

Committee on Retiree Health Benefits

Retiree Presentation

March 5, 2010

Retiree Health Care Eligibility

Medical/Rx University Contribution Formula

Retired Prior to 1/1/1987	Retiring On/After 1/1/1987	
	Hired Prior to 7/1/1988 ¹	Hired On/After 7/1/1988
University contributes 100% of premium cost.	Single Coverage: 93% of average premium cost for two lowest cost comprehensive plans.	Before Age-62: Retiree contributes 100% of cost (based on active premium rate).
	Dependent Coverage: 66% pre-65 and 70% post-65 of average premium cost for dependent coverage in two lowest cost comprehensive plans.	After Age-62: As shown at left for those retiring on/after 1/1/1987 and hired prior to 7/1/1988.

¹ Reflects contribution structure for 2011 and beyond, as announced in 2009

Single UC Coverage 93%

Pre 65 \$406

Post 65 \$ 282

UC Dependent Coverage 66%/70%

Pre 65 (66%) \$288

Post 65 (70%) \$212

UM - Retiree Benefits

Insurance Coverage For Eligible Faculty and Staff
Includes the Following:

- Medical Insurance
- Prescription Drugs
- Dental Insurance
- Life Insurance

Retirement Eligibility: Age and Service

Age & Service Requirements for Postretirement Benefits		
Age at Retirement If Benefits Eligibility Date is:	Minimum Years of Continuous “Benefit Eligible” Service	
	Before October 1, 1983	On or After October 1, 1983
50 or less	Not applicable	30
51 but less than 52	N/A	28
52 but less than 53	N/A	26
53 but less than 54	N/A	24
54 but less than 55	N/A	22
55 but less than 56	N/A	20
56 but less than 57	N/A	18
57 but less than 58	N/A	16
58 but less than 59	N/A	14
59 but less than 60	10	12
60 and over	5	10

Key Principle to Guide Committee Recommendations

Consideration of Impact

- with the greatest affect on new hires,
- followed by faculty and staff not yet eligible to retire,
- then faculty and staff who could retire now,
- and the least impact on current retirees

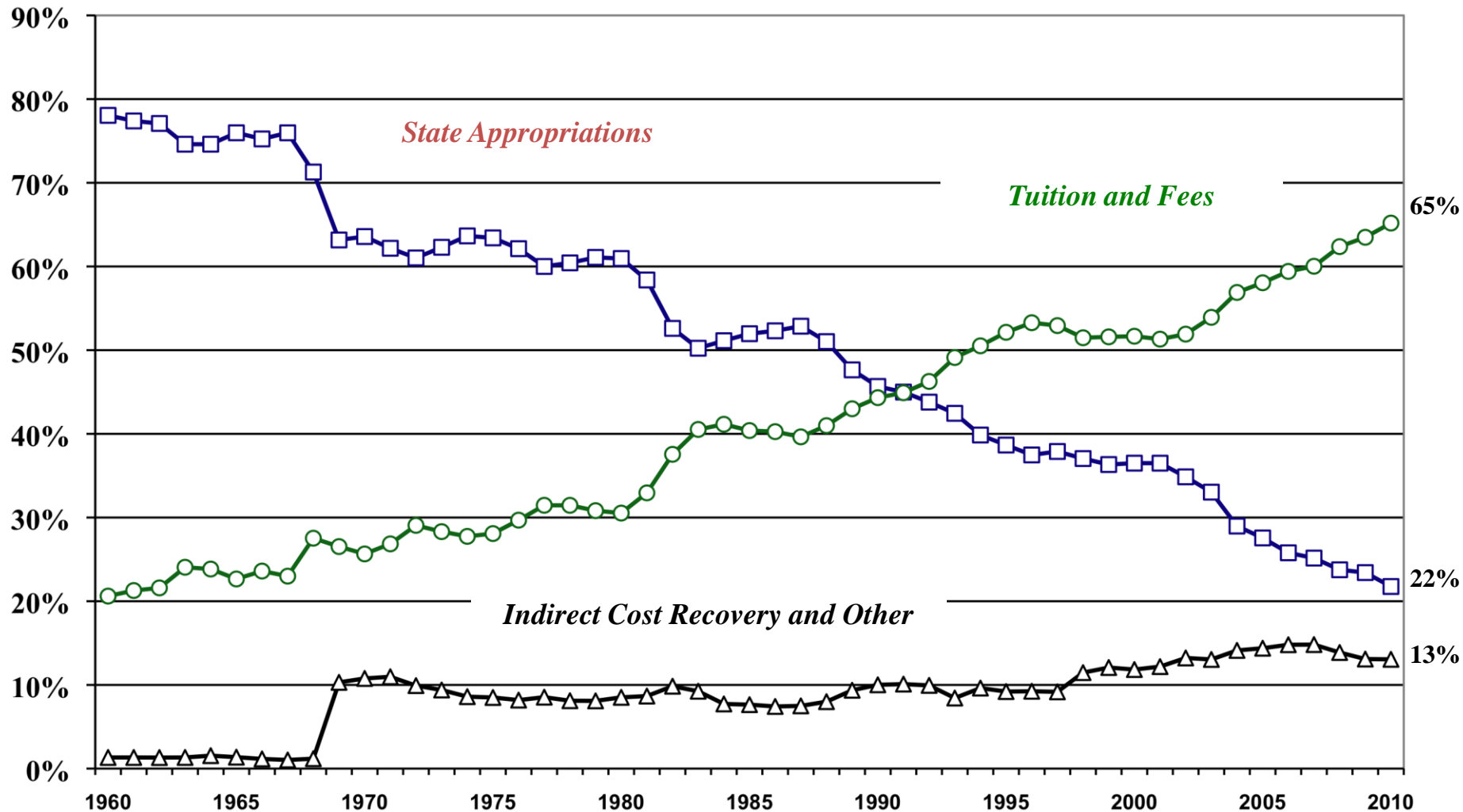
Benefit Strategies and Principles

Benefit Strategies and Principles

- Quality programs at affordable cost
- Market-competitive programs to recruit and retain faculty and staff
- Responsible fiscal agent and resource steward
- Plan choice
- Enable informed decision-making
- Leverage internal and external expertise in development of innovative benefit design and programs to promote a culture of health

UM's Financial Outlook: FY10-FY12

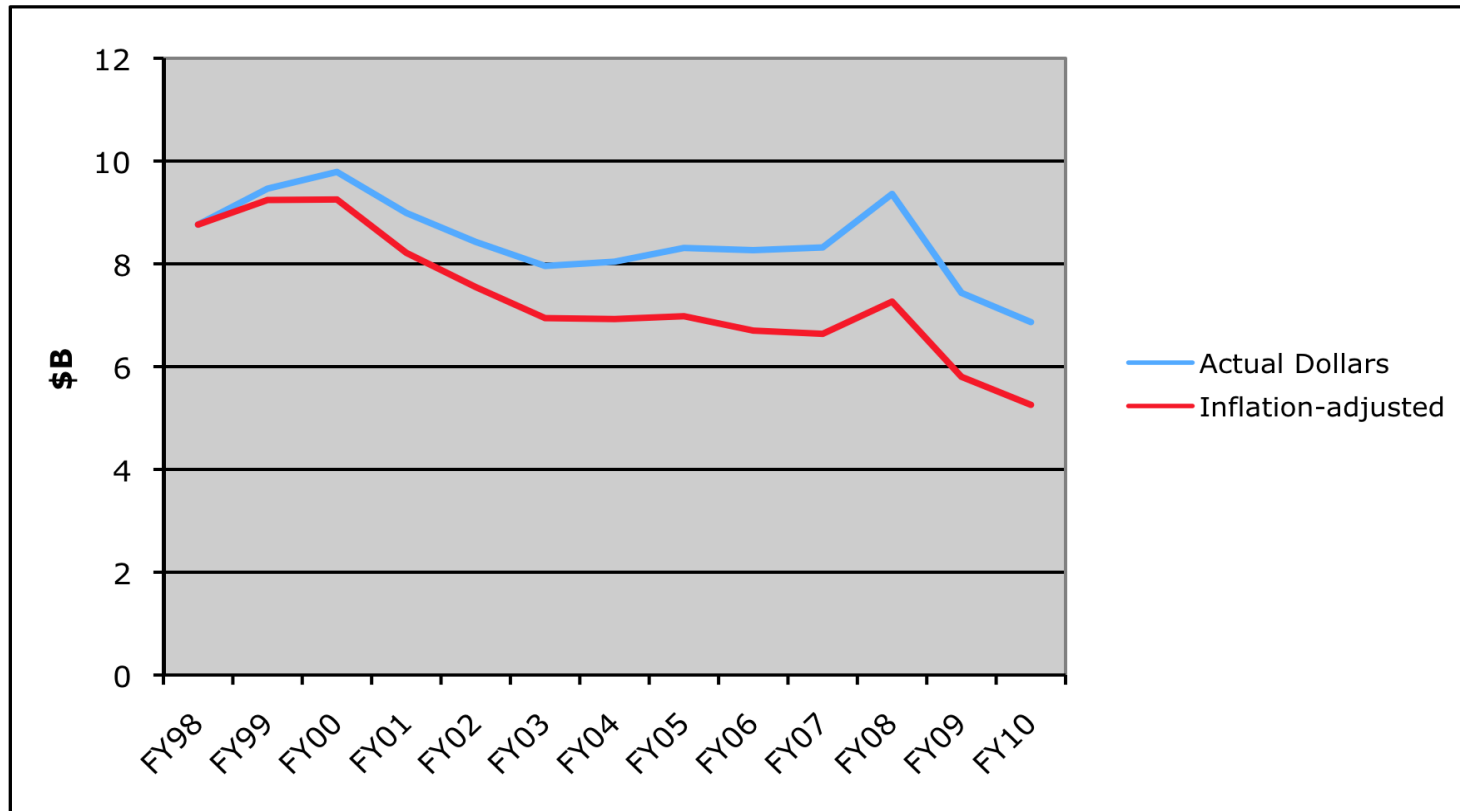
The Changing Mix of General Fund Revenue



UM Anticipates Further Reductions in State Appropriation Over the Next Few Years

- State General Fund Budget:
 - Revenues fell well short of expenditures in each of the last two years
 - The State made some difficult cuts and filled remaining gap with federal stimulus funding
- The State is projected to face a deficit of over \$1B in the next fiscal year after federal stimulus funding has been exhausted
 - Current year's expenditures are projected to exceed next year's revenues by 18%
- UM is planning for these realities

State's Inflation-Adjusted GF Revenues Are Down 43.2% Since FY2000



Committee on Retiree Health Benefits (CORHB)

Scope:

- Applies to current retirees, future retirees, and dependents of retirees
- Provide advice, guidance and recommendations that will better align UM retiree health benefits with the market

Committee on Retiree Health Benefits (CORHB)

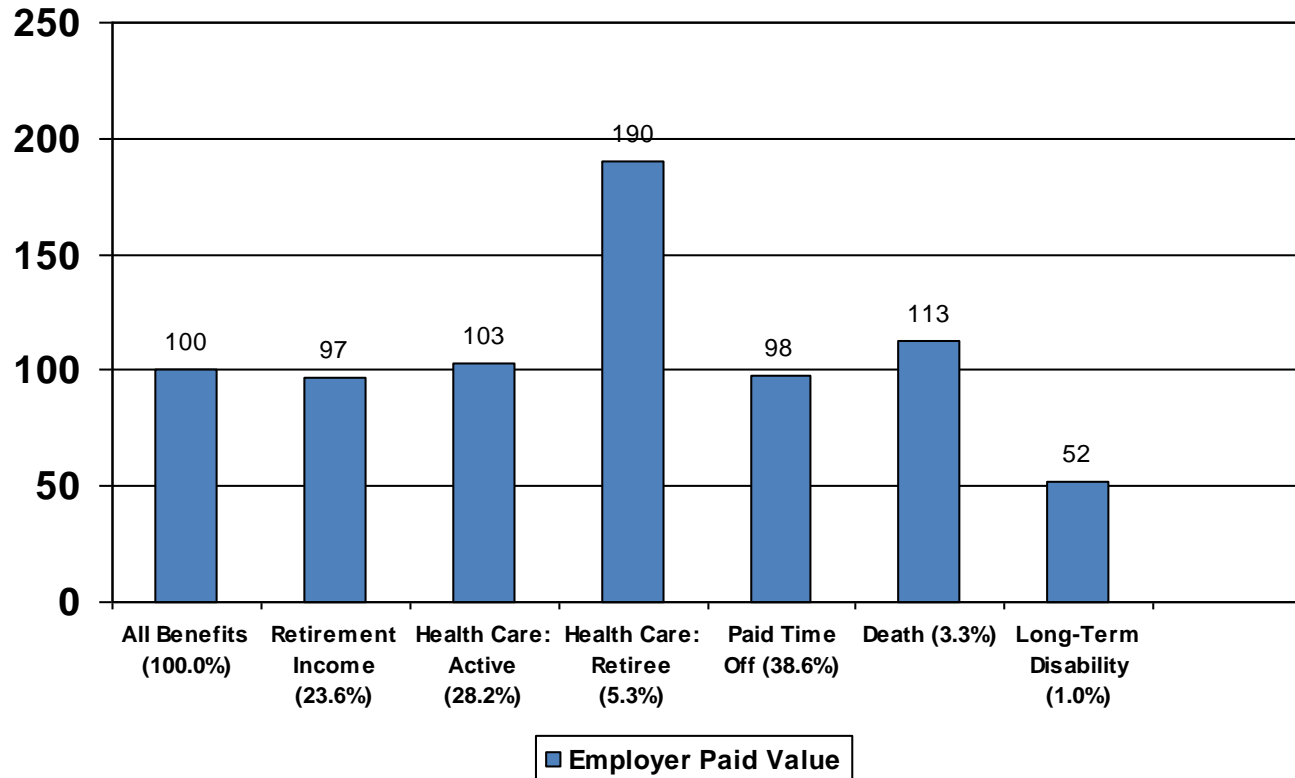
Recommendations will address:

- Access and eligibility requirements for current and future faculty and staff and their dependents; and
- Health care contribution levels and cost sharing for current and future retirees

<http://benefitsstewardship.umich.edu/>

Our Current Market Position

Market Position with 2010/2011 Changes Implemented



All Benefits: Retirement Income, Health Care, Paid Time Off, Death, Long-term Disability, Paid Time Off: Holidays, Vacation, Short-term Disability; Percents in parentheses displayed with the graph labels indicate the percent of the total BI score a particular benefit represents for the University of Michigan.

Example:

UM Retiree Health Insurance Costs: 2010

Coverage Type	BCBSM Community Blue PPO	UM Premier Care
1 Person Regular		
Employee Contribution	\$ 96.00	\$ 24.00
University Contribution	<u>\$ 411.00</u>	<u>\$ 411.00</u>
	\$ 507.00	\$ 435.00
2 People Regular		
Employee Contribution	\$ 288.00	\$ 144.00
University Contribution	<u>\$ 726.00</u>	<u>\$ 726.00</u>
	\$1014.00	\$ 870.00
1 Person with Medicare		
Employee Contribution	\$ 18.00	\$ 18.00
University Contribution	<u>\$ 285.00</u>	<u>\$ 285.00</u>
	\$ 303.00	\$ 303.00
2 People with Medicare		
Employee Contribution	\$ 100.00	\$ 100.00
University Contribution	<u>\$ 506.00</u>	<u>\$ 506.00</u>
	\$ 606.00	\$ 606.00

Individuals hired after 07-01-88 and retired prior to age 62 must pay the full cost of the medical and dental insurance until age 62 (*Employee & University contributions*)

Benchmarking Peer Institutions

University Benchmarks: 27 Comparators

- Brown University
- Case Western Reserve University
- Columbia University
- Cornell University
- Duke University
- Emory University
- Harvard University
- Henry Ford Health System
- The Johns Hopkins University
- Michigan State University
- New York University
- Northwestern University
- Princeton University
- Stanford University
- University of California
- University of Chicago
- The University of Iowa
- University of Maryland
- University of Minnesota
- University of North Carolina at Chapel Hill
- University of Pennsylvania
- The University of Southern California
- University of Texas
- University of Virginia
- University of Wisconsin
- Washington University
- Yale University

Benchmarking: 2009 Retiree Health Care

- 2 of the 27 peer institutions provide no access (no coverage)
- 25 of 27 peer institutions provide **health care benefits access** to retirees
 - **6 provide access only for pre-65 retirees**
 - **7 provide access only for post-65 retirees**
 - **10 provide access only for dependents of retirees**
- 19 of 27 peers provide a **retiree health benefit subsidy (contribution)**
 - **19 provide a university contribution for pre-65**
 - **18 provide a contribution for post-65 retirees**
- 15 of 27 peers provide a **subsidy (contribution) for dependents of retirees**
- UM's medical plans available to retirees are above average
- UM's contributions are significantly higher than most of the peer universities for pre-65 benefits for those retiring at age 62+ and for retiree post-65 benefits

Retiree Health Contributions at Peer Institutions

Peer universities providing a health care subsidy (contribution) provide much lower retiree contribution than UM

Peer Retiree Contributions	Single	2 Person (Adult)
Pre 65	73%	65%
Post 65	71%	60%

UM Retiree Contributions	Single	2 person (Adult)
2011 COSHB		
Pre -65	93%	80%
Post 65 (Medicare)	93%	82%

Example: 2010 Current Vs. Peer Markets

Coverage Type	BCBSM Community Blue PPO	UM Premier Care	% Peer Market Contribution	Highest Enrolled* Plan – with Peer Market Contributions %
Pre 65 1 Person Regular				
Retiree Contribution	\$ 96.00	\$ 24.00	73%	\$117.00
University Contribution	<u>\$ 411.00</u>	<u>\$ 411.00</u>		<u>\$318.00</u>
	\$ 507.00	\$ 435.00		\$435.00
2 People Regular				
Retiree Contribution	\$ 288.00	\$ 144.00	65%	\$304.00
University Contribution	<u>\$ 726.00</u>	<u>\$ 726.00</u>		<u>\$566.00</u>
	\$1014.00	\$ 870.00		\$870.00
Post 65 1 Person Regular				
Retiree Contribution	\$ 18.00	\$ 18.00	71%	\$ 88.00
University Contribution	<u>\$ 285.00</u>	<u>\$ 285.00</u>		<u>\$215.00</u>
	\$ 303.00	\$ 303.00		\$303.00
2 People Regular				
Retiree Contribution	\$ 100.00	\$ 100.00	60%	\$242.00
University Contribution	<u>\$ 506.00</u>	<u>\$ 506.00</u>		<u>\$364.00</u>
	\$ 606.00	\$ 606.00		\$606.00

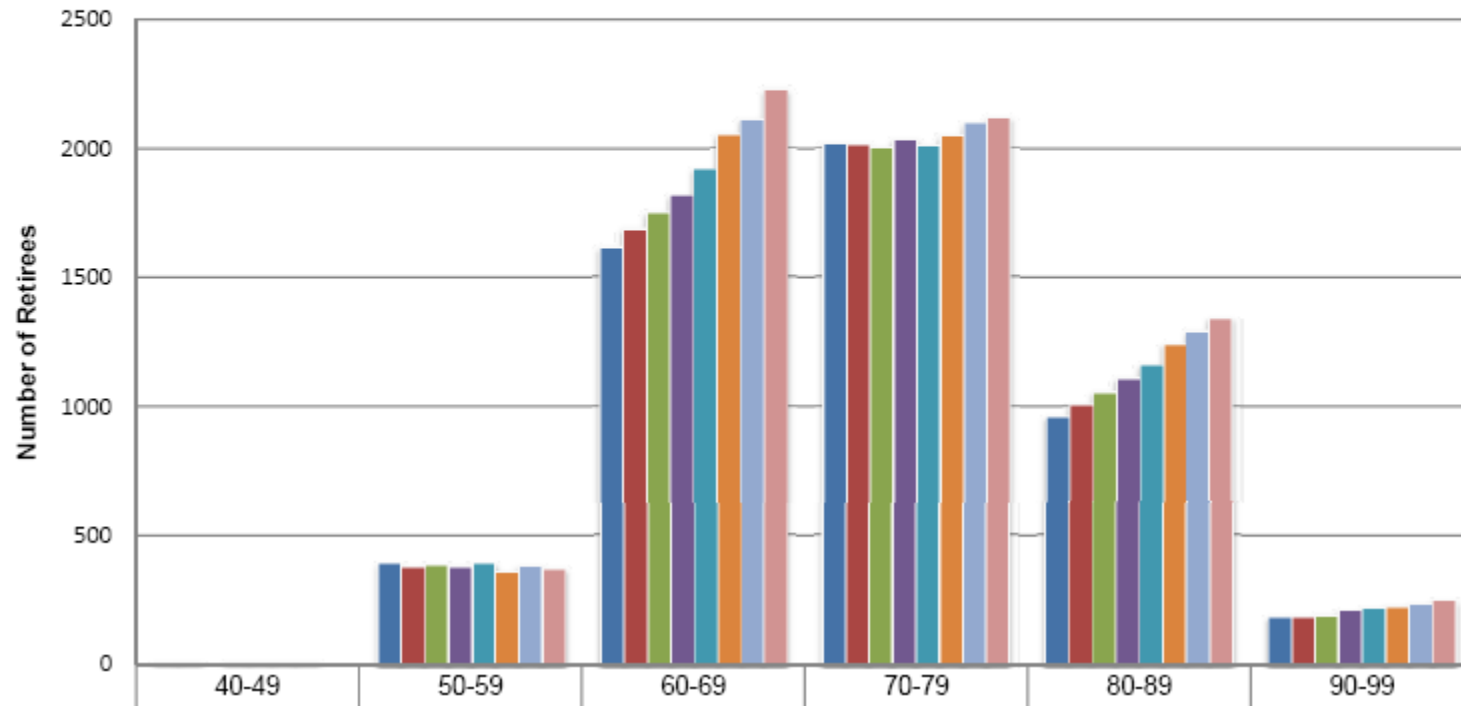
Individuals hired after 07-01-88 and retired prior to age 62 must pay the full cost of the medical and dental insurance until age 62 (*Employee & University contributions*). Highest Enrolled plan for pre 65: Premier care; and for post 65 Medicare: BCBS PPO

Current Retiree Demographics and Future Health Care Costs

Retiree Age Profile 2002 -2009

University of Michigan - Retiree Age Profile Growth Trends by Age Group 2002-2009

data as of January 1 of each year



Retiree Health Care - Demographic Profile

- As of January 2009, UM has 6,968 retirees with retiree health care
 - 6,161 retirees in BCBS PPO Plan
 - 5,065 retirees in plan are ≥ 65
- Retiree population is about 10% of our covered healthcare population
- 65% of all retirees have single (one person) contracts

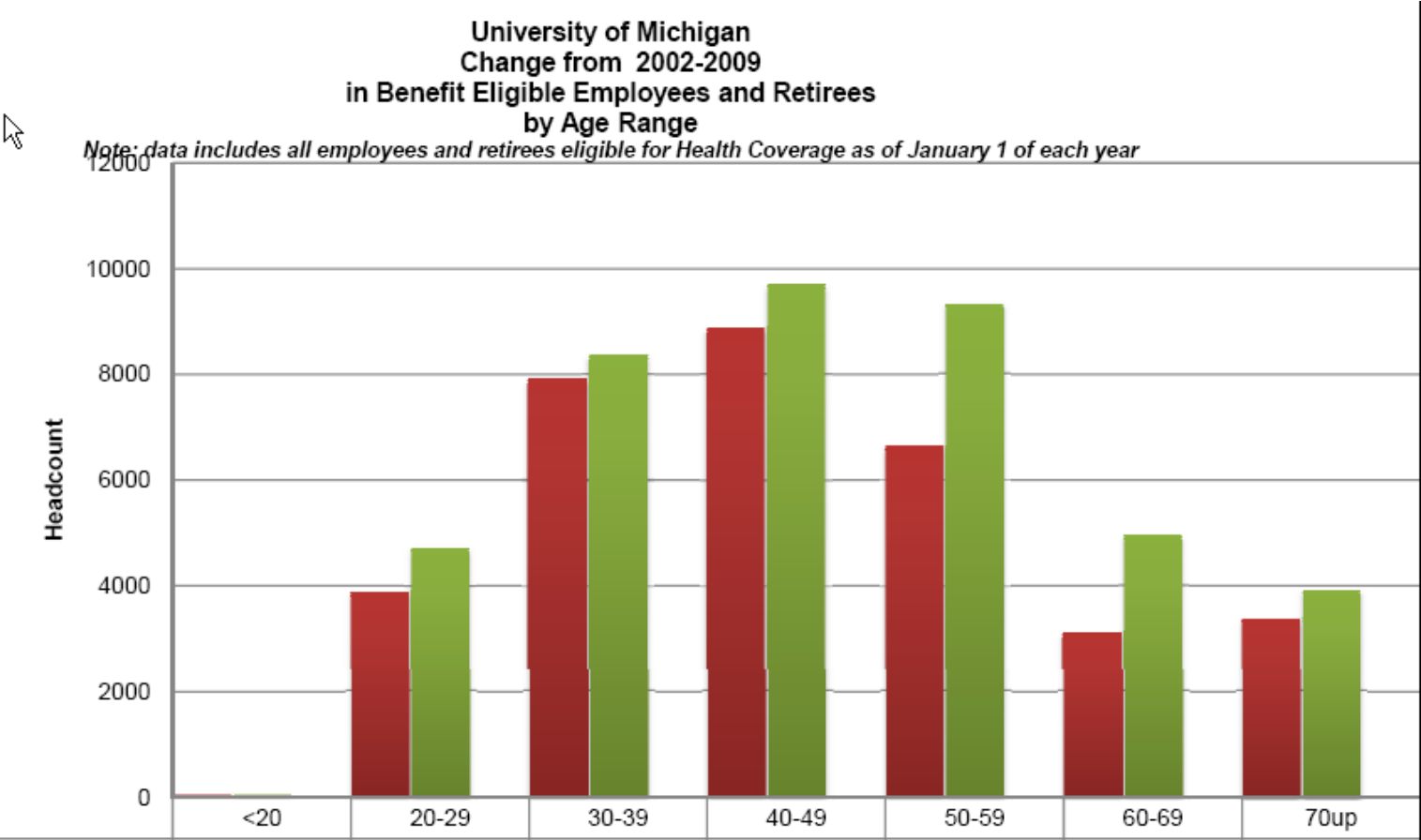
Future UM Retiree Health Care Costs

- The number of retiree contracts is estimated to grow :
from almost **6,968** in 2009 to **12,460** in 2024
- Current FY 2009 Retiree Health Care Costs:
\$39,899,000
- Future contribution cost/contract projections:

Fiscal Year	FY 2009	FY 2014	FY 2019	FY 2024
University Retiree Expense	\$39,899,000	\$55,813,000	\$81,798,000	\$119,845,000
Projected Retiree Contracts	6,968	8,060	9,832	12,460

Demographics Driving Change

Benefit Eligible Faculty, Staff and Retirees 2002 -2009



Focus Group Questions

Appendix

Other University Benefits Available

- Faculty and Staff Assistance Program (FASAP)
FASAP provides confidential information to individuals with persistent and potentially personal problems
- Athletic Tickets
Retirees can purchase athletic tickets to events by contacting the UM Athletic Ticket Office
- Recreation Sports Facilities
Retirees may continue to use University recreational facilities by purchasing a membership
- Library Privileges
Retirees can have borrow privileges at the UM libraries

Other University Benefits Available

- Computing Services
 - Have continued use of their UM email box, unique name, password & directory entries at no charge. (*A commercial Internet service is required.*)
 - May purchase a subscription to UM Online
 - Use of the full-service Campus Computing Sites (UM Online subscription must be purchased)
- Retired Emeritus or Emeriti Faculty
 - Have basic computing package services at no charge through UM Information Technology Central Services (ITCS)
 - May purchase computer hardware & software at discounted rates through ITCS
 - May use the full service Campus Computing Sites

Other University Benefits Available

- Retiree ID Card

Your UM Retiree ID card will enable you to take advantage of many of the UM retiree privileges you had as a staff member, such as athletic ticket discounts and library privileges.

- Parking

Retirees can obtain a free “After Hours” permit. This can be used in Blue, Yellow and Orange areas after 3:00 pm weekdays and throughout the weekend. It is ***not*** valid for Athletic events.