



# Kentucky Retirement Systems Health Benefits

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# Kentucky Retirement Systems

- Kentucky Retiree Health Plan
- Statutory changes
- Programmatic initiatives



# Kentucky Retirement Systems

- Three major retirement plans
  - Kentucky Employees Retirement System (KERS)
  - County Employees Retirement System (CERS)
  - State Police Retirement System (SPRS)
- 333,652 total members
- 87,279 retirees
  - 34,720 Medicare participants



# KRS Health Insurance Premium for Members Participating Prior to July 1, 2003

Total Non-Hazardous Service	Percent Paid for Retired Member*	Total Hazardous Service	Percent Paid Toward Dependent Coverage**
Less than 4 years	0%	Less than 4 years	0%
4 - 9+ years	25%	4 - 9+ years	25%
10 - 14+ years	50%	10 - 14+ years	50%
15 - 19+ years	75%	15 - 19+ years	75%
20 or more years	100%	20 or more years	100%

\*100% of the monthly contribution is paid toward health insurance for a retired member in a Non-Hazardous position who is totally disabled from any employment as a result of a duty-related injury, regardless of actual service.

\*\*100% of the monthly contribution is paid towards the health insurance for a member, member's spouse and dependents, if the member is in a Hazardous position and is disabled in the line of duty, regardless of actual service

## KRS Health Insurance Premium for Members Participating After July 1, 2003

- Must have 10 years to vest in program
- Monthly benefit = \$10/month/year of service for Non-Hazardous
- Monthly benefit = \$15/month/year of service for Hazardous
- Hazardous beneficiaries get \$10/month/year of service
- Monthly amounts protected by annual COLA
- Benefit not protected by inviolable contract



# KRS Health Insurance Benefits

A black and white graphic of a stethoscope is positioned in the top right corner of the slide. The stethoscope is shown from a slightly elevated angle, with the chest piece and earpieces visible. The background of the slide features a faint, large-scale pattern of a human heart, which is partially obscured by the stethoscope graphic.

- **Under age 65**
  - Insured in the Kentucky Employee Health Plan for active employees
  - KRS pays the premium depending on eligibility
- **Medicare-eligible**
  - KRS provides a Medicare wrap to ensure benefits are equal to active employees
  - Self-insured by KRS

# Kentucky Retirement Systems

Statutory Changes



# KRS Statutory Changes

- **1978 – Medical insurance was added as a benefit for public retirees**
  - Benefit is to pay the single premium for retirees for a benefit equal to active employees
- **1988 – Made a part of the inviolable contract**
- **2003 – converted from a DB plan for insurance to a DC plan**
  - Removed health care from the inviolable contract for all hired after July 1, 2003
- **2006 – GASB 43 and 45 changes to accounting and reporting procedures**





# KRS Statutory Changes



- **2008 Pension Reform Bill – all new hires after 9/1/08**
  - Vesting – rule of 87, or age 60 with 15 years service
  - All new hires contribute 1% of salary to 401(h)
    - Retired and re-employed with participating agency, must take employer's health plan
  - All employees hired prior to 9/1/08 to retire and come back to work
    - Employers must reimburse KRS for cost of health care

# Kentucky Retirement Systems

Programmatic Changes



# KRS Programmatic Changes

A black and white graphic of a stethoscope is positioned in the upper right corner of the slide, partially overlapping the dark header bar.

- **2006 – converted from fully-insured to self-insured for Medicare participants**

## Three basic plans

- Premium – supplement to Medicare Parts A and B
  - \$150 deductible, Max OOP \$500
  - Drug coverage unlimited
- Plus Plan – Supplement to Medicare Parts A and B
  - Deductible \$250, Max OOP \$1,000
  - Drug Coverage capped at \$3,500
- Medical Only Plan – Available for retirees who use Medicare Part D
  - Deductible (Part B) - \$155

# KRS Programmatic Changes

- Immediate premium reduction
- No premium increase for following two years
- Eliminated Administrative Fees, Carrier Profit Margin and Risk charges
- Better control of benefit design
- Improved customer service
- Retiree drug subsidy from federal government of \$15 million per year



# KRS Programmatic Changes

A black and white graphic of a stethoscope is positioned in the top right corner of the slide. The stethoscope is oriented vertically, with the chest piece at the top and the earpieces pointing downwards. The background of the slide features a faint, large-scale pattern of a human heart.

- **2007 – added claims analyst/wellness coordinator position to assist with internal data analysis**
  - Dropped two Medicare Advantage plans due to network issues
- **2008 – added staff for case management**
  - Reduced extended care patient average from 13 to 2

# KRS Programmatic Changes, con't.



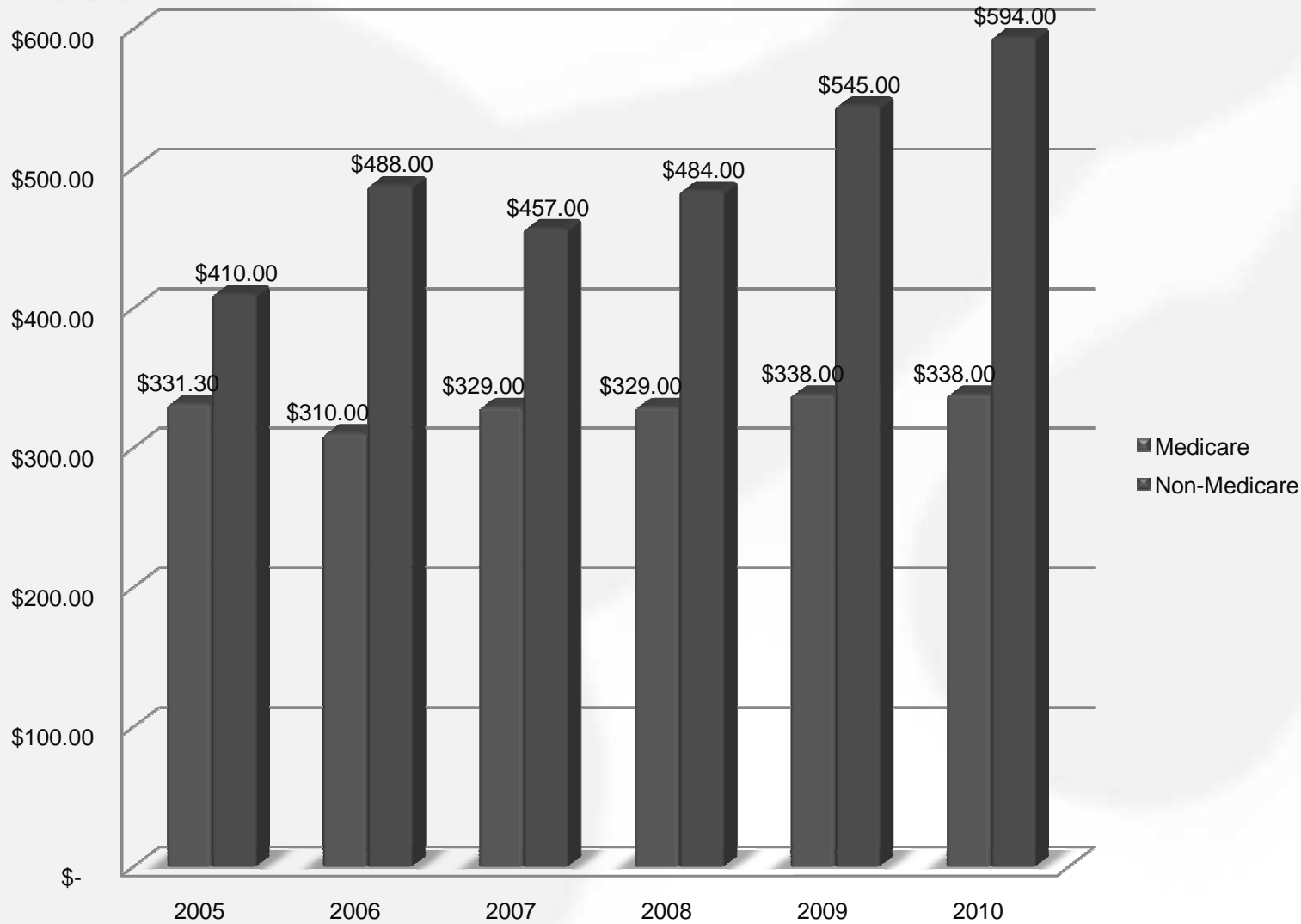
- **2009**
  - Approved for Employee Group Waiver Plan
    - Immediate reduction to OPEB liability of \$1.6 Billion
  - Added Home Infusion and Nursing Home benefits
  - Improved cash flow from a quarterly payment model to a monthly prospective payment
  - Added Low Income Subsidy for poverty level retirees

# Other Programmatic Initiatives

- Mail order pharmacy
- Pill splitting
- Disease/case management for Medicare eligible



# Monthly Premiums





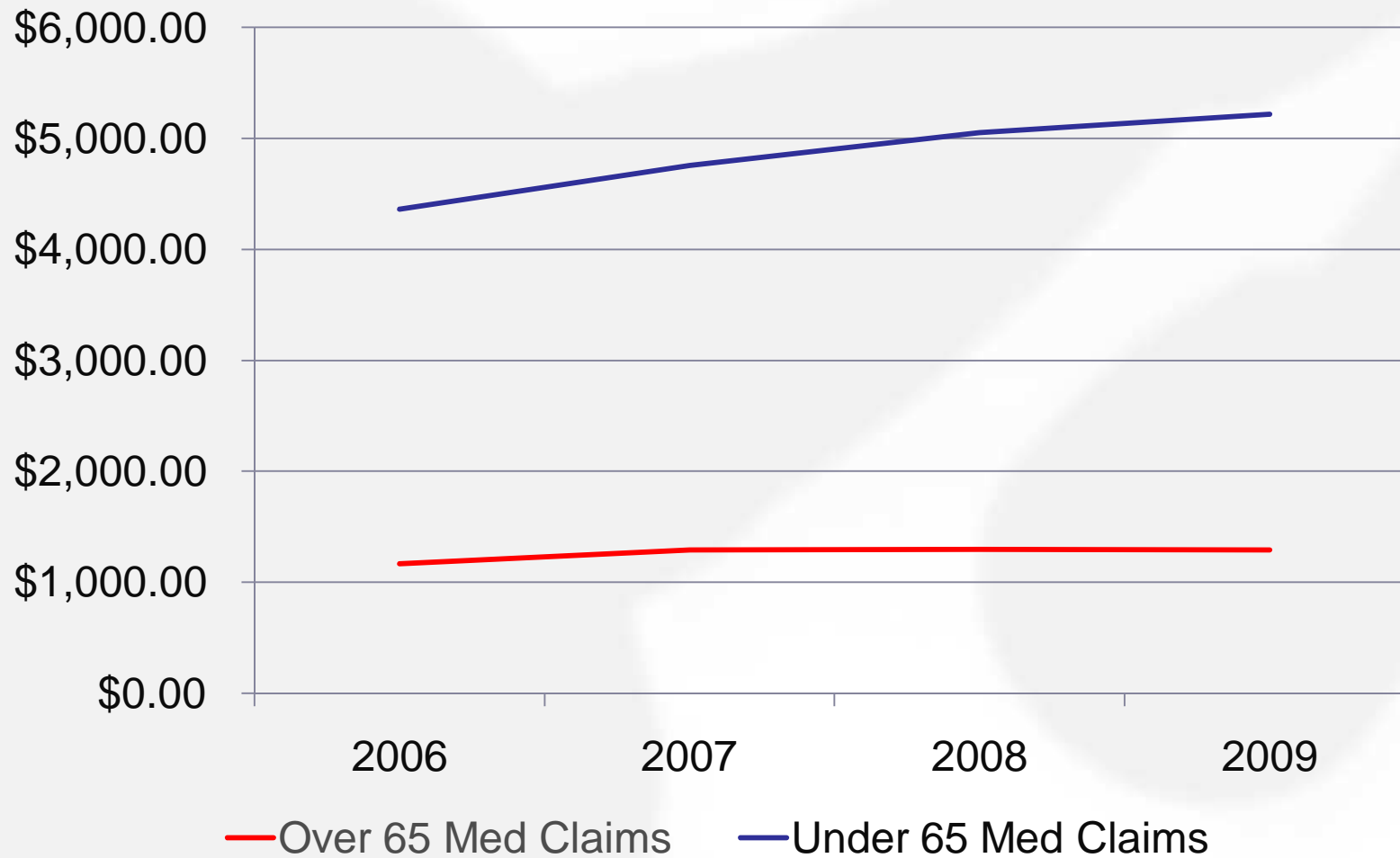
# Claims Paid Per Member Per Year



<b>KRS Over 65 Medicare Eligible Plans</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net Pay PMPY Med	\$1,290.39	\$1,295.13	\$1,290.56	\$1,164.60
Net Pay PMPY Rx	\$2,769.77	\$2,535.58	\$2,341.83	\$2,208.33
Members	36,539	35,048	33,114	28,296

<b>KRS Under 65 Non-Medicare Eligible Plans</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net Pay PMPY Med	\$5,218.21	\$5,050.78	\$4,755.70	\$4,360.43
Net Pay PMPY Rx	\$1,944.35	\$1,882.81	\$1,751.17	\$1,590.73
Members	44,361	43,163	38,545	36,999

# Medical Claims Paid PMPY



# Rx Claims Paid PMPY

