



## CITY COUNCIL REPORT

July 1, 2010

TO: John Szerlag, City Manager

FROM: John M. Lamerato, Assistant City Manager/Finance & Administration  
James A. Nash, Financial Services Director  
Stephen Cooperrider, Risk Manager

SUBJECT: Pre-Medicare Reinsurance Subsidy Availability

When the Federal Health Care Reform Law was passed in March it included an “Early Retirement Reinsurance Program (ERRP) Subsidy”. This new program can reimburse eligible employers for a portion of health care claims incurred by retirees who are at least age 55 but are not yet eligible for Medicare. It also includes the retirees’ covered dependents regardless of age. The Federal government has set aside \$5 billion to fund this program. Once this funding is depleted the program will end. Application for funding is now open on a first come first serve basis; employers need to act quickly to have a chance for this subsidy.

Reimbursement is provided following plan sponsor application and the filing of claims information. Once a plan participant in an early retirement plan incurs \$15,000 in health care claims in a plan year, the government will reimburse plan sponsors for 80% of a participant’s claims up to \$90,000 during the plan year. Reimbursement will apply for claims incurred starting June 1. The program is authorized to continue through December 31, 2013; again, it is expected the money will most likely run out long before that date.

We have discussed the ERRP with our RDS Services LLC representative Jayne Brown, who currently assists with our Medicare Part D Subsidy program. RDS is also gearing up to handle applications and filings for its clients for the ERRP Subsidy and has asked if Troy wishes to participate. Ms. Brown was asked to provide a cost/benefit estimate. Based on information provided to her regarding Troy’s current retirees and their dependents, RDS has provided the following estimate for the first year:

BCBS subsidy:

Fixed cost for a data feed from Blue Cross Blue Shield of Michigan:	\$3,000.00
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Estimated subsidy to be received by the City:	\$365,185.00
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Estimated fee to RDS Services after receipt of anticipated subsidy:	\$46,519.00
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Payment for BCBS and RDS Services would come out of subsidy. The only fixed cost is the BCBS data feed. RDS will also provide services for HAP and BCN subsidy. Reimbursement

estimates are not included here because it is unknown what information may be provided by the HMOs.

Attached is the fee schedule from RDS Services. They have indicated they would waive the retainer fee because we are already a client. Attached also is the fee schedule from BCBS for the data feed. We need the data feed from BCBS to be able to apply for the subsidy. We currently have 89 subscribers between ages 55-64. With employees retiring rather than being laid off this number will grow for next year.

The plan would be to pay all fees from subsidy money; the only real cost is our time coordinating the gathering of information to file our application each year until the federal subsidy money funding runs out.

If you have any questions, we are available for comment.

Prepared by: James A. Nash, Financial Services Director

# RDS SERVICES LLC

*Subsidy Recovery Specialists*

## FEE SCHEDULE

Subsidy recovered	Sliding Fee <sup>(1)</sup>
\$0 to \$100,000	20%
100,001 to 500,000	10%
\$500,001 to \$2,000,000	5%
Over \$2,000,000	2%

## RETAINER FEE <sup>(2)</sup>

Early Retiree Members	Retainer
up to 100	\$5,000
101 – 500	\$15,000
>500	\$25,000

<sup>(1)</sup> Annual fee maximum shall not exceed \$200,000.

<sup>(2)</sup> Fees from subsidy recoveries are initially offset by retainer. Retainer is refunded if application is denied. Retainer is waived if you are a current RDS Services client.

### SAMPLE CASE STUDY:

Client ABC covers 500 "early retiree" members as defined under the regulations for the Early Retiree Reinsurance program. It is determined that 50 retiree members have claims that fall into the "eligible" claim range of \$15,000 to \$90,000. During the first plan-year cycle the total aggregate "claims for reimbursement" for these 50 retiree members is determined to be 1,750,000. What is ABC's calculated subsidy?

Calculated Subsidy= \$1,750,000 times 80% OR \$1,400,000

# Fee Schedule

## The Early Retiree Reinsurance Program



Nonprofit corporations and independent licensees of the Blue Cross and Blue Shield Association

### Fee Schedule – Full Service

Recovered Subsidy			Aggregate	
\$ –	to	\$200,000	\$50,000*	<b>\$5,000 up-front fee for 0-100 eligible retirees</b>
\$200,001	to	\$500,000	\$100,000	
\$500,001	to	\$750,000	\$125,000	
\$750,001	to	\$1,250,000	\$200,000	
\$1,250,001	to	\$2,000,000	\$250,000	
\$2,000,001	to	\$3,000,000	\$300,000	
\$3,000,001	to	\$4,000,000	\$375,000	
\$4,000,001	to	\$5,000,000	\$425,000	
\$5,000,001		Plus	\$500,000	

#### Sample Case Study:

Client ABC covers 1,235 "early retiree" members as defined under the Regulations for the NEW Early Retiree Reinsurance program. It is determined that 92 of these have claims that fall into the "eligible" claim range of \$15,000 to \$90,000. The total aggregate "claims for reimbursement" for ABC during their first plan-year cycle is determined to be \$3,220,000. What is ABC's calculated potential subsidy for this period?

**Calculated Subsidy**  
 = \$3,220,000 x 80%  
 = \$2,576,000

\*\$50,000 minimum based on recoverable dollars

### Fee Schedule – Data information services only

Early Retiree Contracts	Cost	Services Provided
Less than 100	\$3,000 per year	<ul style="list-style-type: none"> <li>CD-ROM with necessary data for application and ongoing HHS reporting</li> </ul>
More than 100	\$25,000 for 1 data feed \$40,000 for 2 data feeds \$50,000 for 3 data feeds	<ul style="list-style-type: none"> <li>Automated data feeds necessary for application and ongoing HHS reporting</li> </ul>