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News

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LIAISON TEAM MEETING WITH AETNA ON 2016 BENEFITS AND RATES

On September 24, 2015, the ARA Liaison Team met with Aetna representatives to learn about changes to the Retiree Health programs to become effective January 1, 2016. As in past years, Aetna will provide comprehensive materials concerning the 2016 plans, contribution rates and administration beginning with their Fall **Aetna Retiree Connection** newsletter and in the annual enrollment materials to be mailed in mid-October.

On balance, there will be very few changes to any of the Medicare, Dental or pre-Medicare plans. In addition, there will be very few and minor changes because of any new provisions in the Affordable Care Act.

2016 Medicare Plans

There will be very minimal changes to the Medical or Rx plans for 2016.

There will be no changes in the Medicare Advantage plan. Under the Indemnity plan, there is expected to be a continued migration of members out of that plan and into a Medicare Advantage plan.

Aetna will continue to migrate Medicare participants in ESA areas to a Medicare PPO plan if the network is sufficient. This procedure has been followed for the past few years on a state-by-state basis. For 2016, retirees in Florida, Georgia, North Carolina, Texas and Virginia will be targeted to move from ESA to the PPO network. Individuals affected by this change will receive a letter from Aetna Medicare saying that **"your plan is ending."** The letter and its wording are required by the federal government. While this could be alarming to members, Aetna has pointed out that their **plan is <u>not ending</u> but is merely being changed to a true PPO plan.**

For participants in the Medicare PPO plans, there will be no change in the premium rates – you will continue to pay the same rates as 2015 in 2016.

2016 Pre-Medicare Plans

Under the pre-Medicare HSA plans, there will be a few minor modifications. The manner in which the deductible is applied is being changed to a “true family” (TIF) deductible under which, the entire family does not need to meet their individual deductible or the family limit before any benefits are paid. Under the old approach, **both** the individual and the family deductibles had to be met before payment occurred while, under the new approach, **either** the individual deductible or the family deductible (whichever comes first) needs to be met. This change in the manner in which the deductible is applied constitutes an increase in benefits. In order to somewhat offset that cost increase, the deductible is being increased to $3,500 per person and $7,000 per family.

The claim levels for pre-Medicare plans were sharply higher during late 2014 and 2015. This fact, coupled with the change in which deductibles are applied has resulted in premium increases of 19%. However, because this group of retirees is subject to the subsidy cap, the entire increase in premium will be borne by the retirees in the form of higher premium rates. Depending on where these retirees fall relative to the cap, the increase in premium per month will be in the range of $110 to $130 per member.

An example of the pricing change is as follows:

A retiree plus spouse coverage in the OA Select plan with an 85% company subsidy, subject to the cap, paid $762 per month in 2015 and will pay $1,018 per month in 2016. This is an increase of $256 per month, or 34%.

As indicated previously, the rates for the pre-Medicare plan are increasing relatively significantly. You should note that there may be other options for coverage in the marketplace. Specifically, coverage provided through your local Public Exchange may be available at rates which could be lower than those proposed by Aetna. If you do pursue this option, please make certain you compare the levels of benefits provided with those under the Aetna plan and do not simply compare rates. In addition, in the past, if you opted out of an Aetna plan, you were not allowed to opt back in at a future date. Beginning in 2016, Aetna has relaxed this rule and will allow a member to opt back in if they do choose another carrier for coverage.

Dental Plans and Pricing

There will be no plan design changes in Dental for 2016. However, the premium rates will change as follows: DMO -6.3% and PPO -2.7%.

Other Issues

There is obviously some degree of uncertainty concerning Aetna’s acquisitions of Coventry and Humana. In addition, the viability of public exchanges in the future is also uncertain. Finally, the implementation in a few years of the so-called “Cadillac Tax” on “rich” plans also adds unknowns to the mix for pre-Medicare. In response to this, Aetna will maintain the current pre-Medicare plans but attempt to simplify them. In addition, certain eligibility rules are being modified. Finally, Aetna will provide pre-Medicare retirees with information on public exchanges which provide alternative plan options this this group of retirees.

2016 Annual Enrollment and Communication Timeline

Communication/Event	Timing
Fall **Aetna Retiree Connection** Newsletter	Mid October
Annual enrollment kits mailed	End of October
Aetna HR Contact Center begins taking annual Enrollment questions	November 2
YBR "enroll" page available – enrollment preview	November 2
Annual enrollment period begins	November 9
Annual enrollment period ends	November 20
Confirmation statements mailed	End of November
Annual Notice of Change letter	December
ID cards mailed *	Late December

* new ID cards will be mailed to all Medicare Advantage plan members, members who make a plan change but not to individuals in the Indemnity Plan

One item to note is the Annual Notice of Change Letter. This letter, required by the Federal Government, has caused some confusion in the past. As we have discovered and, worthy to note again this year, even though the letter tended to be confusing in its intent, we now know it has no effect on the enrollment process. Accordingly, please approach this year's enrollment without regard to that letter.

As in past years, the 2016 enrollment will be a passive one, i.e., if you are not making any plan changes, you will automatically be enrolled in the same plan in which you were enrolled in 2015. As indicated in the preceding table, some members will be receiving new ID cards to be mailed in late December.

As always, please check your mailboxes often, thoroughly read any material you receive, and contact the Aetna Retirement Service Center with any questions before completing your enrollment.

ARA ESTIMATES 2016 COLAs

Because the Consumer Price Index (CPI) data for September is not yet available as we go to press, the final cost-of-living adjustments (COLAs) for Aetna's pension plan (where applicable) and Social Security in 2016 are not yet available. However, we at ARA are able to provide an estimate for each of these if an assumption is made about the CPI for September.

The simplest assumption is that the CPI does not change for the month of September. On that basis, we calculate the Aetna COLA applicable to 2016 to be -0.3% (which, of course, means a decrease in the gross pension payment) and the Social Security COLA to be 0.0% – i.e., no change.

If there is a percentage increase in the CPI from this August to September, the above -0.3% figure for Aetna's COLA would improve by the amount of that increase. The Social Security COLA would normally rise by 1/3 of that increase. However, because of the underlying negative CPI change in the Social Security COLA calculation, the increase in the CPI for the month of September would need to be about 1% or more to produce a positive Social Security COLA.

If September's CPI decreases, a corresponding decrease would occur in the Aetna COLA; the Social Security COLA would remain at zero.

The question is often asked as why there is generally a difference between the two COLAs. Although we have written about this topic before, it is a somewhat esoteric subject and it does not hurt to go over it again.

While CPI data may be highly questionable as a measure of actual inflation - especially for retirees - Social Security and Aetna both base their COLA calculations on statistics from the same Consumer Price Index table. Specifically, they both use the raw data for CPI-W, the US Bureau of Labor Statistics' "**Consumer Price Index for Urban Wage Earners and Clerical Workers",** with 1982-84 as the base.

However, while both use the same table, the data selected from CPI-W table - and the methodology utilized - are not the same, producing different COLA results. To more easily understand the difference it is helpful to keep in mind the CPI is an *index* representing basically the current cost of a basket of goods and services. It is the *ratio* of two such indices over a period of time that leads to the useful percentage figure we often (although mistakenly) call the "CPI."

Social Security: The basic formula for the Social Security COLA is to divide the average of the CPIs for the months of July, August and September by the corresponding average for the prior year. (If the result points to a negative change, there is no COLA adjustment and the negative is carried over into next year's calculation.)

Aetna: The basic formula for the Aetna's COLA is to divide the CPI for only the month of September by the CPI for the prior-year September. In the case of the Aetna COLA, the resulting percentage change is limited by the 3% cap (in either direction).

However the COLA turns out for the Aetna pension plan this year, it is no exaggeration to note that, for those Aetna retirees fortunate enough to qualify for it, this benefit has proved over the years to be extremely valuable.

As you communicate with a retiree, retiree group or a colleague, we encourage you to provide them with information and the benefits of joining ARA. Please refer any prospective members to our website at www.aetnaretirees.com for additional information and an application form. Further, you may encourage prospective members to contact any Board Member for additional information. If, however, a retiree or colleague does not wish to become an active member and would still like to hear what we are doing, please have them state “communications only” on the application. We will send them our communications.

CONTACT ARA!

We welcome your comments, questions, ideas and letters to the editor. See mail and website addresses on page 1.

Marilyn Wilson, Editor