Washington State Health Care Authority
Report to the Legislature

PEBB one-time enrollment window for retirees to reestablish eligibility

Engrossed Substitute Senate Bill 5092; Section 212(5); Chapter 334; Laws of 2021

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Employee and Retiree Benefits Division
P.O. Box 42684
Olympia, WA 98504-2684
Phone: (360) 725-0440
Fax: (360) 725-0771
hca.wa.gov

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Executive summary

Since the 1970s, the Health Care Authority (HCA) has been the purchaser for retirement health benefits for most retirees who receive a pension through the Department of Retirement Systems (DRS). Participating in retirement benefits through the Public Employees Benefits Board (PEBB) Program has long required meeting both eligibility and procedural requirements to enroll. Over the years, these requirements have resulted in some retirees missing the window for enrolling in or deferring (postponing to keep eligibility) their PEBB retiree health plan coverage.

Engrossed Substitute Senate Bill (ESSB) 5092 directed HCA to analyze and report on the potential impacts of providing a one-time enrollment window for retirees to reestablish eligibility for enrollment in retiree benefits under PEBB, due to the appropriate committees of the legislature by January 1, 2022. At a minimum, the report must include an estimate of the employer cost and a description of the assumptions used.

Eligible residents

Using data from DRS and the PEBB Program, HCA identified about 52,000 DRS pension recipients that may be eligible for PEBB retiree health plan coverage if given an opportunity to reapply with the PEBB Program.

HCA grouped retirees based on retirement plan systems.

- K-12 retirees in the Teachers Retirement System (TRS) plans and School Employee Retirement System (SERS) plans **represent approximately 55 percent.**
- Retirees in the Public Employee Retirement System (PERS) plans **represent approximately 43 percent.**
- Retirees in the Law Enforcement Officer and Fire Fighter (LEOFF) plans, Public Service Employee Retirement System (PSERS) plans, and the Washington State Patrol Retirement System (WSPRS) plans each **represent less than 1 percent.**

Employer cost

HCA modeled what it could cost employers to allow a new opportunity to establish eligibility for PEBB retiree insurance coverage based on two scenarios: 100 percent enrollment and 50 percent enrollment.

Based on this modelling, the following tables show the increased revenue for funding of the Medicare Explicit Subsidy for those retirees with renewed eligibility who choose to enroll in PEBB retiree insurance coverage.

Table 1: Full enrollment scenario - total assumed increase in required revenue

	FY 2023*	FY 2024	FY 2025^
State Agency Revenue	$34,107,000	$66,665,000	$71,316,000
K12 Remittance Revenue	$32,440,000	$77,101,000	$81,763,000
Medicare Charge Revenue	$3,439,000	$7,073,000	$7,551,000
Total	**$69,986,000**	**$150,839,000**	**$160,630,000**

*Newly eligible Medicare Retiree enrollment is assumed effective as of January 1, 2023. Therefore, the FY 2023 fiscal impacts only include 6 months (January - June 2022).

^The FY2025 fiscal impacts are assumed to project forward into future fiscal periods, assuming no additional changes to the PEBB retiree population.

Table 2: Partial enrollment scenario - total assumed increase in required revenue

	FY 2023*	FY 2024	FY 2025^
State Agency Revenue	$20,154,000	$32,557,000	$35,658,000
K12 Remittance Revenue	$13,726,000	$38,547,000	$40,877,000
Medicare Charge Revenue	$1,716,000	$3,476,000	$3,727,000
Total	**$35,596,000**	**$74,580,000**	**$80,262,000**

*Newly eligible Medicare Retiree enrollment is assumed effective as of January 1, 2023. Therefore, the FY 2023 fiscal impacts only include 6 months (January - June 2022).

^The FY2025 fiscal impacts are assumed to project forward into future fiscal periods, assuming no additional changes to the PEBB retiree population.

Background

PEBB and SEBB programs

HCA purchases and manages health care and other insurance benefits for more than 385,000 eligible public employees, retirees, continuation coverage members, and their dependents through the Public Employees Benefits Board (PEBB) Program. Employers who access PEBB Program coverage include state agencies, institutions of higher education, and a variety of public agencies who contract with HCA for these benefits (e.g., counties, municipalities, tribal governments, and political subdivisions). The PEBB Program in its current form dates to the 1980s. Before that, state employee and higher education employee benefits were provided through the Department of Personnel and the State Employee Insurance Board.

On June 30, 2017, Engrossed House Bill (EHB) 2242 created the School Employees Benefits Board (SEBB) Program to design insurance benefits for a program covering all school employees working for Washington State school districts, represented employees of educational services districts (ESDs), and charter schools. The SEBB Program's first annual open enrollment was held from October 1 through November 15, 2019. Benefits began on January 1, 2020.

As of September 2021, the SEBB Program provides medical benefits for just over 126,000 school employees and about 135,000 dependents. The PEBB Program provides medical benefits for more than 133,000 employees, 79,500 retirees, and around 174,000 dependents. In sum, the PEBB and SEBB programs cover approximately 650,000 people in medical benefits.

The PEBB Program's purchasing authority covers over 400 employers including over 100 state agencies, all higher education institutions, and more than 250 local governmental entities who contract with HCA for PEBB Program benefits. The SEBB Program's purchasing authority includes over 300 SEBB organizations (school districts, charter schools, and represented employees of educational service districts).

For a more in-depth look at PEBB policies on eligibility and deferring coverage, visit the PEBB rules and policies page on our website.

Risk pools and subsidies

Employees who retire and enroll in PEBB retiree insurance coverage before they become eligible for Medicare enter the non-Medicare risk pool. If an employee retires and is eligible for Medicare, they enter the PEBB Medicare risk pool. PEBB retirees receive one of two subsidies depending on the risk pool in which they participate.

Implicit subsidy

Retirees in the non-Medicare risk pool benefit from community rated plan premiums in a risk pool that is primarily employees. The non-Medicare premiums reflect the average cost of the entire risk pool. Since the employees are generally younger and less costly than the non-Medicare retirees, the risk pool wide premiums provide a subsidy to the non-Medicare retiree subscribers. The HCA does not currently calculate a premium rate offset for active subscribers when developing the state active premium contributions from the risk pool's premium rates.

Medicare explicit subsidy

The PEBB Program Medicare risk pool includes only retirees who are eligible for Medicare Parts A and B. Members in the Medicare risk pool receive a monthly explicit subsidy to lower the retiree premiums. HCA collects a lower premium from the retiree while paying the health plan the full premiums. The Medicare explicit subsidy is considered the employer contribution to retiree premiums. The maximum value of the Medicare explicity subsidy is set in the state's operating budget.

Funding for retiree subsidies

K-12 remittance

The K-12 remittance is the monthly payment HCA receives (via the SEBB funding rate) from school districts and educational service districts (ESDs) for each K-12 employee eligible for SEBB benefits (regardless of whether their funding source is state or local). This remittance provides revenue to fund both the implicit and explicit subsidies K-12 retirees receive through the PEBB Program.

State funding rate

The state funding rate is paid to HCA for state and higher education employees. It is intended to cover the total cost of an employee's benefits package. It is set by the Legislature each year and is the primary source of PEBB Program revenue. The State Funding Rate includes funding for employer-paid benefits, administrative costs, and the share of the retiree benefit that is borne by state agencies or higher education institutions.

Medicare charge

Employer groups who participate in PEBB Program benefits pay a Medicare charge to HCA through a contract with HCA for their employees. This employer-paid charge is for the cost of the Medicare explicit subsidy provided to eligible retirees who's employer maintains a contract with PEBB Program benefits. The Medicare charge is developed annually and billed as part of the employer group's benefit costs for their employees.

Key findings

Analysis of ESSB 5092 § 212(5)

A substantial number of retired or disabled state or school employees, and retirees of employer groups, who may have been eligible at one time for PEBB retiree insurance coverage are not enrolled. While many reasons for this dynamic exist, this population includes many people who:

- Chose not to enroll or ended coverage after enrolling.
- Missed the window to enroll upon retiring.
- Did not defer or did not meet the requirements of the deferral process.

Some of these school retirees are not enrolled in PEBB retiree insurance coverage due to the difficulty HCA used to face in communicating with K-12 employees who were nearing retirement. Before the SEBB Program launched, the lack of broad communication channels with school employees resulted in a lack of consistent information about PEBB retiree insurance coverage, eligibility requirements, or the deferral process to all school districts. These challenges resulted in many school retirees missing the enrollment window or not meeting the requirements for enrollment. Employees of school districts that had voluntarily joined the PEBB Program from the early 90's until 2019 did not face the same communication challenges.

In response, the Legislature has considered creating additional enrollment opportunities for this population several times. The most recent bill was HB 1040 (2021), which sought to create an enrollment opportunity for retirees enrolled in a Teachers Retirement System (TRS) plan. However, the legislation ultimately did not pass.

In the 2021-2023 operating budget, the Legislature required HCA to:

> "Analyze and report on the potential impacts of providing a one-time enrollment window for retirees to reestablish eligibility for enrollment in retiree benefits under the public employees' benefit board program" (**ESSB 5092, § 212(5) - 2021**).

The report is also required to include an estimate of the employer cost and a description of the assumptions used in determining the estimated employer cost.

Retiree data analysis

To conduct the required analysis, HCA worked with DRS to collect relevant data. While HCA has data on retirees that are currently or have been enrolled in PEBB retiree insurance coverage, HCA does not have information on retirees who may have been eligible but did not enroll.

DRS sent HCA an extract of the entire benefit population in any of the DRS retirement plans. This included people receiving pensions from agencies that were never eligible for PEBB benefits. There are no common linkages between DRS and HCA to identify agencies. In fact, the DRS data includes multiple names for the same agency due to historical artifacts. As a result, HCA manually reviewed over 1,500 agency names to identify agencies that were once eligible for PEBB retiree benefits. HCA excluded all records where the employee worked for an agency that was not eligible for PEBB benefits, including any related survivor accounts.

The DRS data was broken down using three primary criteria:

1. **Eligible retirement plans**
   - The eligible retirement plans were split into the major DRS retirement plan groupings. Each of these groups consist of any of the different plans within the specific retirement system (usually referred to as plan 1, 2, or 3):
     - Teachers' Retirement System (TRS) Plans and Service Employees' Retirement System (SERS) plans
     - Public Employees' Retirement System (PERS) plans
     - Law Enforcement Officers' and Fire Fighters (LEOFF) Plans & Public Safety Employees' Retirement System (PSERS) plans
     - Washington State Patrol Retirement System (WSPRS) plans
2. **Primary pension recipient retiree or retiree's survivor**
   - The DRS data also includes indicators for both the primary pension recipient and survivor accounts. Under PEBB rules, eligibility is extended to surviving spouses or dependent after the primary pension recipient dies and if the surviving spouse or dependent receives a survivor benefit from DRS.
3. **Retirement before or after January 1, 2000**
   - For the primary pension group, HCA was able to consult our enrollment database back to January 2000 to identify those that were enrolled in PEBB retiree benefits at that time or later. This group was excluded from further analysis. However, there are approximately 8,000 people who retired before January 2000 that we included as potentially eligible, that were are unable to be verified if they were once enrolled in PEBB retiree benefits.

Potentially eligible retirees

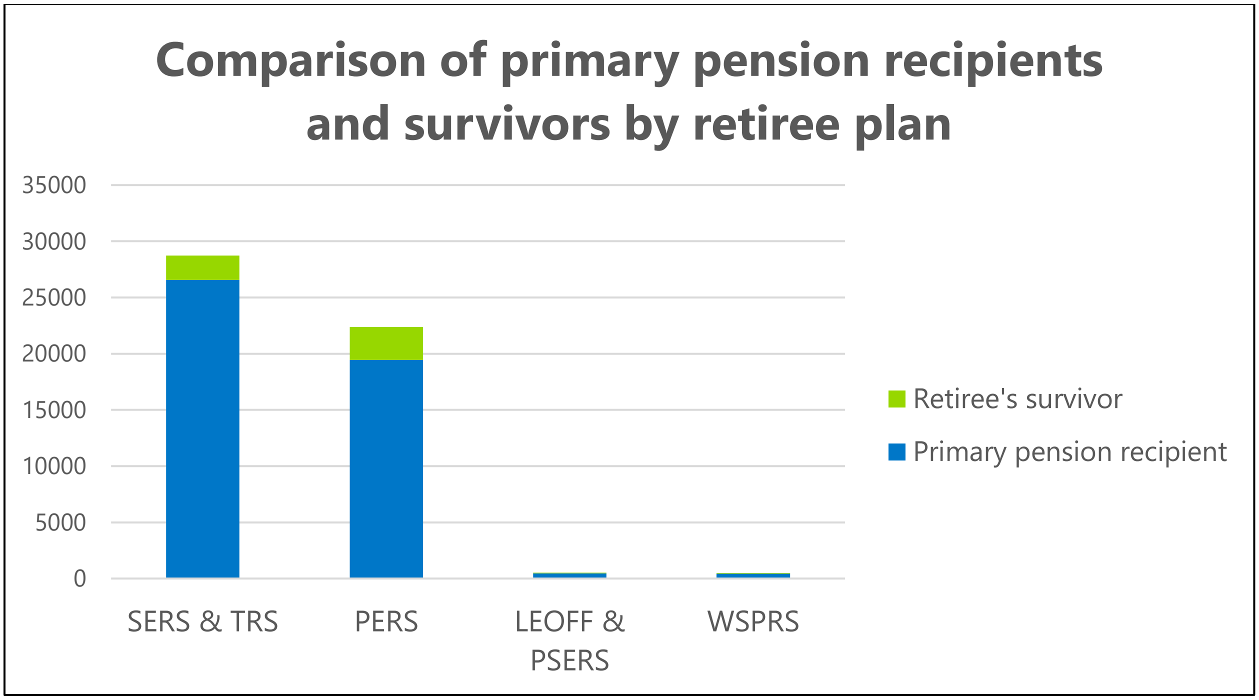
Using the above methodology, the following table and charts display the analysis of DRS and HCA's data regarding the size of the populations that could potentially reestablish eligibility to enroll in PEBB retiree insurance coverage.

Table 3: Potentially eligible retirees - September 2021

		SERS & TRS	PERS	LEOFF & PSERS	WSPRS	Total
Retiree	Retired on or after 1/1/2000	23,824	16,256	410	393	40,883
	Retired before 1/1/2000	2,733	3,194	52	49	6,028
	Subtotal	26,557	19,450	462	442	46,911
Survivor	Retired on or after 1/1/2000	1,492	1,637	22	19	3,170
	Retired before 1/1/2000	670	1,308	45	40	2,063
	Subtotal	2,162	2,945	67	59	5,233
	Total	28,719	22,395	529	501	52,144

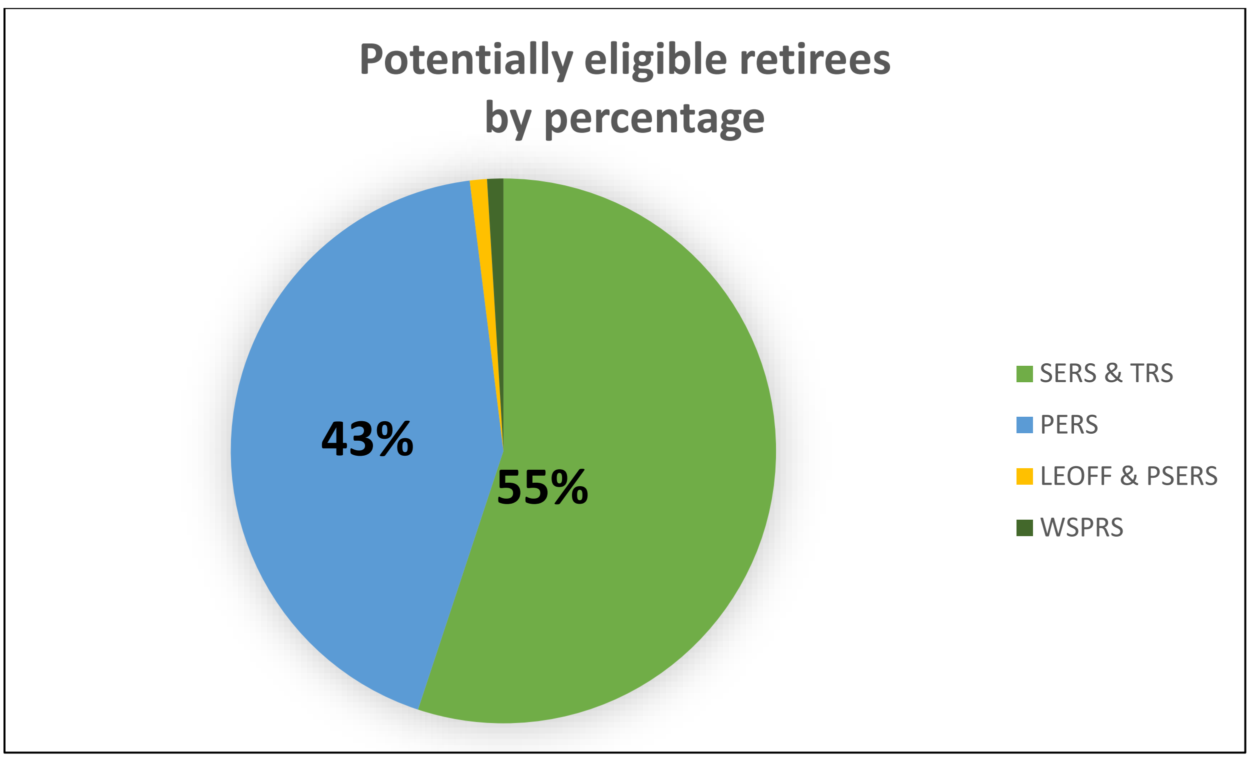
In total, 52,144 retiree accounts were identified as being potentially eligible to reestablish eligiblity for PEBB retiree insurance coverage. Most of these accounts are held by the primary pension recipient, though the number of accounts held by survivors is a significant minority.

Chart 1: Comparison of primary pension recipients and survivors by retiree plan



Note: We are not able to determine whether the survivor is a spouse or other dependent (child or otherwise) because the DRS data does not contain this information.

Chart 2: Potentially eligible retirees by percentage



The two largest groups of retirees that are not enrolled, nor have ever been enrolled in PEBB retiree insurance coverage, are retired K-12 employees and retired public employees, making up around 55 percent and 43 percent respectively. The remaining retiree groups make up approximately 1 percent each.

Employer costs

The costs associated with allowing a one-time enrollment window require funding of the Medicare Explicit Subsidy for those retirees with renewed eligibility who choose to enroll in PEBB retiree insurance coverage.

Using the data from DRS, HCA identified 52,144 potentially eligible retirees who could enroll in PEBB retiree benefits in a one-time enrollment window. The following table summarizes the various pension systems in which these eligible retirees and survivors could reside:

Table 4: Potentially eligible retirees

	Primary pension recipient	Retiree's survivor	Total
SERS & TRS	26,557	2,162	28,719
PERS	19,450	2,945	22,395
LEOFF & PSERS	462	67	529
WSPRS	442	59	501
		Grant Total	**52,144**

In order to assess the fiscal impact of a one-time enrollment window, HCA analyzed two scenarios:

- **Full enrollment scenario**: Under this scenario, one hundred percent (100%) of the total newly eligible population of retirees and survivors would enroll in PEBB retiree insurance coverage. Based on historical retiree enrollment, it is assumed that forty percent of these retirees will enroll a spouse. It is also assumed that all retirees who choose to enroll would be eligible for Medicare eligible and elect to enroll in a PEBB Medicare plan offering. This scenario is intended to estimate the highest possible fiscal impact to the PEBB Program.
- **Partial enrollment scenario**: Under this scenario, fifty percent (50%) of the total newly eligible population of retirees and survivors would enroll in PEBB retiree benefits. Based on historical retiree enrollment, it is assumed that forty percent of these retirees will enroll a spouse. It is also assumed that all retirees who elect to enroll would be eligible for Medicare eligible and elect to enroll in a PEBB Medicare plan offering. This scenario is intended to estimate mid-rage enrollment assuming the remaining fifty percent of the newly eligible retiree population do not choose to enroll in PEBB retiree benefits.

Full enrollment scenario

Based on historical retiree enrollment tier mix, HCA assumed about forty percent of the newly eligible retirees would enroll a spouse dependent in PEBB retiree benefits. Therefore, under the full enrollment scenario, HCA assumes a total of approximately 73,000 new Medicare-eligible members (subscribers and their spouses) could enroll in PEBB retiree insurance coverage.

Table 5: Enrollment assumptions – full enrollment scenario

Approximate number of newly eligible retirees and survivors	52,144
Assumed dependents (Spouse)	20,858
Total assumed new enrollment	**73,002**

It is assumed that these newly eligible retirees who enroll will mirror plan enrollment of current PEBB Medicare members. Based on this assumption, HCA estimates the following effects to required revenue under this scenario:

Table 6: Full enrollment scenario - total assumed increase in required revenue

	FY 2023*	FY 2024	FY 2025^
State Agency Revenue	$34,107,000	$66,665,000	$71,316,000
K12 Remittance Revenue	$32,440,000	$77,101,000	$81,763,000
Medicare Charge Revenue	$3,439,000	$7,073,000	$7,551,000
Total	**$69,986,000**	**$150,839,000**	**$160,630,000**

*Newly eligible Medicare Retiree enrollment is assumed effective as of January 1, 2023. Therefore, the FY 2023 fiscal impacts only include 6 months (January - June 2022).).

^The FY2025 fiscal impacts are assumed to project forward into future fiscal periods, assuming no additional changes to the PEBB retiree population.

Three key components of the PEBB program employer costs would be impacted by increasing enrollment in PEBB retiree benefits in order meet increased funding requirements for the Medicare Explicit Subsidy:

- **K-12 Remittance**: The K-12 Remittance is paid to HCA by school districts (via the SEBB funding rate) for K-12 employees.
- **The Medicare Charge**: The Medicare Charge is paid to HCA by Employer Groups who participate in PEBB program benefits through a contract with HCA for their active employees.
- **The State Funding Rate**: The State Funding Rate is paid to HCA for Active State and Higher Education Employees.

The following tables summarize the estimated impacts to each of the components of employer costs: K-12 remittance, Medicare charge, and state funding rate. These estimates are based on plan year 2022 Medicare plan premiums, which trend forward into future fiscal periods. The Medicare Explicit Subsidy is also assumed to remain $183 or 50 percent of the retiree premium, whichever is less.

Table 7: Full enrollment scenario - K-12 remittance revenue

	Current Projection	Modeled Enrollment Scenario	Increase in Values	Increase in Revenue Collected
FY 2023	$76.22	$104.95	$28.73	$32,440,000
FY 2024	$80.84	$131.74	$50.90	$77,101,000
FY 2025	$87.39	$133.21	$45.82	$81,763,000

Table 8: Full enrollment scenario - Employer group revenue – medicare charge

	Current Projection	Modeled Enrollment Scenario	Increase in Values	Increase in Revenue Collected
FY 2023	$69.38	$114.67	$45.29	$3,439,000
FY 2024	$73.71	$121.74	$48.03	$7,073,000
FY 2025	$78.32	$129.25	$50.93	$7,551,000

Table 9: Full enrollment scenario - State funding rate revenue

	Current Projection	Modeled Enrollment Scenario	Increase in Values	Increase in Revenue Collected
FY 2023	$1,091.00	$1,113.00	$22.00	$34,107,000
FY 2024	$1,165.00	$1,208.00	$43.00	$66,665,000
FY 2025	$1,198.00	$1,244.00	$46.00	$71,316,000

Partial enrollment scenario

Under this scenario, it is assumed fifty percent of the newly eligible retirees will enroll in PEBB retiree insurance coverage. Based on historical retiree enrollment tier mix, HCA assumed about forty percent of the newly eligible retirees would enroll a spouse. Therefore, under the partial enrollment scenario, HCA assumes a total of approximately 36,500 new Medicare-eligible members (subscribers and their spouses) could enroll in PEBB retiree insurance coverage.

Table 10: Enrollment assumptions – partial enrollment scenario

Approximate number of newly eligible retirees and survivors	26,072
Assumed dependents (Spouse)	10,429
Total assumed new enrollment	**36,501**

Similar to the full enrollment scenario, it is assumed that plan selection for these newly eligible retirees will mirror current plan enrollment mix of current PEBB Medicare members. Based on this assumption, HCA estimates the following impacts to required revenue under a partial enrollment scenario.

Table 11: Partial enrollment scenario - total assumed increase in required revenue

	FY 2023*	FY 2024	FY 2025^
State Agency Revenue	$20,154,000	$32,557,000	$35,658,000
K12 Remittance Revenue	$13,726,000	$38,547,000	$40,877,000
Medicare Charge Revenue	$1,716,000	$3,476,000	$3,727,000
Total	**$35,596,000**	**$74,580,000**	**$80,262,000**

* Newly eligible Medicare Retiree enrollment is assumed effective as of January 1, 2023. Therefore, the FY 2023 fiscal impacts only include 6 months (January - June 2022).

^The FY2025 fiscal impacts are assumed to project forward into future fiscal periods, assuming no additional changes to the PEBB retiree population.

The following tables summarize the estimated impacts to each of the distinct components of employer costs. These estimated impacts are based on plan year 2022 Medicare plan premiums, which trend forward into future fiscal periods. The Medicare explicit subsidy is also assumed to remain $183 or 50 percent of the retiree premium, whichever is less.

Table 12: Partial enrollment scenario - K-12 remittance revenue

	Current Projection	Modeled Enrollment Scenario	Increase in Values	Increase in Revenue Collected
FY 2023	$76.22	$90.58	$14.36	$13,726,000
FY 2024	$80.84	$106.93	$26.09	$38,547,000
FY 2025	$87.39	$110.09	$22.70	$40,877,000

Table 13: Partial enrollment scenario - Employer group revenue – medicare charge

	Current Projection	Modeled Enrollment Scenario	Increase in Values	Increase in Revenue Collected
FY 2023	$69.38	$92.02	$22.64	$1,716,000
FY 2024	$73.71	$97.73	$24.02	$3,476,000
FY 2025	$78.32	$103.79	$25.47	$3,727,000

Table 14: Partial enrollment scenario - State funding rate revenue

	Current Projection	Modeled Enrollment Scenario	Increase in Values	Increase in Revenue Collected
FY 2023	$1,091.00	$1,104.00	$13.00	$20,154,000
FY 2024	$1,165.00	$1,186.00	$21.00	$32,557,000
FY 2025	$1,198.00	$1,221.00	$23.00	$35,658,000

Key fiscal assumptions

The following assumptions guide the analysis of employer costs that could result from providing a one-time enrollment window:

- All newly eligible retirees would receive coverage as of January 1, 2023. As a result, only six months of fiscal impact are realized in FY2023.
- All newly eligible retirees are assumed to be Medicare-eligible and would therefore enroll in one of the PEBB Medicare plans.
- Newly eligible retiree plan selection is assumed to follow plan enrollment mix of current Medicare retirees.
- Based on historical retiree enrollment, HCA assumes about forty percent of newly eligible Medicare retirees would enroll a spouse.
- Fiscal modeling is based on Plan Year 2022 Medicare plan premiums and trend forward into future fiscal periods.
- The fiscal model applies a retiree growth factor of 4.5 percent to initial retiree enrollment, following applicable adjustments to base enrollment under each scenario, for calendar year 2023. This growth factor trends forward into future fiscal periods.
- The current Medicare Explicit Subsidy for Calendar years 2022 and 2023is set at $183 or fifty percent of the premium, whichever is less. The value of the Medicare Explicit Subsidy is assumed to remain at $183 or fifty percent of the premium for all future fiscal periods. If the Medicare Explicit Subsidy were to increase in future fiscal years, this analysis would need to be adjusted. The last time the subsidy value changed was in CY2020 when it increased from $168 or fifty percent of the premium to its current value of $183 or fifty percent of the premium.
- There were no individual assumptions applied to the groups of either eligible retirees or survivors. The entire eligible population was summed together to estimate total possible retiree enrollment.

Conclusion and additional considerations

In addition to the employer costs estimated above, HCA has identified several other considerations that may impact costs or decision making for offering retirees an opportunity to reestablish eligibility for PEBB retiree insurance coverage.

Administrative work

The relatively large populations that could be given an opportunity to enroll means that offering this enrollment opportunity would be labor-intensive. It would require a significant administrative effort for HCA to identify the entire eligible population, to provide outreach and communication, and to establish and implement the enrollment process.

Additional data would likely be required from DRS to be able to contact the eligible retirees. This would require executing an additional data sharing agreement extension. The agreement would also need to be modified to include the data needed for HCA to contact the eligible retirees.

A broad communication strategy would be necessary to inform eligible retirees of the process for re-establishing eligibility. This would likely include developing print and electronic materials, as well as coordinating with groups that represent retirees. There would be costs associated with these communication efforts.

HCA is currently in the process of enhancing the PEBB Program's online enrollment system, PEBB My Account (PMA). The enhancements to PMA include adding functionality to allow retirees to enroll in PEBB retiree insurance coverage online. Additional modifications to PMA may be necessary to administer this enrollment opportunity, depending on the process for determining eligibility. The enhancements are expected to go live in the spring of 2022.

A significant number of retirees may prefer to use paper forms rather than PMA for enrollment. As such, HCA would be responsible for keying these forms on behalf of retirees; employing agencies cannot key on behalf of former employees. This would likely require additional temporary staffing for the PEBB Program to be able to timely key these forms.

Pending legislation

At the time this report is being drafted, HCA has submitted agency-requested legislation to the Governor's office for consideration of introduction in the 2022 Washington State Legislative Session. If passed, the legislation would allow K-12 retirees who are not yet eligible for Medicare to stay in the School Employees Benefits Board (SEBB) Program risk pool. This change would affect costs for both the PEBB and SEBB populations due to the addition of retirees to the SEBB risk pool and changes in the K-12 subsidy.

Timing of one-time enrollment period

Should the legislature create a one-time enrollment window for retirees to reestablish eligibility and enroll in retiree benefits, HCA would request the timing of such period be carefully considered. HCA would suggest the enrollment period not be aligned with the annual open enrollment period for the PEBB and SEBB programs. The annual open enrollment windows from PEBB and SEBB typically run from the end of October through the end of November, so a one-time enrollment period for retirees that ran the month of July would be one such option. This would have several advantages, such as allowing better customer service levels and processing of paper forms that will likely increase as a result of any such one-time enrollment period.