Retiree Health Plan at Dartmouth: Medicare Supplement and Early Retirement

November 2007
2003: Trustee concern over financial obligation and charge to address liability

2003-2004: Health Insurance Working Group (HIWG) formed to support College Benefits Council (CBC)

2004: Recommendation from HIWG and from CBC to President and General Faculty

2004: Presentation to CPr and CoF

2005-2006: Decision to defer implementation of recommendations

2007: Education and comments period

2008: Review feedback, revise CBC proposal

2009: Proposed implementation
CBC Deliberations

- Perceived as part of a generalized concern about saving for retirement
- Based on a set of guiding principles
- Solution could have multiple elements
  - Plan design
  - Cost-sharing
  - Eligibility
Recommendation – Guidelines and Objectives

- Control health plan costs
- Manage long term institutional financial obligation
- Create a viable and sustainable benefit
- Protect current retirees from undue financial burden
- Sustain access to a Medicare supplemental plan for current and future employees
- Assure that we meet all contractual obligations
- Help employees plan for their medical care during retirement
- Avoid placing Dartmouth at a competitive disadvantage with its peers
## Current Plan: Financial Impact

<table>
<thead>
<tr>
<th></th>
<th>FY 2004</th>
<th>FY 2007</th>
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</thead>
<tbody>
<tr>
<td>Cash Payment for Retiree Benefits</td>
<td>$2,729,000</td>
<td>$3,372,000</td>
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<tr>
<td>GAAP Expense</td>
<td>$21,707,000</td>
<td>$27,616,000</td>
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<tr>
<td>Accumulated Post Retirement Obligation</td>
<td>$135,526,000</td>
<td>$223,212,000</td>
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</tbody>
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CBC Proposal

- Plan Design: Out-of-pocket expenses parallel to current employee plan
- Eligibility: Employees age 55+ and 10 years of continuous service
- College Contribution: Based on age plus years of service on July 1, 2009
  - Minimum 40% and maximum 85% for existing employees
  - Access only for future employees
Existing Retirees

- No premium payments
- Higher deductibles and co-insurance
- Hardship program in place during transition period
Future Employees

- Offer incentive to save for retirement
- Match employee contributions to a “health savings fund”
  - 1:1 match by College
  - Over first 5 years of employment
  - Maximum $3,000
  - Vested in three years
Cost-share monthly premium

Example: (2008 premium)

- Age: 57 (7/1/2009) = 57%
- Service: 19 yrs (7/1/2009) = 19%
- College subsidy = 76%
- Employee cost share = 24%
- Monthly Premium = $402.19
- Employee monthly cost at retirement = $96.53
Minimum and maximum premium impact at time of retirement (2008 dollars)

- Age and years of service < 40
  - $241.31/month

- Age and years of service > 85 (employed)
  - $60.33/month

- Age and years of service > 85 (retired/FRO)
  - $0
Existing Employees – Early Retirement (until Medicare eligible)

- **Current plan**
  - Eligibility: Age 55 and 10 years of continuous service
  - College Contribution: Based on age and years of service
    - 75+, College pays equivalent of Blue Choice premium
    - <75, employee pays full premium

- **Proposed plan**
  - Eligibility: Age 55 and 10 years of continuous service
  - College Contribution: Based on age plus years of service on July 1, 2009
Summary of CBC Proposal - Medicomp

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Next Steps

- Disseminate and educate re CBC proposal
- Solicit comments
- Revise CBC recommendations
- Review with selected groups
- Disseminate to employees and retirees
- Conduct group and one-on-one education
- Implement
Feedback and Comments

- Reconsider making any changes to the plan
- Limit changes to new hires
- Continue full subsidy for employees who qualify for the “Rule of 75”
- Continue full subsidy for employees with a long history of service
- Continue full subsidy for employees who are closest to retirement
- Extend the implementation date into the future
- Remove the 85% maximum subsidy
- Consider a “sliding scale” subsidy where an employee with a lower salary will have a larger subsidy - up to 100%
- Develop an alternative medical care plan with DHMC