

# **Retiree Health Insurance Proposal – Christine Dodson**

The primary goal of the NC Conference Board of Pension (BOP) and Insurance Committee is to provide retiree health benefits in a way that can be sustained for both our current and future retirees. Retiree health benefits are offered through the Conference Board of Pension and Insurance Committee with shared areas of responsibility. The Insurance Committee proposes plan design for benefits to annual conference and then sets rates according to benefits approved by annual conference. The Board of Pension provides the funding of the retiree medical and dental program.

## **Current Plan**

Funding for retiree benefits is paid through the annual conference budget Conference Claimants line. This budget line is currently \$2,700,000. This pays for current benefits for retirees. If there is any left, it is applied toward the retiree health benefits liability. The Board of Pension pays premiums for retiree insurance to the Insurance fund for the church portion and retirees are billed and pay their personal portions to the Insurance fund. Currently, retirees who retired before January 1, 2004 pay \$20 per month per person for coverage. Those who retired after that pay personal portions based on years in the insurance plan with the highest benefit being 90% of premium cost for 40 years of service and/or years in the health plan.

Under the current plan, retirees receive a Medicare Companion plan that pays secondary to Medicare for retirees over Medicare-eligibility age. A base plan is provided with one set of benefits and retirees have the choice to pay more and purchase higher benefits through the buy-up plan. The Board of Pension and Insurance Committee have reviewed the current plan as well as funding provided for the plan and are making a proposal to the 2013 Annual Conference that will change the way health insurance benefits are offered to retirees. To understand the changes, we need to talk just a bit about the costs of the plans.

## **Liability**

The current plan has a projected expected postretirement benefit obligation (or EPBO) of \$67,859,155 and an accumulated postretirement obligation (or APBO) of \$55,380,573 as of January 1, 2013. The accumulated liability is what we record on our financial statements for accounting purposes and is for current retirees and years in the plan only. The expected liability is what we have to plan to fund

since we expect and hope that benefits will continue and our pastors will continue to accumulate years in the plan – that is the \$67.8 million figure and the figure we are concerned with funding.

In considering funding the \$67.8 million liability, between the Insurance committee, the Council on Finance and Administration (CFA) and the Board of Pension, we have set aside around \$16 million. When the liability increased to \$67.8 million and looking at over \$50 million unfunded, we have worked to propose a change that will allow meaningful benefits to continue to be provided to existing and future retirees. That change is the proposal we are discussing with you today.

The bottom line of the proposal is that the Board of Pension and Insurance Committee propose to begin offering the many choices and options now available through the open market with funding provided by the Board of Pension to the retiree and other participants through a Health Reimbursement Account or HRA.

## **Proposal Basic Points**

A brochure was mailed to all participants and is available on the conference insurance committee website at [nccumc.org/treasurer/insurance](http://nccumc.org/treasurer/insurance) as a starting place for describing how this proposal can be put into place. Some of basic points about the proposal include:

- a. You will still have Medicare supplemental coverage which replaces the current medical and dental program.
- b. You will be able to choose from a variety of plans available in the individual market including Medicare Advantage, Medicare Supplement, Medicare Part D for pharmacy, dental and vision. Prices for the medical plans vary based on the plan type, benefits, geography and age. Carriers include BCBS of NC, AARP, Aetna, Humana, Delta Dental and many more.
- c. Extend Health will be hired by the Conference to be your advocate and to help you with deciding which plan or plans are best for you and your spouse, as well as, conducting your enrollment.
- d. You will need to pay for the coverage but, if eligible, will be able to submit the insurance premium and any other out of pocket medical expenses for reimbursement through a Health Reimbursement Account (HRA) funded by the Conference.
- e. We are in the process of evaluating the amount for the HRA with the intent to keep current retirees “whole” in the process. Our consultants

tell us that HRAs for \$1,500 to \$1,800 per year would allow 97% of the participants to purchase plans that will give them more benefits for less money than the current plan. We are currently looking at setting the maximum benefit with an HRA being funded with \$2,000. The same scale of years of service and/or years in the health plan will apply to that. Those currently receiving the maximum benefit (who are the retirees paying \$20 per month and those with 40 years of service and/or years in the health plan) will get the maximum HRA funding – whatever that ends up being.

- f. In addition to the \$2,000 maximum benefit amount being proposed, the Board of Pension and Insurance Committee have included plans for a 3% cost of living adjustment to the benefit amount. This is a planned amount being proposed that has been included in the financial projections. As with all benefits, planned increases may be subject to change in the future at the direction of future sessions of Annual Conference.
- g. Designing a HRA gives us some flexibility to help maximize the flexibility and benefit to the participants. Some of the things we are working to get in place include:
  - i. Allowing couples to pool their HRAs so that the best plan can be chosen for each person and the money from one can be used to offset the other if one needs a higher benefit level than the other.
  - ii. Allowing participants to use the HRA funding for premiums and other eligible health care costs is also being considered.
  - iii. The Board is considering providing a catastrophic HRA to assist those with very high health care costs – like very high prescription costs that exceed the Medicare donut hole.
  - iv. We're looking at trying to structure an option that allows for direct payment of plan premiums from the HRA – we are working on that so it is still up in the air as we try to work out the details. This kind of an option is carrier specific so we may not be able to allow it for all choices of plans.

So, back to the liability – the proposal reduces our expected liability to a bit over \$26 million. With the current funding we have of \$16 million, it leaves us about \$10 million unfunded. That compares to the \$51 million we are unfunded in our current plan. With a change like this, the goal of providing benefits for both current and future retirees becomes a bit more realistic. There are currently 11 other annual conferences who have made this change using Extend Health and

five more not including NC who are making this change for 2014. The development of the individual health care markets over the last decade is what has made it possible for these arrangements to work and benefit both the participant and the conference or other employers. An arrangement like this would not have been the thing to do 20 years ago and the plan we had in place at that time was the best choice for that market. The development of the individual plan market is what has allowed us to be able to offer plans like this at costs that can provide a sustainable plan.

The Board of Pension and Insurance Committee believe that, if we are to have a sustainable plan that can continue to be provided for decades in the future, a proposal like this will have to be adopted – the question is not if we do it but when we do it.

## **Implementation Timeline**

Our discussion in the Districts so far have been the first steps in preparing for annual conference and implementing this proposal. We want you to be well informed when this is voted on at conference and well informed as to how we will move forward with implementation if and when the proposal is passed by conference. With that in mind, over the next months, you should expect that we will continue sharing this information in all district meetings. We encourage you to call or email us with any questions that come up after the district meetings or this video.

Come to Annual Conference and learn more. We have asked representatives from Extend Health to be there to answer questions at that time. District Getting Started meetings will be held in July and August. Enrollment will be conducted starting in October and closing mid-December, 2013. You must make an election during this time. Then finally, the new plan will be effective January 1, 2014.

Feedback from other annual conferences that have made this change tells us that during the transition time, there is confusion. Extend Health makes personal contact with every participant – 100% of them – to assist in making the selection of a plan. Other conferences tell us that there is confusion in the transition but a year later, their retirees are happy with the change. They are paying less money out of pocket and have chosen a plan that fits their needs better than what they had before in most cases. There is no question that the transition is difficult but we believe the security in benefits for retirees and flexibility to choose a plan that best suits their situations will make it worth it. We believe that implementing this proposal is how we can have the ability to continue to offer benefits to current

and future retirees. The plan we have is unsustainable without significant reduction to benefits and increases in premiums down the road. We encourage you to learn about this proposal and call or email with questions. We welcome your input. For more information, contact us at [helpdesk@nccumc.org](mailto:helpdesk@nccumc.org), check the insurance committee website and read the frequently asked questions to see some of the other questions your colleagues may have about this proposal. Thank you.