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Health Benefits

Circular Letter

January 29, 2019

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Distribution: V, VI, XII, XVI

To: Public Agencies and Schools
Subject: Distribution of Retiree Drug Subsidy Reserve Dollars

Purpose

The purpose of this Circular Letter is to inform you that, in January 2019, CalPERS will distribute \$7.7 million of reserve dollars to public agencies and schools eligible for the Retiree Drug Subsidy (RDS).

Background

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. The RDS subsidy amounts were based on eligibility information from CalPERS and claims information from CalPERS health plans.

CalPERS participated in the RDS program from 2006 through 2012. Due to the implementation of the Employer Group Waiver Plan (EGWP), Medicare Part D-related subsidies are now built into the monthly premiums.

Reserves

In April 2008, the CalPERS Board of Administration approved the distribution of RDS funds for both the State and public agencies. As part of this distribution, CalPERS held a reserve of 5 percent plus 1.09 percent for administration. The reserve funds were authorized to be held for six years for potential reconciliation discrepancies identified by the Centers for Medicare and Medicaid Services (CMS).

Now that the six-year period has elapsed, any remaining dollars of the contracting agencies' share of the RDS reserve should be distributed to the agencies that were originally impacted by the program.

Questions

Additional information regarding Medicare Part D and the RDS program is located at the RDS website **www.rds.cms.hhs.gov**. If you have any questions, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

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