

MEASURING AND BENCHMARKING THE VALUE OF THE FIRE AND POLICE RETIREE HEALTH CARE FUND (“THE FUND”)

A REPORT FOR
**PARTICIPANTS OF THE FIRE AND POLICE RETIREE HEALTH CARE
FUND, SAN ANTONIO, TX**

FEBRUARY 19, 2024



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Objective

Measure and benchmark the estimated savings/value of healthcare coverage provided to plan participants by **the Fire and Police Retiree Health Care Fund (“the Fund”)** upon retirement as compared to options available in the individual pre- and post-65 health insurance markets. Consider payroll contributions made to the Fund by participants during active employment and retirement (if less than 30 years’ service) as compared to purchasing private coverage individually. Three (3) retirement scenarios will be reviewed with four (4) life expectancy possibilities:

Retirement Age and Years of Service:			
Age 50, 25 Years of Service	Age 55, 30 Years of Service	Age 60, 30 Years of Service	
↓			
Life Expectancy:			
Age 75	Age 80	Age 85	Age 90

Summary of Findings

Many assumptions were made to calculate cost comparisons including retirement age, years of service, and life expectancy. Plan design comparisons which generally include items such as **annual deductibles, copays, and coinsurance (“cost share”)** are illustrated and measured using similar assumptions.

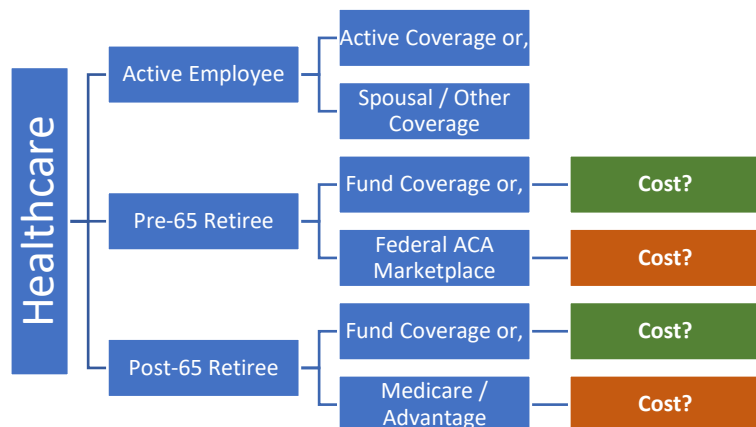
- In all scenarios analyzed, the estimated savings/value of Fund coverage significantly exceeded the cost of purchasing individual coverage via the Federal ACA Marketplaces (pre-65) + Medicare/Medicare Advantage (post-65). For the remainder of this review, **“estimated savings/value” will mean the net financial benefit, or savings, of participating in the Fund** as compared to the individual coverage alternatives.
- It is assumed that the retiree and spouse enroll in individual health insurance options in lieu of coverage through the Fund, and do not obtain new employment / coverage through an employer-sponsored plan after retirement. Deciding to remain uninsured would be significantly less expensive while creating significant exposure/liability in the event of an adverse healthcare event.
- Retirement age and years of service play a significant role in the estimated savings/value realized by participating in the Fund. Individual coverage is more expensive under the age of 65 with higher cost share amounts.
 - The retirement scenario age 50, 25 years of service produced the greatest **estimated savings/value** as individual coverage will need to be purchased for 15 years until age 65 via the Federal ACA Marketplaces.
 - The retirement scenario age 60, 30 years of service produced the least **estimated savings/value** while still significantly exceeding the cost of payroll contributions + cost share to participate in the Fund.
- As the life expectancy assumption increases, the **estimated savings/value** realized by participating in the Fund increases significantly. **The average life expectancy used in this analysis is 82.5 years.**
- The cost share (deductibles, copays, coinsurance) of the Fund is significantly better than cost share in individual plans – both individual Federal ACA Marketplace and Medicare Advantage coverages have much higher cost share amounts as compared to the Fund. In 2023 on average in-network:
 - Within the ACA Marketplace, the “second lowest cost” silver plan used for premium subsidy determinations had a maximum cost share of **\$9,450 per participant per year**.
 - Within a standard Medicare Advantage plan, the prescription drug plan (“PDP”) had a maximum cost share of **\$8,000 per participant per year**.
 - Within the Fund, coverage has a maximum cost share of **\$3,956 per participant per year**.
- **The lifetime estimated savings/value ranges on average between \$218,000 - \$607,000 participating in the Fund as compared to purchasing individual coverage. This is net of Fund payroll contributions made during active employment currently set at \$477.75 per month in 2023 for both retiree and spouse.**

Retirement Age and Years of Service	Age 50, 25 Years	Age 55, 30 Years	Age 60, 30 Years
Individual Coverage Premium + Cost Share	\$996,353	\$759,571	\$518,143
Fund Coverage Payroll Contributions + Cost Share	\$389,469	\$341,472	\$300,069
Lifetime Estimated Savings/Value of Fund Coverage	\$606,884	\$418,099	\$218,074

Healthcare Background

- Healthcare Coverage Availability – Active Employee, Pre-65 Retiree, and Post-65 Retiree

Availability of healthcare coverage varies according to many factors including employment status and whether health insurance is offered, retirement status and whether post-employment health insurance is offered, age including Medicare status, geographical location, and income. The healthcare landscape has become complex as more options are available including Federal ACA Marketplace plans (under age 65) and Medicare Advantage plans (over age 65).



Active Employees – receive health insurance through their or a spouse’s employer-sponsored benefits program or the Federal/ACA Marketplace if employer-sponsored coverage is unavailable.

Pre-65 Retirees – must enroll in an individual Federal ACA marketplace plan to obtain healthcare coverage, or remain uninsured, unless their employer offers this type of retiree healthcare coverage.

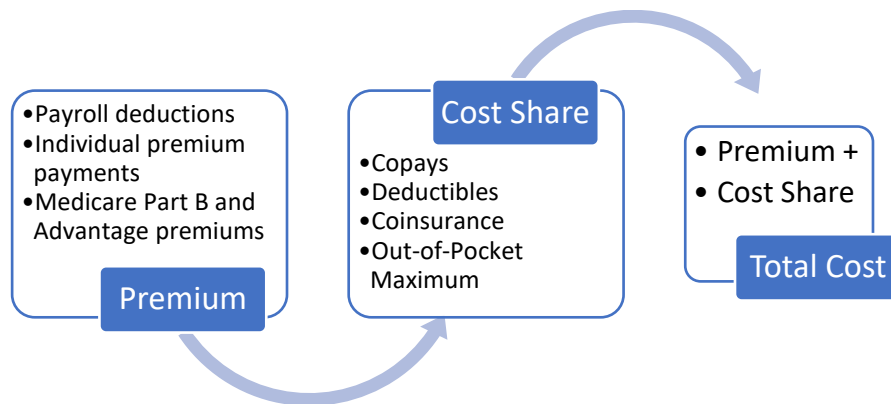
Post-65 Retirees – must enroll in Medicare Parts A & B and should enroll in

an individual Medicare Advantage plan to reduce the cost share in traditional Medicare and obtain a prescription drug plan (“PDP”) unless their employer offers this type of retiree healthcare coverage.

Cost? – this analysis estimates the cost components above over the lifetime of the participant to compare them to determine **estimated savings/value** of the Fund. This is done through isolating and projecting the two (2) components of health insurance cost for each of the **green** and **orange** Cost? categories, see below.

- Cost of Health Insurance

The cost of health insurance regardless of employment status or whether the coverage is employer-sponsored v. individual coverage can be broken down into 2 components:



PPO (preferred provider organization) and POS (point of service) health insurance plans typically have out-of-network coverage at a reduced benefit (increased cost share). Further, using out-of-network providers can incur significant expenses including balance billing with larger deductibles. Subsequently, cost share associated with using out-of-network providers has not been included in this review as estimating this with accuracy is only possible retrospectively. Cost share estimates assume 100% in-network provider usage.

Fund Coverage Payroll Contributions + Cost Share

Active employees make payroll contributions (or payments) over 30 years to the Fund but may retire after 20 years of service. In the event an employee retires with less than 30 years of service, they must continue to make payments currently set at \$477.75 per month to the Fund until 30 years is reached, or they become eligible for Medicare. Healthcare coverage via the Fund covers all participants from retirement until life expectancy including the retiree and spouse.

Fund Payroll Deductions (pre-/post-retirement)	Age 50, 25 Years	Age 55, 30 Years	Age 60, 30 Years
Fund Salary Deduction \$'s	\$143,325	\$171,990	\$171,990
Premium Payments (< 30 years)	\$28,665	\$0	\$0
Fund Cost Share (copays, deductibles, etc.)	Age 50, 25 Years	Age 55, 30 Years	Age 60, 30 Years
Life Expectancy Age 75	\$144,233	\$106,299	\$73,577
Life Expectancy Age 80	\$188,208	\$144,233	\$106,299
Life Expectancy Age 85	\$239,188	\$188,208	\$144,233
Life Expectancy Age 90	\$298,287	\$239,188	\$188,208
Total Estimated Fund Cost Share (avg of Life Expectancy)	\$217,479	\$169,482	\$128,079
Total Estimated Fund Payroll Deductions	\$171,990	\$171,990	\$171,990
Total Estimated Fund Cost Share (copays, deductibles, etc.)	\$217,479	\$169,482	\$128,079
Total Estimated Fund Payroll Deductions + Cost Share	\$389,469	\$341,472	\$300,069

• **Assumptions**

- The current payroll contribution of \$477.75 in 2023 is projected without historical reductions to arrive at **Total Estimated Fund Payroll Deductions**. This will understate and produce a more conservative *estimated savings/value* of the Fund which would be greater if historical discounts were used.
- Cost Share (copays, deductibles) is estimated by assuming that either the retiree or spouse will reach the Fund maximum cost share of \$3,956 each year with 3% increases to this amount per year. If neither the retiree nor spouse reaches the maximum cost share each year, through normal utilization of healthcare services, \$3,956 in total cost share is a reasonable assumption.
- Cost Share has been estimated based upon life expectancy of 75, 80, 85, and 90 years. An average of these scenarios was used to provide the **Total Estimated Fund Cost Share**. This equates to an average life expectancy of 82.5 years, which is reasonable based upon current life expectancy models and future expected improvements.
- When participants reach Medicare eligibility currently set at age 65, they must enroll in Medicare Part B, which is also required in the individual Medicare/Advantage marketplace. As such, these costs are equal with/without Fund coverage and have not been contemplated in this analysis.

Pre-65 Retiree Coverage – Federal ACA Marketplace

In lieu of Fund coverage, a pre-65 retiree and spouse should enroll in Federal ACA Marketplace coverage until turning age 65 when Medicare eligibility begins. In each of the retirement scenarios, annual premium and cost share is estimated based on the number of years until Medicare eligibility.

Federal Marketplace Premium	Pre-65 Retiree & Spouse			Cost Share
	Age 50, 25 Years	Age 55, 30 Years	Age 60, 30 Years	
Monthly Premium 2024	\$559	\$559	\$559	\$9,450
Monthly Premium 2025	\$559	\$559	\$559	\$9,734
Monthly Premium 2026	\$1,451	\$1,811	\$2,205	\$10,026
Monthly Premium 2027	\$1,523	\$1,902	\$2,315	\$10,326
Monthly Premium 2028	\$1,600	\$1,997	\$2,431	\$10,636
Monthly Premium 2029	\$1,680	\$2,097	\$0	\$10,955
Monthly Premium 2030	\$1,764	\$2,202	\$0	\$11,284
Monthly Premium 2031	\$1,852	\$2,312	\$0	\$11,622
Monthly Premium 2032	\$1,944	\$2,427	\$0	\$11,971
Monthly Premium 2033	\$2,042	\$2,549	\$0	\$12,330
Monthly Premium 2034	\$2,144	\$0	\$0	\$12,700
Monthly Premium 2035	\$2,251	\$0	\$0	\$13,081
Monthly Premium 2036	\$2,363	\$0	\$0	\$13,473
Monthly Premium 2037	\$2,482	\$0	\$0	\$13,878
Monthly Premium 2038	\$2,606	\$0	\$0	\$14,294
Total Estimated Premium Cost	\$321,811	\$220,984	\$96,831	
Total Estimated Cost Share (Copays, Deductibles, etc.)	\$175,760	\$108,334	\$50,171	
Total Estimated Premium + Cost Share Pre-Medicare Eligibility	\$497,571	\$329,318	\$147,002	

• **Assumptions**

- Many assumptions must be made to estimate premium + cost share in an individual ACA Marketplace plan and these are detailed below:
- Both retiree and spouse are the same age at retirement and earn 400% of the Federal Poverty Level post-retirement (currently \$78,880 for family of 2).
- Premiums in 2024/2025 are significantly lower and may not vary by age due to the Inflation Reduction Act which expanded eligibility for premium subsidies, reduced payments for middle-income enrollees and removed the upper income limit on subsidy eligibility. The premium subsidy is based on the “second lowest cost” silver plan available. If enrollees select a richer plan (richer silver, gold, or platinum) they must pay the entire additional premium cost. This is set to expire December 31, 2025, unless extended by the government.
- There are many plans available on the ACA Marketplace. In Bexar County alone, enrollees have 108 plan options to choose from including 21 bronze, 47 silver, and 40 gold plans. Due to the considerable variation in plan benefits and premium in 108 plans, it is assumed that retiree and spouse choose the “second lowest cost” silver plan for premium and cost share benchmarking purposes.
- The “second lowest cost” silver plan has an actuarial value of 70%, is estimated to have an average annual deductible of \$4,878 in 2024, and the annual maximum cost share is \$9,450 per participant (\$18,900 for both retiree/spouse). <https://www.cms.gov/files/document/2024-qhp-premiums-choice-report.pdf>
- Premium costs will increase significantly if the retiree/spouse choose a richer Federal Marketplace plan than the "second lowest cost" silver plan.
- Medical inflation / trend increase of 5% applied annually to the full cost of the "second lowest cost" silver plan after 2025 to project forward for future years. This is a best estimate and within the normal historical range.
- As mentioned, the annual maximum cost share is \$18,900 for both retiree and spouse, and 50% of this is estimated as the average each year with 3% trend applied to future years.

Post-65 Retiree Coverage – Medicare/Advantage Marketplace

In lieu of Fund coverage, a post-65 retiree and spouse should cancel their Federal ACA Marketplace plan and enroll in Medicare Part B. Medicare Part A enrollment is free and automatic. After Medicare Part B enrollment to secure a robust, retail prescription drug benefit and improved medical cost share, they should enroll in a Medicare Advantage plan with a PDP (“prescription drug plan”) benefit. See the Plan Design / Cost Share – Fund v. Individual Healthcare Coverage Options section for additional details.

Post-65 Retiree & Spouse			
Medicare Advantage and/or PDP Plan Total Premium	Age 50, 25 Years	Age 55, 30 Years	Age 60, 30 Years
Medicare Advantage Premium at Age 65			
Life Expectancy Age 75	\$102,018	\$88,002	\$75,911
Life Expectancy Age 80	\$165,514	\$142,774	\$123,158
Life Expectancy Age 85	\$239,122	\$206,269	\$177,930
Life Expectancy Age 90	\$324,455	\$279,878	\$241,425
Total Estimated Premium Cost (avg of Life Expectancy)	\$207,777	\$179,231	\$154,606
¹ https://www.medicareadvantage.com/plans/blue-cross-medicare-advantage-flex-ppo-h4801-014-000			
Pharmacy Cost Share (Copays, Deductible, Coverage Gap)	Age 50, 25 Years	Age 55, 30 Years	Age 60, 30 Years
Life Expectancy Age 75	\$142,883	\$123,252	\$106,318
Life Expectancy Age 80	\$231,812	\$199,963	\$172,490
Life Expectancy Age 85	\$334,905	\$288,892	\$249,201
Life Expectancy Age 90	\$454,419	\$391,986	\$338,130
Total Estimated Pharmacy Cost Share (avg of Life Expectancy)	\$291,005	\$251,023	\$216,535
Total Estimated Premium + Cost Share post-Medicare Eligibility	\$498,782	\$430,254	\$371,141

• **Assumptions**

- Several assumptions must be made to estimate premium + cost share in a Medicare/Advantage plan and these are detailed below:
- After Medicare eligibility is established, retiree + spouse enroll in a Medicare Advantage plan to secure better medical cost share benefits (usually \$0 or 0%) and a PDP (see below).
- A Blue Cross Medicare Advantage plan available in Bexar County was used in this review with a \$238 monthly premium per participant in 2024. Plan benefits can be found at the following link. <https://www.medicareadvantage.com/plans/blue-cross-medicare-advantage-flex-ppo-h4801-014-000>
- Medicare Advantage plans typically have little to no cost share for medical benefits, but the pharmacy benefit (PDP) will have three (3) stages – the deductible stage (\$545 per participant), the initial coverage stage in which copays/coinsurance apply (up to \$5,030 in total Rx costs), and then the coverage gap stage (25% for every drug paid by participant up to \$8,000 maximum cost share). After the coverage gap phase ends, pharmacy coverage is 100% and the participant pays nothing additional.
- As mentioned, the annual maximum cost share is \$16,000 for both the retiree and spouse, and 50% of this is estimated as the average cost share each year with 3% trend applied to future years.

Plan Design / Cost Share – Fund v. Individual Healthcare Coverage Options

Cost share is determined by the plan design of healthcare coverage, which can vary significantly when comparing plans. Generally, one element all plans have that can be compared on an apples-to-apples basis is the annual maximum cost share for medical, pharmacy, and in total. This represents the total amount a participant must pay to healthcare providers before 100% coverage (in-network) begins.

Annual Per Participant in 2024	Pre-/ Post-65 Retiree	Pre-65 Retiree	Post-65 Retiree
	The Fund	ACA Silver Plan	Medicare Advantage
Coinsurance	20%	30%	25%
MEDICAL			
Health Care Fund Clinic	No Charge / Free	N/A	N/A
Medical Deductible	\$1,042	\$4,878	\$0
Medical Maximum Cost Share	<u>\$1,514</u>	<u>\$9,450</u>	<u>\$0</u>
Total Medical Cost Share	\$2,556	\$9,450	\$0
PHARMACY			
Rx Generic	0%	0% - 30%	\$8
Rx Brand	20%	0% - 30%	\$47
Rx Specialty	20%	30%	25%
Rx Deductible	\$0	Included in Medical	\$545
Rx Maximum Cost Share	<u>\$1,400</u>	Included in Medical	<u>\$8,000</u>
Total Rx Cost Share	\$1,400	Included in Medical	\$8,545
TOTAL ANNUAL COST SHARE	\$3,956	\$9,450	\$8,545

• **Coverage Information**

○ **The Fund Coverage**

- Currently has a medical deductible of \$1,042 and maximum cost share of \$1,514 for a total medical cost share of \$2,556 per participant.
- Pharmacy has a maximum cost share of \$1,400 per participant with no cost for generic drugs.
- Total cost share annually is \$3,956 and then a participant has 100% coverage.
- Participants of the Fund coverage also have access to the Health Care Fund Clinics with no deductible or coinsurance.

○ **ACA Silver Plan**

- As mentioned, there are 47 silver plans offered in Bexar County, TX with differences in plan design and cost share. The silver plan illustrated above has an actuarial value of 70% which leaves a 30% cost share to the participant. It also has an average deductible of \$4,878 with a maximum cost share including deductible of \$9,450 per participant.
- The pharmacy benefit can be structured in many ways, with different copays and coinsurance for preferred and non-preferred generic / brand drugs. For ease of review, the range of cost share has been estimated on low-end at 0% (preferred generic, some preferred brands) to the high-end at 30% (non-preferred generic, brand, specialty).
- Pre-65 retirees could decide to purchase a richer plan, but they must pay all additional premium cost between the “second lowest cost” silver plan and the richer plan of their choice.

○ **Medicare Advantage Plan**

- Medicare Advantage plans typically have very little medical cost share as indicated with \$0 deductible and maximum cost share per participant.
- Medicare Prescription Drug Plans have three (3) stages – deductible stage, initial coverage stage, and coverage gap stage.
 - Deductible Stage - \$545 deductible for brand and specialty drugs.
 - Initial Coverage Stage – copays or coinsurance until total drug spend (participant and plan) reaches \$5,030.
 - Coverage Gap Stage – once total drug spend reaches \$5,030, participants will pay 25% coinsurance until the participant’s total cost share is \$8,000 and then 100% coverage begins.

Tables

- Medicare Advantage Premium & Cost Share / Fund Cost Share per Participant

Year	MA Plan	MA PDP OOP	Fund Cost Share
1	\$238	\$8,000	\$3,956
2	\$245	\$8,240	\$4,075
3	\$252	\$8,487	\$4,197
4	\$260	\$8,742	\$4,323
5	\$268	\$9,004	\$4,453
6	\$276	\$9,274	\$4,586
7	\$284	\$9,552	\$4,724
8	\$293	\$9,839	\$4,865
9	\$301	\$10,134	\$5,011
10	\$311	\$10,438	\$5,162
11	\$320	\$10,751	\$5,317
12	\$329	\$11,074	\$5,476
13	\$339	\$11,406	\$5,640
14	\$350	\$11,748	\$5,810
15	\$360	\$12,101	\$5,984
16	\$371	\$12,464	\$6,163
17	\$382	\$12,838	\$6,348
18	\$393	\$13,223	\$6,539
19	\$405	\$13,619	\$6,735
20	\$417	\$14,028	\$6,937
21	\$430	\$14,449	\$7,145
22	\$443	\$14,882	\$7,359
23	\$456	\$15,329	\$7,580
24	\$470	\$15,789	\$7,808
25	\$484	\$16,262	\$8,042
26	\$498	\$16,750	\$8,283
27	\$513	\$17,253	\$8,531
28	\$529	\$17,770	\$8,787
29	\$545	\$18,303	\$9,051
30	\$561	\$18,853	\$9,323
31	\$578	\$19,418	\$9,602
32	\$595	\$20,001	\$9,890
33	\$613	\$20,601	\$10,187
34	\$631	\$21,219	\$10,493
35	\$650	\$21,855	\$10,807
36	\$670	\$22,511	\$11,132
37	\$690	\$23,186	\$11,466
38	\$710	\$23,882	\$11,810
39	\$732	\$24,598	\$12,164
40	\$754	\$25,336	\$12,529

- **Premium Subsidy Thresholds Post-Inflation Reduction Act**

Household Income Range (expressed as % of FPL)	FPL Household Income Thresholds Family Size of 2	Required % of household income at start of range	Required % of household income at top of range	Employer Affordability - Employee-Only Coverage
Less than 150%	\$29,579	0%	0%	8.39%
150% - Less than 200%	\$29,580 - \$39,439	0%	2%	8.39%
200% - Less than 250%	\$39,440 - \$49,299	2%	4%	8.39%
250% - Less than 300%	\$49,300 - \$59,159	4%	6%	8.39%
300% - Less than 400%	\$59,160 - \$78,879	6%	8.50%	8.39%
400% and higher	\$78,880	8.50%	8.50%	8.39%

- **Individual Coverage v. Fund Coverage - Cost Share & Premium Separated**

Individual Coverage (ACA/Medicare) v. Fund Coverage	Age 50, 25 Years	Age 55, 30 Years	Age 60, 30 Years
Individual Coverage Premium + Cost Share	\$996,353	\$759,571	\$518,143
Fund Coverage Payroll Contributions + Cost Share	\$389,469	\$341,472	\$300,069
Lifetime Savings Realized due to Fund Coverage	\$606,884	\$418,099	\$218,074

Individual Coverage (ACA/Medicare)	Age 50, 25 Years	Age 55, 30 Years	Age 60, 30 Years
Individual Coverage Premium	\$529,588	\$400,215	\$251,437
Individual Coverage Cost Share	\$466,764	\$359,357	\$266,706
Individual Coverage Total	\$996,353	\$759,571	\$518,143

Fund Coverage Payroll Contributions	\$171,990	\$171,990	\$171,990
Fund Coverage Cost Share	\$217,479	\$169,482	\$128,079
Fund Coverage Total	\$389,469	\$341,472	\$300,069
Lifetime Savings Realized due to Fund Coverage	\$606,884	\$418,099	\$218,074