

OEA Retirement Systems Update
Report to the OEA Board of Directors: May 2022

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STRS Board Increases Health Care Subsidies for Retirees and Makes Plan Improvements

At its April meeting, the STRS Board approved an increase in health care premium subsidies for retirees and made several improvements to the health care program. These changes will lower costs for STRS retirees. Plan changes will go into effect on January 1, 2023.

The Board voted to increase the premium subsidy to 2.2% per year of service from 2.1% per year of service (up to 30 years maximum). For retirees with 30 or more years of service this means that STRS would pay 66% of the monthly premium, up from 63%. Additionally, the current Medicare Part B reimbursement will be converted to a premium credit of \$30 and will now be applied to eligible surviving spouses who do not currently receive the reimbursement.

Changes in plan design include: a decrease in the maximum out-of-pocket drug costs to \$4,000 from \$5,100; improvement to the primary care physician copay in the Medical Mutual and Aetna Basic plans to a \$20 copay for each visit; and a change in the pharmacy network that will reduce costs by \$2.4 million a year. Savings from the change in the pharmacy network will be used to lower member premiums.

Health care premiums will be approved at the June meeting. However, initial estimates show over a 14% reduction in the premium for the Aetna Medicare Advantage plan and a slight increase of 1% in the most popular plan for pre-65 retirees. When factoring in the change in subsidies, a retiree with 30 or more years of service is projected to pay \$23 less a month in the Medicare Advantage plan and \$30 less a month in the most popular pre-Medicare plans.

SERS to Extend Health Care Contracts

At its March meeting, the SERS Board approved recommendations to extend contracts with Aetna to provide Medicare Advantage PPO and non-Medicare services to SERS retirees. Buck consulting, which reviewed SERS medical plans, concluded that the current program structure was financially positive, and that SERS should re-negotiate with the provider for cost savings. SERS is expected to realize \$21.5 million in savings over the length of a new five-year contract. Additionally, Aetna agreed to no increase in administrative fees for the duration of the contract.

At its April meeting, the SERS Board directed staff to negotiate a new three-year contract with Express Scripts to provide pharmacy management services. Express Scripts has provided these services to SERS since 2008 and offered the lowest net pricing of five respondents to a request for proposals.