

Public Retirement System uses Innovative Approach to Contain Costs

The Employees Retirement System of Texas (ERS) uses a novel approach to help contain expenses for the state's second largest public pension fund.

The program called Solution Sessions was started in 2012 to let vendors show how their services could assist ERS and save costs. Robert Kukla, Director of Benefit Contracts for ERS, said, "We offered a structured forum to vendors who had potential solutions to help us address the sustainability of our health plan." ERS provides retirement and health benefits to more than half a million state employees, retirees and their families.

"The one hour presentations at ERS involve key staff throughout the agency and are streamed live on the ERS website so anybody with an interest can view them," said Kukla. "It's also stored on the ERS website (<http://www.ers.state.tx.us/Customer-Support/Events/Solution-Sessions/>) so they are available for reference. The sessions are open to any vendors who have a potential solution." Two to three presentations per week were held during the program's initial phase. Now, three years later, Solution Sessions are held once a month.

One solution came from Part D Advisors, Inc. (PDA), a small Michigan-based firm focused solely on assisting Plan Sponsors with maximizing their Medicare Retiree Drug Subsidy (RDS) payments. RDS is managed by the Centers for Medicare and Medicaid Services (CMS).

RDS subsidizes retiree healthcare costs by reimbursing Plan Sponsors up to 28% of allowable retiree drug expenses. ERS has participated in the RDS program since it began in 2006 and collected an average of \$32.3 million per year for the first six years for its 80,000 retirees. PDA proposed reopening previously reconciled subsidy applications for 2006-2011 to find additional subsidy dollars for ERS.

In order to receive subsidy payments for eligible expenses, a list of retirees must first be submitted to the CMS for approval. Retiree names are often rejected if the retiree eligibility information (name, date of birth, social security number, etc.) is not an exact match to Medicare's database.

As Kukla put it, "We knew that eligibility would be an issue for us, and we did not necessarily think there would be a high rate of return to pursue eligibility issues. So whatever we got back from CMS, we just accepted it and moved on. We didn't try to challenge any of their rejections thru the data file we sent them. We just didn't think there was going to be enough of a return for what would have been considerable internal effort."

Part D Advisors reopened six plan years for ERS and identified an annual average of 6,500 additional retirees eligible for subsidies. Responding to the significant increase in retiree count, Kukla said, "Our expectation with Part D Advisors was they would find people that should have been counted and verified. So we had an expectation there would be something there, we just didn't have any expectation as to how much it would be." The increase in covered retirees in conjunction with PDA's custom drug filter and proprietary claim matching system meant that ERS collected almost \$8.5 million dollars in additional subsidy dollars.

For organizations handling their own RDS applications, Kukla had this advice; "As good as you think you might be, there are probably areas that you could be stronger and the expertise that Part D Advisors and their systems brings to the table will probably benefit you. My advice is it's worth looking at RDS."

Over 1,700 miles away, in New York's Westchester County, the State Wide Schools Cooperative Health Plan (SWSCHP), also experienced an increase in subsidies with PDA's help. SWSCHHP, a group of 23 school districts with 5,700 retirees, collected \$556,000 in additional subsidies for a four year period beginning in 2008.

Norm Freimark, SWSCHP's Executive Director, said, "SWSCHP's two goals are to offer the best possible care to our members and to do it cost-effectively for our school districts and the public who pays the dollars." He continued, "We're always asking our benefits consultants what we can do better. One of their recommendations was to hire Part D Advisors to take a look at our past RDS filings. If they didn't find anything, it wasn't going to cost us anything. So we had nothing to lose!"

Freimark concluded, "Part D Advisors made the process easy and seamless, kept us well informed along the way and best of all, they found money for us!"

About Employees Retirement System of Texas

Employees Retirement System of Texas plans provide retirement benefits for state employees and elected officials (ERS fund), law enforcement and custodial officers (LECOSRF), and judges (JRS 1 and JRS 2). They are designed to provide a reasonable and stable source of income for state employees during retirement at a low cost to the State.

FY 14 ERS Statistics:

- \$26.2 billion trust fund
- 14.7% gross one-year rate-of-return on investments
- 134,728 contributing members
- 96,649 non-contributing members
- 96,513 retirees and beneficiaries
- \$2.0 billion in retirement payments annually (for all plans)
- 77.2% ERS Trust funded ratio

About State Wide Schools Cooperative Health Plan

The State-Wide Schools Cooperative Health Plan is administered by Wright Risk Management Company, in conjunction with Medco Health Solutions, Inc. providing prescription drug benefits and POMCO providing inpatient and outpatient hospital coverage, medical/surgical, major medical and medical management program services.

The plan is self-funded and is not a licensed insurer. It operates under a more limited certificate of authority granted by the Superintendent of Insurance. Municipal corporations participating in the Municipal Cooperative Health Benefit Plan are subject to contingent assessment liability.

Mission Statement:

- To provide members and their dependents with the best possible medical, hospital, and prescription drug benefits at affordable costs.
- To involve its members in decision-making process through both open communication with the members and the outstanding participation of employee representatives.

About Part D Advisors

Part D Advisors (www.PartDAdvisors.com), founded in 2005 by health benefits experts, is one the nation's only firms dedicated exclusively to helping organizations receive the tax-free 28% federal subsidy payments under Medicare Part D. Using its expertise and latest technologies, the firm handles every aspect of the very complicated Medicare Retiree Drug Subsidy process. The company has reviewed over 100 million claims for over one million participants and currently warehouses claims data of over \$15 billion. Part D Advisors' clients include municipalities, Taft-Hartley health funds, private employers, third party administrators and pharmacy benefit managers.