

Operating Engineers got Additional Medicare Rx Subsidies

Prescription drug costs for retirees age 65 and older are expected to dramatically increase from 7.5% this year to 10.9% in 2016, according to Segal Consulting, a large benefits consulting firm in the U.S. and Canada.

The Operating Engineers Health & Welfare Fund - Local 12 used a cost management strategy to help offset their high prescription drug costs. Since the fund participates in Medicare's Retiree Drug Subsidies (RDS) program, the fund's leadership believed they could have received more money from Medicare. So they hired a small Michigan-based firm, Part D Advisors, Inc., which specializes in maximizing RDS dollars for groups.

Medicare subsidizes retiree drug costs by reimbursing participating groups like Local 12's fund, up to 28% of their retiree drug expenses. Local 12 is one of the biggest International Brotherhood of Operating Engineers funds in the country with 7,000 retirees and over 10,000 active members in southern California and southern Nevada.

IUOE Local 12 fund's Chief Operating Officer, Matt Erieg, said, "Part D Advisors gave us some indication of how much in additional rebates we might realize based on the experience of similar funds. After we retained them, they were actually able to recover significantly more than they conservatively estimated."

For plan years 2009 and 2010, the fund collected 18% more subsidies totaling over \$1.3 million. "That's a nice number! We would not have had those additional dollars if we didn't reopen our RDS applications."

Part D Advisors' clients average from 8% to 15% in additional subsidies when they reopen RDS applications.

For groups handling their own RDS applications, Erieg had this advice; "It's a 'no-brainer'! Part D Advisors is paid on a percentage of savings. So if they don't find any additional subsidies, it doesn't cost the fund anything. It's really a win-win situation."