RETIREE HEALTH INTERESTS and CONCERNS

September 15, 2021

BACKGROUND

Affordability, accessibility and quality are often used when describing key principles of the UC retiree health program. Maintaining long-term, on-going continuity and stability in the UC retiree health programs, including dental coverage and an optional vision care plan, are very important additional principles for retirees. Retirees are at a point in life where changes in their health care can disrupt longstanding and ongoing treatment. For many the changes may be difficult to understand and manage given the normal declines that accompany advancing age. At the same time it is important to recognize that the University is also trying to achieve retiree health plan cost stability, particularly as it relates to UC general fund sources, and needs to maintain an appropriate level of management flexibility.

In the past decade, a number of de-stabilizing events - for example, the outsourcing to a broker of health benefits for out of state retirees and the possibility of eliminating the two UC Medicare supplement PPO plans - have caused disruption and concern among the UC retiree community about losing or dramatically changing and/or reducing their health benefits. As a result, the UC retiree associations seek agreement with the University about certain key principles relating to retiree health care plans, particularly the Medicare health plans.

The following outlines the major concerns of retirees about health care insurance plans and provides comment on the main issues that retirees would like for UCOP to carefully examine before it moves forward in exploring new or revising current retiree health care plans.

AREAS OF CONCERN

1. <u>Anxiety/Concern Over Predictability and Stability of Future Health Plans</u>:

Changes to a retiree's health care plan can be disruptive to longstanding and ongoing treatment. Each year many retirees have considerable anxiety because they do not know whether their plans and providers will be available to them in the next annual insurance cycle. Changes are particularly worrisome to those who have built a group of providers to address the many medical and psychological issues an aging population faces. Medical insurance products are complex and, as one ages, it becomes more difficult to understand what might be critical differences between plans. Many retirees do not want to try to or may be

unable to understand the nuances of new plans that may replace existing plans. While understanding that premiums may change, it is still important for UC to do its best to maintain the same basic plan designs and networks, except in unexpected circumstances; doing this will greatly reduce the anxiety and stress that often occurs just prior and during the open enrollment. While it is understood that changes may be necessary, retirees recommend that such changes take place only after detailed consultation with retiree associations and, if changes need to be made, allow sufficient lead time for members, with the assistance of the University, to understand the new plans and how they may affect their current coverage before adoption.

2. Continuity of Choice:

Maintaining the ability to choose between different types of Medicare insurance plans should be a central component of the UC Retiree Health Care Plans. Currently the University offers two different plan types: Medicare Advantage (Kaiser Senior Advantage and UC Medicare Choice) and Supplemental Plans to Original Medicare (UC PPO and High Option to Medicare). There are important differences between the two plan types. The Medicare Advantage plans are owned and administered by private, nonprofit or for profit insurance companies while the Medicare Supplement Plans, are governed by original Medicare guidelines. Differences in administrative oversight can result in different outcomes. For example, Medicare Advantage plans such as UC Medicare Choice require prior authorization for many Medicare-approved procedures while approval for the same procedures in Supplemental plans is typically post-hoc and, if denied, the patient is not responsible for the payment. Other important differences may result because, in the Medicare Advantage plans, the insurer determines the networks and reimbursement rates, and makes the final determination of coverage. For the Medicare Supplement Plans, the patient may go to any provider in the US that accepts Medicare.[1] These and other differences between the plans can alter perceived or real outcomes in the care the patient receives. Retirees should continue to be able to choose between these different types of plans. An additional reason for maintaining both Medicare Advantage and Medicare Supplement plans is that having different plan types will ensure competition in the health care market, with the benefits that accrue as a result. The provision of multiple plan choices is both a continuation of current practice and a conclusion of the Health Benefit Advisory Committee (HBAC). The HBAC report identified as current principle in administering health plans that a wide choice of plans be available to employees and retirees. The HBAC further recommended that the University retain existing plans, including Kaiser.

[1] Patients in Medicare Advantage plans like Kaiser are limited to its network. Patients in Medicare Advantage PPOs, such as UC Medicare Choice, can in practice go to the vast majority of providers that accept Medicare.

3. Method of applying University's 70% contribution to retiree health: critical for preserving choice

The current method the University uses to apply its 70% contribution to retiree premiums may disadvantage the UC Supplemental Plans. If the current trajectory of the cost of the Supplemental Plans continues, the plans may become unaffordable to many retirees. One possible strategy to help balance the premium cost between plans to risk-adjust[2] the premiums.

The University should examine the effect of risk adjustment on the premiums charged for all of the retiree health plans.[2] Once this information is available, a more informed decision can be made if risk-adjusted premiums would provide a fair and equitable way to establish the premiums for all the retiree health plans. Additionally, all the plans should be uniformly costed, fully disclosed, and reported on annually with any decisions made to utilize subsidies concurred with by the CUCEA/CUCRA organizations.

4. Retiree Participation in Retiree Health Benefits Planning (Transparency)

The University and its retirees would both benefit if retirees had earlier and greater participation and input into retiree health coverage planning, primary among the post-employment benefit subject areas. Such participation can take the form of including one or more retirees on the Executive Steering Committee[3], (ESC), and creating standing post-employment benefit advisory committees to the Vice President of Human Resources and UC Health or related form. Such participation would provide an avenue for earlier and more formal input into UC planning for retiree health and other post-employment benefits and provide earlier notification to retiree associations (e.g. CUCRA & CUCEA) and their members of UC health insurance planning.

5. Role of Medical Centers in Providing Health Insurance

The Medical Centers play a critical role in UC's medical education and patient care missions and when retirees are interested and able to take advantage of the health care services the

[2] Risk Adjustment would modify the current methodology where the same University contribution is provided to each plan to one in which differences in retiree premiums would reflect only differences in plan benefits. With such adjustment if Plan A offers more choice/lower co pays/broader coverage than Plan B, it inherently costs more to cover any given individual. Individuals should have the choice of enrolling in Plan A, and they should pay the extra cost. On the other hand, if Plan A attracts older/sicker retirees than Plan B, then a given individual who chooses Plan A should not have to pay for that difference. In other words, the premium one pays should reflect the superior benefits offered by Plan A over Plan B, but not the enrollment choices made by other retirees.

[3] Members of the Executive Steering Committee currently include Jenny Kao, Chief of Staff to the President; Nathan Brostrom, Executive Vice President and CFO; Rachael Nava, Executive Vice President and COO; Carrie Byington, Executive Vice President, UC Health; and Rick Kronick, Professor, UCSD.

Centers offer, it is a benefit to the University and the retiree. But not all retirees will want to enroll in a plan supported by the Medical Centers; for example, some will want to continue enrollment in Kaiser, like they did as employees. Also, not all retirees are geographically close to UC Medical Centers and clinics. The Medical Centers, from the standpoint of retiree health insurance, should be considered one possible provider and should continue, as they do now, to strive to provide the best and most effective plans they can to UC retirees, as well as to employees.

Prepared by

Robert Anderson, emeritus UCB and former chair of the Academic Council

Jim Dolgonas, retiree UCOP

Larry Hershman, retiree UCOP

John Meyer, retiree UCD

Meredith Michaels, retiree UCI

Dan Mitchell, emeritus UCLA

Debbie Obley, retiree UCOP

Patti Owen, retiree UCB

Ken Polse, emeritus UCB

Frank Trueba, retiree UCSC

Eric Vermillion, retiree UCSF