

APPENDIX L
DESCRIPTION OF THE HEALTH OPTIONS PROGRAM AND PREMIUM
ASSISTANCE PROGRAM
COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
PSERS RFP 2025-1

EXHIBIT 1

General Description of the Health Options Program

Pursuant to Sec. 8502.2(a) of the Retirement Code, the PSERS sponsors a group health insurance program called the Health Options Program for individuals who are annuitants or survivor annuitants or the spouse or dependents of an annuitant or survivor annuitant. The Health Options Program is funded by and for eligible participants. PSERS sponsors the Health Options Program for the sole benefit of participants. No retirement system funds are used to operate the Health Options Program, though Premium Assistance (described later in this report) is available to eligible retirees to help pay a portion of the monthly premium.

Most PSERS retirees enroll in the Health Options Program at age 65. This is when most retirees become eligible for Medicare and their ability to continue active health insurance coverage through a school employer terminates. The Health Options Program offers a number of plans to retirees, their spouse and eligible dependents. While most Health Options Program participants are eligible for Medicare, pre-65 health insurance coverage is also available.

A description of the plans available through the Health Options Program is available at the [HOPbenefits.com](https://www.hopbenefits.com) website.

Plans for Individuals Eligible for Medicare

[HOP Medical and Value Medical Plans](#) provide supplemental insurance coverage to “Original” Medicare. The HOP Medical and Value Medical Plans are self-funded. Claims are adjudicated by a third party administrator under contract with PSERS. The Retirement Board retains the services of a health care benefit actuarial consulting firm to determine the annual premium rates of the HOP Medical Plan and Value Medical Plan and necessary reserve levels.

The HOP Medical also provide medical coverage while traveling outside the country but patients are usually required to pay the provider and obtain reimbursement from the HOP Medical Plan. Participants of the HOP Medical and Value Medical plans are also able to enroll into a voluntary dental and vision benefit plan.

The [Enrollment Guide](#), on [HOPbenefits.com](https://www.hopbenefits.com), sets forth the benefits of the HOP Medical Plan and Value Medical Plan for 2026. The January 1, 2026, premium rates for the HOP Medical Plan and Value Medical Plan and historical enrollment is detailed in the excel document labeled PSERS – 2026 TPA RFP Appendix L Data.

Medicare Plus Rx and Medicare Standard Rx Options

[Medicare Plus Rx and Medicare Standard Rx Options](#) are prescription drug plans for individuals eligible for Medicare. PSERS has contracted with the Centers for Medicare and Medicaid Services (CMS) to provide Medicare Part D prescription drug plans to HOP participants. The Medicare Rx Options are also self-funded. Claims are adjudicated by a pharmacy benefits manager under contract with PSERS. The Retirement Board retains the services of a health care benefit actuarial consulting firm to determine the annual premium rates of the Medicare Plus Rx and Medicare Standard Rx Options.

The [Enrollment Guide](#), on HOPbenefits.com, sets forth the benefits of the Medicare Plus Rx and Medicare Standard Rx Options for 2026. The January 1, 2026, premium rates for the Medicare Plus Rx and Medicare Standard Rx Options and historical enrollment is detailed in the excel document labeled PSERS – 2026 TPA RFP Appendix B Data.

Voluntary Dental and Vision Plan

PSERS offers a voluntary fully insured [dental and vision plan](#) to members who enroll into the HOP Medical Plan or Value Medical Plan. The January 1, 2026, premium rates for the Dental and Vision plan and historical enrollment is detailed in the excel document labeled PSERS – 2026 TPA RFP Appendix B Data. The [Dental and Vision flyer](#) sets forth the benefits of the Dental and Vision plan for 2026.

Medicare Advantage Plans

[Medicare Advantage Options](#) are also available through the Health Options Program from private insurers. Individuals enrolling in a Medicare Advantage plan must continue to pay their Medicare Part B premium. Medicare Advantage plans may offer benefits not covered by Medicare such as routine eye and hearing exams, allowances for glasses and hearing aids, and dental exams and cleanings.

Medicare Advantage plans may not be available in all regions and counties in Pennsylvania. [Under the Medicare Advantage Plans section linked here](#), there are four guides detailing the plan availability for the five Medicare Advantage carriers by region and out-of-state.

The January 1, 2026, premium rates for the Medicare Advantage Plans and historical enrollment is detailed in the excel document labeled PSERS – 2026 TPA RFP Appendix B Data. [Under the Medicare Advantage Plans section linked here](#), there are four guides detailing the benefits of the Medicare Advantage Plans for 2026.

Plans for Individuals Not Eligible for Medicare

A majority of retirees not yet eligible for Medicare continue their health insurance coverage through their former school employer. There are a small number (109 out of 121,713) of PSERS retirees and/or their dependents enrolled in the Pre-65 Medical Plan or a companion managed care plan through the Medicare Advantage carriers. Normally, these are individuals that need to purchase health insurance for a short period of time before they become eligible for Medicare.

A description of the plans available through the Health Options Program is available at the HOPbenefits.com website.

**Note that all Service volume data is detailed in the excel document labeled Appendix M
TPA Service Volume and Pricing Data.**

EXHIBIT 2

General Description of the Premium Assistance Program

The Premium Assistance benefit reimburses eligible retirees their out-of-pocket premium expense for basic hospital, medical and major medical coverage from an Approved Plan. Premium Assistance does not reimburse the cost of dependent coverage, stand-alone ancillary benefits (e.g., prescription drug, vision, dental, or hearing benefits), premiums paid to a plan not Approved for Premium Assistance, or premiums paid on a pre-tax basis.

Eligibility - To be eligible for Premium Assistance, a retiree must meet one of the following retirement requirements:

For Classes T-C, T-D, T-E, T-F, T-G, and T-H:

- All classes with at least 24½ eligibility points regardless of age, or
- Classes T-C and T-D: You terminate school employment at or after reaching age 62 with at least 15 eligibility points, or
- Classes T-E and T-F: You terminate school employment at or after reaching age 65 with at least 15 eligibility points, or
- Classes T-G and T-H: You terminate school employment at or after reaching age 67 with at least 15 eligibility points, or
- You are receiving a disability

For Class DC:

- You have at least 24½ eligibility points, terminate school employment, are Medicare eligible, and receive all or part of your distribution, or
- You have at least 15 eligibility points, terminate school employment on or after reaching age 67, and receive all or part of your distribution.

Out-of-Pocket Expenses - Premium Assistance is a reimbursement of a retiree's out-of-pocket premium expense and is not deemed to be taxable income to the recipient. In order to receive premium assistance, the retiree must have an after-tax premium expense for his or her basic health insurance. If the premium is paid by an employer or with pre-tax funds, the expense cannot be reimbursed with a pre-tax payment.

Approved Plan - Plans approved for Premium Assistance are:

- Commonwealth school employer health plans that certify they will comply with the Premium Assistance Plan Approval Policy, or
- The PSERS Health Options Program.

Benefit - The Premium Assistance benefit (reimbursement) is \$100 per month¹, not to exceed the recipient's actual premium expense. For example, if a retiree's out-of-pocket expense for his or her basic health insurance coverage is \$75, the Premium Assistance benefit is \$75. PSERS adds Premium Assistance payments to the eligible retiree's monthly retirement benefit.

As a reimbursement of an expense, the 1099-R issued by PSERS does not reflect Premium Assistance payments as taxable income. However, PSERS notifies recipients by the 1099 Guide that goes out with PSERS-Issued Form 1099-R on or before January 31 of the following year. 1099 Guide provides a summary of any medical premiums deducted from the monthly annuity and the amount of Premium Assistance benefits received by the member during the preceding year. Recipients are advised that Premium Assistance payments should be subtracted from itemized health insurance premium expenses (if any) for income tax purposes.

Verification of Out-of-Pocket Expenses - To qualify as a non-taxable reimbursement of an expense, the IRS requires PSERS to verify that Premium Assistance recipients have actual out-of-pocket premium expenses. The verification process involves the following steps for recipients participating in a Commonwealth school entity health plan approved for Premium Assistance:

1. No less frequently than annually, PSERS makes a request to all school employers or their designated representative, to verify that actual premium expenses equal or exceed Premium Assistance payments.
2. Once the above verification process is completed, a letter is sent to retirees whose Premium Assistance payments, in whole or in part, are not verified requesting a return of the unverified benefits paid. PSERS will establish an Accounts Receivable for the amount of unverified Premium Assistance payments.
3. PSERS will assume that all Premium Assistance payments made subsequent to the period for which unverified payments were made are also unverified and subject to be returned. The exception to this rule will be Premium Assistance payments made for periods during which the recipients are enrolled in the PSERS Health Options Program or periods in which verification has been submitted.

While the Commonwealth School Employer verifies premium payments made to the health insurance plan, it is the Premium Assistance recipient's responsibility that his or her premium payments are eligible for Premium Assistance.

Most retirees eligible for Premium Assistance participating in the health Options Program have their premiums deducted from their PSERS retirement benefit. Retirees that do not have a retirement benefit equal to or greater than their monthly premium make monthly payment to the HOP Administration Unit's bank. In either case, PSERS has a record of the payment and no further verification is required.

Collection of Unverified Premium Assistance Payments - If it determined that Premium Assistance payments were made and the recipient did not have an out-of-pocket expense from an

¹ The \$100 benefit became effective with the eligible retiree's December 31, 2001 monthly retirement benefit. From July 31, 1992 to December 31, 2001, the monthly benefit was \$55.

Approved plan, those payments must be returned to PSERS. Recipients of overpayments are requested to submit payment to the PSERS Health Care Account for the amount of the unverified Premium Assistance payments. If the amount of the overpayment is not paid to PSERS, PSERS will deduct up to \$100 per month of the retiree's monthly pension benefit (not to exceed 10%) to recoup the overpayment. No interest is currently charged against an outstanding balance. This monthly collection process is initiated as follows:

1. PSERS will inform recipients by first class mail that failure to return specified, unverified Premium Assistance payments will cause an automatic reduction in their monthly retirement benefit in an amount up to the amount of the Premium Assistance payment (not to exceed 10% of the gross monthly benefit) until all unverified payments are returned.
2. If the recipient fails to return unverified payments, or verify payments, their monthly retirement benefit will be reduced by up to \$100 until all unverified Premium Assistance payments are recouped. The amount of the adjustment will not reduce the recipient's tax liability or effect the application of any other adjustment in their retirement benefit.
3. PSERS may reduce the amount deducted from a retiree's monthly retirement benefit (e. g., upon request of a retiree experiencing financial hardship).
4. If a retiree with an outstanding Premium Assistance debt enrolls in an Approved Plan and has an out-of-pocket premium expense, their Premium Assistance payment will be suspended until such time as their debt is paid. No Premium Assistance benefit is payable while a retiree has an outstanding Premium Assistance debt.
5. Upon the death of a retiree, PSERS will collect any outstanding debt from any death benefit due or pro-rata retirement benefit due the estate of or beneficiary of the recipient.

Termination of a School Entity Plan Approved for Premium Assistance - If a school entity terminates a plan approved for Premium Assistance, PSERS retirees and their dependents participating in that plan, have a Qualifying Event under the PSERS Health Options Program. This Qualifying Event gives PSERS retirees, their spouse and eligible dependents up to 180 days to enroll in the Health Options Program. A change in a school employer's plan premiums, benefits and/or carriers does not constitute a plan termination.

Estimated Premium Assistance Enrollment (September 2025)

Retirees Meeting Service, Age & Service, or Retirement Type Premium Assistance Eligibility Requirements	157,000
Health Options Program Participants Receiving Premium Assistance	84,000
School Employer Health Plan Participants Receiving Premium Assistance	16,500

EXHIBIT 3

Health Options Program Participant Communications Material

Participant communications materials can be found on <https://www.hopbenefits.com/> .

To view communications materials on www.HOPbenefits.com:

1. Click on the “Resources” tab on the top bar of the home page screen.
2. Click on the “Documents and Forms” option.
3. Click on the links in the middle section of each page to view and/or download a copy of the PDF files for each communication piece.

EXHIBIT 4

Description of Data Files and Requirements

Business Overview

PSERS' required Health Options Program (HOP) functionality needs to have a single point of entry for HOP enrollments into PSERS business application V3. V3 is a proprietary software package produced by Vitech, Inc that provides benefits administration functionality for pension fund organizations. It is a client server application utilizing Oracle database software that PSERS runs in a MS Windows environment. A data file of these HOP enrollments will be created and exported from V3 on a regular cycle via the V3 batch processor run by PSERS staff. Transport of the export file to the vendor will be handled via FTP or a similar mutually agreed upon mechanism.

File Layout

Details about the field descriptions and file design will be provided by PSERS and mutually agreed upon by the TPA, PSERS representatives, and the V3 vendor, Vitech, Inc., within one month of the signing of the contract.

Network and Data Connections

The TPA will be responsible for providing any and all data connections into the Commonwealth network for supporting PSERS HOP and Premium Assistance program. PSERS will grant access as needed to PSERS applications and data needed to support the HOP processes. The TPA will be responsible for any desktop software needed to facilitate secure access to PSERS applications and data.

1. Examples of Third Party Administrator's access to PSERS business system
 - a. V3 Benefits Administration System
 - i. Standard Access 62 (Inquiry Only)
 - ii. Standard Access 63 (Inquiry, Some Edit)
 - iii. Standard Access 63 (Inquiry, Some Edit and Rate Table Edit)
 - b. V3 Workflow Work-Manager for Director only
 - i. Temp Pay Master
 - ii. Payment History Inquiry
 - iii. Premium Assistance Update 2008
 - iv. Premium Assistance Update 2009
 - v. PA Receivable
2. Examples of data input by Third Party Administrator's through the V3 application (including by not limited to):

- a.** Update Annuitants' HOP pension deductions
 - b.** Update Annuitants' Premium Assistance information.
- 3. Examples of data files PSERS will provide to the TPA via the export file (including by not limited to):
 - a.** New Annuitants on Payroll File (E0612)
 - b.** Birthday File (E0613)
 - c.** Annuitants with Deductions File (E0616)
 - d.** Medical Counts by Carrier (R0620)
 - e.** Annuitants Removed from Payroll-Adj (R0769)
- 4. Delivery of all financial reports to PSERS by the 10th business day of the month after the end of the accounting month.