

# Massachusetts Collectors and Treasurers Association

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Presentation by  
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# Retiree Drug Subsidy Program

- ▶ Established January 2006 when Medicare Part D (Prescription Drug) coverage first became available
- ▶ Incentive to employers to continue to offer retiree drug coverage to their retirees
- ▶ Employer can use funds as general revenue
- ▶ An employer is eligible if they provide prescription coverage that is at least actuarially equivalent to the standard Medicare Part D drug benefit

# Retiree Drug Subsidy Program

- ▶ Eligible retirees cannot be enrolled in a Medicare Part D plan
- ▶ Allows maintenance of existing benefit designs – may be able to alter benefits (i.e. increase Rx copayments) and still be eligible for subsidy
- ▶ Alternative option is to offer PDP (Prescription drug plan through Medicare)
  - Under this option subsidy is not available
  - May reduce GASB liability

# Retiree Drug Subsidy Program

- ▶ Required to send annual “Notice of Creditable Coverage”
- ▶ Must complete new application each year, including an initial covered retiree list – application must be submitted 90 days prior to effective date or 60 days prior with extension
- ▶ Cook & Company clients have received in excess of \$53 million thus far

# Retiree Drug Subsidy Program

- ▶ Group Insurance Commission (GIC) files on behalf of entire group – will provide reimbursements to participating communities on a pro rata share
- ▶ MIIA participating communities can file on their own behalf

# Early Retiree Reinsurance Program (ERRP)

- ▶ Effective for claims incurred June 2010
- ▶ Federal government funded \$5 billion
- ▶ Program ends January 1, 2014 or when funds run out – through beginning of May 2011 \$2.4 billion has been reimbursed
- ▶ No longer accepting new applications
- ▶ Reimburses 80% of eligible claims between \$15,000 and \$90,000

# Early Retiree Reinsurance Program (ERRP)

- ▶ Process
  - Submit early retiree list (ERL) to ERRP
  - Receive ERL response file from ERRP
  - Obtain claims listing and cost report from vendor
    - submit to ERRP
  - Request payment
  - Can request payment once per quarter
- ▶ Required to provide form notice to plan participants

# Early Retiree Reinsurance Program (ERRP)

- ▶ Covers early retirees (including their spouses and dependents) between ages 55–65
- ▶ Early Retiree must not be eligible for Medicare and cannot be an active employee of the plan sponsor



# Early Retiree Reinsurance Program (ERRP)

- ▶ Funds must be used to reduce health costs for the plan sponsor or reduce premium contributions, copayments, deductibles, coinsurance, or other out-of-pocket costs for plan participants; or reduce a combination of any of these costs

# Contact Information

- ▶ Web sites:

- <http://rds.cms.hhs.gov/>
- <http://errp/gov/>

- ▶ Additional information and questions:

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