


June 4, 2019

To: Cincinnati Retirement System Board of Trustees  
From: Patrick A. Duhaney, City Manager   
Subject: Cincinnati Retirement System Retiree Health Care Benefits

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The Cincinnati Retirement System (CRS) is expected to spend an estimated \$34 million on retiree health care in 2019. Coverage for prescription drugs has quickly reached fifty percent of the CRS total health care dollars spent. This trend is expected to increase at alarming rates due to escalating costs for brand-name drugs, new and specialty drugs coming to market at ever-higher prices, and increased utilization.

To support the City's responsibility to act as fiscal stewards of its programs and assets, and in accordance with its fiduciary obligations under Ohio Law to preserve and manage the assets for the benefit of all CRS members, I directed the Retirement Division to identify opportunities that can assist in managing rising health care costs and maintain compliance with the Collaborative Settlement Agreement.

Various cost management opportunities and industry best practices were identified in the provision of retiree prescription drug benefits. CRS has been directed to implement certain changes and programs. The type and timing of changes to the Pre-65 Rx plans, and the Post-65 Rx plans otherwise known as Medicare Part D plans, differ due to the difference in benefits offered and Federal regulations. Below are descriptions of the changes and programs that will be implemented including projected annual savings.

**Pre-65 Rx Plans**

- Remove Lifestyle Erectile Dysfunction Drugs from Coverage
  - This does not affect coverage for approved disease states.
  - This coverage was removed for active City employees in 2018.
  - Projected savings for the Pre- and Post-65 plans combined are \$425,000 per year.
  - Effective 7/1/2019.
  
- Implement Maintenance Choice All Access Opt-Out Program
  - Requires members to obtain 90-day maintenance Rx's from a CVS pharmacy, CVS mail service, or CVS OnDemand delivery to receive reduced co-pays, unless they take action to opt out of the program.
  - A similar program was implemented for active City employees.
  - Projected savings are \$120,000 per year.
  - Effective 7/1/2019.

- Implement CVS Standard Formulary and Advance Control Specialty Formulary
  - Ninety percent of employers in the Health Coalition purchasing group use this approach.
  - The Post-65 plans currently use a Standard Formulary.
  - The City employees use a Standard Formulary.
  - Projected savings are \$465,000 per year.
  - Effective 10/1/2019.

#### **Post-65 Rx Plans**

- Remove Lifestyle Erectile Dysfunction Drugs from Coverage.
  - This does not affect coverage for approved disease states.
  - This coverage was removed for active City employees in 2018.
  - Projected savings for the Pre- and Post-65 plans combined are \$425,000 per year.
  - Effective 9/1/2019.
  
- Implement Standard Utilization Review Package
  - Includes additional quantity limits, step therapy and prior authorizations.
  - Projected savings are \$50,000 per year.
  - Effective 1/1/2020

The challenges of a constantly changing health care industry and the dynamics of persistent cost increases, require and demand the use of industry best practices and strategies to help mitigate costs where possible and provide comprehensive benefits for current and future retirees and their dependents who are eligible for retiree healthcare.