

Employer Group Waiver Plans (EGWP) – Advantages over the Retiree Drug Subsidy

Benistar is a nationwide leader in the design, installation and administration of post-65 retiree benefits. We are specifically focused on the administration of retiree medical and prescription drug plans. We work with brokers and consultants to provide retiree medical and prescription drug solutions nationwide for companies and organizations including:

- Publicly and privately-held companies
- Labor Unions
- City and County Government entities
- Educational Organizations
- Religious Organizations

Benistar provides retiree health and retirement plans and administration for more than 300 plan sponsors throughout the U.S. We administer more than \$100 million in premiums annually

In today's tough economic times, budgets are extremely tight. Employer groups are in need of ways to save money. Retiree health plans are a major expenditure for employers and costs can be volatile. Self-funded plans face increasing costs each year with no limit to their risk when retirees have serious health problems.

Employers need plan options that can limit their risk and allow for a more stable budget picture. The federal government offers substantial subsidies for retiree prescription drug costs. The question facing employers is how best to maximize those subsidies. Many employers have historically filed for the Retiree Drug Subsidy (RDS). The RDS is no longer the best way to maximize subsidy and minimize the cost and effort required to obtain the subsidy.

Enter the Employer Group Waiver Plan (EGWP). Our EGWP sponsor contracts with CMS to manage the plan and compliance, making it easy for the employer. The subsidy amounts are used to reduce the plan premium. There is no filing work to do and no delay to receive your money. The subsidized and fully-insured premium allows the employer to budget for prescription drug costs effectively and affordably.

An EGWP Provides Increased Cost Savings and Work Reductions over the RDS Subsidy

Medicare Program Details	RDS	EGWP + Wrap
Total Average CMS Reimbursement plus Pharma Discount Program	\$504 PMPY	\$1,197 PMPY
Are Federal subsidies available for Catastrophic Utilizers	NO	YES
Pharma Coverage Gap Discount Program	NO	YES
Basis for CMS reimbursement	Reimbursement based on eligible gross drug spend	Reimbursement is per eligible member
Are Federal subsidies available for low-income members	NO	YES
Does a reduction in plan spend reduce CMS reimbursement	YES	NO
Requires Attestation and Filing Process	YES	NO

Employer Group Waiver Plans (EGWP) – Advantages over the Retiree Drug Subsidy

Client Workload Reduction by Changing to EGWP	
Before Year Begins	<ul style="list-style-type: none"> • Complete RDS application • Hire actuary to attest to benefits • Complete payment setup on RDS website • Send Your PBM: application ID, UBOIs and plan year • Flag all RDS-eligible members on eligibility file
During Plan Year	<ul style="list-style-type: none"> • Review monthly response files from RDS and make all necessary changes on next eligibility file • Review weekly notification files from RDS and make all necessary changes on next eligibility file • Request payment from RDS website
After Plan Year	<ul style="list-style-type: none"> • Complete 12 Steps on RDS website for end-of-year reconciliation <ul style="list-style-type: none"> ○ Send your PBM the CRL file from RDS website ○ Review CRL comparison for any updates needed and approve if accurate • Notify your PBM when Step 5 is complete
Record Retention	Maintain all Subsidy Files for 7 years from the plan-year end date

Example Member Co-Pay and Plan Costs Analysis

	RDS	EGWP (2006)	EGWP (2011)	EGWP + Wrap (2013)
Drug Gross Cost	\$150	\$150	\$150	\$150
Member Co-Pay	\$25	\$25	\$25	\$25
Coverage Gap Discount Program	n/a	n/a	\$25	\$75
Plan Pays	\$125	\$125	\$100	\$50

- The Patient Protection and Affordable Care Act (PPACA) established the Medicare Coverage Gap Discount Program, effective January 1, 2011. The program requires pharmaceutical manufactures to provide a 50% discount on brand name drugs when the member is in the coverage gap.
- For 2011, the Coverage Gap Discount Program applies only to member costs.
- For 2011, most EGWP providers chose to double co-pays in the coverage gap, maximizing the amount of reimbursement from the pharmaceutical industry under the discount program.
- To maximize savings, the EGWP + Wrap program consists of a EGWP without gap coverage for brand name drugs plus a commercial wrap product to provide the missing coverage. In this way, the 50% discount will apply to the gross cost of the drug for all EGWP plans, greatly increasing the discount impact.

highly-rated carriers expertise competitive
 Medical Solutions Brokers Post-65 Benefits Guaranteed Issue Design
 roll-overs Health administrative services
 Customer Service Prescription Drugs competitive
 Group Administration Fully Insured Flat co-pays Customer Service Consulting
 Electronic Enrollment