EGWP/Wrap plans can provide significant savings compared to retiree drug subsidy plans without requiring changes to the coverage provided.

EGWP: An Attractive Alternative to Retiree Prescription Drug Plan Subsidies

The Medicare Part D retiree drug subsidy (RDS) being received by many employers for their retiree prescription drug plans is taxable from 2013 onwards as a result of the Affordable Care Act (ACA). There is however, an attractive alternative to the RDS approach. An Employer Group Waiver Plan with Wrap Around supplement plan (EGWP/Wrap) can offer substantial savings over RDS plans. The EGWP/Wrap plan is a combination of a standard Medicare Part D plan and wraparound benefits that can be designed to provide virtually the same coverage as the current plan.

Savings/benefits are achieved as follows:

- Enhancements to Medicare Part D, including the closing of the “donut hole”, have increased federal reimbursement for that part of the EGWP/Wrap plan.
- Certain reimbursements by pharmaceutical companies (pharma) can be received for brand name drugs occurring in the “donut hole” that are not available for employers receiving the RDS (part of the ACA known as the Coverage Gap Discount Program).
- Pharma reimbursements will count as member cost sharing, allowing members to reach the catastrophic layer of coverage (where most of the cost is covered by the federal government) more quickly.
- If your organization pays taxes, the loss of the RDS tax break makes the EGWP/Wrap plan even more attractive.

Administrative expenses are higher for EGWP/Wrap plans due to the complexity of integrating two plans and the need to comply with additional regulations (for example, the Medicare Part D plan must meet CMS requirements and receive explicit approval). However, there should still be significant net savings especially for tax paying organizations.

A transition from the current plan to the EGWP/Wrap plan can be accomplished through your organization’s Pharmacy Benefit Manager (PBM). The PBM will also perform many of the ongoing administrative duties associated with the plan, with pharma reimbursements and Medicare payments handled out of sight to the participants. To the retiree, there will be one Rx card and the program will look and feel like the current single plan. To the employer, there are financial savings with minimal backlash from employees or retirees who see nothing changing. Making this change is a win-win proposition for employers who want to continue providing group retiree prescription drug plans and the time to act is now.