



Legislation Text

File #: 08-0598, **Version:** 1

Resolution to Renew the Contract with Medicare Part D Advisors, Inc. to Fulfill Administrative and Actuarial Services to the City Pursuant to Medicare Part D Legislation

The attached Resolution authorizes the City Administrator to execute the renewal contract for administrative services with Medicare Part D Advisors, Inc. Part D Advisors, Inc. keeps a percentage of the funds reimbursed to the City by Medicare. There is no adverse budgetary impact; the City receives monthly a government subsidy.

The Medicare Part D program added voluntary outpatient prescription drug benefits to the Medicare program effective January 1, 2006. Medicare pays an employer a subsidy of up to 28% of its prescription drug costs if its retirees covered under the retiree medical plan do not participate in the Medicare Part D program.

In order to qualify for the subsidy, an employer must provide an independent actuarial valuation on an annual basis. The actuary must attest that the employer's benefit is more generous than that offered by Medicare through preparation of the "Attestation of Actuarial Equivalence." The subsidy is calculated on costs between Medicare Part D's \$250 deductible and \$5,000 limit. Claims cost must be reviewed and adjusted for manufacturer rebates, dispensing fees, and copayments. Data must be reviewed as frequently as submitted to Medicare, depending upon the payment option the employer elects.

Current and future retirees must be notified by the employer on an ongoing basis of the effects of their election to participate in the Medicare Part D program by providing the "Certification of Creditable Coverage."

In all instances, prescription drug coverage under the City-provided retiree medical program is more generous than that offered by Medicare Part D. Therefore, the City continues to submit documentation to receive the subsidy.

This does not adversely impact the 2008-2009 Fiscal Year budget, as the City receives a refund from Medicare, from which the consultants will receive their fees.

Further, receipt of the subsidy has a favorable impact for the City for GASB 45 purposes.

Part D Advisors received Human Rights approval on March 10, 2008.

Prepared By: Elizabeth S. Edwards, Employee Benefits Manager

Reviewed By: Carol S. Schuler, Director of Human Resources and Labor Relations

Approved By: Roger W. Fraser, City Administrator

Whereas, The City provides retiree medical coverage to eligible retired City employees and their eligible dependents in accordance with the employee benefits program and various labor contracts;

Whereas, The Federal Government enacted a new provision to the Medicare program, Medicare Part

D to provide outpatient prescription drug benefits effective January 1, 2006;

Whereas, The City-provided benefit is more generous than that offered under Medicare Part D;

Whereas, Medicare will pay employers a subsidy to have retirees not participate in the Part D program;

Whereas, Receipt of the subsidy will have favorable financial impact to the City with respect to GASB 45 disclosure requirements;

Whereas, Medicare mandates numerous actuarial, disclosure and reporting requirements for employers to qualify to receive the subsidy both initially and on an ongoing basis;

Whereas, City Council approved the contract initially effective October 1, 2005, and the administrative fees at renewal have remained unchanged; and

Whereas, There is no change to the administrative charges for the renewal contract with Part D Advisors; and

Whereas, Part D Advisors received Human Rights approval on March 10, 2008;

RESOLVED, That City Council approve the renewal contract for the period July 1, 2008 to June 30, 2009, with Medicare Part D Advisors, Inc; and

RESOLVED, That the City Administrator is authorized and directed to execute the necessary contract documentation after approval as to form by the City Attorney and take any further necessary administrative actions to implement this resolution.