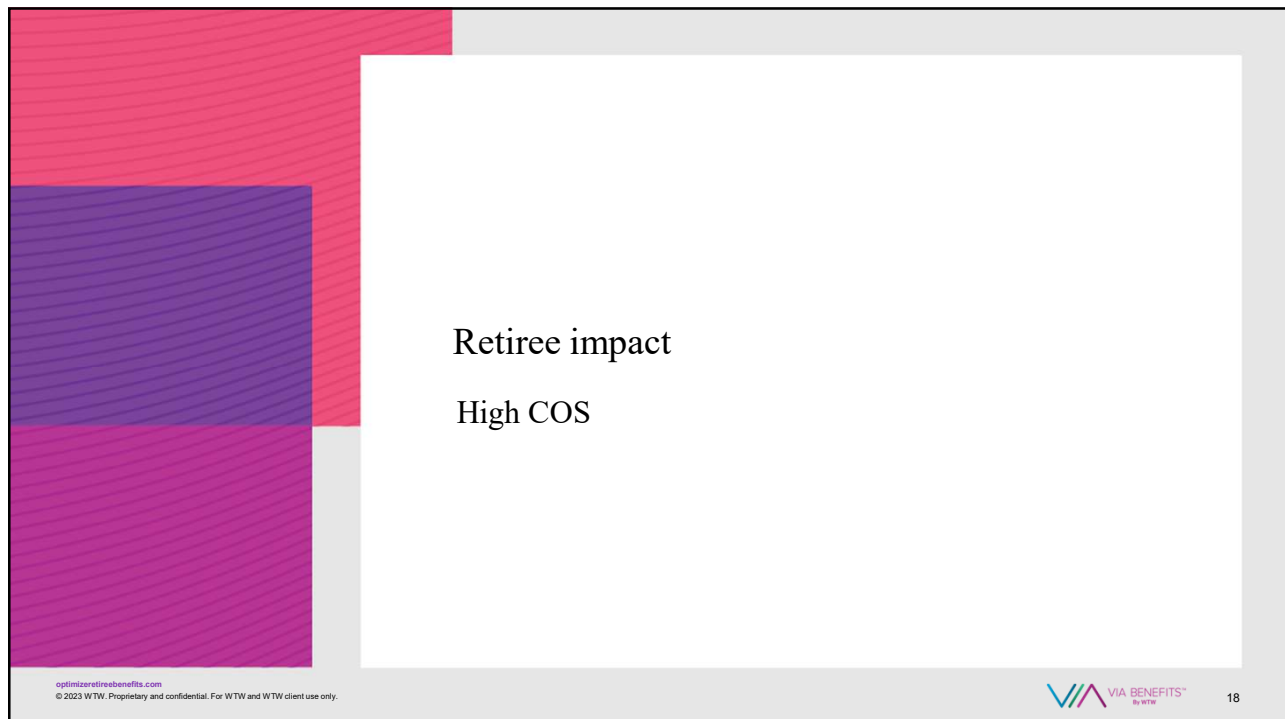
The individual marketplace eliminates claims risk.

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Current plan design/cost/contributions, population demographics

Pre-Medicare Plan Design

Total headcount	10	Medical benefits (\$ or % paid by the retiree)		Rx Benefits	
Average age	60	Deductible	\$500	Deductible	\$0
		Out-of-pocket maximum (medical only)	\$2,500	Out-of-Pocket Maximum	\$3,000
		Out-of-pocket maximum (medical/Rx combined)	N/A	Annual Maximum Benefit	N/A
Total group plan premium	\$10,913	Inpatient hospital	20%	Retail	
Average contribution \$	\$5,373	Skilled nursing facility	20%	Generic	\$15 copay
Average contribution %	49%	Outpatient surgery	20%	Brand Formulary	\$40 copay
		Outpatient non-surgery	20%	Brand Non-Formulary	\$70 copay
Top 5 most populous zip codes		Physician office visit (primary) retiree copay	\$25	Mail Order	
Rank	Zip	State	Headcount	Generic	\$45 copay
1	30127	GA	3	Brand Formulary	\$120 copay
2	30144	GA	1	Brand Non-Formulary	\$270 copay
3	30127	GA	3		
4	30127	GA	3		
5	32034	FL	1		
		Physician office visit (specialist) retiree copay	\$35		
		Emergency room retiree copay	\$250		
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Retiree savings analysis

Illustrative enrollee, first year (2024) – excluding Premium Tax Credits (PTCs)

Pre-Medicare Retiree Benefits

Comparison of **SAMPLE** Financials between Current Group Plan and Future Individual Market Options
Excluding impact of PTCs

	Current Group Plan	Select Individual Market Options			Optimal Choice Bronze Low
		Bronze Low	Silver High	Gold High	
Sample Retiree Financials					
Fixed Cost (e.g., premiums)					
Premium at 50th percentile	\$10,913	\$8,918	\$12,067	\$12,843	\$8,918
City of Smyrna Subsidy/Unadjusted HRA ¹	(\$5,540)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)
Total	\$5,373	(\$3,082)	\$67	\$843	(\$3,082)
Variable Cost (e.g., copays)					
Medical at 50th percentile	\$791	\$2,902	\$1,906	\$1,133	\$2,902
Rx at 50th percentile	\$750	\$447	\$449	\$440	\$447
Total	\$1,540	\$3,349	\$2,355	\$1,573	\$3,349
Total Retiree Cost	\$6,913	\$267	\$2,422	\$2,416	\$267
Total Retiree Savings	—	\$6,647	\$4,492	\$4,497	\$6,647
City of Smyrna Financials					
Subsidy/HRA	\$5,540	\$12,000	\$12,000	\$12,000	\$12,000
Total City of Smyrna Savings	—	(\$6,460)	(\$6,460)	(\$6,460)	(\$6,460)

¹HRA reflects no adjustment for differences in geography-based costs and an adjustment for current group plan retiree contributions

Sample Illustration Statistics: 50th Percentile Claims | 50th Percentile Geography | 50th Percentile Retiree Contribution

50% Percentile

50% of individuals will have lower claims/premiums/ contributions than the illustration shown here

PTC

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Retiree savings analysis

Average enrollee, first year (2024) – including PTCs

Pre-Medicare Retiree Benefits

Comparison of Average Financials between Current Group Plan and Future Individual Market Options
Including impact of PTCs; excluding impact of Metal Gap Plans

	Current Medical Plan	Overall Optimal Choice	
Sample Retiree Financials		HRA Only (No PTC)	With PTC ²
Fixed Cost (e.g., premiums)			
Premium	\$10,913	\$9,506	\$9,544
City of Smyrna Subsidy/HRA ¹ /PTC	(\$5,540)	(\$12,000)	(\$12,000)
Total	\$5,373	(\$2,494)	(\$2,456)
Variable Cost (e.g., copays)			
Medical	\$1,056	\$2,425	\$2,094
Rx	\$740	\$374	\$323
Total	\$1,796	\$2,799	\$2,416
Total Retiree Cost	\$7,169	\$304	(\$40)
Total Retiree Savings	—	\$6,864	\$7,208
Plan Sponsor Costs			
Subsidy/HRA	\$5,540	\$12,000	\$12,000
Total Client Savings	—	\$ (6,460)	\$ (6,460)

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² Assuming 0% of individuals collect PTC (informed by data from U.S. Census Bureau and CMS) rather than employer HRA

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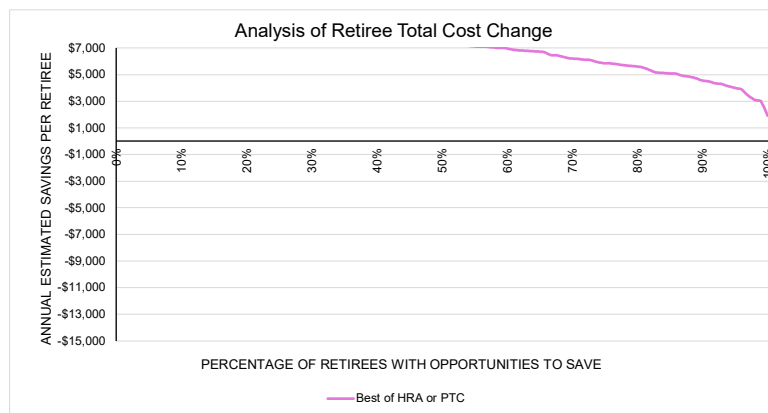
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High COS

Retiree savings analysis

All utilizers moving to the Pre-Medicare individual marketplace, first year (2024)



KEY STATS: Pre-Medicare Ret/Dep \$12,000/\$12,000 Annual HRA

Impact Assuming No PTCs		Impact with PTC	
Avg Loss	\$0	Avg Loss	\$0
Avg Win	\$6,883	Avg Win	\$7,220
% Loss	0.00%	% Loss	0.00%
% Win	100.00%	% Win	100.00%
% Neutral	0.00%	% Neutral	0.00%

Loss: retiree savings less than \$0

Win: retiree savings more than +\$0

Key Takeaway:

Up to **100%** of retirees can "win" financially if they select the "best choice" marketplace plan, compared to the current group plan

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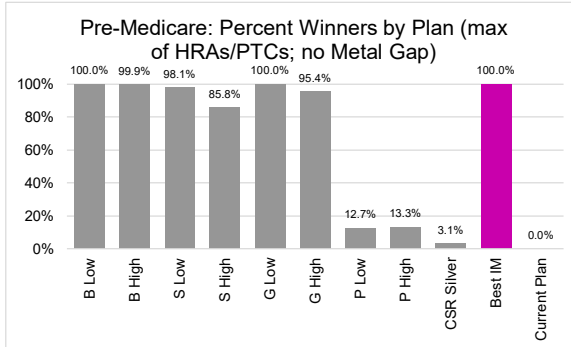
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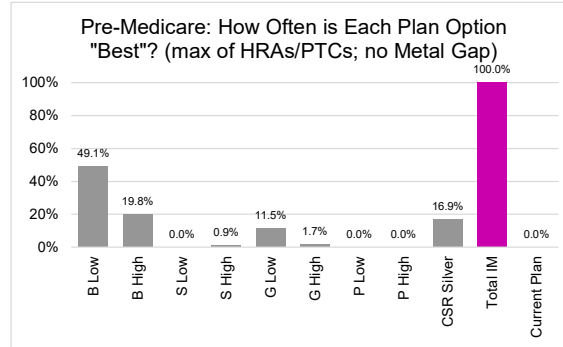
High COS

Retiree savings analysis

All utilizers first year (2024) – base HRA of \$12,000



The % of winners that would be generated by each plan individually



The % of winners produced by each plan based on optimal outcomes

Key takeaway: retirees can "win" financially under many different individual marketplace options, illustrating the tangible value of choice

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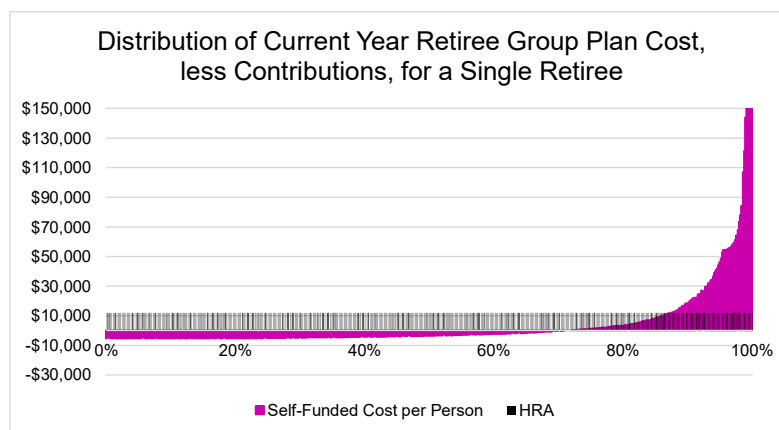
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High COS

Pre-Medicare employer risk avoidance - first year (2024)



- Employer retains unlimited downside risk of large claims in current design
- HRA/marketplace eliminates risk

Upside risk (favorable/positive outcomes) under the group plan are limited to retiree premium level.

Key takeaway: City of Smyrna is shouldering the risk of claims' exceeding budget; said burden could turn catastrophic in any given year

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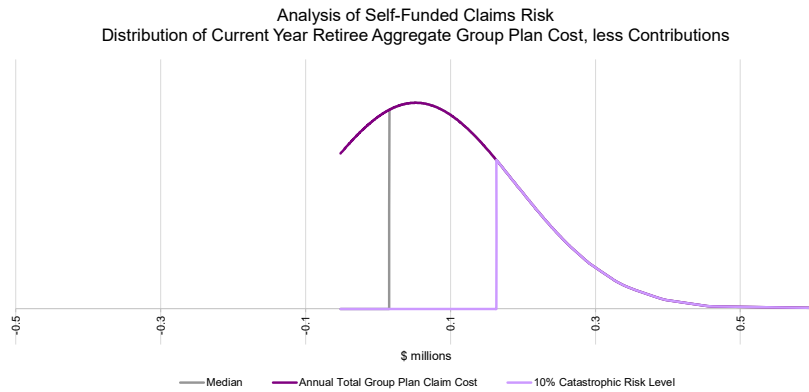
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Employer risk avoidance (cont.)



Under the current employer group plan, there is a **10%** chance of "catastrophic" claims experience exceeding **\$166 Thousand**

The individual marketplace eliminates claims risk.

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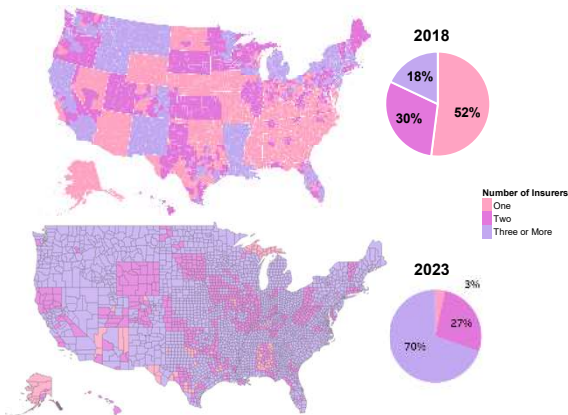
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The ACA offers choice and premium stability

From 2018 to 2023, the percentage of counties with three or more carriers increased from 18% to 70%.

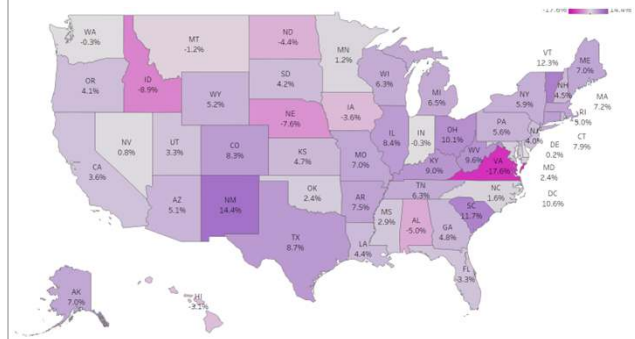


Sources: Kaiser Family Foundation, 2018; Vericred, 2023

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Enrollment is at an all-time high (16.3M signups for 2023), a 13% increase (1.9M members) over 2022

Further, the nationwide national weighted average rate increase in 2023 compared to 2022 was ~4%.



Source: ACASignups.net, Benchmark premium (second lowest cost silver plan), years 2022 to 2023

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Value of Metal Gap plans

Supplemental insurance coverage for individuals and families

- Supplemental insurance can pay a cash benefit for a covered accident, illness or hospital stay.
- Policy pays the policyholder. Funds can be used to assist with co-pays, deductibles, durable equipment and treatments not covered by medical insurance.
- Bundling a supplemental insurance plan with a Bronze ACA plan can save a retiree up to \$500 a month in premium over a Gold ACA plan.
- No network restrictions with supplement insurance plans.
- HRA funds can't be used to reimburse for Supplemental Insurance premiums.



Benefits:

- Retiree peace of mind
- Limits on retiree cost outlay
- Ability for retirees to enroll in lower premium (Bronze) plans while reducing risk of significant cost due to accident or critical illness



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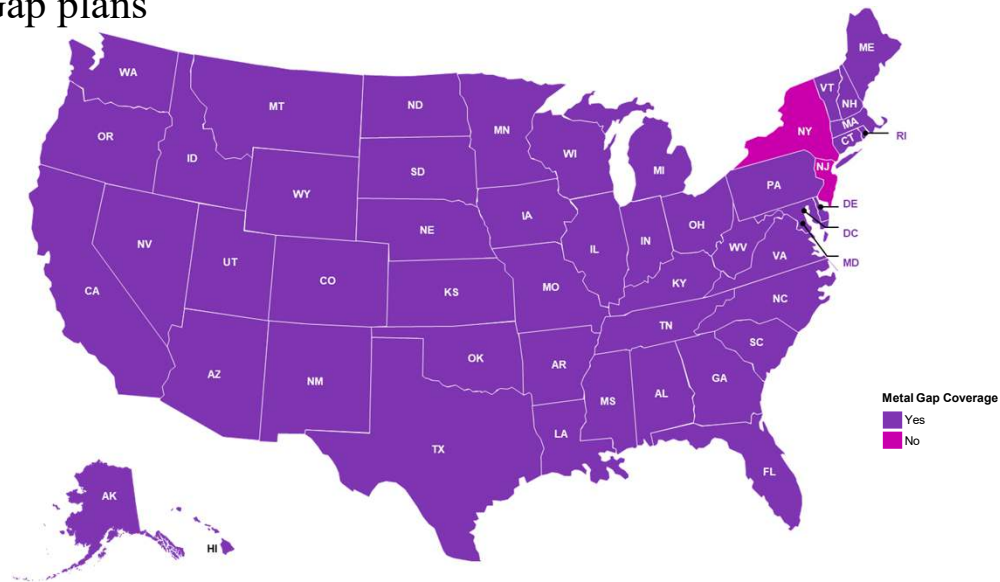
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Metal Gap plans

Footprint



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Pre-Medicare insight

Key differentiators between Pre-Medicare and Medicare Retiree experience

Pre-Medicare Enrollment

- Family plan enrollment available
- 4 plans: Platinum, Gold, Silver and Bronze
- Annual enrollment: Nov. 1 – Dec. 15
- Choice of employer HRA or Federal Subsidy — **cannot** have both

Medicare Enrollment

- Individual enrollment only
- Medigap, Medicare Advantage and Rx
- Annual enrollment: Oct. 15 – Dec. 7
- Employer HRA and Federal Subsidy — **can** have both

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Federally-funded subsidy payments – pre-65 retirees

What they are and how they work

Two types available to enrolled individuals meeting certain requirements:

1. Federal premium tax credits (PTCs)
2. Cost-sharing reductions (CSRs)

PTCs financed through permanent appropriations authorized under the federal tax code as set forth by the ACA¹

Financing of CSRs not directly addressed in the ACA; this omission has been a source of controversy for several years across multiple administrations²

Enrolled individuals can also receive subsidies from their former employers, however if received, such individuals are prohibited from receiving federal subsidies (“either-or” provision)

1. <https://sfp.fas.org/crs/misc/R44425.pdf>

2. <https://sfp.fas.org/crs/misc/R44425.pdf>