

Total Cost Formula



Total Cost for an Individual Medicare Retiree

As shown above, the total cost for a Medicare Retiree is made up of two components that total **\$129** for 2021 (beginning October 2020).

FY2021

Sliding Scale Adjustment Example

The sliding scale discounts the retiree premium 2% per year that a retiree worked in excess of 25 years.

- For example, a retiree who has 33 years of service (8 more than 25) would have a 16% discount off their premium (2% x 8 years = 16% discount).
- This means PEEHIP pays 16% more for the retiree's coverage.
- The percent discount is a percent of the PEEHIP subsidy, so in this example, 16% x \$104 = \$16.64.

\$129
(FY2021 Total cost for a
Medicare Retiree)

=

\$104 (PEEHIP subsidy) + \$16.64 (discount) = \$120.64

+

\$25 (Retiree premium) - \$16.64 (discount) = \$8.36

State Subsidy Reduction for Medicare-Eligible Retirees for the Plan Year Beginning October 1, 2020

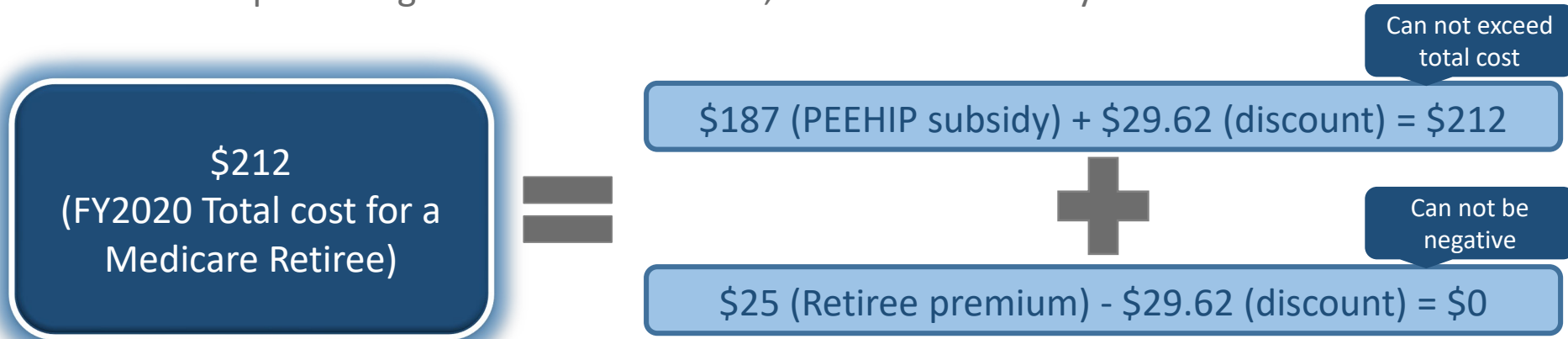
From FY2020 to FY2021, the state's subsidy reduced from **\$187** to **\$104** per month for a Medicare-eligible individual premium due to Congress elimination of the Health Insurer Tax and favorable cost negotiations with PEEHIP's Medicare Advantage carrier.

- If a Medicare-eligible member worked **less** than 300 months, the effect upon their premium will be a **reduction** in premium.
- If a Medicare-eligible member worked **more** than 300 months, the effect upon their premium will be an **increase** in premium.

Sliding Scale Fluctuation Example from FY2020 to FY2021

Last year, as explained on the previous slide, the Medicare retiree PEEHIP subsidy was **\$187** rather than the current amount of **\$104**.

- Therefore, because the percent discount is a percent of the PEEHIP subsidy, the discount was \$29.92 (16% x \$187) in FY2020, rather than \$16.64 as it is in FY2021.
- Note how the discount was higher last year than this year, because even though the discount percentage remained the same, the PEEHIP subsidy decreased in FY2021.



As illustrated above, this retiree's premium increased from FY2020 to FY2021, not because their percent discount changed, but because the PEEHIP subsidy decreased from one year to the next. However, it is important to **note this retiree is still receiving a discount and paying less than the base premium.**

Retiree Classifications and their premium adjustments per the sliding scale law

PEEHIP retiree contracts consists of three broad premium calculation methods which are a result of the statute:

1. Retirees retiring prior to 10/1/2005 pay their base premium with no sliding scale adjustment.
2. Retirees retiring 10/1/2005 through 12/31/2011, pay the basic premium adjusted (either a discount or penalty) by 2% of the state's subsidy (for individual coverage) for months more than or less than 300 months (or 25 years) of service.
3. Retirees retiring 1/1/2012 and after pay the basic premium adjusted by:
 - a) **Service Premium Component:**
 - i. Penalty: 4% of the state's subsidy for months less than 300 months of service
 - ii. Discount: 2% of the state's subsidy for months more than 300 months of service
 - b) **Age Premium Component:**
 - i. Penalty: 1% of the state's subsidy for each year of age of the member at retirement less than the Medicare entitlement age. Upon Medicare entitlement, the age component will be removed.
 - c) **Subsidy Premium Component:**
 - i. A subsidy premium component is applicable. For FY2021, the subsidy component is \$201.25. Upon Medicare entitlement, the subsidy premium component will be removed.

Benefit Change Letters

When the net retiree benefit payment changes from one month to another, the RSA sends a letter to the retiree. The data for the letter was ready on September 22, 2020.

The letters that show the reasons for the net change in the benefit payment was mailed no later than September 25, 2020, so that the retirees will have the letter prior to the time that their payment is deposited to their banking institution.

PEEHIP Revenue staff is also ready to assist anyone who calls regarding this change.