



**Northeast  
Utilities System**



# 2010 NUSCO Retiree Health Plan Changes

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Pre-65 Retiree Meeting  
November 2009



# Today's Agenda

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- Overview of 2010 changes
- Medical option review
- Determining the right option for you
- Medical Plan Modeler demonstration

## Prescription Drug Copay Changes

- Generic copays are decreasing
  - From: \$9 Retail (34-days) & \$18 Mail Order (90-days)
  - To: \$5 Retail (34-days) & \$10 Mail Order (90-days)
    - Savings over 44% per prescription filled
    - Current use of generics over 64%

## Prescription Drug Copay Changes

- Brand and non-formulary copays are increasing
  - Brand-Name (Tier 2) by 39%
    - From: \$18 Retail & \$36 Mail Order
    - To: \$25 Retail & \$50 Mail Order
  - Non-Formulary (Tier 3) by 11%
    - From: \$36 Retail & \$72 Mail Order
    - To: \$40 Retail & \$80 Mail Order

## Prescription Drug Copay Changes

- Changing one brand-name to generic saves
  - \$20/Prescription if filled at Retail
  - \$160/Year if filled quarterly at Mail Order
- Changing one non-formulary to generic saves
  - \$35/Prescription if filled at Retail
  - \$280/Year if filled quarterly at Mail Order



# Changes for 2010

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## A New Medical Option for 2010

- Advanced Option offers a new approach to medical coverage
- High-deductible health plan under IRS rules means you now have access to a health savings account (HSA)

## A New Emphasis on “active choice”

- All Participants have been defaulted into Basic – choosing Basic Plus or Advanced requires positive action
- Eliminating the automatic rollover means participants need to pay attention
- New tools help you determine what option is right for you
  - [www.NURetireeMedicalModeler.com](http://www.NURetireeMedicalModeler.com)
  - “People Like Me”

## Costs Continue to Rise

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### Monthly Contributions Continue to Rise

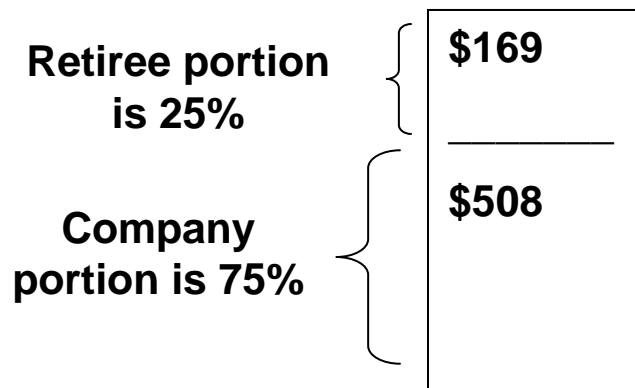
- Cost of Basic Plus coverage up dramatically
  - Retiree Only coverage up \$117
  - Retiree + Spouse coverage up \$246
- Cost of Basic coverage also higher
  - Retiree Only coverage up \$71
  - Retiree + Spouse coverage up \$148
- Savings by moving from Basic Plus to Basic
  - Retiree Only saves \$81
  - Retiree + Spouse saves \$170

# Why are Costs Rising so Fast?

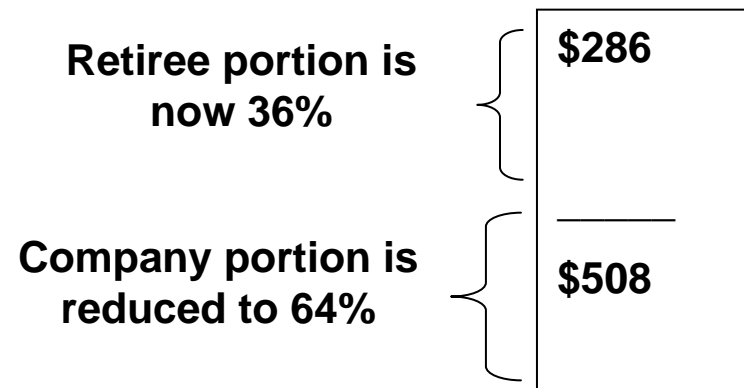
## Company Cap on Contributions has Hit Home

- 100% of rising cost now borne by retirees
  - Actual cost of total claims increasing by just over 17%
  - Increase to Retiree is actually close to 70%

**2009 Cost\* = \$677/mo**



**2010 Cost\* = \$795/mo**



\*Example is Retiree Only with 0% RHCF in Basic Plus option



# Choosing the Right Medical Option

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## Company Cap goes further with Basic & Advanced

- Same \$508 accounts for a greater percentage of total cost
  - Monthly savings of \$81 for Basic option (Retiree only)
  - Advanced Option designed so that Company cap covers 100% of monthly cost
    - Participant pays only the amount associated with their RHCF (cost sharing factor)
- Remaining cost shifted to higher out-of-pocket cost incurred only when care is used
  - More efficient designs mean you don't pay for care you don't need



# Choosing the Right Medical Option

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## Re-think Your Election

- Now, more than ever, it's time to look at which medical option you're using
  - Are you paying for coverage you don't need?
  - Do you understand the differences between the options?



# Choosing the Right Medical Option

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## Step One: Understand How Each Option Works

- Let's review the "language" of benefits
  - Deductibles
  - Copay vs. coinsurance
  - Out-of-pocket limits
  - Preventive care
  - Health savings account (HSA)

## Deductibles

- Amount you pay before the Plan begins to pay
- Basic and Basic Plus options have no deductible to satisfy for in-network coverage
  - Not true for out-of-network
- Advanced option has a deductible for non-preventive services, but will cover preventive care at 100% with no deductible (first dollar coverage)

## Deductibles

- Family deductible for Advanced works differently than the other plans
  - Traditional approach is per person up to a family maximum – each treated separately until family maximum is met
  - Advanced option applies \$6,000 family deductible collectively to all claims regardless of who incurs them

## Copay vs. Coinsurance

- Everyone knows what a copay is, so what's coinsurance?
  - Cost share based on percent of total cost
  - Example:  
Basic option has 90/10 coinsurance for in-network hospitalization; Plan pays 90% of the bill, you pay 10%
- Wow, that can be huge! How does the Plan protect me?
  - All options have out-of-pocket limits. Once you pay the limit, the Plan picks up 100% of remaining cost for the rest of the Plan Year

# Out-of-Pocket Maximum

## Out-of-Pocket Maximums Differ for Each Option

- Advanced option family limit is not on a per person basis like other options
  - Other options are per person up to a family limit

	Basic*	Basic Plus*	Advanced
<b>Out-of-pocket max</b>	\$1,500 per person up to max of \$3,000 per family	\$750 per person up to max of \$1,500 per family	\$5,950 for single coverage <u>OR</u> \$9,000 for families (includes deductible)

\*Out-of-network limits higher with Basic and Basic Plus

## Out-of-Pocket Maximum

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Are there any costs that aren't limited? YES

- Basic and Basic Plus
  - Copays (doctor visits, prescription drugs and mental health services) are not subject to limits
  - Amounts over “Reasonable & Customary” if you use an out-of-network provider
  - Any services not covered by the Plan
- Advanced option is different in one very important way
  - Unlike other options, prescription drug costs and mental health services are limited

## What is preventive care?

- Routine immunizations, screenings, and well visits
  - No symptoms or diagnosis of a disease or illness
- “*Welcome to Advanced*” has detailed guidelines
- Doctor makes determination based on age, gender, and family history
- Drugs never considered preventive (except immunizations)

## How does preventive care differ under Advanced?

- First dollar coverage
- No deductible, copay, or other cost to you



# Comparing Medical Options

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Let's start by comparing the two options you know

## Basic vs. Basic Plus

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### How are Basic and Basic Plus the same?

- Doctor office visits still covered by a copay
  - \$15 with Basic Plus
  - \$20 with Basic
- Same prescription drug copays
- Same mental health/substance abuse coverage
- Same emergency room coverage (\$50 copay)
- No difference in coverage rules or services covered

### How are they different?

- Basic has 28% lower contribution cost
  - In-patient hospitalization (In-Network)
    - Basic Plus: You pay \$75/day up to \$300/year
    - Basic: You pay 10% up to out-of-pocket max of \$1,500/person (Plan pays the rest)
  - Out-patient surgery (In-Network)
    - Basic Plus: You pay \$50 copay
    - Basic: You pay 10% up to out-of-pocket max
  - Home health care and hospice services (In-Network)
    - Basic Plus: No charge
    - Basic: You pay 10% up to out-of-pocket max

### Out-Patient Procedure Comparison (In-Network)

- Assume a minor diagnostic procedure with a total bill of \$4,000
- Patient is Retiree Only with a Retirement Health Contribution Factor (RHCF) of 2%
  - Basic Plus cost is \$3,556 per year in monthly contributions PLUS \$50 copay (\$3,606)
  - Basic cost is \$2,587 per year in monthly contributions PLUS \$400 in coinsurance (\$2,987)
  - Basic would save you \$619

### In-Patient Procedure Comparison (In-Network)

- Assume a major surgery involving 5-day stay and a total bill of \$80,000 (after discount)
- Patient is Retiree Only with a Retirement Health Contribution Factor (RHCF) of 2%
  - Basic Plus cost is \$3,556 per year in monthly contributions PLUS \$300 copay (\$3,856)
  - Basic cost is \$2,587 per year in monthly contributions PLUS \$1,500 in coinsurance (\$4,087)
  - Basic Plus would save you \$231



# Comparing Medical Options

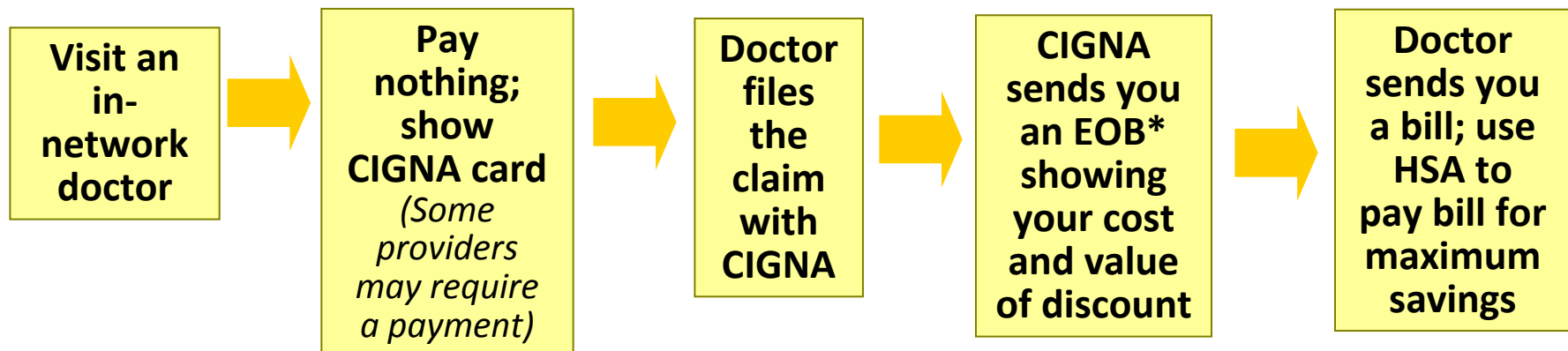
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Now let's look at the new option

# The Advanced Option

## How does the Advanced option work?

- Experience at doctor office is very similar to Basic & Basic Plus
  - Same network of providers with same discounts
  - No referrals needed



\*EOB – Explanation of Benefits is a form sent by the carrier each time a claim is processed. EOBs document specific charges submitted and payable by both the Plan and participant.

## How is the Advanced option different?

- Preventive care covered at 100%
- All other services require you to pay full cost of service until you have satisfied the deductible
  - Network discounts still apply
  - \$3,000 for Single, \$6,000 for Family
- After deductible, Plan pays 80% and you pay 20%
- If your 20% exceeds Out-of-Pocket maximum, Plan pays 100%
  - \$5,950 for Single, \$9,000 for Family
- “Family” is retiree + one or more dependents



# The Advanced Option

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## How else is the Advanced Option different?

- Mental health with CIGNA, not UBH
  - Subject to same deductible and coinsurance as medical
- Prescription drug subject to same deductible and coinsurance as medical
  - Still with Express Scripts – both Retail & Mail Order using same discounts and safety programs
- Qualifies as a “high-deductible health plan” (HDHP) under IRS Rules
- Allows access to a health savings account (HSA)

## Tax Advantaged Savings

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### What is a health savings account (HSA)?

- IRS tax-qualified account for saving and paying for eligible medical expenses
- No “use it or lose it” rule – funds roll over year to year
- Invest HSA funds in range of options to gain interest and earnings tax-free
  - You choose how to invest from among available options
  - Some options riskier than others
  - Guaranteed money market fund is default option

## What is a health savings account (HSA)?

- 2010 maximum contribution
  - \$3,050 (single), \$6,150 (family)
  - Additional \$1,000 “catch up” for 55 and older
- WageWorks is NU administrator
  - NU will pick up administrative costs
  - Separate mailing for enrollment in HSA after enrollment
- Participants can choose a different HSA administrator if they prefer



# Tax Advantaged Savings

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## IRS requirements to contribute to an HSA

- Cannot contribute to an HSA if you are enrolled in any health plan coverage that is not an HDHP — including Medicare
- Must participate in HDHP for entire year to be eligible for maximum contributions – if transitioning to Medicare during year, maximum will be lower
- Contributions to HSA are made with after-tax dollars by personal check
  - Timing and amounts (up to limit) are up to you
  - Tax savings achieved at end of year when taxes are filed

## IRS requirements to withdraw from an HSA

- Funds not available for reimbursement until contributed to the HSA
- Withdrawals for “qualified medical expenses” always tax free
  - IRS Publication 502 defines “qualified”
- Withdrawals for other reasons allowed, but you will pay taxes at time of withdrawal
  - Including a 10% excise tax penalty if before age 65
- WageWorks will not substantiate usage of funds – you will be required to keep track and file form 8889

## IRS requirements to withdraw from an HSA

- Reimbursement of expenses for other tax dependents allowed – even if they are not covered by an HDHP
  - IRS Publication 501 defines qualified dependents
- Reimbursement allowed after you leave the Advanced option – including while on Medicare
- Any amount that is used to reimburse expenses cannot be considered “deductible” expense for tax purposes
  - Talk to your tax advisor



# Choosing the Right Medical Option

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## Switching to a different option

- Allowed every year at open enrollment
- No pre-existing conditions exclusion
  - Retirees allowed to change options or opt back in without restriction at each year's open enrollment
- Qualified Events (such as marriage and divorce) allow for changes during the year



# Choosing the Right Medical Option

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So, how do I decide?

- Read the new “People Like Me” brochure
- Gather medical data from the last year
  - [www.mycigna.com](http://www.mycigna.com) for medical data
  - [www.express-scripts.com](http://www.express-scripts.com) for prescription drug data
  - [www.liveandworkwell.com](http://www.liveandworkwell.com) for mental health data
- Use the new modeling tool