



California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (or 888-225-7377)
TTY: (877) 249-7442
www.calpers.ca.gov

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Circular Letter

December 14, 2012

TO: **ALL CALPERS EMPLOYERS**

SUBJECT: **Medicare Part D Prescription Drug Plan**

Background For 2013, CalPERS is converting its Blue Shield Access+, and NetValue HMO, and PERS Select/Choice/Care PPO Supplement to Original Medicare Plans from the Medicare Part D Retiree Drug Subsidy (RDS) program to an Employer Group Waiver Plan (EGWP). EGWPs are Prescription Drug Plans (PDP) governed by the Centers for Medicare and Medicaid Services (CMS).

The Patient Protection and Affordable Care Act provided for increased financial reimbursements through EGWP, and CalPERS was able to utilize it to pass the cost savings on to our subscribers in the form of lower premiums. The 2013 Supplement to Original Medicare Plan premiums will be 14% - 22% lower than the 2012 rates as a result of the change from RDS program to an EGWP program.

**What Is
EGWP?**

EGWP is an alternate way for CalPERS to receive Federal Funding for the prescription drug benefit portion of the Supplement to Original Medicare Plans. Employers under CalPERS will be automatically converted from RDS to EGWP, and will receive no RDS subsidy payments for coverage beginning January 1, 2013. Employers will receive their last RDS subsidy payment in June 2014, which will be for the 2012 coverage year. The estimated gross savings for switching to EGWP for CalPERS HMO and PPO plans combined is \$118 million, offset by the loss of \$64 million in RDS payments, for a net savings of \$54 million.

Who are the affected members?

All Medicare-eligible subscribers and dependents will be automatically enrolled into EGWP effective January 1, 2013. However, CMS requires health plans to offer eligible members a choice to opt-out of EGWP. Blue Shield of California and CVS Caremark sent opt-out letters to Supplement to Original Medicare Plan Members in early September 2012. If a member opted out of EGWP, the member will be financially responsible for all prescription drug costs but will not lose their medical coverage. If a member enrolls into a non-CalPERS Medicare Part D plan, then the member's CalPERS health plan will be cancelled [Government Code §22844(b)].

What happens if a member opts out of the PDP?

Members who have opted out of EGWP must contact the health plan they are currently enrolled in, if they wish to opt back into EGWP.

Need more information?

CalPERS is working with Blue Shield of California and CVS Caremark to ensure that the EGWP coverage is equal to or better than the current RDS coverage. CalPERS is also working to minimize member disruption.

A CalPERS list of Frequently Asked Questions on EGWP is available at www.calpers.ca.gov and is also attached to this circular letter.

All program inquiries are to be directed to Blue Shield of California or CVS Caremark Call Centers for more information.

Blue Shield of California Member Services = (888) 239-6469;
TTY (888) 239-6482 7:00 am to 8:00 pm Monday through Friday

PERS Select/Choice/Care Members
CVS Caremark Member Services = (855) 479-3660;
TTY (866) 236-1069 24 hours, seven days a week

Dr. Kathleen Donneson, Chief
Health Plan Administration Division

Enclosure
[Medicare Part D Prescription Drug Plan FAQs](#) (PDF, 47 KB)