



Legislation Text

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Continuation of the Medicare Supplement Program as Awarded to McGriff Williams Insurance Agency and Florida Blue (B)

This item request the City Commission to award the City's Medicare Supplement Options to McGriff Williams and to designate them as agent of record.

The City of Gainesville provides access to its Group Health Plan to all eligible retirees. In an effort to meet the changing demographic and demands of our retirees, the City of Gainesville initiated an Invitation to Bid (ITB) for Medicare Supplement plans C, F and G. By allowing access to a supplement directly from the City, our Medicare eligible retirees will be able to leverage the City's retiree health insurance subsidy towards the cost of a Medicare Supplement as opposed to only being able to use it to offset the cost of the City Group Health Plan. For those retirees eligible for Medicare (age 65 and older) the City's group health plan is secondary to Medicare A and B.

The City's plan has been used as a supplement to Medicare parts A and B, in addition, the plan provides prescription drug coverage as a substitute for Medicare Part D. The City's plan provides excellent prescription drug coverage but is not as effective as a supplement to Medicare Parts A and B, due to its calendar year deductible and hospital copays. The City provides a subsidy for our Group Health Plan and it is the subsidy that makes our plan a cost effective alternative to a true Medicare Supplement. Medicare Supplements are designed specifically to cover the gaps in Medicare and are a much more efficient method in many cases to fill the gaps in Medicare for our retirees. Specifically, individuals with low prescription costs will have access to a better method to cover those gaps. Enrolling in the supplement will necessitate the retiree enroll in a Medicare part D drug plan. **The use of the supplement will be a voluntary option and not a requirement of Medicare eligible retirees and their spouses.** In all cases where a retiree elects the Medicare Supplement, the retiree will see a lower cost for coverage. For many, the City's subsidy will cover the entire premium associated with a supplement, thus eliminating the retiree's premium for their supplement.

In response to the ITB, the City received four responses. The lowest bid was received from McGriff-Williams Insurance Agency. McGriff-Williams is a locally owned and operated insurance firm and will act as the agent of record for providing Medicare Supplements underwritten by Florida Blue to our eligible retirees who elect a supplement.

Medicare Supplements cover gaps in Medicare Part A (Hospitalization) and Part B (Physician and other services) and can be purchased by individuals who qualify for Medicare. What is unique about this program, is that it allows Medicare eligible City Retirees the ability to leverage the City's health insurance subsidy to purchase an individual Medicare Supplement Policy and have the policy "group billed" to the City of Gainesville where the City can apply its subsidy as part of the payment of those policies. Prior to this program, the retiree could only utilize the subsidy towards the City's Group Health Plan. City does not offer a "cash or coverage" option to retirees. When offered cash or coverage options, it changes the taxability of the subsidy for all retirees, including those who are using the subsidy to lower their premium cost associated with the City's Health Plan. The Medicare Supplement Program reduces premium costs for all retirees who participate in the

voluntary option.

Medicare Supplement Plans premiums are rated and filed with the State of Florida. The rates are age banded, so the older an individual purchases the supplement, the higher the rate. Once an individual purchases that policy, they remain in the original age band for as long as they stay with the insurer who issued the original policy. For example, if an individual first purchases the policy at age 65, that individual will pay the monthly premium associated with the 65 year age band, which is very advantageous for the retiree, but makes changing to a different carrier costly. If the City were to switch another carrier, every covered retiree would see both the annual premium adjustment increase plus the increase with moving to a new age band premium.

The City has committed to this program and will continue to provide it to our retirees as it saves the retiree and the City money over the Medicare years. The program started as an experiment to see if there was interest in an alternative to the City's Plan once a retiree became Medicare eligible and it has become very successful. The original enrollment in 2015 was just over 120 Medicare eligible retirees and their spouses to 461 in 2019. In addition, the number of retirees who switch to the supplement program at age 65 is about 8 out of 10. Those not making the switch typically cite a spouse not being Medicare eligible or they have a high cost prescription drug not covered by Medicare Part D.

The funds necessary to pay the premiums are included and appropriated in the Retiree Health and Accident Benefits Fund. The estimated costs range from \$1,300,000 to 1,500,000 per year depending on final enrollment. In most cases, the City's net cost of providing the retiree health benefit will be lower and in all cases the costs to the retiree will be lower.

The City Commission: 1) Approved the continuance of the Medicare supplement program with McGriff-Williams Insurance as the provider of and broker of record for Florida Blue Medicare Supplements; (2) authorize the issuance of a purchase order to McGriff Williams Insurance/Florida Blue in an amount necessary to cover the cost of the insurance policies selected by the City of Gainesville's retirees.