

AUI Retiree Medical Redesign

What does it mean for me?

Agenda

General Session

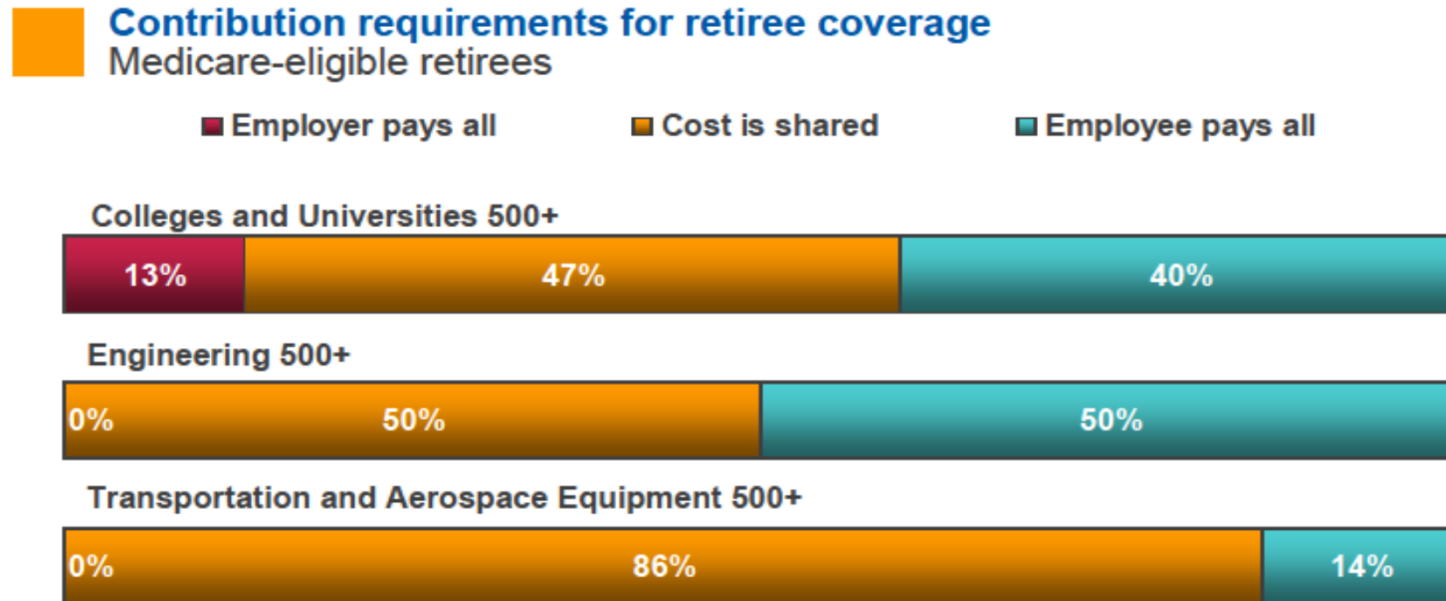
- Why are we making the changes?
- What is retiree medical anyway?
- What's actually changing and who is impacted?
- What's it going to cost me?
- Where do we go from here?
- Communication timeline.

Retirement Eligible Employee Session

Why are we changing retiree medical?

- March 2007 NSF “Evaluation of Employee Benefits for FFRDC’s” report
 - Retiree medical value - exceeds the report benchmarks by 81% for colleges & universities , 26% for Federal Health Benefits, 37% for the Hay Survey and 63% for Watson Wyatt Survey.
 - When compared to those government contractors that provide retiree medical the value is similar (3% higher).
 - NSF Report Recommendation: Increase retiree cost share for retiree medical to a minimum of 30%.
- Retiree Medical plans are considered a future liability for employers. The total cost of the program for all current and future retirees must be reported on an employer’s financial statements.
- AUI management and Board became very concerned by NSF findings and liability increases.
 - Currently projected to reach \$75 - \$115 million in the next 15 years.
- NRAO funding sources will not support future escalation in costs

Mercer 2010 Contribution Benchmarks (Separate AUI/NRAO Study)



Similar results for pre-Medicare retirees

- AUI / NRAO pays the full cost of coverage for Medicare-eligible retirees
- Though more prevalent among colleges and universities, it is still uncommon to provide free coverage

Why are we changing retiree medical?

- It was not intended or designed to get NRAO employees to retire.
 - Planning for these changes has been ongoing for the past three years.
 - Key steps had to be completed first.
 - 2010 NRAO Employee Survey
 - 2010 Mercer Retiree Medical Benchmark Survey for AUI/NRAO
 - 2011 AUI/NRAO Medical Carrier Re-competition
 - Instituting retiree premiums for new retirements was identified as a required plan change at the beginning of the process.
- All involved knew this change would make some retirement eligible employees retire before the premiums took effect.
 - YES, employees who retire in 2012 will reduce the risk of another employee losing their job due to the NSF imposed Fiscal Year 2013 budget cut.
 - The sooner we know, the better the odds for others.
- NRAO HR has worked closely with management and our benefits consulting firms to find solutions that best fit our workforce within benchmark standards.
- We wish to give employees time to consider their options before premiums are implemented.
 - First discussed during open enrollment.
 - Original premium implementation date was January 1, 2012, but revised to January 1, 2013 to provide retiree eligible employee a “planning window.”

Just what IS the retiree medical benefit?

- **Current** Plan Structure:
- For retirees who **are not** Medicare eligible (under 65):
 - Provides medical coverage identical to NRAO's active plan.
 - Plan costs (copays, coinsurance, limits) change when active plan changes.
 - Retiree pays the active employee premium each month, adjusts annually.
- For retirees who **are** Medicare eligible* (over 65):
 - Provides coverage after Medicare pays.
 - NOT a medi-gap plan.
 - Cigna coverage looks for Medicare payment before paying claims.
 - Covers some services Medicare does not.
 - Hearing Aids
 - Prescription Drugs (unless Medicare D is elected)
 - Out of pocket costs still required – change when active plan changes.
 - Copays, coinsurance
 - No premium for coverage.

* Coverage is tied directly to participation in Medicare

Who is eligible for the current benefit?

- Benefits eligible employees who retire on or before December 31, 2012 and meet ALL of the following criteria:
 - Employee's age plus years of service totals 70 or more.
 - At least 55 years old.
 - Have at least 5 years of continuous service immediately prior to retirement.
 - Have NRAO medical coverage for themselves and, if applicable, their dependents on the date of retirement.
- Dependents who were not on plan at retirement are **not** eligible to join.
 - Remarriage
 - Birth or adoption of child

So what's changing?

- Eligibility requirements and premiums.

Reference Only		ELIGIBILITY 1	ELIGIBILITY 2	INELIGIBLE
Current Retirees (Retired before 2002)	Current Retirees (Retired after 2002)	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	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	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 medical offered after retirement Can use HSA savings to purchase private coverage

Does this affect current retirees?



* An overlap occurred in 2002

Current retirees keep their eligibility for the benefit and their plan.

- Changes for current retirees depend on the Cigna plan they are enrolled in.
- Pre-2002 retirees' Cigna plan does not change when active plan changes, unless they enrolled in the "Open Access Plus" (copay) plan.
- Post-2002* retirees who are enrolled in the "Open Access Plus" (copay) plan experience the same plan changes actives do.
 - These retirees have already had plan changes in the past.
- No premiums for Medicare-eligible coverage.

What if I was already eligible for medical coverage after retirement?

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

No Eligibility Changes

Retiree medical offered

Cigna Benefits change when active plan changes

No premiums for Medicare eligible coverage if retired by 12/31/2012

- If you meet eligibility requirements to retire with medical coverage by December 31, 2012 your status does not change.
 - Medical plan changes will continue and your coverage after retirement will mirror active employee coverage.
 - Changes in copays, coinsurance, deductibles, etc.
- **No premiums for Medicare-eligible coverage IF YOU RETIRE BY DECEMBER 31, 2012.**
- If you retire after December 31, 2012 you will be required to pay a monthly premium for Medicare-eligible coverage.

So how much are we talking about?

- Effective January 1, 2013 Medicare-eligible premiums will be 20% of the total over-65 retiree premium cost.
 - The employer/retiree contribution ratio can change in the future.
- Estimated premiums below are for illustrative purposes only:

Retiree Coverage Tier	Projected Total Monthly Rate	NRAO Portion: 80% of Premium	What You Pay: 20% of Premium
Employee	\$531.41	\$425.13	\$106.28
Employee + 1	\$1,054.06	\$843.25	\$210.81
Employee + Family	\$1,161.67	\$929.34	\$232.33

- Actual premiums will be established mid-summer after Cigna renewal process.

Who else is eligible for coverage after retiring?

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

Eligibility Changes

Must meet new 60/10 minimums

Retiree medical offered

Cigna Benefits change when active plan changes

Premiums charged for Medicare eligible coverage

- If you do **NOT** meet eligibility requirements to retire with medical coverage by December 31, 2012 you continue to be eligible if the following are true:
 - You are at least 45 years old by December 31, 2012
 - OR
 - You are under 45 but have 15 or more years of service by December 31, 2012.
- Were hired prior to January 1, 2012.

What changes for this group?

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

Eligibility Changes

Must meet new 60/10 minimums

Retiree medical offered

Cigna Benefits change when active plan changes

Premiums charged for Medicare eligible coverage

- Must meet ALL of the new eligibility criteria:
 - Employee's age plus years of service totals 70 or more.
 - At least 60 years old
 - Have at least 10 years of continuous service immediately prior to retirement.
 - Have NRAO medical coverage for themselves and their dependents on the date of retirement
- Medical plan changes will continue and your coverage after retirement will mirror active employee coverage.
 - Changes in copays, coinsurance, deductibles, etc.
- You will be required to pay a monthly premium for all retiree medical coverage.

What about everyone else?

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

Not Eligible

No medical offered after retirement

Can use HSA savings to purchase private coverage

- All employees who are younger than 45 as of December 31, 2012 and have less than 15 years of service are no longer eligible.
- Newly hired employees after January 1, 2012 are not eligible.
- No formal retiree medical program will be offered.
- All employees can use individual savings to purchase private supplemental coverage after retirement or help to pay for medical expenses.
 - Health Savings Accounts/High Deductible Health Plan
 - 403b Supplemental Retirement Accounts

For more information

www.nrao.edu/hr

The screenshot shows a web page with a navigation bar at the top containing links for Home, Human Resources, Business Services, Computing, SAA, and Director's Office. Below this is a secondary navigation bar with links for Benefit Plans, Compensation, Diversity, Employee Recognition, Hiring & Employment, Ombuds, Performance Mgmt, and Recreation. The main content area has a breadcrumb trail: Human Resources > Retirement Planning > Retiree Medical and Social Security. On the left is a sidebar menu with categories like Human Resources, Benefit Plans, Compensation, Diversity, Employee Recognition, Employee Surveys, Hiring & Employment, Ombuds, Performance Management, Retirement Planning, and Wellness. The main content area features a '2013 Benefit Planning' header, a 'View Edit Sharing' toolbar, and a title 'Retiree Medical and Social Security'. The text below the title is attributed to Carolyn Hunsinger and dated March 27, 2012. It discusses the AUI/NRAO Retiree Medical Program and lists eligibility criteria for pre-2013 retirees, including coverage requirements, years of service, and age. It also mentions that premium payments must continue until Medicare eligibility is reached. A section titled 'Retiree Medical Changes - 2013 and beyond' notes that changes to post-retirement medical benefits are officially announced and do not impact current retirees, with a link to frequently asked questions.

Home Human Resources Business Services Computing SAA Director's Office

Benefit Plans Compensation Diversity Employee Recognition Hiring & Employment Ombuds Performance Mgmt Recreation

Human Resources > Retirement Planning > Retiree Medical and Social Security

2013 Benefit Planning

Human Resources
Benefit Plans
Compensation
Diversity
Employee Recognition
Employee Surveys
Hiring & Employment
Ombuds
Performance Management
Retirement Planning
Wellness

Manage portlets

View Edit Sharing

Retiree Medical and Social Security

by [Carolyn Hunsinger](#) — last modified Mar 27, 2012 12:08 PM

AUI/NRAO Retiree Medical Program

Retiree Medical Eligibility (Pre 2013) -

If you terminate employment **prior to December 31, 2012**, after attaining age 55, you will be 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. 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 and years of service totals 70 or more.

You must continue paying the employee premium that was in force on the date of your termination until you and your eligible dependents each become eligible for Medicare. Retiree premiums are adjusted each year as active employee premiums are adjusted. Your AUI coverage is provided at no cost to you once you and your dependents reach Medicare eligibility.

Retiree Medical Changes - 2013 and beyond

as **officially announced** changes to the post-retirement medical benefits these changes **DO NOT IMPACT** current retirees.

these changes can be found in the [Frequently Asked Questions](#).

ty depending on your employment status and age.

Eligibility 1:

Individuals who meet pre-2013 criteria as described above, prior to 12/31/2012 can maintain eligibility as follows:

Speaking of the Health Savings Accounts...

- Health Savings Accounts (HSA)/High Deductible Health Plans will be a medical plan option beginning January 1, 2013.
- Enrollment is not required; however, new HSA participants will receive a portion of employer funding (seed money).
 - \$750 for single enrollment
 - \$1,500 for family (employee plus one is considered family)
 - Quarterly distribution to employee accounts
- Employees can also fund their accounts pre-tax (Projected 2013).
 - \$3,200 or \$3,250 for single accounts
 - \$6,450 for family accounts
- Coupled with a high deductible health plan.
 - \$1,500/\$3,000 annual deductible
 - \$3,000/\$6,000 out-of-pocket maximum
 - Preventive services covered at 100%

Benefits of the Health Savings Accounts...

- Employee owned – you take it with you if you leave employment.
- Can make pre-tax contributions from payroll, or outside contributions, up to annual IRS Maximum.
 - Never taxed if used for qualifying medical expenses.
 - Can accept gift contributions up to annual IRS Maximum.
- One-time IRA roll-over that does not count towards annual maximum.
- You do not lose your balance at the end of the year. It rolls over each year and can be invested like the 403b.
- Pay for qualifying medical, dental and vision expenses for you and your dependents without penalty or tax.
 - HSA replaces Flexible Spending Account.

And changes to the existing active medical plan?

- No significant changes have been made to the medical plan for the past five years.
- Changes to the plan for 2013 include:
 - Specialist copay increases from \$20 to \$40 – no referrals required
 - New - \$200/\$400 deductible on non-copay services
 - Hospitalization coverage – 90% after deductible – no copay
 - In-patient and out-patient services
 - Surgical services remain at 90% coinsurance.
 - Preventive services covered at 100%
 - See list of preventive services on HR Website under 2013 Benefit Planning.
 - Out-of-network coverage changed from 25%/75% to 30%/70%
 - No change to out-of pocket maximums: \$1500/\$3000
- Can use Flex Spending Account with this plan, but NOT with the Health Savings Account.

Summary - Active Employee Plans

OAP – “Traditional Plan”	HSA-HDHP
Must Choose One or the Other	
If you do not choose, you will default to your current plan.	
What we have today – modified	New plan
Copays, coinsurance, new deductible	Designed to provide payment for current and future expenses
Can use Flexible Spending Account	Health Savings Account – cannot use Flexible Spending Account
Prescription drugs at copay	Prescription drugs from HSA until deductible is met.
	Cigna negotiated rates apply.

How can I stay informed?

www.nrao.edu/hr

The screenshot shows the NRAO website's Human Resources section. At the top, the NRAO logo and NSF logo are visible, along with the text "National Radio Astronomy Observatory" and "Enabling forefront research into the Universe at radio wavelengths". A user is logged in as "Denise Merricks". A search bar is present with the text "Search NRAO..." and a "Go" button. The navigation menu includes "Home", "Human Resources", "Business Services", "Computing", "SAA", and "Director's Office". Below this, a secondary menu lists "Benefit Plans", "Compensation", "Diversity", "Employee Recognition", "Hiring & Employment", "Ombuds", "Performance Mgmt", and "Recreation". The main content area is titled "Human Resources > 2013 Benefits". On the left, there is a sidebar with a "2013 Benefit Planning" header and a list of categories: Human Resources, Benefit Plans, Compensation, Diversity, Employee Recognition, Employee Surveys, Hiring & Employment, Ombuds, Performance Management, Retirement Planning, and Wellness. The main content area has "View", "Edit", and "Sharing" buttons. Below these is an "Info" box that says "Welcome! You are now logged in." The main heading is "2013 Benefits". The text below reads: "by Denise Merricks — last modified Mar 27, 2012 04:58 PM" and "AUI/NRAO Benefits are evolving for 2013. Check this page often for updates and information on the new plans and benefit changes. Why is AUI/NRAO making such big changes in 2013? The changes to employee medical plans in 2013 are driven by several factors:". A bulleted list follows: "The redesign of our retiree medical plan requires we offer an alternative savings method for noneligible employees. Health Savings Accounts can do so." and "While administrative fees/premiums were reduced by approximately 3% in 2012 (due to contract renegotiations), claims experience continues to increase. Our overall medical expense trend (4.8%) is below the national average; however, total per employee cost is comparative to other employer groups. (Click graphic for larger version. The green percentage is the change in plan cost year over year.)". At the bottom, there is a partially visible chart titled "Total Health Benefit Cost Per Employee in 2011". On the right side, there are three dropdown menus labeled "Forms", "Manuals", and "Mandated Notices". Below these is an "HR Contacts" section for "Charlottesville (434) 244-6830" listing: James Firmani - HR Manager, Faye Giles - Employment and Diversity Manager, Shirley Franks - Senior Compensation Analyst, Denise Merricks - Senior Benefits Analyst, Fonda Hamric - Senior Employment Representative, and Tavia Dillon - HR Administrator.

HSA/HDHP Communication Timeline

- April 2012: Basic details outlined, website set-up.
- May & June: Additional information added to website
- Late July: Employee meetings with HR and Cigna.
 - Compare NRAO plans before open enrollment
 - “My Cigna Plans” available online.
- August – September: Additional information added to website, sent to employee homes.
- October – November: Open enrollment meetings.
 - HR staff will be available to assist with elections
- Ongoing: HR and Health Advocate will be available to answer questions and provide information.
- January 1, 2013: New plans effective.

The background of the slide features a dark blue color with a pattern of thin, light blue vertical lines of varying thicknesses. A central rectangular area is highlighted with a light blue background and a thin yellow border. Inside this area, the text is centered and reads:

**AUI Retiree Medical
Redesign**
Retirement Eligible Session

Current Retiree medical eligible employees:

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No Eligibility Changes

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- If you retire after December 31, 2012 you will be required to pay a monthly premium for Medicare-eligible coverage.
 - Eligibility does NOT change, only premium status.

How does retiree medical coverage work?

Give Provider Medicare and Cigna ID cards

Pay copay, if applicable, at time of visit.

Medicare considers charges and issues EOB

Cigna considers charges only after receiving EOB

Important Notes:

- Cigna will not pay if Medicare has not produced EOB.
- Some services are covered by Cigna, but not Medicare – may require Medicare denial.
 - Hearing aids
- Drug coverage is provided through Cigna, not Medicare.
 - Medicare D (drug coverage) not necessary – extra premium for this coverage through Medicare.

So how much are we talking about?

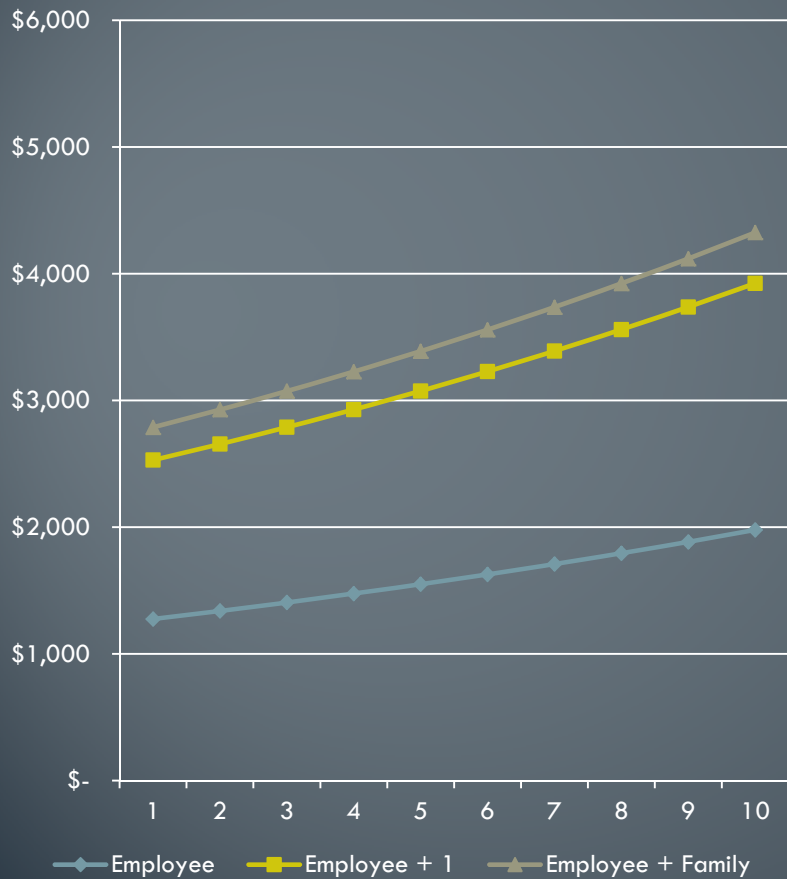
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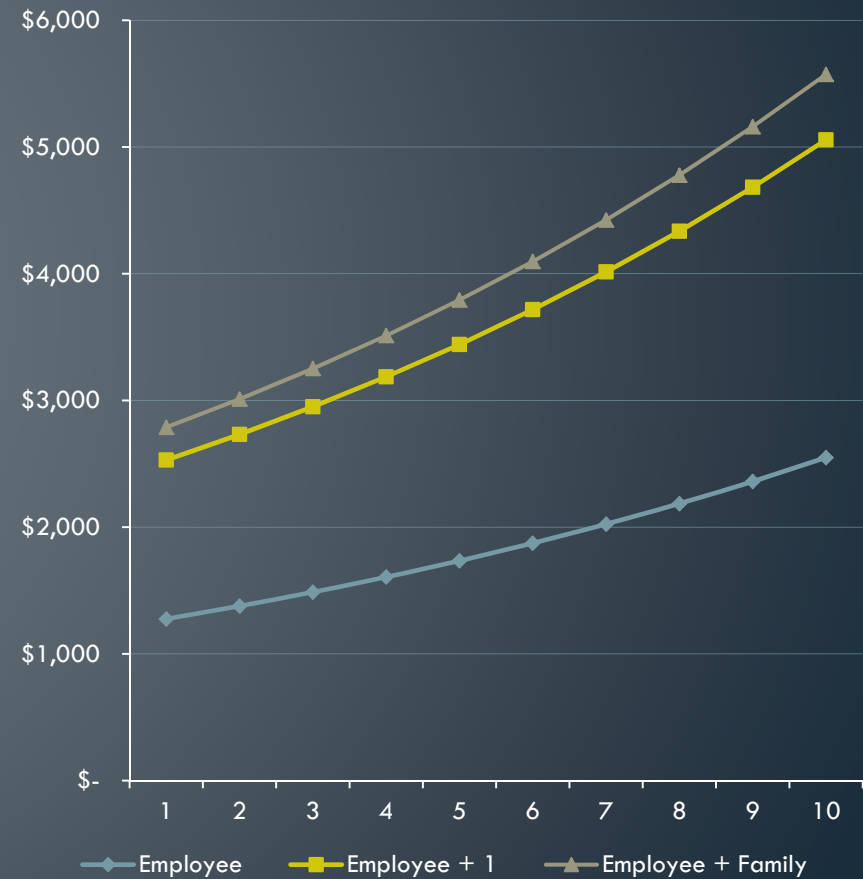
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Projected Annual Retiree Premiums – First 10 Years

5% Annual Premium Increase

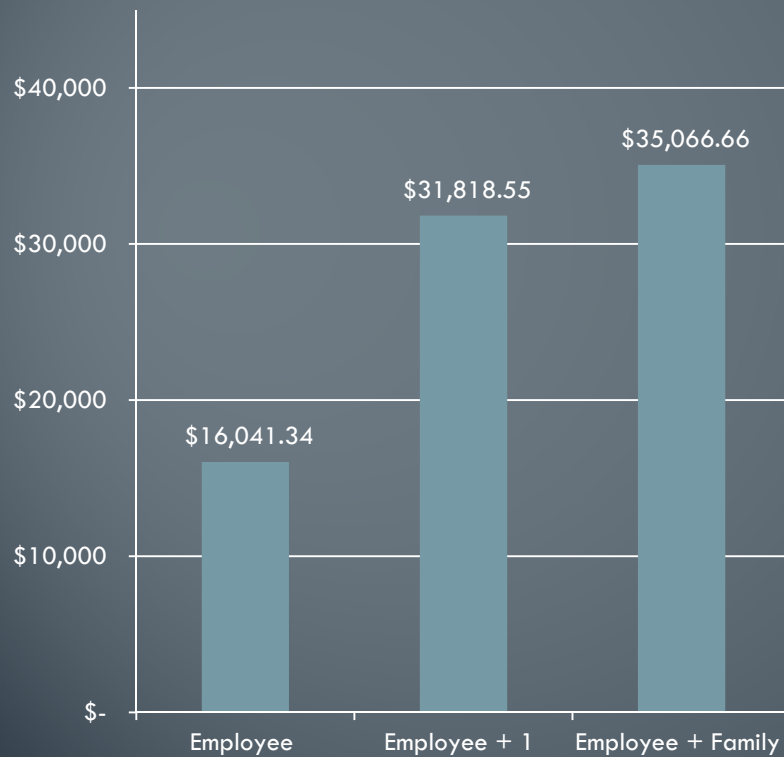


8% Annual Premium Increase

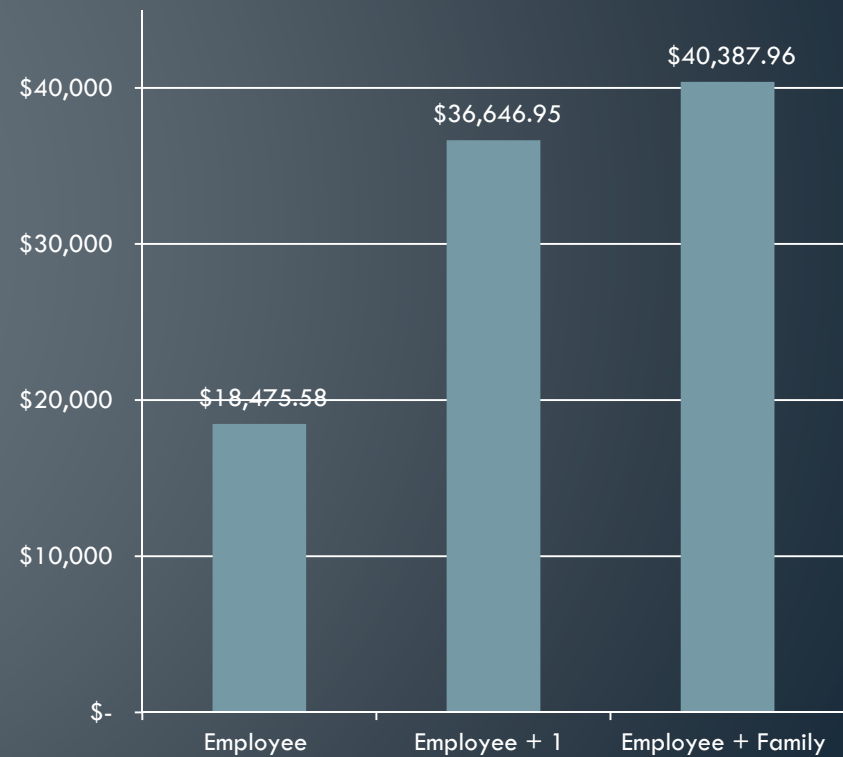


Projected Total Retiree Premiums Paid – First 10 Years

5% Annual Premium Increase



8% Annual Premium Increase



Considerations

- No premiums for individuals who retire prior to January 1, 2013.
- After January 1, 2013, premiums will be paid on an after-tax basis, to Conexis.
 - Monthly invoice sent.
 - Can have some premiums withheld from last check, pre-tax.
- AUI/NRAO will continue to evaluate the best option for retiree medical coverage.
- Benefit is NOT guaranteed.

Questions?

Contact Denise Merricks at
dmerrick@nrao.edu