

May 5, 2010

To: Members of the Retirees Committee

From: Liz Koppenhaver, Elected Retired Trustee

**Subject: Summary of the May 5, 2010 Retirees Committee Meeting**

Trustee Liz Koppenhaver called the May 5, 2010 meeting to order at 11:00a.m. Committee members present were George Dewey, Dale Amaral, Annette Cain-Darnes, and Elizabeth Rogers. Other Board members present were Keith Carson, Dave Safer, Darryl Walker, and George Wood. Staff present were Catherine Walker, Assistant Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Bob Gaumer, Chief Counsel; J.P. Singh, Chief Financial Officer; Rose Kwong, Benefits Manager; Harsh Jadhav, Internal Auditor; and Mike Fara, Communications Manager.

### **ACTION ITEMS**

There were no action items for discussion.

### **INFORMATION ITEMS**

#### **1. Medical Plan Coverage and Subsidies Provided by '37 Act Systems**

At the March 30<sup>th</sup> SRBR/Medical Plan Workshop, Board Members requested that Staff conduct a survey of other retirement systems concerning medical plan coverage and subsidies offered to retirees. The survey was sent to the other nineteen '37 Act Counties and two City Retirement Systems. The survey contained ten questions concerning medical plan coverage, contributions, eligibility, and funding. Of the twenty two systems sent the survey, fourteen responded. Information for systems that did not respond was obtained from the System and/or Employer websites.

All systems surveyed offer medical insurance to retirees, with twenty of the systems providing contributions toward medical coverage. When compared to other systems, the subsidy amounts provided by ACERA are average to above average. Contribution amounts vary widely, with at least one system suspending subsidy payments, and another considering a 50% reduction in future years. In six counties, the Retirement System provides contributions, while in sixteen counties, the Employer contributes. Five counties fund contributions through an SRBR or excess earnings. Three counties use a 401(h) Account, and one County invests funds with CalPERS.

The Committee asked if in all systems the health plan subsidy contributions are non-vested. According to the survey responses and website information, no system states that their health plan contributions are guaranteed, and for most systems, they are specified as contingent on funds availability.

In reviewing survey responses, Staff also noticed plan options offered by other Systems that might be advantageous to ACERA. These include “high/low” deductible plans and a Kaiser out-of-service area plan. Staff has asked ACERA’s Benefits Consultant to further research these plans.

The Committee requested Staff to follow-up with those Systems that have separate retiree medical plan coverage to see what premiums are being paid under those plans and whether retirees are satisfied with the plan coverage. Staff will conduct a follow-up survey addressing these questions.

At the June Operations and Retirees Committee Meetings, Staff will provide a list of potential cost saving measures and a proposed funding policy for the Supplemental Retiree Benefits Reserve (SRBR).

## **2. ACERA Medical Plan Renewal Requests to County of Alameda for PY 2011**

Each year, ACERA issues a letter to the County to communicate the Association’s medical plan renewal requests for the upcoming plan year. In addition to standing requests for premium information, etc., ACERA’s renewal letter includes several new requests for plan year 2011. These include additional meetings with the County prior to renewals being finalized, timely notification from CMS of changed Enrollment Forms, Low Income Subsidy Rates, Multi-site Kaiser Rates, and Decomposite (unblended) rates. As is done annually, Staff also requested that all Medicare Plan rates be bundled to include Medicare Part D.

A large portion of this year’s renewal letter pertains to the new Healthcare Reform Legislation requesting that the County confirm that ACERA-sponsored medical contracts conform to the new provisions. These include elimination of lifetime limits and pre-existing condition limits, and co-pay for preventive care services.

The renewal letter also requested information on the County’s 2009-2010 disease management and wellness initiatives and their impact on claims experience. At the Committee’s request, Staff will report back on the specific programs being offered by Kaiser for the ACERA retiree population.

## **3. Report on Annual Health Plan Meeting with Retiree Groups**

On April 7, 2010, Staff held its annual meeting with the Retiree Organizations (ACRE and REAC) to discuss issues concerning the ACERA-sponsored medical, dental and vision plans. The discussion focused on co-pay refunds for PacifiCare/UnitedHealthcare (PUHC) plan enrollees due to late notice of Rx tier changes. Also discussed was the continued confusion over PUHC’s annual plan name

changes. For the Kaiser plan, ACERA received complaints about extended emergency room wait times with lack of food, and the quality of hospital food in general. ACERA Staff has forwarded all issues reported by the Retiree Groups to its carrier representatives for response and resolution.

As requested by the Retiree Groups, Staff will make several modifications to ACERA's Open Enrollment Materials for plan year 2011 that will help retirees better understand their plan benefits.

#### **4. 2011 Plan Year Open Enrollment Timeline**

Staff highlighted open enrollment activities scheduled for plan year 2011 and associated items to be brought before the Retirees Committee in calendar year 2010. Among these activities, Staff and ACERA's Benefits Consultant will conduct an updated RFI (Request for Information) on the Kaiser and PacifiCare/UnitedHealthcare plans for separate retiree coverage. Staff is also in the process of conducting a Vision Care RFP and will present the top three candidates to the Committee in June.

The annual Health Fair will take place on October 29<sup>th</sup>, 2010 from 10:00am-2:00pm at the Oakland Airport Hilton. ACERA's Open Enrollment period will again run from November 1<sup>st</sup> through November 30<sup>th</sup>, 2010. At the Health Fair, ACERA will offer two sessions of its "Wills, Trusts, and Power of Attorney" seminar, and another seminar on either disease management/wellness, or preventing identity theft.

#### **5. Report of Medical Benefit Plan Issues (ACERA-sponsored plans)**

Staff provided a summary of plan issues and/or changes which this month involved multiple carriers. Issues include Delta Dental plan improvements effective February 1, 2010, a notice from UnitedHealthcare to ACERA Senior Supplement Plan members about upcoming mailings, new Anthem Blue Cross ID Cards, and CalPERS Long Term Care premium increases. A notice regarding each of these items will be placed in the upcoming ACERA 'What's Up' Newsletter.

A member of the Committee commented that CalPERS Long-Term Care recently underwent an audit and was found not in compliance with underwriting requirements. Ava Lavender, Employee Benefits Manager, reported that the County will be looking at other vendors and will keep ACERA informed of its RFP/RFI process.

#### **6. Healthcare Reform Update**

Woodruff-Sawyer & Co., ACERA's Benefits Consultant, updated the Committee on provisions of the House approved "Patient Protection and Affordable Care Act Bill" (HR 3590) that are set to take effect in 2010 and 2011.

Provisions to take effect in 2010 that will affect ACERA plans and/or coverage:

- Extension of Dependent Medical Coverage to Age 26: A parent (member) has the option to cover their uninsured dependent (child) on their health plan to age 26.

For ACERA, this provision will take effect at the start of the next plan year, February 1, 2011. Although medical carriers are allowing coverage now, the County reported they have elected to wait and roll out age 26 dependent coverage with the 2011 contract renewal.

- Reinsurance Programs for Early Retirees, scheduled to start in June 2010, which establishes a temporary fund of \$5 billion to reimburse employers 80% of retiree claims between \$15,000 and \$90,000. Ava Lavender, Benefits Manager, reported that as the plan contract holder, the County will apply for reimbursement.
- Pre-existing exclusions cannot be imposed on children under age 19. This will affect ACERA's PPO plan. In its renewal letter, ACERA requested a change in the plan provisions to comply with the legislation.
- Prohibiting of lifetime limits on the dollar value of coverage. This will affect ACERA's PPO plans and the Kaiser multi-site Hawaii plan. In its renewal letter, ACERA requested a change in the plan provisions to comply with the legislation.
- Elimination of co-pays and co-insurance for preventative care services. Woodruff-Sawyer is awaiting specifics as to what services will qualify as "preventative".
- The Medicare Part B premium income threshold will be frozen at 2010 levels for the next nine years, through 2019.

Woodruff-Sawyer also reported that the reduction in federal reimbursement of Medicare Advantage plans will not take effect until 2012; there will be no changes in subsidy amounts for plan year 2011. Although the reimbursement amount is expected to drop, these plans can earn bonus funding for cost-effectiveness. Kaiser has advised Woodruff-Sawyer that they expect to be eligible for the bonus funding and fully expect to continue their Medicare Advantage Plans.

#### **TRUSTEE/PUBLIC INPUT**

Olga Kempton of ACRE passed along an important public health announcement from the CDC concerning smallpox exposure. Doug Smith of Woodruff-Sawyer noted that the H1N1 vaccine will be part of the seasonal flu vaccines offered by ACERA's medical plan providers. Janet Waring of REAC reported she made contact with a new Administrator with the CalPERS Long-Term Care Program and has received a report on the plan's claims approval rating. She offered to provide the administrator's contact information upon request.

#### **RECOMMENDATIONS**

None.

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**FUTURE DISCUSSION ITEMS**

As noted on the agenda.

**ESTABLISHMENT OF NEXT MEETING DATE**

The next meeting is scheduled for June 2, 2010 at 10:30 a.m.

**MEETING ADJOURNED**

The meeting adjourned at 12:10p.m.

**DISCLOSURES/RECUSALS**

None