AUI/NRAO Retiree Medical Program Redesign
Frequently Asked Questions

1. Why is the retiree medical program being redesigned?

The cost of the existing program has simply become financially unsustainable. During the next 15 years the cost of the current medical retiree plan is expected to be approximately $75M and when inflation is included the amount will more than double. The changes being made will allow us to avoid incurring many millions in expenses which can't be supported by even the most optimistic funding profile.

2. What are the existing retiree medical benefits?

The current retiree medical eligibility is as follows: If you terminate employment after attaining age 55, you are eligible to continue your insurance coverage for yourself and your eligible dependents indefinitely as a retired employee if you satisfy all of the following conditions:

1. NRAO medical coverage for you and your dependents was in force on the date of your termination.
2. You had at least 5 continuous years of service immediately prior to termination.
3. Your age plus years of service totals 70 or more.

Pre-65 coverage: If you are retired and under the age of 65, AUI coverage under the active employee medical plan is continued in force as long as you continue paying the employee premiums at the active employee rates until you and your eligible dependents each become eligible for Medicare.

Post-65 coverage: Once you and/or your dependent turn 65, Medicare becomes your primary medical coverage. Your AUI coverage is secondary and covers many expenses Medicare does not. AUI coverage is NOT a medi-gap policy and there are still out of pocket expenses you are responsible for paying. AUI coverage is provided at no cost to you once you and your dependents reach Medicare eligibility.

3. In general, what is being changed?

The existing plan is being amended. Current retirees will not be impacted by the eligibility amendments outlined below. The amended retiree plan will continue to cover approximately half of current benefits eligible employees.

1. The existing retiree medical plan will only be offered to existing retirees and a defined group of active employees. An alternative option will be offered to employees not covered under this plan.
2. Coverage eligibility requirements will change for some active employees eligible for the existing retiree medical plan.
   a. Employees who are 55 years of age or older during calendar year 2012, and meet the existing rule of age plus years of service equals 70 (minimum of five years of service) will remain eligible and do not need to meet the new eligibility requirements.
   b. All other eligible employees will be required to meet the new eligibility minimums of age 60 and 10 years of service to retire with this coverage.
3. Employees who retire after December 31, 2012 will be required to pay a portion of their premium even after they become Medicare-eligible at 65 years old.
4. Current employees who are no longer eligible (i.e. employees who are less than 45 years old with less than 15 years of service and persons hired after January 1, 2012) for the existing plan will have the option to enroll in Health Savings Accounts (HSAs). Employees can make contributions to these accounts to cover the costs incurred under a High Deductible Health Plan (HDHP), as well as save for future retiree medical benefits. The HSA/HDHP will become an option for all active employees effective January 1, 2013. (*See Question 6 below for further details about HSA/HDHP)*

4. **How can I determine what eligibility and plan changes impact me?**
   The following chart outlines eligibility for retiree medical:

Current Retirees (Retired before 2002)	Current Retirees (Retired after 2002)	**ELIGIBILITY 1** Employees who are eligible to retire by 12/31/2012 *1. At least 55 years old* *2. At least 5 years of continuous service* *3. Age + service = 70*	**ELIGIBILITY 2** Employees who do not meet Eligibility 1 and: 1. Are 45 years old or older by 12/31/2012 OR 2. Are under 45 years of age with 15 or more years of service by 12/31/2012	**INELIGIBLE** Employees who are under 45 years of age with less than 15 years of service prior to 1/1/2013 OR New hires after January 1, 2012
No Eligibility Changes	No Eligibility Changes	No Eligibility Changes	Eligibility Changes Must meet new 60/10 minimums	Not Eligible
Maintain current medical benefits.	Cigna Benefits change when active plan changes	Retiree medical offered Cigna Benefits change when active plan changes No premiums for Medicare eligible coverage if retired by 12/31/2012	Retiree medical offered Cigna Benefits change when active plan changes Premiums charged for Medicare eligible coverage	No retiree medical offered Can use HSA savings to purchase private coverage

5. **How were these criteria chosen to determine whether current employees remain in the newly-modified current plan or can become eligible for Health Savings Accounts (HSAs)?**
   We conducted extensive analyses of the current and future cost of continuing retiree medical benefits under many different scenarios involving age and years of service. In general, we made a judgment that the key criteria (at least 45 years old in 2012) provided coverage to employees who may not have enough time left in their careers to accumulate sufficient assets in a Health Savings Account to purchase private or Medigap health insurance when they retire. *(Note: The only exception to the age criteria (i.e. employees who are less than 45 but who have at least 15 years of continuous service), recognizes service longevity*.

6. **What happens to current employees who are no longer eligible for retiree medical coverage?**
   Non-eligible employees will have the opportunity to participate in a Health Savings Account/High Deductible Health plan (HSA/HDHP) to help them save for retiree medical expenses in the future. Retiree medical expenses can also be paid from 403b or other retirement savings accounts. Other options for non-eligible employees may become available as insurance markets develop.

7. **What is a Health Savings Account/High Deductible Health Plan (HSA/HDHP)?**
   A Health Savings Account/High Deductible Health Plan (HSA/HDHP) is a tax-exempt arrangement that allows employees to save payroll dollars for current and future medical expenses. The amounts put into an HSA roll over each year if not used. Once the account reaches the investment threshold (typically around $2,000) the money can be invested in funds similar to 403b accounts. By law, the HSA must be coupled with a High Deductible Health Plan. Further details on the HSA/HDHP will be announced in the coming months.

8. **When will the Health Savings Account/High Deductible Health Plan (HSA/HDHP) begin?**
   The HSA/HDHP will begin January 1, 2013. Human Resources will be working closely with Cigna and Mercer, our benefits brokers, to develop a comprehensive communications plan to educate employees on how these plans work and what the insurance coverage will include. Look for communications in the near future. In addition to adding the HSA/HDHP, the current active medical plan will be updated for 2013.

9. **Will medical premiums change for retirees?**
   Premiums for retirees under 65 will continue to be the same as paid by active employees. However current employees who retire on or after January 1, 2013 and who are 65 or older, will also be required to pay a portion of the premium. *We will be working with Mercer and Cigna to determine the appropriate premium amount for these retirees.*

   Note: *Anyone who retires prior to January 1, 2013 will not be required to pay a premium for AUI over-65 coverage, and the AUI plan will remain secondary to Medicare Parts A and B.*

10. **What are similar organizations doing?**
    Companies that still provide retiree medical benefits are extremely rare. Within the family of NSF research centers, we are the only major organization that provides these benefits. Some organizations simply abolished these benefits, while others closed their plans to new entrants many years ago. According to the Mercer Annual Employer Benefits Survey for 2011, only 16% of employers surveyed continue to provide retiree medical coverage.

11. **How will Healthcare Reform impact our medical plans, including retiree medical?**
    Barring major changes from the Supreme Court ruling, the insurance exchange system scheduled to begin in 2014 may offer new alternatives for retiree medical coverage. The exchange system is designed to provide affordable insurance options to individuals. This system ***could*** provide new means for retirees to purchase supplemental coverage for a fraction of the cost of employer sponsored coverage.

12. **Will there be additional changes to retiree medical benefits in the future?**
    We will continue to examine ways of providing competitive benefits at a reasonable cost to employees, retirees and to the company. Future actions could include additional cost-sharing, further changes to eligibility criteria, establishing a separate plan for retirees, and in extreme circumstances, discontinuing this benefit entirely. While we will continue to strive to offer compensation and benefits that will attract and retain the type of employees who will keep NRAO the world’s forefront radio astronomy observatory, retiree medical, like all benefits not mandated by law, is not a guaranteed benefit.