

Committee on Retiree Health Benefits

Presentation Flint Campus

March 3, 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.	<p>Single Coverage: 93% of average premium cost for two lowest cost comprehensive plans.</p> <p>Dependent Coverage: 66% pre-65 and 70% post-65 of average premium cost for dependent coverage in two lowest cost comprehensive plans.</p>	<p>Before Age-62: Retiree contributes 100% of cost (based on active premium rate).</p> <p>After Age-62: As shown at left for those retiring on/after 1/1/1987 and hired prior to 7/1/1988.</p>

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

Minimum Years of Continuous “Benefit Eligible” Service

Age at Retirement If Benefits Eligibility Date is:	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

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)

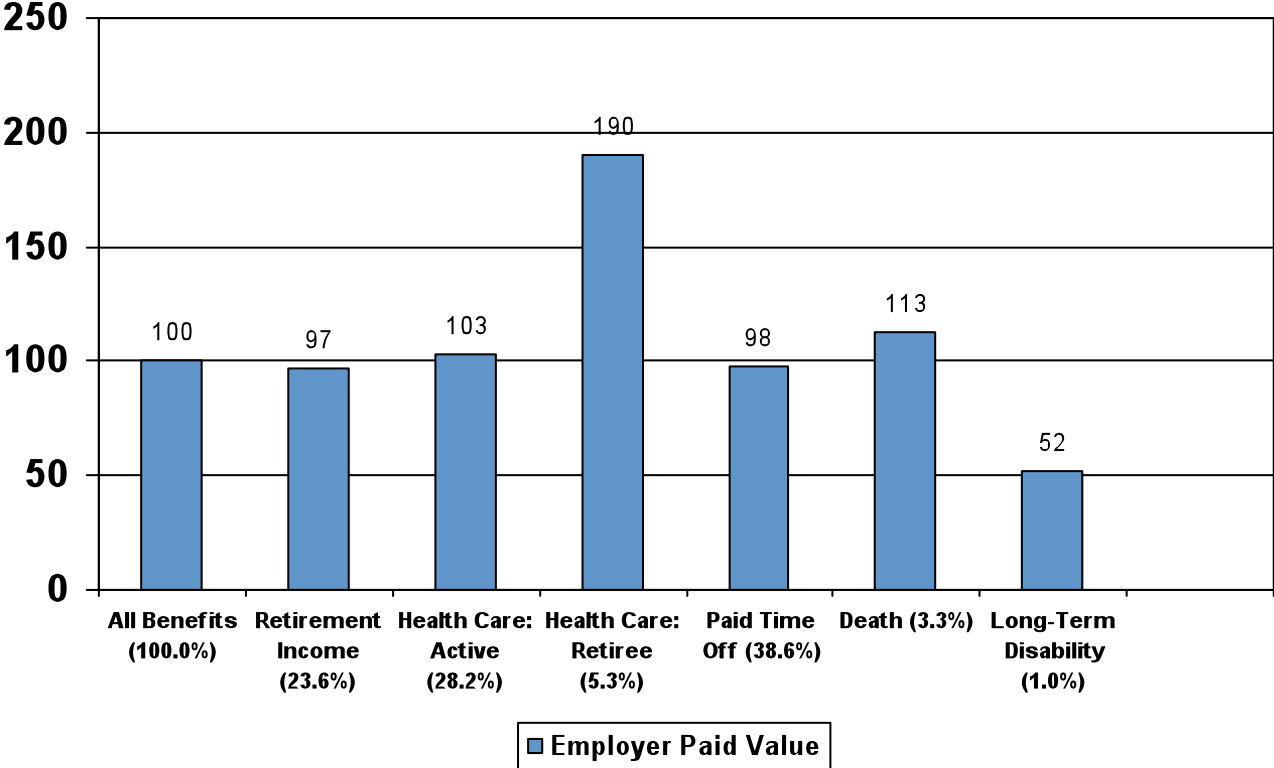
Recommendations will address:

- 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.

State Universities: 2009 Retiree Health Benefits

Central Michigan University

Eastern Michigan University

Ferris State University

Grand Valley State University

Lake Superior State University

Michigan State University

Michigan Technological University

Northern Michigan University

Oakland University

Saginaw Valley State University

Western Michigan University

Wayne State University

State Universities: 2009 Retiree Health Benefits

- 3 of the institutions provide no access (no coverage to either pre 65 or post 65 retirees)
- 8 provide **health care benefits access** to retirees (pre 65 and post 65)
- 3 provide a **retiree health benefit subsidy (contribution)**
- 2 provide a **subsidy (contribution) for dependents of retirees**

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**

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

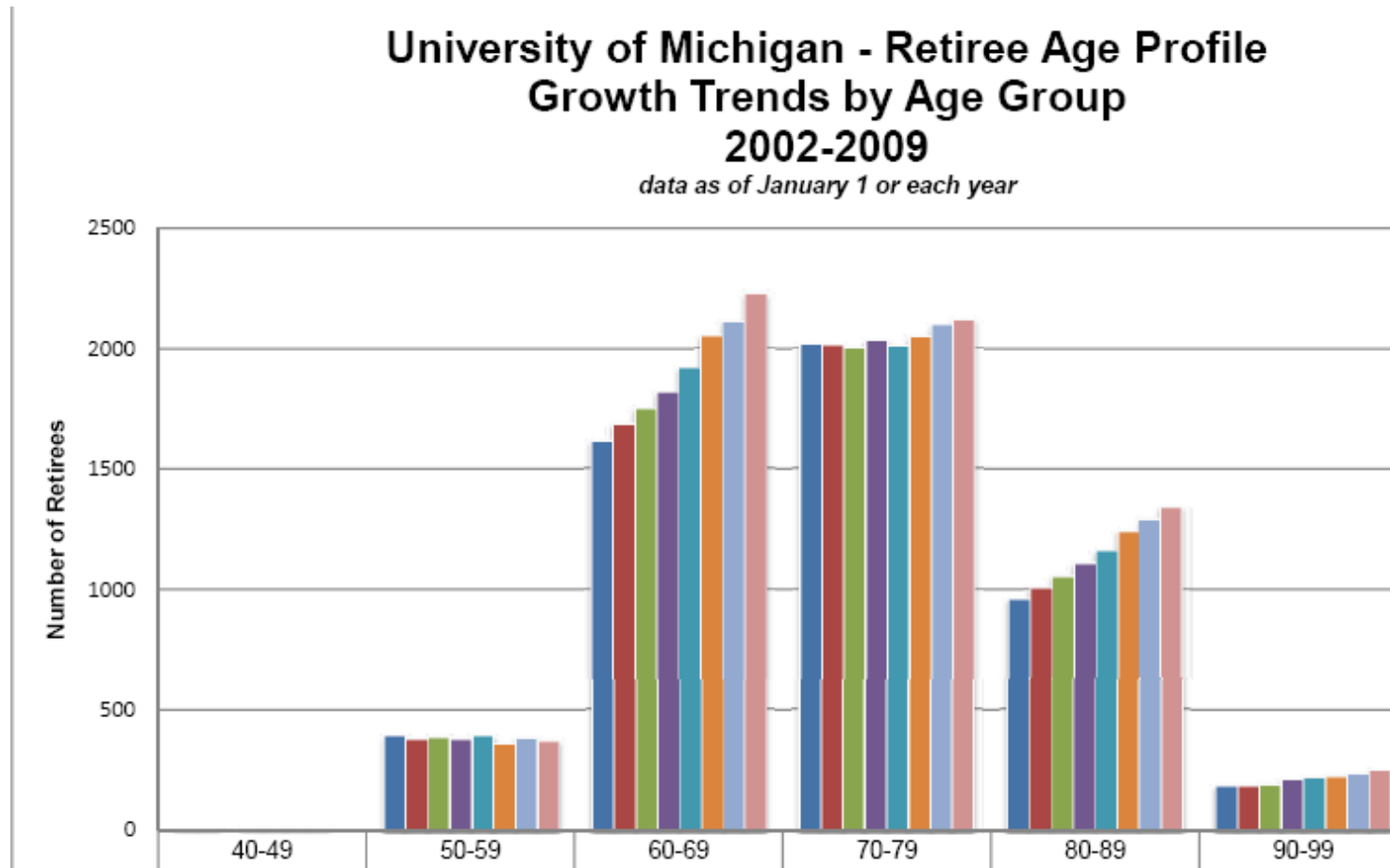
Individuals hired after 07-01-88 and retired prior to age 62 must pay the full cost of the medical and dental insurance until age 62 (*Employee & University contributions*). Highest Enrolled plan for pre 65: Premier care; and for post 65 Medicare: BCBS PPO

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

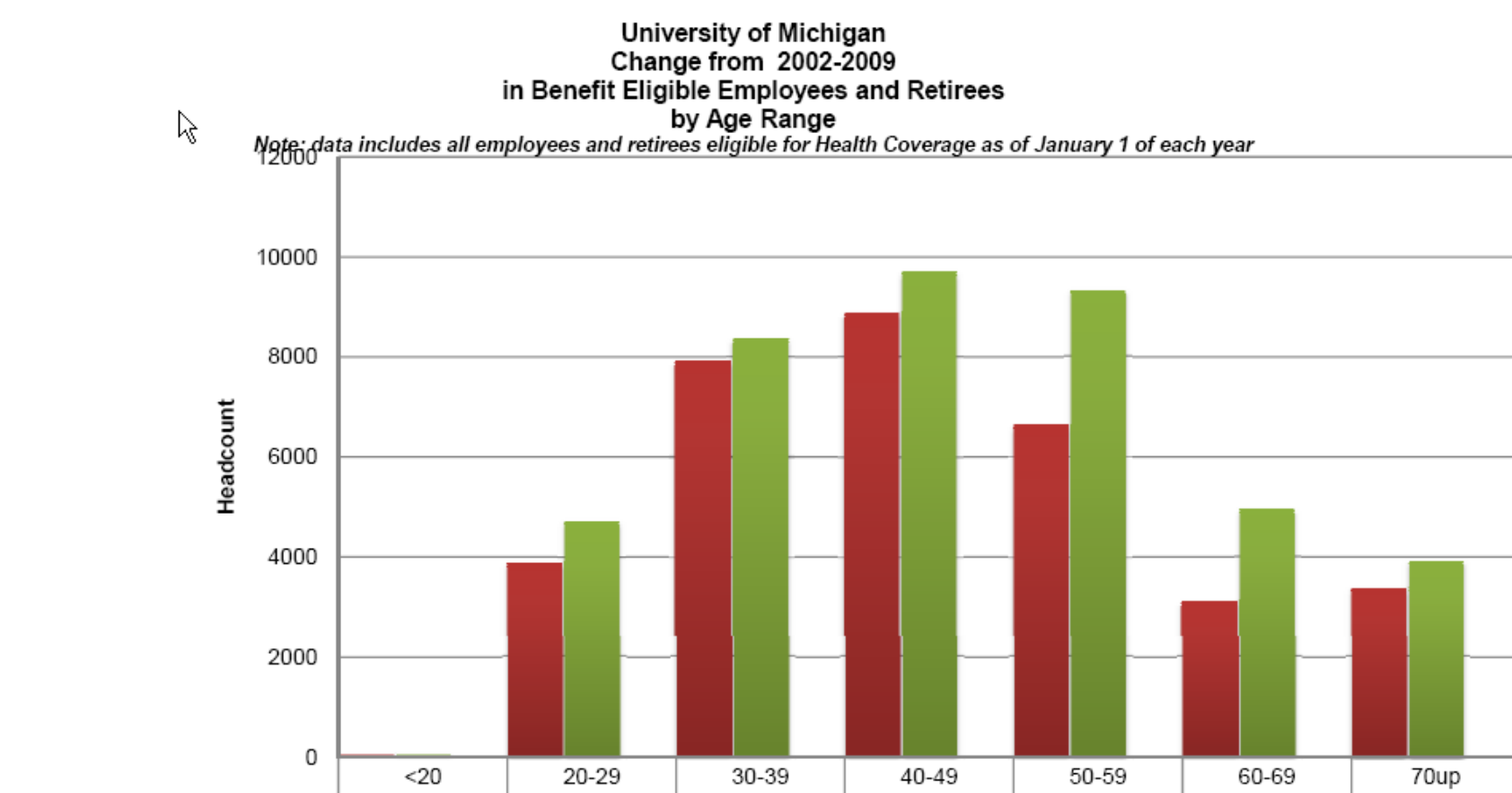
Future UM Retiree Health Care Costs

- 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.