

Statement from the Department of Administrative Services  
Regarding State Retiree Health Coverage  
March 31, 2009

**Important Facts about the July 1, 2009 Change to Retiree Prescription Drug Coverage**

First and foremost, no retiree will have out of pocket costs in excess of \$500 per year, and no couple or family will have costs in excess of \$1,000 per year. At the point when a retiree's costs reach \$500, the plan automatically starts paying **all** prescription drug costs and no further co-pays are charged. The same is true of a couple (or family) whose combined out of pocket costs reach \$1,000. So, when together a couple's (or family's) costs reach \$1,000, the plan will assume responsibility for 100% of the costs for all individuals for the rest of the year.

As was described in my March 19, 2009 request to Fiscal Committee, the prescription drug changes are expected to result in a number of retirees reaching these out of pocket maximums. Specifically, based upon the State's analysis of drugs currently being utilized by the two groups of retirees, we expect approximately 300 Under 65 retirees and 1,300 Over 65 retirees to reach the \$500 maximum. Therefore, approximately 1,600 of the approximately 10,000 state retirees may reach these limits. As mentioned above, when retirees reach that \$500 cost threshold, their co-payments cease and from there on, for the rest of the year, the State pays 100% of the cost of prescription drugs.

In addition to the out of pocket maximums, there are other ways retirees can limit their overall costs. That is through the use of generic drugs. Thus, the plan is designed to help retirees spend less by using these drugs. By using generic equivalents and generic therapeutic alternatives, retirees' will pay only \$10 for a three month supply. Therefore, any one prescription would never cost more than \$40 per year. Retirees' physicians and the State's prescription drug administrator are available to provide information on available generics.

Therefore, between the out of pocket maximum and the wide availability of generic equivalents and alternatives, the State expects the financial impact on retirees from the prescription drug changes to be very limited. Again, as indicated in the request, the changes will result in a .6% increase in member cost share for Under 65 retirees. For the Over 65 retirees, the increase will be slightly greater, at 3%. That means that the portion of the total cost of prescription drugs that is borne by retirees will increase from 6.4% to 7% for the Under 65 retirees, and will increase from 4.6% to 7.6% for Over 65 retirees. Overall, the additional retiree cost as a result of the changes to the Under 65 retirees will be less than 1%, and for the Medicare-eligible retirees, costs will increase only 3%.

**Current Prescription Drug Coverage Compared to Changed Coverage**

Currently, when retirees purchase a prescription at a pharmacy, if they on the Under 65 plan, they would pay a \$50 annual deductible, then prescriptions are paid at 80% until the \$2000 annual maximum allowable benefit is reached, at which time, there is no further benefit. If a retiree is on the Over 65 plan (or on Medicare disability), they pay a \$100 annual deductible, then prescriptions are paid at 80% until the \$180 annual out-of-pocket maximum is met, at which time, the State would pay 100%. Under the new plan, all retirees will pay \$5 for a 31-day supply of generic medication, \$10 for a 31-day supply of preferred brand-name medication, or \$15 for a 31-day supply of non-preferred brand-name medication.

Currently, all retirees who purchase prescriptions through mail-order pay \$4 for a 90-day supply, regardless of whether it's a generic or a brand-name medication. Under the new plan, all retirees will pay \$10 for a 90-day supply of generic medication, \$20 for a 90-day supply of preferred brand-name medication, or \$30 for a 90-day supply of non-preferred brand-name medication.

As stated above, under the new plan, there will be an out-of-pocket maximum for prescription drugs - \$500 per individual or \$1000 per couple or family per calendar year, regardless of whether a retiree makes the purchase at a pharmacy or through mail order. Once the out-of-pocket maximum is met, prescriptions would be paid at 100% for the remainder of that calendar year.

Note: In addition to these prescription drug changes, the Fiscal Committee also approved limited changes to the Under 65 plan medical benefit. The full Legislature is considering proposals for premium-sharing for the Under 65 retirees, as well.