



CASE STUDY

Business Challenge

A large city in Southeastern Michigan had a self-funded retiree Rx plan that received a Retiree Drug Subsidy (RDS) from Medicare. But rising market Rx prices and an aging group that was increasing in size led to substantial year-to-year spending increases that put pressure on the city's budget. This forced them to look for another solution that would better alleviate the pressure.

Solution

Working with the city's broker, Health Insurance Services, Inc. and convinced the city to maximize federal benefits and discounts with their self-funded program by transitioning to an EGWP (Employer Group Waiver Plan). This is a group Medicare Part D plan that allowed for matching retiree copays, the same prescription drug formulary and pharmacy access, and substantially decreased annual Rx spending.

Results

- City saved 19% (\$450,000) over the previous year's retiree Rx spend, decreased its retiree legacy liability (OPEB) by \$5 million, and now has improved cash flow.
- As drug costs continue to increase, the City continues to receive granular reporting on retiree drug utilization to help guide future pharmacy benefits decisions and keep costs low.
- Administrative burdens are alleviated, as there is no longer the need to file for the annual Retiree Drug Subsidy from Medicare nor worry about potential audits.
- The retirees are able to visit their same pharmacies, have access to the same drugs / copays, and eligible members were automatically enrolled into a low-income subsidy program. Retirees also have just one number to call for any questions or concerns.

OBJECTIVE	BENEFITS ACHIEVED
Lower Rx Spending	Monthly (instead of annual) subsidies, built-in no-cost catastrophic stop-loss coverage from Medicare, and Part D brand name discounts were instrumental in lowering overall drug spending
Administrative Ease	Following enrollment, the program lowered their administrative cost as there was no need to file for the annual RDS.
Matched Benefits	The City's custom formulary was matched, and retirees could see their same pharmacies and keep their same drug copays

FOR MORE INFORMATION, PLEASE CONTACT: