



Retirement Orientation

Employee Benefits Department

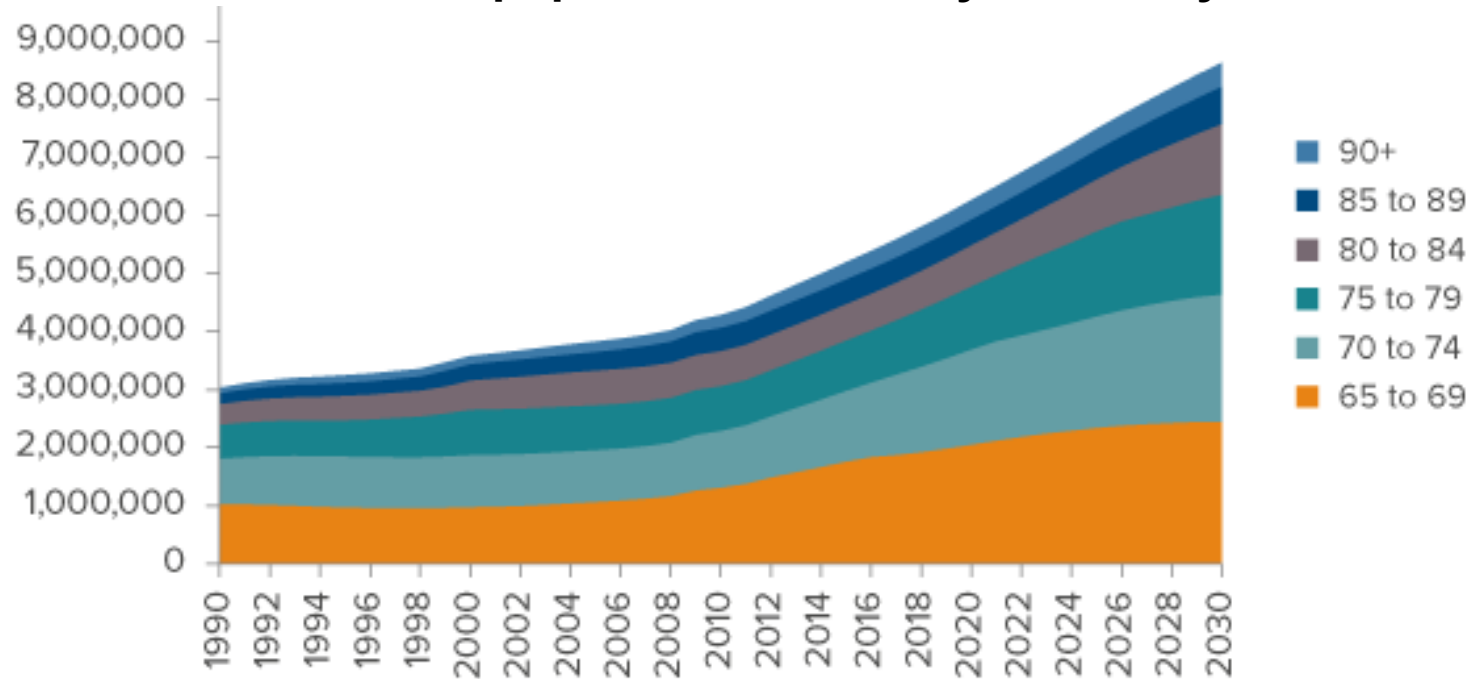
March 3, 2020

BACKGROUND QUESTIONS

- What are the trends facing upcoming Retirees?
 - What can be done while working to get prepared?
 - How much work time do you have left to make a plan ?
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AGING POPULATION

California's senior population will nearly double by 2030

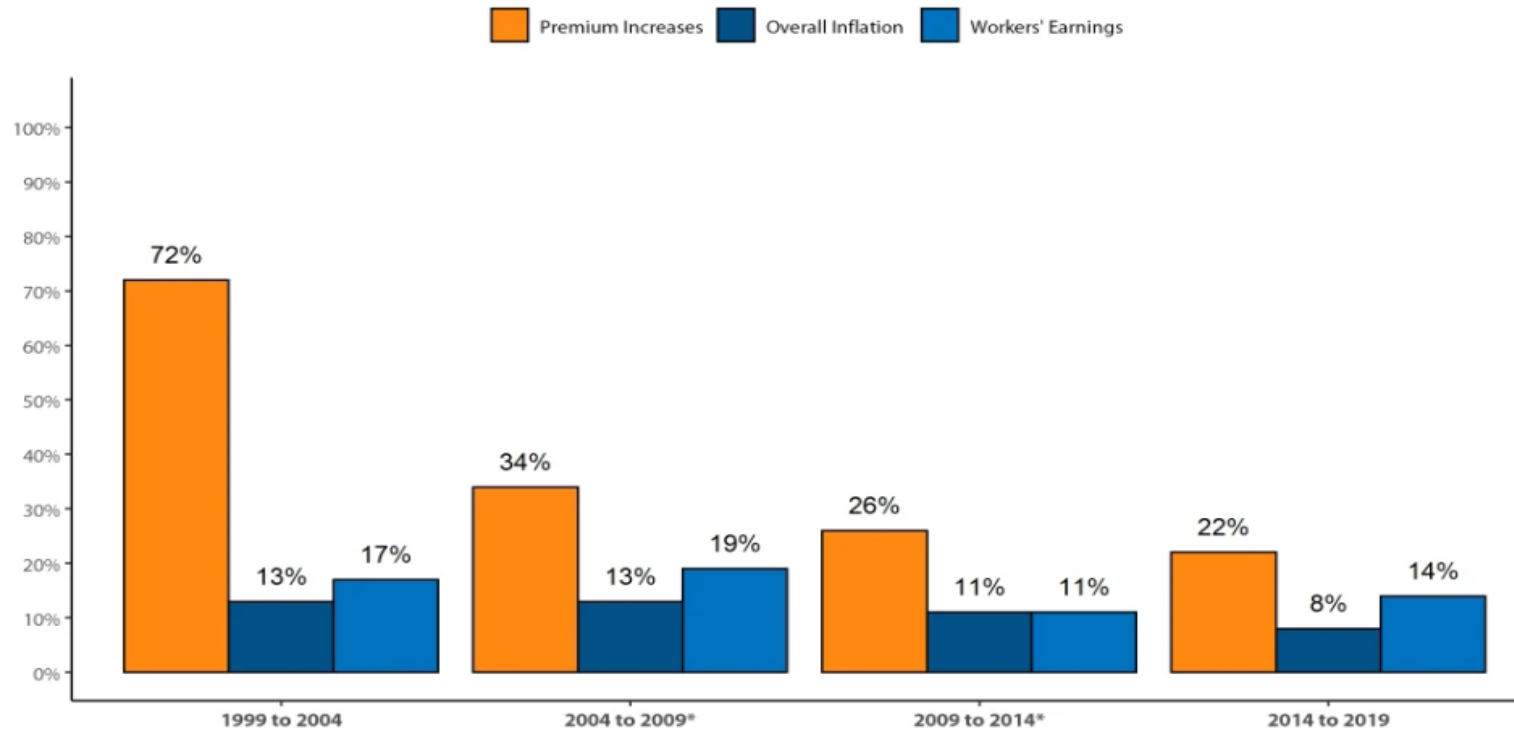


Age:	65-69	70-74	75-79	80-84	85-89	90+
Calif Pop 2012	1,471,300	1,068,600	785,200	625,900	411,900	240,400
Calif Pop 2030	2,445,000	2,197,300	1,720,700	1,217,000	645,200	402,600

SOURCE: State of California, Department of Finance, State and County Population Projections by Race/Ethnicity, Sex, and Age 2010-2060, Sacramento, California, December 2014.

HEALTH CARE PREMIUM INCREASES OUTPACE CPI / WAGES

Cumulative Premium Increases, Inflation, and Earnings for Covered Workers with Family Coverage, 1999-2019



* Percentage change in family premium is statistically different from previous five year period shown ($p < .05$).

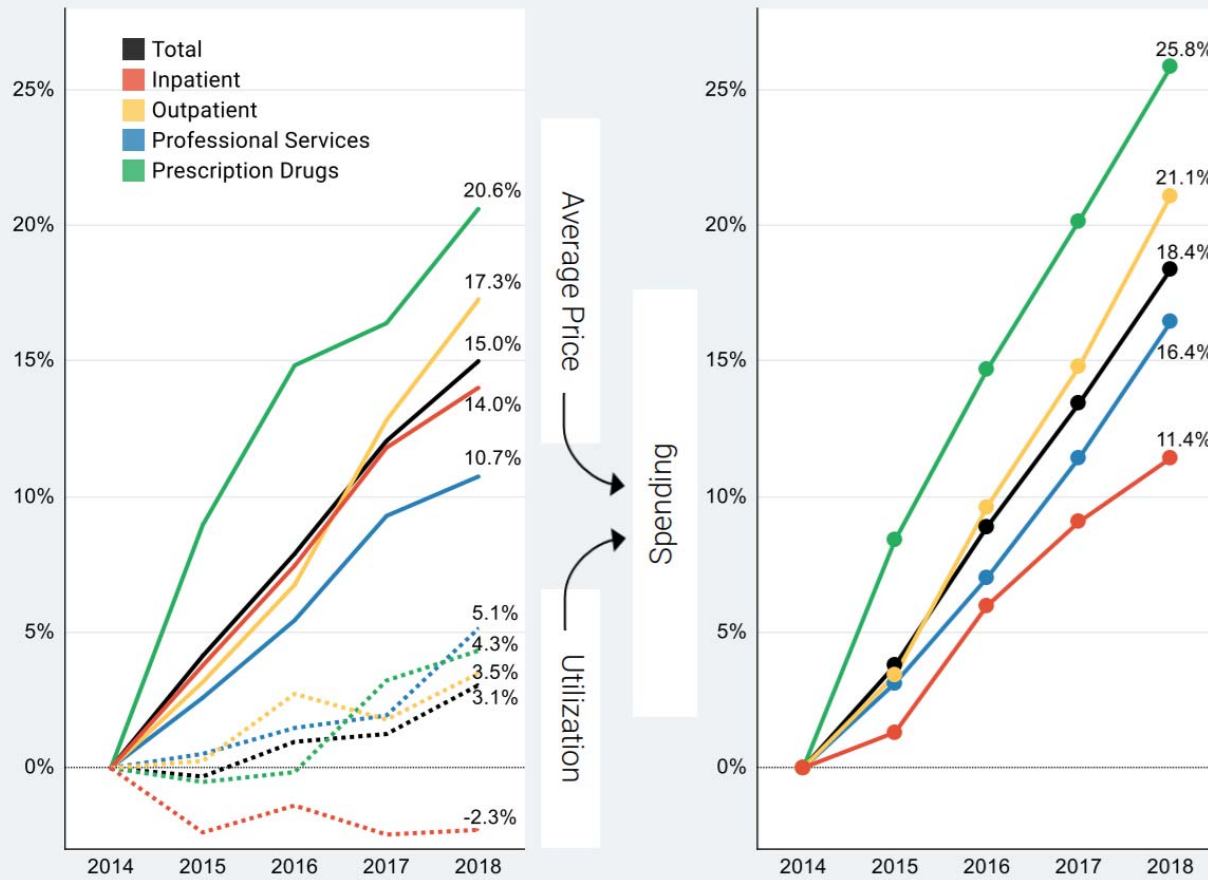
SOURCE: KFF Employer Health Benefits Survey, 2018-2019; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2019; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2019 (April to April).

COUNTY'S HISTORICAL RATE INCREASES

Year	Kaiser HMO		Health Net HMO Sutter HMO		Blue Shield HMO WHA HMO		Kaiser Medicare	
	Single Premium	% Increase	Single Premium	% Increase	Single Premium	% Increase	Single Premium	% Increase
2001	\$ 194.86		\$202.66		\$232.82		\$ 94.48	
2002	\$201.74	3.5%	\$244.66	20.7%	\$253.96	9.1%	\$131.12	38.8%
2003	\$248.96	23.4%	\$299.04	22.2%	\$283.92	11.8%	\$198.34	51.3%
2004	\$290.24	16.6%	\$316.62	5.9%	\$325.76	14.7%	\$277.56	39.9%
2005	\$313.00	7.8%	\$342.26	8.1%	\$339.68	4.3%	\$224.58	-19.1%
2006	\$363.18	16.0%	\$392.44	14.7%	\$435.34	28.2%	\$211.92	-5.6%
2007	\$404.18	11.3%	\$435.42	11.0%	\$491.36	12.9%	\$267.28	26.1%
2008	\$438.10	8.4%	\$491.82	13.0%	\$574.44	16.9%	\$282.52	5.7%
2009	\$459.44	4.9%	\$533.08	8.4%	\$686.96	19.6%	\$292.56	3.6%
2010	\$498.90	8.6%	\$560.04	5.1%	\$744.12	8.3%	\$287.14	-1.9%
2011	\$561.54	12.6%	\$643.02	14.8%	\$853.26	14.7%	\$295.70	3.0%
2012	\$596.34	6.2%	\$725.96	12.9%	\$853.26	0.0%	\$334.27	13.0%
2013	\$596.34	0.0%	\$787.24	8.4%	\$919.16	7.7%	\$334.27	0.0%
2014	\$614.08	3.0%	\$618.80	-21.4%	\$620.54	-32.5%	\$348.46	4.2%
2015	\$626.38	2.0%	\$631.22	2.0%	\$649.74	4.7%	\$313.14	-10.1%
2016	\$659.34	5.3%	\$654.60	3.7%	\$680.44	4.7%	\$313.14	0.0%
2017	\$720.70	9.3%	\$693.12	5.9%	\$709.60	4.3%	\$309.97	-1.0%
2018	\$757.90	5.2%	\$726.52	4.8%	\$709.60	0.0%	\$321.95	3.9%
2019	\$784.88	3.6%	\$765.58	5.4%	\$734.92	3.6%	\$327.75	1.8%
Increase since 2001	302.79%			277.77%		215.66%		246.90%
Increase since 2008	79.16%			55.66%		27.94%		16.01%

RX EXPENSES: HIDDEN PRESSURE

Figure 4: Cumulative Change in Spending per Person, Utilization, and Average Price by Service Category



**25.8% Increase
in Years!**



Note: Utilization and average prices account for changes in the type or intensity of services used, with the exception of prescription drugs. Prescription drug spending is the amount paid on the pharmacy claim, which reflects discounts from the wholesale price, but not manufacturer rebates.



RX EXPENSES: HIDDEN PRESSURE

February 2020



	Drug	Manufacturer	List price
1	Myalept	Amryt Pharma	\$71,306
2	Ravicti	Horizon Therapeutics	\$55,341
3	Mavenclad	EMD Serono, Inc.	\$53,730
4	Actimmune	Horizon Therapeutics	\$52,777
5	Oxervate	Dompé	\$48,498
6	Takhzyro	Takeda	\$45,464
7	Daraprim	Vyera Pharmaceuticals	\$45,000
8	Juxtapid	Amryt Pharma	\$44,714
9	Cinryze	Takeda	\$44,141
10	Chenodal	Retrophin, Inc	\$42,570
11	Gattex	Takeda	\$40,450
12	H.P. Acthar	Mallinckrodt Pharmaceuticals	\$39,864
13	Tegsedi	Akcea Therapeutics	\$34,600
14	Vitrakvi	Bayer Pharmaceuticals	\$32,800
15	Ayvakit	Blueprint Medicines	\$32,000
16	Kynamro	Kastle Therapeutics	\$30,444
17	Sovaldi	Gilead	\$28,000
18	Viekira Pak	Abbvie	\$27,773
19	Viekira XR	Abbvie	\$27,773
20	Tibsovo	Agios Pharmaceuticals	\$27,421

Back in 2018, the list price was \$32,004. Increased \$23,337 in 2 years.

Back in 2001, the list price for 1 vial ran about \$40. 17 years and one new manufacturer later, it now runs at \$39,864.

100 manufacturers raised the price for 619 brand drugs by an average of 5.2% for 2020.

*Prices reflect list prices for each medication's most common 30-day prescription.

Source: GoodRx



WHAT DO I NEED TO KNOW NOW?

- Cannot afford to ignore benefit costs or benefit options in retirement
 - Premium increase trend is way above inflation and likely to get worse as Baby Boomers age
 - Escalating Rx use and expense is a huge cost driver in premiums – not likely to slow down
 - Residential care facility use is on the rise
 - Need to factor in those costs as a potential large retirement expense
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WHAT DO I NEED TO KNOW NOW?

- You can take steps while you work to better prepared
 - Get financially aware of the true healthcare costs in retirement
 - Add health expenses to Deferred Comp 457(b) planning
 - Review your Active coverage choices
 - Run the financial models and see what is possible – and stay focused
 - Consider the benefits of HDHP/HSA now
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WHAT DO I NEED TO KNOW NOW?

- Actively consider being your health manager now to retire in good health
 - Top two health issues common to County employees: Diabetes, Obesity-above the benchmarks
 - Consider a long term goal of carrying good health into retirement just like financial planning
 - Be aware of family health history for proactive awareness and planning
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CONSIDER HIGH DEDUCTIBLE HEALTH PLANS AND HEALTH SAVINGS ACCOUNTS

- Employees can save considerable money each year by moving to a High Deductible Health Plan (HDHP)
 - Those savings can be invested in an Health Savings Account (HSA) which can be used to fund medical/dental/ vision/RX in retirement
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\$15 HMO VS HDHP

HMO

Pay the health carrier first for coverage even if you rarely see the doctor

HDHP

Pay yourself first by contributing to an HSA and still have coverage

Single Deductible \$1,400-(2020)




- You pay the first \$1,400 for Dr. and Rx, then only co-pays on Rx prescriptions after the \$1,400 until you reach \$2,800 in total annually (70+ Rx's @ \$20 co-pay) and all services covered at 100%



Family Deductible \$2,800-(2020)

- You pay the first \$2,800 (shared between everyone)
 - Then all services are covered at 100% for the remainder of the year for everyone
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MEDICAL PLAN PREMIUMS-2020 (Tier B)

Tier B Subsidy Employee = \$612.90/month, Tier B Subsidy Family = \$1,569.04/month

 Employee Only	 KAISER		 SUTTER		 WESTERN	
	HMO	HDHP	HMO	HDHP	HMO	HDHP
Monthly Premium	\$820.10	\$633.00	\$803.30	\$591.32	\$766.12	\$583.00
Pay Period Cost	\$103.60	\$10.05	\$95.20	\$0	\$76.61	\$0
Annual EE Cost	\$2,486.40	\$241.20	\$2,284.80	\$0	\$1,838.64	\$0
Best case savings		\$2,245.20		\$2,284.80		\$1,838.64
Worst (hit deduct)		-\$554.80		-\$515.20		-\$961.36

 Family	 KAISER		 SUTTER		 WESTERN	
	HMO	HDHP	HMO	HDHP	HMO	HDHP
Monthly Premium	\$2,097.16	\$1,618.70	\$2,053.54	\$1,510.28	\$1,961.30	\$1,492.50
Pay Period Cost	\$264.06	\$24.83	\$242.25	\$0	\$196.13	\$0
Annual EE Cost	\$6,337.44	\$595.92	\$5,814.00	\$0	\$4,707.12	\$0
Best case savings		\$5,741.52		\$5,814.00		\$4,707.12
Worst (hit deduct)		\$2,941.52		\$3,014.00		\$1,907.12

HEALTH SAVINGS ACCOUNT (HSA) -2020

You can set aside much more than your total annual deductible exposure and build up funds over time to take into retirement !

SINGLE ANNUAL MAX

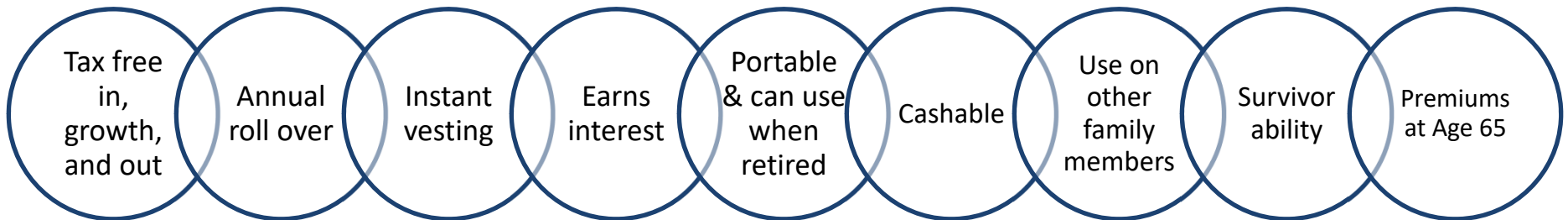
\$3,550 (<55)

\$4,550 (>55)

FAMILY ANNUAL MAX

\$7,100 (<55)

\$8,100 (>55)



- ✓ Use it for medical, dental, vision, acupuncture, chiro & Rx
- ✓ Change the payroll contribution amount anytime all year
- ✓ Coverage must be an HDHP and nothing else (no other group coverage that is not an HSA HD plan, no other FSA)
- ✓ No “front load” of HSA, consider cushion for next year

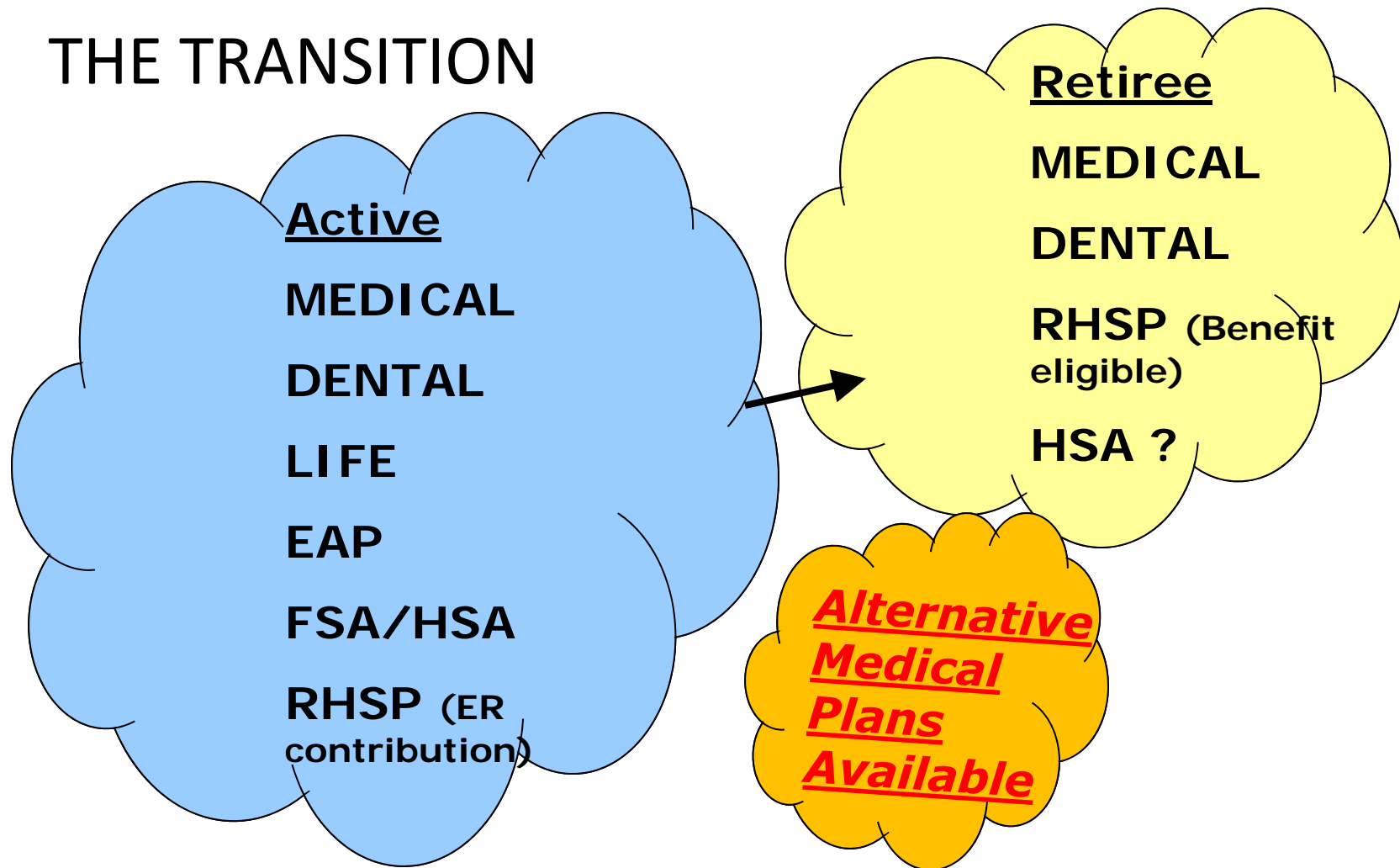
HSA Partners

Kaiser HDHP = Optum Bank
Sutter HDHP

WHA HDHP = Health Equity

RETIREE HEALTH BENEFITS

THE TRANSITION



TRANSITIONING FROM ACTIVE

Benefits that end the last day of the month during which you were actively employed

- Medical
 - Dental
 - Life
 - EAP
 - FSA
 - HSA payroll deductions
 - Note: HSA funds are yours to take with you
 - RHSP contributions
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TRANSITIONING FROM ACTIVE

- COBRA Still Applies
 - Automatically receive a notice
 - Provides the right to continue active coverage if not Medicare entitled
 - May need to elect COBRA if pension check is delayed – no medical without pension check
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TRANSITIONING FROM ACTIVE

- LIFE INSURANCE
 - Coverage ends when active employment ends
 - There is no cash surrender value
 - Conversion policy is available – contact Employee Benefits Office within 31 days
 - Moves to individual rates
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TRANSITIONING FROM ACTIVE

- HEALTH SAVINGS ACCOUNT
 - Your account stays with you and may be used for qualified reimbursements until account is empty
 - Contributions cease through County pension payroll-can continue contributions on a post-tax basis if still have High Deductible coverage and are under 65 years old – however:
 - Cannot contribute while still have funds in RHSP !
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TRANSITIONING FROM ACTIVE

- FLEXIBLE SPENDING ACCOUNT -
MEDICAL REIMBURSEMENT ACCOUNT
 - Will only reimburse claims incurred while Active unless COBRA applies
 - May continue under COBRA through the end of the calendar year under certain circumstances
 - If continued, COBRA contribution no longer pre-tax
-

TRANSITIONING FROM ACTIVE

- RETIREE HEALTH SAVINGS ACCOUNT (RHSP)
 - Employer-sponsored RHSP contributions cease
 - Account is now activated to pay claims-administration fees may apply to fund balances
 - Used for tax-free reimbursement of health expenses and some premiums for you, spouse and/or dependents (IRS compliance) -no cash out available like an HSA
 - Use these funds first before any others (HSA, 457)
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RETIREE HEALTH BENEFITS

- RETIREE MEDICAL/DENTAL/VISION ADMINISTRATIVE POLICY
 - County Board of Supervisors determines the policy annually for the following calendar year
 - The policy describes the terms and conditions for participation in and return to the County medical and dental programs for retirees
 - Returning to the County programs may have limitations!
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RETIREE HEALTH BENEFITS

- RETIREE MEDICAL/DENTAL/VISION
 - Only one benefit package available even if receiving more than one SCERS pension
 - Some limitations on what type of medical plan or carrier is available where you live, i.e. no more “live or work rule”
 - Physical address determines medical coverage options.
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RETIREE HEALTH BENEFITS

- RETIREE MEDICAL/DENTAL/VISION
 - Initial Election – forms required within 30 days from the date of retirement
 - Effective – 1st of the month following retirement date if forms received within 30 days and pension check within 90 days of retirement
 - Incomplete retirement paperwork that delays receiving a SCERS pension check will impact medical/dental coverage – consider COBRA
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RETIREE HEALTH BENEFITS

- RETIREE PREMIUM PAYMENTS
 - Paid in advance - Cost deducted from SCERS monthly benefit
 - Three tier rates (Retiree, Retiree+1 Retiree+2 or more)
 - Open Enrollment and mid-year Qualifying Events (marriage, birth, divorce) still apply
 - If you are under 65, apply for Medicare early (3 month window) and change health plans in advance to save money
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RETIREE HEALTH BENEFITS

- RETIREE MEDICAL/DENTAL/VISION
 - Waive Medical – can re-enroll in County plan within 30 days of a qualified status change event or during open enrollment with proof of continuous creditable coverage for the past 12 months
 - May delete dependents at any time
 - Dental program may have restrictions
 - All vision plans are voluntary
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RETIREE HEALTH BENEFITS

- RETIREE MEDICAL-Non-Medicare <65
 - “Early Retiree” - Same plans as actives
 - HMOs and High Deductible plans
 - RHSP limits post-tax HSA contributions until empty
 - Same dependent eligibility
 - **Important Reminder:** Must actually live in the HMO service area (requires physical address on file)
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RETIREE HEALTH BENEFITS

- RETIREE MEDICAL-Medicare Eligible +65
 - Must enroll in and maintain Medicare Parts A & B to keep County Medicare plans
 - DO NOT enroll in a separate non-County Medicare D plan or you will lose your County Medicare plan
 - Physical address required – Medicare plans regulated by Federal government (more restrictive) and may not be available in all HMO areas
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RETIREE HEALTH BENEFITS

- RETIREE MEDICAL- Medicare Eligible
 - One or two Advantage options, depending on carrier
 - Advantage Plans: assign Medicare benefit including Part D to carrier
 - No Medicare outside plan other than emergency services
 - Different than “Supplemental”/“Gap” plans which fill in Medicare out of pocket expenses
 - Able to change at Open Enrollment
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RETIREE HEALTH BENEFITS

- RETIREE MEDICAL- Medicare Eligible Rx
 - Medicare Part D – Prescription Drugs
 - Medicare Part D is included with all County Medicare insurance
 - Might have a different cost structure when in catastrophic stage
 - Do not enroll in any other separate non-County Part D program or you will lose your County medical plan
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RETIREE HEALTH BENEFITS

- RETIREE DENTAL
 - Different than Active Plan:
 - Different vendor and network
 - Two levels of coverage
 - May cover a spouse/domestic partner and/or dependent children
 - May add new dependents within 30 days of a qualified status change event
 - Separate rules govern participation and changing levels
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RETIREE HEALTH BENEFITS

- RETIREE VISION
 - All Vision is on a voluntary basis (except Kaiser)
 - VSP is the vendor
 - Three tier rates
 - May cover a spouse/domestic partner and/or dependent children
 - May add new dependents within 30 days of a qualified status change event
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RETIREE ACCOUNTS

- HSA:
 - Unlike RHSP, money can be withdrawn for non-medical uses but is taxable (penalty under age 65)
 - At 65 years old, funds can be used for your Retiree medical premiums as well
 - Dependent premiums reimbursable if account holder is 65 years old
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RETIREE ACCOUNTS

- RHSP vs HSA:
 - Use the correct order to maximize flexibility!
 - Prioritize using the RHSP first to reserve all potential HSA attributes since one is more versatile
 - HSA <65- With High Deductible coverage, must empty RHSP to restart post tax HSA up to age 65
 - RHSP = reimbursements only for spouse and U26 dependents
 - HSA = reimbursements for spouse and U26 dependents AND cash outs AND inheritances
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OPTIONS BEYOND COUNTY BENEFITS

- Covered CA (“Exchange”/ACA)
 - Medical/Dental/Vision Coverage
 - Variety of Plans available
 - Subsidy may be available - *not if still have RHSP funds!*
 - Affordable Care Act– Gradual reduction in Rx “Donut Hole” for individual plans
 - Only available to age 65
 - www.coveredcal.org
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OPTIONS BEYOND COUNTY BENEFITS

- Individual Plans
 - Through current medical providers
 - Other Companies offer (AARP, other insurance providers)
 - NOTE: Both CoveredCal and Individual plans are not considered “credible coverage” allowing a return to a County Retiree plan
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RETIREE HEALTH BENEFITS

- Political Changes to Affordable Care Act-
Not Done Yet !
 - Other Areas To Watch:
 - Exchanges - Collapse of Plans Over Time
 - Impact most severe when moving out of state
 - Changes in Medicare funding over time
 - Raising the age of Medicare Entitlement
 - Increased Part B cost for high earners
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ADDITIONAL OPTIONS

- Long Term Care Through CalPERS
 - County employees are eligible to participate in the CalPERS Long Term Care program
 - Additional details can be found online at:

www.CalPERSLongTermCare.com



ADDITIONAL OPTIONS

- Estate and Legacy Planning
 - Magellan, The County's Employee Assistant Program, can help with these tasks, including 30 minutes of free legal services
 - There are numerous resources available on their website at: MagelanAscend.com or call 800-327-0632 to obtain a legal referral
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RETIREE HEALTH BENEFITS: WRAP UP

- Incorporate future Medical costs into retirement planning
 - Use benefit options as an Active employee to maximize financial protection
 - Stay current on benefit changes, communications from our office, and demographic and market forces
 - Shift to the long term health perspective
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EMPLOYEE BENEFITS OFFICE CONTACT/INFORMATION

700 H Street, Room 4667

Sacramento, CA 95814

(916) 874-2020 (phone)

(916) 874-4621 (fax)

- [http://www.personnel.saccounty.net/
Benefits/Pages/default.aspx](http://www.personnel.saccounty.net/Benefits/Pages/default.aspx)
 - Forms, applications, carrier links, Summary of Benefits all available online
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Thank you for your time!

Any additional questions?

