Retiree Medical Study

Leadership Update

November 2015
Retiree Medical Study Objectives

➢ Ensure retirees and university are getting the most for their dollar
  ➢ Affordable, accessible retiree medical plans are now available in the market
  ➢ Taking advantage of options such as Medicare subsidies could lower costs

➢ Ensure university can continue insurance benefits (medical, dental, life) for current retirees
  ➢ By 2019 the liability for current and future retiree medical benefits will be over $1 billion, increasing to $4.5 billion in 30 years
  ➢ Recent finalized Governmental Accounting Standards Board (GASB) ruling means the university will need to begin to fund the liability
  ➢ This is additional money that will increase the benefit rate
Our challenge: Current liability projection

- $808M in 2015
- $4.5B in 2045
Project timeline

Progress to Date

- Announce Study
- Launch Dedicated Website
- Conduct Listening Tour
- Develop Potential Designs
- Review Current Plan
- Conduct Benchmarking and Marketplace Review
- Conduct Focus Group Testing
- Finalize Plan Analysis
- Develop Implementation/Communication Strategy
- TRAC Review
- Announce Direction
- Retiree plan implemented
Eligibility for insurance benefits

- Age 55 and at least 10 years of service, or age 60 with at least 5 years of service
- Generally, spouses are eligible for lifetime coverage
- Same eligibility applies to retiree dental and life
- Must have UM benefits prior to retirement
Current retiree medical plans

- **Pre Medicare retirees**
  - PPO Plan
  - Healthy Savings Plan

- **Post-Medicare retirees**
  - myRetiree Health Plan
  - Healthy Savings Plan

- **Subsidy** – UM subsidy varies based on age and years of service at retirement but averages 50%
Changes outside the university

➢ Only 6 million of 45 million Medicare retirees have coverage through an employer plan
➢ Market plans for Medicare-eligible are robust and offer universal access
➢ Significant federal subsidies are available to complement or replace Medicare
➢ Enhanced Medicare pharmacy benefit by 2020 (provided through Affordable Care Act)
➢ Pre-65 options are developing
The “levers” for Retiree Medical Program

- Eligibility and/or vesting (*who gets benefits?*)
  - Who receives the benefit (and for how long)?
  - How much of a benefit do they receive?
  - Are spouses covered; what about widow(er)s?
- Plan design (*what do they get?*)
- Cost sharing for medical expenses
  - Coinsurance, copays, deductible
- Employer funding (*how much does UM pay?*)
Current retiree recommendations

- Preserve plans (medical, dental, life)
- Continue current UM subsidy of premiums
- Take advantage of market options to increase value / lower cost
Status of future retiree medical benefits for active employees

- Plan will likely close to new hires
- Multiple options developed
  - Being reviewed by the Total Rewards Advisory Committee (TRAC), who will make recommendation(s) to VP of HR
  - Targeting December 2015 or February 2016 recommendations to Board of Curators
- Ample time and support resources will be provided to faculty and staff to consider any changes