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Circular Letter

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TO: ALL PEMHCA CONTRACTING AGENCIES HEALTH BENEFITS OFFICERS AND ASSISTANT HEALTH BENEFITS OFFICERS

SUBJECT: DISTRIBUTION OF MEDICARE FUNDS TO CONTRACTING AGENCIES

CalPERS will be distributing \$20 million in Medicare Retiree Drug Subsidy (RDS) funds to contracting agencies that made contributions toward health care premiums for Medicare eligible retirees and their dependents in Calendar Year 2012. Funds will be disbursed by July 31, 2014.

CalPERS received RDS subsidy funds from the Centers for Medicare and Medicaid Services (CMS) for providing Medicare prescription drug benefits (Part D) to Medicare eligible members who were not enrolled in a Medicare Advantage plan. Subsidy payments equal 28 percent of each qualifying retiree's allowable prescription drug costs between the applicable cost threshold and cost limit (i.e., drug spending between \$320 and \$6,500 for 2012). The RDS subsidy amounts are based on eligibility information from CalPERS and claims information from CalPERS health plans.

Please note, due to the implementation of the Employer Group Waiver Plan (EGWP), CalPERS will not be pursuing an RDS subsidy beginning with the 2013 plan year. Savings are now built into the annual premiums.

Additional information regarding Medicare Part D and the RDS program is located on **CalPERS On-Line**. If you have any questions, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

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