

Medicare Part D Employer View

Employer Perspective and
Plan Considerations

Actuaries Club of the Southwest

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Goal

- Provide insight from discussion with mid-market client base
- Review questions that need to be addressed in the process of considering Part D impact on retiree plans
- Address value actuaries bring to the process

Your Value in the Process

- Need for cost information at many points in decision make process
- Understanding of accounting costs vs. potential actual dollar costs

Current State

- Absent constraint, most employers have revised retiree medical coverage due to FASB 106 and SSAP 14
- Changed the “Social Contract”
- Limited eligibility to current retirees and grandfathered transitional employees
- Adopted caps on employer contributions
- Caps have arrived

Part D is Timely

- Retirees facing significant cost increases due to caps
- > 65 plan costs are high percentage Rx
- < 65 population driving average plan costs
- Few retirees look to outside alternatives
- Medicare and AARP commercials setting the stage for much needed retiree education

Employer Dilemma

- Is there a need for > 65 retiree Rx?
- Can changes be made?
- Should changes be made?
- What is impact on “revised” Social Contract with retirees?
- Is the subsidy worth the pain?
- Alternatives and Plan of Action?

Need for > 65 Rx Coverage?

- Alternatives already existed for full coverage replacement through Medicare Supplement Policies
- Part D fairly equivalent to most Rx benefits, both co-pay and coinsurance arrangements
- Psychological need?

Can Changes Be Made?

- Plan commitments and collective bargaining agreements review
- Value of perceived reduction in collective bargaining negotiations

Should Changes be made?

- How much retiree pain will changes generate?
- How much > 65 supplementing cost of < 65 population?
- Impact on retiree plan costs?
- Affect on viability of < 65 retiree coverage?
- Understanding impact of do nothing approach

Impact on Social Contract?

- Retirees value employer plans
- Credibility with retiree population
- Potential for legal action
- Administrative issues

Subsidy?

- General consensus to avoid subsidy unless no other alternative
- Issues with actuarial equivalent determination
- Data issues
- HIPAA Privacy issues

Alternatives and Plan of Action

- Education, education, education
- Cost vs. benefit comparisons of retiree plan and alternative programs/plans
- Death Spiral > 65 plan