

# Academic Senate Meeting

## May 2, 2018

### UC Berkeley Emeriti Association (UCBEA) Health Benefits Working Group\*

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# UCB Academic Senate Meeting

- ▶ Today's Discussion:
  - ▶ Brief history of Retiree Health Benefits
  - ▶ UCOP's current position on Retiree Health Costs
  - ▶ Retiree Health Benefits: Critical Issues
  - ▶ Academic Senate Action:

# Retiree Health Benefits: Background

- ▶ Faculty hired understanding that quality and affordable health benefits would be continued at retirement.
- ▶ Retiree Benefits given in place of higher salaries offered at comparable institutions.
- ▶ In the mid-1980s UCOP: “Health benefits not guaranteed”, but UCOP also states:
  - ▶ Future retirees are told that if upon retirement, they elect a lump sum payout, health benefits would be lost.
- ▶ Deans and Chairs:
  - ▶ Retirement Health Benefits are still used for recruitment & retention

# Retiree Health Benefits: Background (con't)

- ▶ During 2009, UCOP projected that health care and pension benefit costs needed adjustments.
  - ▶ Task Force on Health and Pension Benefits 2009-2010
    - ▶ Long term planning
    - ▶ Plan Adopted: 2010; Retiree Health: 70%-30% co-share.
    - ▶ Begins in 2013 and & completed 2018



# First Change to 2010 Plan

- ▶ 2013 Out of State Medicare Retirees
  - ▶ UCOP discontinues UC Group Insurance
  - ▶ Retirees are put on “Medicare Exchange Program” (Private individual insurance).
  - ▶ Medicare Exchange Inferior to UC Group Programs
  - ▶ **NOTE:**
    - ▶ Non-Medicare retirees kept UC group insurance
    - ▶ No discussion with retirees, faculty or staff prior to making this change.

# UCOP: Pushing back from the 2010 Retiree Health Benefits Plan

- ▶ Spring 2017: UCOP announces long range 2010 retiree health plan is not sustainable
- ▶ UCOP develops options for consideration on the Regent's agenda.
- ▶ University Committee on Faculty Welfare:
  - ▶ Strongly recommends to President Napolitano that this agenda item be taken off the Regents agenda (October 2017)
  - ▶ President Napolitano agrees and appoints the Retiree Health Benefit Design Working Group (January 2018)

# UCOP Retiree Health Benefit Design Working Group

- ▶ Project Goal
  - ▶ Explore potential strategies and options (**developed by UCOP**) to ensure the long-term financial viability of the retiree health benefits program.
- ▶ Recommendation due **June 1, 2018**
- ▶ Changes beginning as early as **January 1, 2019**

# UCOP Retiree Health Benefit Working Group

- ▶ UCOP develops options for Working Group to consider
- ▶ Group instructed to work “***in confidence***” (attorney-client privilege)
- ▶ Options become public mid-March 2018
  - ▶ 76 page document (complex)
  - ▶ Summary available April 2018



# UCB Emeriti Group on Health Care Benefits

- ▶ January 2018, UCBEA appoints Working Group on Health Care Benefits:
  - ▶ Understand UCOP proposed options
  - ▶ Develop Position Paper(Item #4 on Senate agenda)
  - ▶ Coordinate activities with Systemwide Emeriti & Retiree Associations
  - ▶ Develop discussion with UCOP Benefit Working Group

# Options : Retirees on Medicare

- ▶ Medicare Coverage: •
  - ▶ All Medical care except 20% of out patient services & drug costs
- ▶ UC Insurance: covers drugs & 20% out patient costs not covered by Medicare •
- ▶ Plan/ Option under Review •
  - ▶ Modify current plans and increased costs to retirees
- OR**
- ▶ Eliminate UC Group Insurance: Medicare Retirees purchase individual insurance (Medicare Exchange)
- ▶ • (see appendix)

# Options : Outcomes:

- ▶ Increased cost to retirees
- ▶ Medicare Exchange Program
  - ▶ Inferior to all current UC Group Programs
- ▶ Loss of PPO\*:
  - ▶ Retirees would need to find new providers
- ▶ Information not available on how increased costs would impact retirees who are on fixed income
- ▶ • (see appendix)

# UCOP: Medicare and non-Medicare Retirees

- ▶ Retiree Population
  - ▶ 25% non-Medicare; 75% Medicare
- ▶ Allocation of UC Retiree Insurance Costs:
  - ▶ 45% non-Medicare; 55% Medicare
- ▶ Out of State
  - ▶ Non-Medicare (UC Group Insurance)
  - ▶ Medicare (Private Insurance-exchange)





# UCBEA Findings:

## Medicare & non-Medicare Retirees

- ▶ UCOP does not fully account for out of pocket expenses for Medicare Retirees:
  - ▶ UCOP uses minimum Adjusted Gross Income (AGI) for Medicare Part B costs.
    - ▶ This is unrealistic for many retirees
- ▶ Out of state: non-Medicare retirees:
  - ▶ Keep UC Group Insurance
- ▶ Pre-Medicare health benefits for employees hired between 1990-2013 are generous•
- ▶ Non-medicare retirees can have Health Savings Accounts
- ▶ • (see appendix)

# UCBEA Summary:

- ▶ *More information is needed on how the proposed options would impact recruitment, retention, retirement, and philanthropy and thus potentially alter the excellence of the University.*
- ▶ *Substantial cost savings would be achieved by moving to the 2013 healthcare benefit schedule for all retirees. This could be done in gradual steps but needs to be applied equitably to all retirees. •*
- ▶ *A yearly cost adjustment be made to each eligible out-of-state retiree to off-set increases in health insurance and drug premiums*
- ▶ *• (see appendix)*

## UCBEA Summary: (con't)

- ▶ *Reducing the current benefit support level to employees and retirees will result in faculty and employee discontent and a denigration in our competitive advantage with other institutions of higher learning.*
- ▶ *UCOP retiree health care benefits should be adjusted such that Medicare retirees are not asked to pay a larger fraction of healthcare costs using after tax dollars*
- ▶ *A careful analysis is needed to determine the effect of raising health care costs to retirees at various levels of fixed income*
- ▶ *The social, psychological, and financial impact of taking or modifying current health insurance options on the quality of life needs to be studied.*



# UCBEA Recommendation

***We urge the Academic Senate to move that UCOP delay any decisions regarding retiree health care benefits until June 30, 2019 and that future deliberations be made transparent and inclusive for all stakeholders.***



# Appendix:

- ▶ Definitions
- ▶ Benefits Table for UCRP members hired between 1990 -2013
- ▶ Benefits Table for UCRP members hired after 2013

# Definitions:

- ▶ Preferred Provider Organization (PPO)
- ▶ Health Maintenance Organization (HMO)
- ▶ Medicare
  - ▶ PART A (Hospitalization)
  - ▶ PART B (Out-Patient Services)
    - ▶ Covers 80% of services (individual pays premium to Medicare; Premium based on Modified Adjusted Gross Income. (\$124 - \$428/person/month)
      - ▶ UCOP uses the \$124.00 as basis for calculating contribution
    - ▶ **20% Supplemental Insurance (UCOP plans pay 70%. Retirees pays 30%.(includes drug Rx plan)**
  - ▶ PART D (Drug Rx Program)
    - ▶ Individual Pays Premium to Medicare

# Retiree Health Benefits for UCRP members hired from 1990-2013 (Beginning as early as age 50)

YEARS OF MEMBER'S UC SERVICE CREDIT**	PERCENTAGE OF UC CONTRIBUTION
5-9	Rule of 75: If age plus years of service credit equal at least 75, then 50%; otherwise not eligible.
10	50%
11-20	Increases in 5% increments per year from 55% at 11 years to 100% at 20 years

# Retiree Health Benefits for UCRP employees hired after 2013

AGE*	YEARS OF UCRP SERVICE CREDIT AT RETIREMENT										
	10	11	12	13	14	15	16	17	18	19	20+
50-55**	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
56	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%	10.0%
57	10.0%	11.0%	12.0%	13.0%	14.0%	15.0%	16.0%	17.0%	18.0%	19.0%	20.0%
58	15.0%	16.5%	18.0%	19.5%	21.0%	22.5%	24.0%	25.5%	27.0%	28.5%	30.0%
59	20.0%	22.0%	24.0%	26.0%	28.0%	30.0%	32.0%	34.0%	36.0%	38.0%	40.0%
60	25.0%	27.5%	30.0%	32.5%	35.0%	37.5%	40.0%	42.5%	45.0%	47.5%	50.0%
61	30.0%	33.0%	36.0%	39.0%	42.0%	45.0%	48.0%	51.0%	54.0%	57.0%	60.0%
62	35.0%	38.5%	42.0%	45.5%	49.0%	52.5%	56.0%	59.5%	63.0%	66.5%	70.0%
63	40.0%	44.0%	48.0%	52.0%	56.0%	60.0%	64.0%	68.0%	72.0%	76.0%	80.0%
64	45.0%	49.5%	54.0%	58.5%	63.0%	67.5%	72.0%	76.5%	81.0%	85.5%	90.0%
65	50.0%	55.0%	60.0%	65.0%	70.0%	75.0%	80.0%	85.0%	90.0%	95.0%	100.0%