



COMMISSION BUDGET WORK SESSION MINUTES
February 25, 2025

The Commission Chair called the meeting to order at 10:50 a.m.

Name	Title	Present for Item Nos.
Rodriguez, Stephen C.	Commission Chair	1-2
Levenston, Jr., Willie	Commission Vice-Chair	1-2
Elofson, Frederick N.	Commissioner	1-2
Glenn, Michael E.	Commissioner	1 (Virtual)
Lakdawala, Vishnu K.	Commissioner	1-2
Stern, Nancy J.	Commissioner	1-2
Taraski, Elizabeth	Commissioner	1-2
Templeman, Ann	Commissioner	1-2

In accordance with Virginia Code § 2.2-3708.3 (B) and the HRSD Remote Participation Commission Adopted Policy Commissioner Glenn requested approval to participate in today's meeting from Orangeburg, South Carolina due to a business conflict which prevents him from attending in person.

Moved: Willie Levenston
Seconded: Ann Templeman

Ayes: 7
Nays: 0
(Excludes Remote Participant)

1. **Retiree Health Plan Update**

Staff presented an update on the [Retiree Health Plan](#) including background when the plan was established and changes to the plan over the years; eligibility; reporting standards; funded status as of June 2024; the 2024 change from a Medicare Supplement Plan to an employer sponsored Medicare Advantage Plan; description of how Medicare Advantage Plans work; benefit comparison summary; Aetna's unique open access provider network; retiree premiums for calendar years 2023, 2024, 2025 and a reduction of premiums effective April 2025. Staff also covered the July 1, 2024 actuarial valuation and 10-year forecast as well as a recommended plan modification changing the eligibility criteria to include retirees who qualify for a reduced retirement through the Virginia Retirement System. Staff will seek approval for the plan modification at the March Commission meeting.



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2. **Public Comments**

Public comments were not received during this meeting.

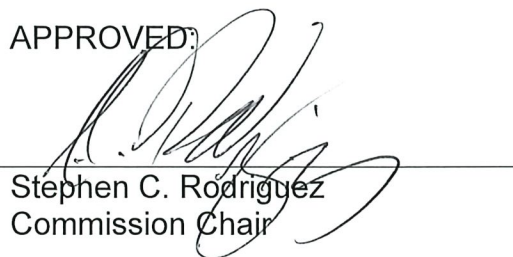
Next Commission Meeting Date: March 25, 2025 at the HRSD South Shore Operations Complex, 1434 Air Rail Avenue, Virginia Beach, VA 23455

Meeting Adjourned: 11:40 a.m.

SUBMITTED:


Jennifer L. Cascio
Commission Secretary

APPROVED:

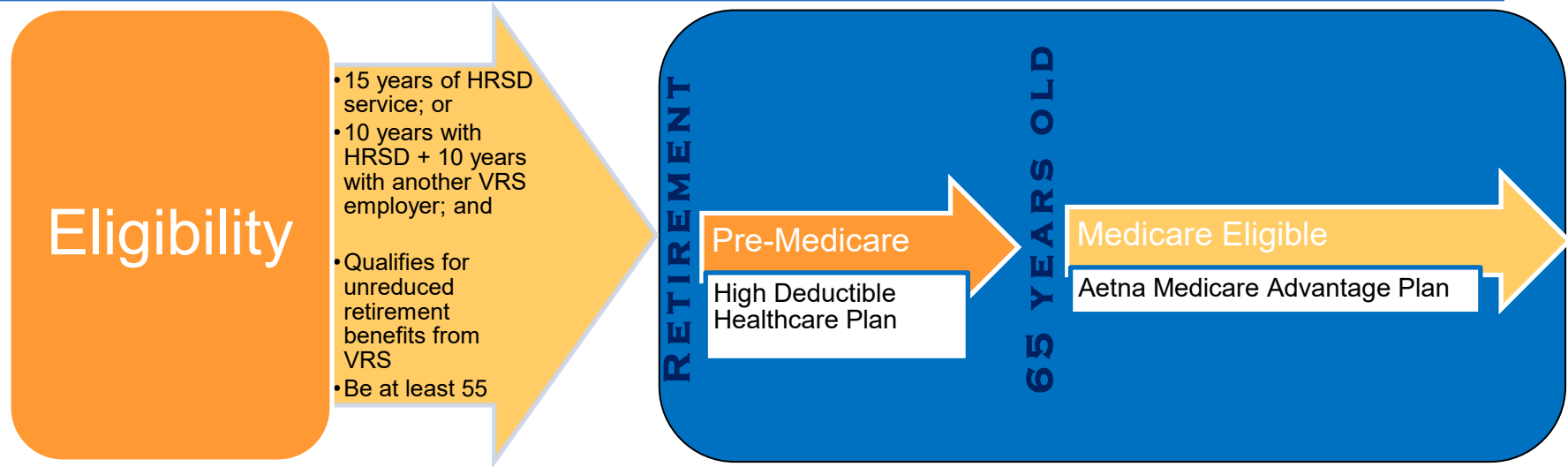

Stephen C. Rodriguez
Commission Chair



HRSD

FY 2025 Commission Workshop
Retiree Health Plan

February 25, 2025



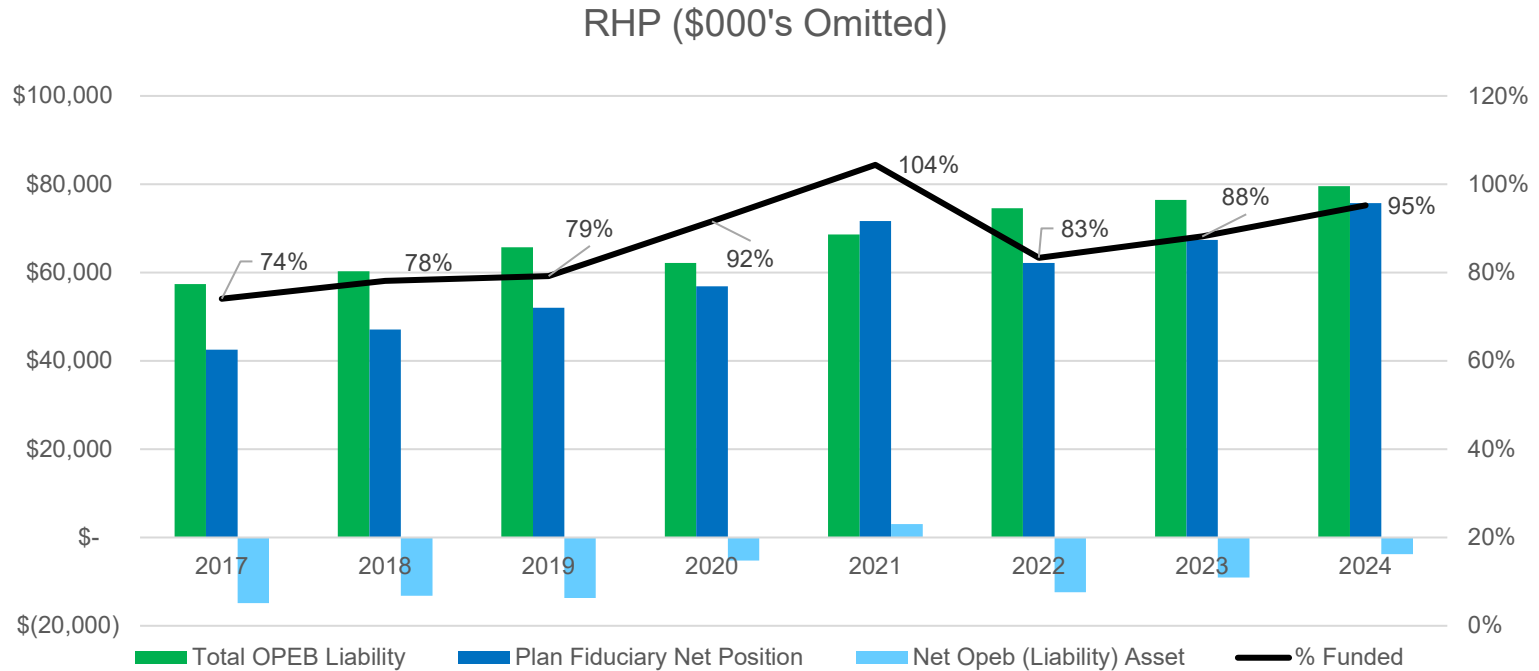
- Retiree responsible for:
 - Medicare Part B - **\$185/month/person**
 - HRSD Retiree Health Plan
 - Deductibles
 - Co-payments
 - Retiree Premiums
 - <age 65 (High Deductible Plan) = \$120/month, Spouse \$415
 - >age 64 (Medicare Advantage) = \$45/month, Spouse \$235 (2024); Spouse \$442 (2023)

- Benefit established in 2002
 - Trust made irrevocable January 2008 whereby funds in the trust are provided irrevocably for retiree welfare benefits plan
 - Does not preclude an employer from making benefit changes
- In 2009, HRSD sought and received confirmation that contributions to and income from the Trust are excludable from gross income via a Private Letter Ruling from IRS

- Accounting standards require post-employment benefits to be accounted for like a pension system
 - The cost a post employment benefit is funded over the career of the employee
 - Plan assets are compared to plan liabilities to determine funded status
 - Healthcare benefits are much more difficult than pensions to value as the ultimate cost of the benefit is difficult to quantify

- Prior to 2009 HRSD permitted retirees to participate in its group health plan after age 64
- In 2009 HRSD implemented a Medicare Supplement Plan – taking advantage of the US “national healthcare”
- Reduced the projected
 - AAL by ~\$15M (-33%)
 - ADC by ~\$1.6M (-22%)
- Increased the funded status of plan from 33% to 49%
- Plan has remained largely unchanged since

Funded Status of Plan (as of June 2024)



Service Area	Current Provider	New Provider
Employee Medical	Cigna	Sentara Health Plan
Health Savings Account Banking	HSA Bank	Sentara Health Plan
Basic Vision	Cigna	Sentara Health Plan
Dental	Delta Dental	Metlife
Premium Vision	Cigna	MetLife
Voluntary Accident, Critical Illness and Hospitalization	Cigna	MetLife
Retiree Medical	Cigna (Medicare Supplement Plan)	Aetna (Medicare Advantage Plan)
Flexible Spending Accounts and COBRA	P & A Administrators	MetLife

- In January 2024 we changed from a Medicare Supplement plan to a Medicare Advantage Plan
 - Effort was part of the comprehensive benefits evaluation last fiscal year

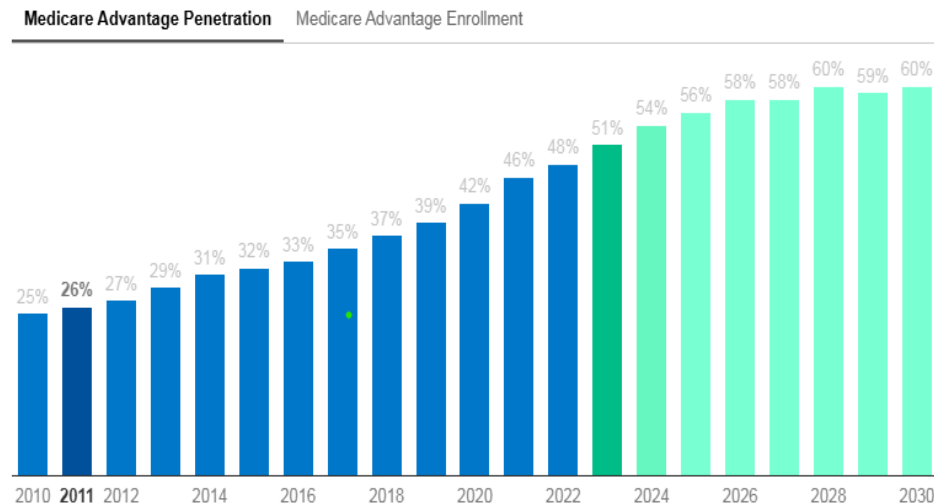
What is a Medicare Advantage Plan and How does it work?

- Private health plan (also known as “Part C”) offered by a private company that contracts with Medicare
- These plans include Part A, Part B, and usually Part D of Medicare
- Been an option since the 1970s
 - Enrollment remained relatively low through the 1990’s
 - Today, more than half (30.8 million) eligible people with Medicare are in private Medicare Advantage plans
 - Medicare Modernization Act of 2003 made significant changes propelling enrollment growth
 - More recently, the Affordable Care Act (ACA) made many additional changes that have increased enrollment
- **Medicare pays a fixed amount each month to the company offering your Medicare Advantage Plan**
- Companies must follow rules that Medicare sets.
- However, each Medicare Advantage Plan can charge different out-of-pocket costs and have different rules for how you get services

Figure 1

Medicare Advantage Enrollment and Projections

Medicare Advantage Enrollment 2010-2023 & Projected Enrollment 2024-2030
(As a share of the eligible Medicare population)



NOTE: Includes Medicare Advantage plans: HMOs, PPOs (local and regional), PFFS, and MSAs. About 60.0 million people are enrolled in Medicare Parts A and B in 2023. Using the CBO baseline, Medicare enrollment is based on individuals who are enrolled in Part B, which is designed to include only individuals who are eligible for Medicare Advantage and exclude those who have Part A only and cannot enroll in Medicare Advantage. However, it may include some individuals who have Part B only and also are not eligible for Medicare Advantage.

SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files, 2010-2023; Medicare Chronic Conditions (CCW) Data Warehouse from 5 percent of beneficiaries, 2010-2016; CCW data from 20 percent of beneficiaries, 2017-2020; and Medicare Enrollment Dashboard 2021-2023. Enrollment numbers from March of the respective year. Projections for 2024 to 2030 are from the May CBO Medicare Baseline for 2023. • PNG

Benefit Comparison Summary – Supplement Plan to Advantage Plan

Hampton Roads Sanitation District – Benefit Comparison

Medicare Retiree Benefits Medical	Current Medicare Supplement (Retiree pays after Medicare Coordination)	Aetna MAPD (Retiree pays)
Deductible	\$0	\$0
Maximum out-of-pocket	\$1,500	\$1,500
Preventive Care	\$0	\$0
Part B - Office Visits - Primary/Specialty/OP	4%	4%
Part A - Hospital Inpatient	\$0	\$0
Emergency Room	4%	\$40 (CMS rule)
Ambulance	4%	4%
Urgent Care	4%	4%
Durable Medical Equipment	4%	4%
Skilled Nursing Facility	\$0, days 1-100	\$0, days 1-100
Foreign Travel	4%	\$40 Emergency Room & 4% Urgent Care
Part B - Excess Charges / Balance Billing	Member pays	Aetna pays

Benefit Comparison Summary – Supplement Plan to Advantage Plan

Non-Medicare Retiree Benefits	Current Medicare Supplement	Aetna MAPD
Routine Hearing Aids	4%	\$0
Hearing Aids	\$7,500 annual allowance	\$7,500 annual allowance
In-Home Support	\$40 per visit up to \$1,600 max.	\$0 per visit, up to 40 visits annually
Meal Delivery – Post hospital discharge	N/A	14 meals, \$0
Transportation to office visits (Non emergency)	N/A	24 one-way trips, \$0 cost
SilverSneakers (\$0 gym membership)	N/A	Included

Part D Drug Plan	Current PDP	Aetna PDP	
Retail pharmacy (30-day supply)		Standard Pharmacies	Preferred Pharmacies
Tier 1 – Generic	\$10	\$0	\$0
Tier 2 – Preferred Brand	\$20	\$20	\$20
Tier 3 – Non-Preferred Brand	\$60	\$60	\$60
Tier 4 – Specialty Drugs	\$90	\$90	\$90
Mail Order (60-90-day supply)			
Tier 1 – Generic	\$20	\$0	
Tier 2 – Preferred Brand	\$40	\$40	
Tier 3 – Non-Preferred Brand	\$120	\$120	
Tier 4 – Specialty Drugs	Specialty – 1 mo. Supply only	Specialty – 1 mo. Supply only	
Non-Part D Riders	Included	Included	

National Passive PPO – Open access to all Medicare providers

Retirees can keep their providers



**Hampton Roads Sanitation District
retirees' top
residency states**

**Access to all
Medicare providers
nationally**

- Open access to all 1.3M Medicare providers nationwide
- Same benefits in or out-of-network, no matter where retirees reside
- Doctors do not have to be in-network to be covered
- Non-network providers must agree to bill to Aetna
- Removes provider disruption concern for retirees
- National and international benefits when traveling
- No balance bills or surprise bills

Q: What happens if a provider leaves the network?

Retirees can still use that provider under the plan.

Providers don't need to be contracted with Aetna to be covered under the plan.

Any Medicare provider can provide services and bill to Aetna for reimbursement.

¹The Aetna Medicare Advantage PPO network as of April 2021.

²CMS Fast Facts flyer, www.cms.gov, February 2020.

	<i>CY 2023</i>	
Premiums	<i>Retiree</i>	<i>Retiree + 1</i>
< Age 65 HRSD Plan	\$ 120	\$ 535
>Age 64 HRSD Plan	\$ 45	\$ 442
Medicare Part B	165	330
	\$ 210	\$ 772

- Premiums include Medical, Dental and Vision

Revised Premiums CY 2023/2024

Premiums	CY 2023		CY 2024			
	Retiree	Retiree + 1	Retiree	% Change	Retiree + 1	% Change
< Age 65 HRSD Plan	\$ 120	\$ 535	\$ 120	0%	\$ 535	0%
>Age 64 HRSD Plan	\$ 45	\$ 442	\$ 45	0%	\$ 280	-37%
Medicare Part B	165	330	175	6%	350	6%
	\$ 210	\$ 772	\$ 220	5%	\$ 630	-18%

- Premiums include Medical, Dental and Vision

July 1, 2024, Actuarial Valuation - Census and Plan Data

	July 1, 2023	July 1, 2024
Active Employees		
Enrolled in medical coverage	734	767
Not enrolled in medical coverage	90	88
Retirees <age 65	111	96
Retirees >age 64	137	148
Market value of assets held in trust	\$67,423,000	\$75,756,000
Actuarial value of assets	\$70,460,000	\$75,050,000

Unfunded Accrued Liability - July 2023

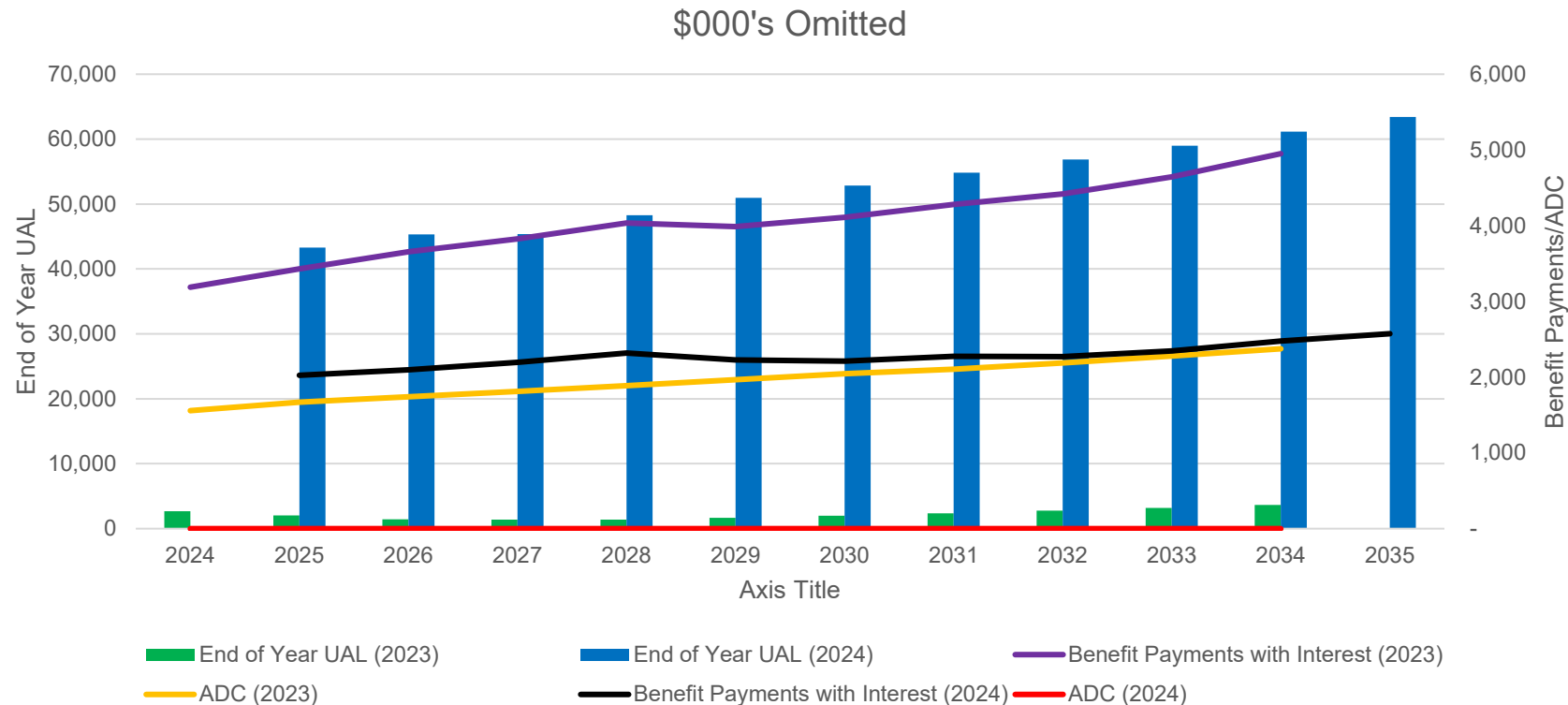
	2023
Unfunded Accrued Liability (Asset), July 1, 2022/2023	\$(1,265,000)
Expected Increase (decrease) due to passage of time	(793,000)
Increase (decrease) due to:	
Investment Experience	(357,000)
Demographic Experience	(478,000)
Claims Experience	(1,891,000)
Updated Trend Assumptions	2,098,000
Unfunded Accrued Liability (Asset), July 1, 2023/2024 ¹	\$(2,686,000)

Unfunded Accrued Liability - July 2023-2024

	2023	2024
Unfunded Accrued Liability (Asset), July 1, 2022/2023	\$(1,265,000)	\$(2,686,000)
Expected Increase (decrease) due to passage of time	(793,000)	(517,000)
Increase (decrease) due to:		
Investment Experience	(357,000)	(1,394,000)
Demographic Experience	(478,000)	1,679,000
Updated Trend Assumptions	2,098,000	978,000
Claims Experience (includes impact of changing to the Medicare Advantage Plan)	(1,891,000)	(47,386,000)
Lower Spousal Premiums		4,820,000
Updated Spousal Election Assumption		1,700,000
Unfunded Accrued Liability (Asset), July 1, 2023/2024 ¹	\$(2,686,000)	\$(43,282,000)

¹Reconciliation does not add because ADC cannot be negative – it was set to \$0

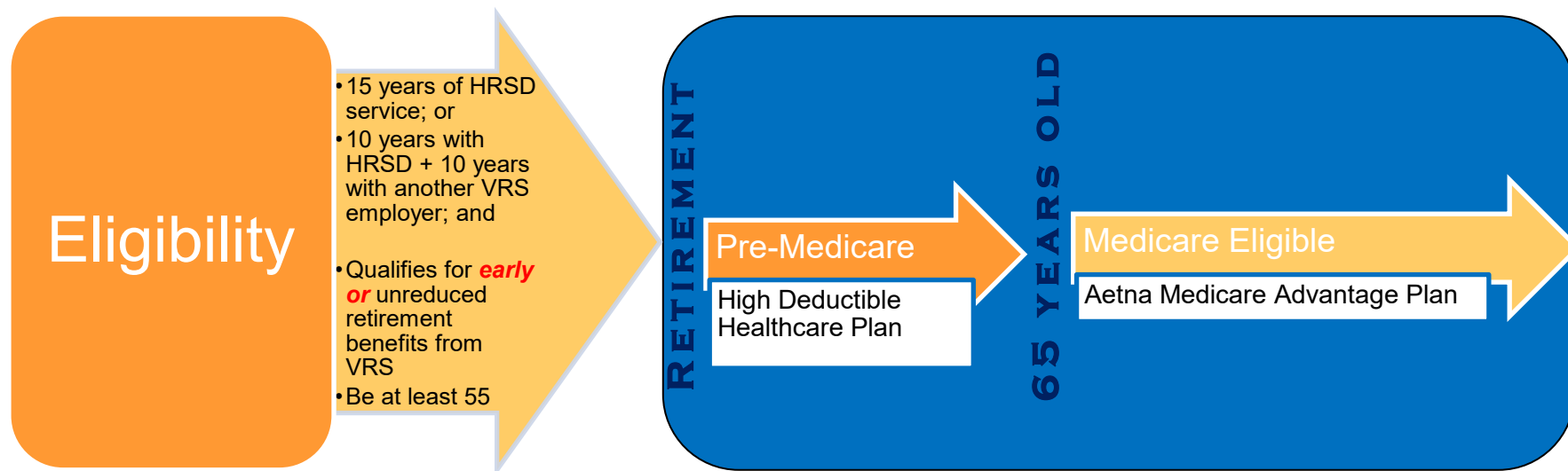
10-Year Forecast (\$000's Omitted)



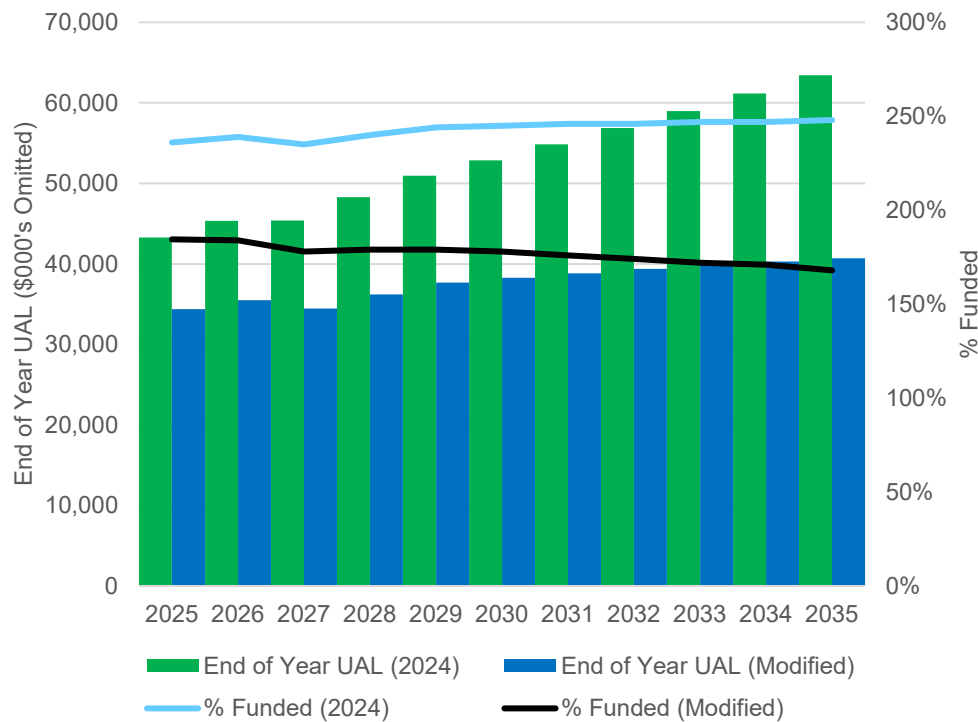
- We further adjusted premiums
- Must coordinate with VRS
 - Target date: Effective April 1, 2025

Premiums	CY 2023		CY 2024				CY 2025 (April 1)			
	<i>Retiree</i>	<i>Retiree + 1</i>	<i>Retiree</i>	<i>% Change</i>	<i>Retiree + 1</i>	<i>% Change</i>	<i>Retiree</i>	<i>% Change</i>	<i>Retiree + 1</i>	<i>% Change</i>
< Age 65 HRSD Plan	\$ 120	\$ 535	\$ 120	0%	\$ 535	0%	\$ 45	-63%	\$ 360	-33%
>Age 64 HRSD Plan	\$ 45	\$ 442	\$ 45	0%	\$ 280	-37%	\$ 45	0%	\$ 165	-41%
Medicare Part B	165	330	175	6%	350	6%	185	6%	370	6%
	\$ 210	\$ 772	\$ 220	5%	\$ 630	-18%	\$ 230	5%	\$ 535	-15%

- Change Eligibility Criteria



10-Year Forecast



- Change in liability \$8.9M
 - Premium change \$2.3M
 - Eligibility criteria \$6.6M
- Plan remains significantly over funded
 - +150% in year 10
- ADC \$0 for projection period
- OPEB Plans are volatile
 - Federal subsidy
 - Medical trend

- Approve eligibility benefit changes – March Commission Meeting