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March 13, 2023

Board of Trustees
FELRA & UFCW VEBA Fund

Re: COVID OTC Test Kit Coverage Post-Public Health Emergency

Dear Board of Trustees:

On January 30, 2023, the Biden Administration announced their intent to end the COVID Public Health Emergency (PHE) on May 11, 2023.

Once the PHE declaration expires, the FELRA & UFCW VEBA Fund (the 'Fund') is no longer required to pay for over the counter (OTC) test kits at \$0 copay. However, the OTC test kits are a valuable benefit to offer: test kit costs are well below the cost of an office visit or urgent care copay and providing free OTC test kits should save the Fund money on the medical side.

The Fund's CY 2022 COVID Test Kit claims for the Actives were significantly higher than labor peer groups, likely attributable to stockpiling.

2022 FELRA Fund Actives			Peer *
Category	Net Plan Cost	Plan Cost PMPM	Plan Cost PMPM
Vaccines	\$221,870	\$1.21	\$0.40
Test Kits	\$778,591	\$4.24	\$0.62
Antivirals	\$4,141	\$0.02	\$0.01
Total	\$1,004,602	\$5.47	\$1.03

*ESI Labor Market Segment

Current State

The Fund's Active population is currently enrolled in ESI's Standard COVID OTC Test Kit solution. Participants in the EGWP + WRAP receive free OTC test kits via Medicare Part B.

ESI offers two (2) program options for plans interested in continuing coverage of OTC test kits at \$0 copay after May 11, 2023. A third option is to withdraw coverage, effective May 11, 2023.

The deadline for selecting one of these options is March 28, 2023.

Failure to notify ESI of the Fund's elections by that date will result in discontinuation of the free OTC Test Kit solutions on May 11, 2023.

Following is a description of each option:

Option 1 (Standard Product): The Fund is currently enrolled in this program.

Standard COVID-19 OTC Test Kit Solution – for **currently enrolled** plan sponsors who want to maintain the benefit design as-is after the PHE expires.

Standard product specifications include:

- \$12 per test kit ingredient cost
- \$0 dispensing fee
- \$0 per test member copay
- 8 tests per member per 30-day period
- Retail locations and Home Delivery included
- Direct Member Reimbursement (DMR): Members receive 100% reimbursement for in-network DMR claims and up to \$12/test for out-of-network DMR claims

Option 2: (Customized Product) Effective May 11, 2023

Customized COVID-19 OTC Test Kit Solution – for **currently enrolled** plan sponsors who want to customize their benefit design with the below selections. **Specifications not listed as customizable will follow the standard product offer in Option 1.**

- \$0 per test member copay
- Choose your desired number of tests per member per 30-day period:
 - 4, 6, or 8
- Choose your desired Direct Member Reimbursement (DMR) design:
 - 100% reimbursement for in-network claims and a maximum of \$12/test for out-of-network claims **or**
 - Use your existing prescription claim DMR design¹
- Choose your desired claim channels for coverage:
 - Retail, Home Delivery, and DMR
 - Home Delivery only

¹ 100% reimbursement for in-network claims; out of network claims excluded.

Option 3² (Withdraw Coverage), Effective May 11, 2023

For plans currently enrolled and decide to stop offering OTC testing kits once the public health emergency expires, choose Option 3.

If ESI does not hear from the Fund by March 28, 2023, coverage of \$0 copay test kits will discontinue on May 11, 2023.

Recommendations

Segal recommends the Fund implement the **Customized OTC Test Kit Solution** effective May 11, 2023 - December 31, 2023, with the following features:

- **Reduce** the number of \$0 copay test kits per member per 30-day period from **8 to 4**. This option continues to incentivize members to use OTC testing in lieu of other, more costly testing options, and reduces the likelihood of stockpiling.
- **Eliminate DMR coverage for Out of Network claims**, which is aligned with the Fund's DMR design, and allows for 100%-member reimbursement for OTC test kit claims.

A proforma of this customized solution is outlined below.

Option 2: Customized Test Kit Solution (Recommended)

- \$12 per test ingredient cost
- \$0 dispensing fee
- Retail and Home Delivery
- \$0 per test member copay.
- Number of tests per member per 30-day period: 4
- DMR design: 100%-member reimbursement for OTC test kit claims filled by a network pharmacy.

2023 Cost Projections

The Fund incurred \$107,702 in gross costs for the OTC test kits from January 1-March 6, 2023. Based on this claims experience, the Fund could reasonably expect the following gross costs for continuing coverage of OTC test kits at \$0 copay:

2023 Cost Gross Projections \$0 Copay OTC COVID Test Kits	
# of Test Kits Post PHE	Est CY 2023 Plan Costs Net
4 Kits PMPM	\$386,765
2 Kits PMPM	\$286,397

² Listed as Option #4 on the ESI website.

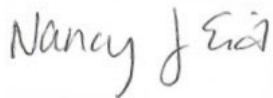
Call to Action

The deadline for making changes to the Fund's current enrollment in the Standard Test Kit solution is **March 28, 2023**.

Next Steps: Notify the Fund's account management team, who will assist with completing the documentation required for the respective option selected by the Fund. Failure to notify ESI by that date will result in \$0 copay OTC test kit coverage terminating effective May 11, 2023.

Please contact me if you have any questions or concerns about the Fund's OTC COVID testing options available on or after May 11, 2023.

Sincerely,



Nancy J. Eid
Vice President, Sr. Consultant

cc: Sarah Sanchez
Barry Slevin
Michael Kreps
Anne-Marie Sims
David Jensen
Josh Timm