Aetna Retirees Association, Inc
PO Box 280165
East Hartford, CT 06128
www.aetnaretirees.com

News

Volume IV, Edition 5 August, 2008

Frustration Mounts, but be Careful before Opting out of Aetna Plan

Deal or no deal? That is the annual question retirees have to answer when the Aetna Reenrollment package comes around. With health insurance costs rising and health insurance premiums right along with them, there is a natural temptation to question the value of the company's offering. Frankly, we have been surprised that a few ARA members have dropped the company plan and purchased Medicare Supplement plans from other carriers.

On its face, it would seem that this may be unwise. After all, Aetna offers its retirees a product with a substantial subsidy for many. How could it be possible, for example, for a retiree paying only say 15% of the cost of his or her Aetna plan to be better off paying 100% of that of a competitor?

In an effort to get to the bottom of this question, your ARA turned to an outside consultant to look at the Aetna Open Plan (the one that most but not all age 65 or older members are covered by) vs. other products on the market.

The project began with the consultant sending out a Request for Information (RFI) to eight Medicare carriers in Connecticut, including Aetna. This was a "blind RFI," meaning that it named no company as the requestor other than ABC Corporation. This is a common practice in the bidding process for Group Insurance proposals and, as a "blind RFI," the assumption is that the playing field will be level and that there will be no bias shown by any of the bidding carriers. Further, all carriers were instructed to assume a certain average age of the group, a certain percentage of females and to assume coverage would be in Hartford County.

Unfortunately, all but two of the carriers refused to bid without experience results of the group and/or complete census information. After meeting with the consultant on this issue, we determined to still go forward with the study even though it was more limited in scope than we had intended. The consultant also offered some "anecdotal" information on groups with which they were familiar (i.e., renewal rates for groups of similar size to the one we included in the RFI).

Bottom line, we concluded that Aetna does not have the lowest rates on the street, but is definitely competitive, perhaps in the middle of the pack. Based on this conclusion, we are convinced that the vast majority of our retirees are probably better off to stick with Aetna plans. However, this is still a decision that each individual retiree must make for him or her self. No two retirees have exactly the same circumstances or needs, so there still *may* be situations where a member is best served by opting out.

Of course, consideration of price alone is not enough. There are always less expensive alternatives to the Aetna plan, but they probably do not provide the same benefits. Among the most important considerations are the annual "out-of-pocket" limit, lifetime maximum for all services, levels of psychiatric, skilled nursing, home health care, hospice and many other things. We believe that a side-by-side comparison of Aetna against individual alternatives will probably most often favor Aetna when the subsidy is factored in.

As we approach the next enrollment period, we will provide members with a tool that lists what we believe are the most important comparison considerations. This tool will allow you to enter the facts on the Aetna plan or plans you are considering vs. any outside alternatives. We hope this will assist members who want to take a long and realistic look at the marketplace.

New Directors Bring Prestige, Expertise To ARA Leadership

Five new directors were elected to the ARA Board at the June 23 meeting. Individually and as a group, they bring an unusually high level of knowledge, experience and respect due to their important assignments during their Aetna careers.

The new directors are John Backer, Doug Halbert, Jim McAuley, Phil Roberts and Ken Veit.

John Backer, a graduate of California State University at Fresno, spent 32 years with Aetna, all in the Casualty Claims department. He was an assistant vice president with special expertise in environmental claims. In 1996, when that business was sold, he went to Travelers as 2nd vice president. He makes his home in Manchester, Connecticut.

Doug Halbert is a graduate of the University of San Francisco. He spent 30 years with Aetna in Casualty Claims and the Employee Benefit Division and has extensive experience in health and dental insurance. He makes his home on Maui, Hawaii. He is a combat veteran of the Korean War and active with veterans groups.

Jim McAuley makes his home in Mystic, Connecticut. He was an assistant vice president and assistant treasurer.

Phil Roberts makes his home in Pittsburgh. At Aetna, he was senior vice president of investment.

Ken Veit makes his home in Paradise Valley, Arizona. He was president of Aetna International.

All five were elected to two-year terms. ARA now has directors in the Hartford area, the Connecticut shore, Maine, Massachusetts, Vermont, New Hampshire, Rhode Island, Hawaii, Arizona, Pennsylvania, and (seasonally) Florida. By using inexpensive telephone and video teleconferencing, the organization is able to make use of talent and experience without imposing a travel burden on members.

NRLN Proves its Worth

Senate Committee Backs Off Plan to Raid Pension Funds To Pay Health Costs

Congress bears watching! Despite pledges to ordinary citizens during election campaigns, all too often we find congressional committees playing with the rights of ordinary citizens. Case in point – Senate Finance Committee staffers were considering a proposal that would have allowed corporations to transfer money set aside to fund retirees' pensions to instead pay for health insurance benefits for current employees.

Fortunately, the National Retiree Legislative Network (NRLN) was on the job and discovered it. Member organizations including the Aetna Retirees Association were alerted as were other watchdog groups. ARA asked members in states that committee members represent to contact them through NRLN's Capwiz system and protest.

The good news is that the Senate Finance Committee backed off and dropped plans to amend Section 420 of the IRS Code. In an election year, few politicians want to take on tough or controversial measures. Thanks to NRLN, this action was noticed and loudly opposed.

The provision would have been limited to amounts in pension plans that were above 120% of required levels. However, with securities and real estate values as volatile as they are, taking money out of pension plans is probably not a good idea. Besides, we believe that health benefits should be funded out of current revenues.

End of story? Not really; this is a story that never ends. Pension funds and retiree benefits are a tempting target and will remain so. It is up to retiree groups to remain vigilant and discourage temptation.

Election Year Puts Initiatives on Hold

In this seemingly-endless election cycle, virtually all major Congressional initiatives are on hold. The only action to sail through Congress in recent months was the economic stimulus package. Both parties seemed eager to play Santa Claus but, when it comes to the tougher "gut" issues, both parties are marking time until the new president is elected and the make-up of the new Congress becomes clear.

Democrats now control both houses of Congress, but narrowly. With Republican George Bush still in the White House, and Democrats generally unable to muster the two-thirds vote in both houses to override a veto, both parties campaign and hope for a better deal after the elections.

Washington is clearly the main stage when it comes to the major concerns of ARA. Congress controls pensions through ERISA. Congress controls Social Security and Medicare, too. While individual members of Congress may express sympathy with the concerns of retired workers, they are reluctant to dictate additional protections. The claim is that this "changes the rules" in the middle of the game to the benefit of the retiree and to the detriment of the employers. Left unaddressed, of course, is that employers have been allowed to make promises in large type and give themselves the right to walk away from them in small type.

Unless we experience catastrophic economic times, pensions are probably safe. The same is true of Social Security, at least for those now on it. Medicare and employer paid health insurance is quite another matter. An Obama Presidency with a 60% or better Democrat majority in both houses could mean significant changes in national health care, and that could mean equally radical changes for all of us

ARA attempts to stay tuned in and active at the State level, primarily in Connecticut. Our influence here is, potentially, greater than in Washington, but matters under consideration do not impact retiree rights as powerfully as at the Federal level. The state scene is important because Aetna is domiciled here. ARA has more members in Connecticut than in any other state. We will continue to look for ways to leverage our influence in Connecticut, but we also understand that the major items of concern for us will not be played out here.

What can you, as an ARA member, do to help? First, continue your ARA membership. Your dues provide us with the money we need to continue. Secondly, read your ARA News when it comes in and keep up to date with the issues.

We urge you to join NRLN. Individual membership gives you a greater, insider view, and at the same time strengthens NRLN in their important role. Even if you do not join, sign up to use their Capwiz system to communicate with your representatives on important matters.

Bottom line, there are a lot of "key players" who are paying very close attention to these matters. Many of them are very well financed and have huge amounts of money riding on the outcomes. If retirees do not pay attention and make their collective voices heard, they will pay a heavy price.

Veto Override, GM Retiree Cuts Are Danger Signs

Two very ominous dark clouds appeared on the ARA radar screen in the past month. Either one could spell trouble for ARA retirees.

Financially troubled General Motors (GM) announced that it was ending its support of medical coverage for retired non-union workers, age 65 and older. Faced with mega losses, due in part to sagging sales of trucks and SUVs, GM took the action that may have implications far beyond the auto industry.

To soften the blow, GM increased the pensions of affected workers by $300 per month. Of course, this will be taxable to the retiree, where the medical subsidy was not. Most experts commenting on the action see it as a trend that is likely to spread quickly to other companies and industries. With the cost of medical coverage rising rapidly, many companies are expected to follow the GM lead. There is no legal protection of retired workers' medical benefits such as ERISA provides on pensions.

The other dark cloud came in the form of a Congressional override of President Bush's veto of a bill that would have eliminated a scheduled decrease in Medicare payments to doctors and paid for with a cut in payments to insurance companies operating Medicare Advantage Plans.

This one looked like trouble for Aetna retirees no matter which way it went. If the cuts to doctors had gone into effect, it is possible that many doctors would have decided to stop taking Medicare patients, thus making it harder for retirees to find medical care. On the other hand, the cuts to insurance companies, including Aetna, may hurt their bottom line and/or cause them to increase premiums to Advantage plan policyholders.

Both of these stories spell financial danger to all retirees who receive any form of subsidy from their former employers for medical expenses.

Finding Providers May Be Problem in some Plans

A Connecticut member reports on an eye-opening experience with his Aetna Dental (DMO) Plan. He liked the DMO plan because it offered him a broad range of services with no deductibles or annual maximums to meet. However, his problems started when he got a letter from his dentist advising him that he would no longer participate in the plan. Unwilling to give up the low cost and favorable benefits of the plan, he turned to Aetna's "DocFind" to see if there was another suitable dentist he might turn to.

He found 16 names. Two were not accepting new patients, especially under DMO. Two were semi-retired and working limited hours. Five others were in a group. That left just seven to pick from. He ran a similar hunt under the PPO plan and found 160 dentists. Why the huge difference? Under the DMO plan, Aetna negotiates deep discounts making the business less lucrative for the provider. The "good deal" for the participant means the dentist makes a much smaller margin. Only a relatively few dentists seem willing to accept the deal.

The message comes through loud and clear. If you buy a plan that seems to have a great cost/benefit ratio, you may experience trouble finding a suitable provider who will accept it. Providers who are willing to accept these lower compensation levels may do so because it guarantees them a steady flow of patients, something they may have difficulty generating otherwise. This is yet another thing to keep in mind when selecting or changing plans.

More Support This Time, But ARA Shareholder Proposal Falls Far Short

Aetna took its annual meeting to the Peninsula Chicago Hotel in Chicago May 30, but the final result was no different than in previous years. All directors were duly elected, the auditor choice was rubber stamped, and proposals by shareholders were soundly defeated. Only a handful of people spoke, and the whole thing was done in less than half an hour.

It was lightly attended, but a model of efficiency. Retired Aetna executive and ARA member T. Tolbert Chisum represented ARA and spoke on behalf of the ARA proposal to include a retired Aetna executive on the board of directors. The Aetna board of directors recommended a "no" vote, and the proposal failed. Early indications are that the proposal got twice as much support in 2008 than it got when it was first put forward in 2007. However, it is still far short of prevailing.

Corporate Governance rules and the usual dynamics of shareholder voting make it very difficult for such a proposal to proceed. Absent direction to the contrary, the company will vote proxy shares against proposals it opposes; and shareholders, particularly institutional shareholders, often follow the lead of the company and vote "no" on proposals opposed by the company.

This year, ARA sent letters to large institutional holders of the stock urging support. It appears that this effort may have made a positive impact.

ARA would like to thank Tolbert Chisum for his most able representation. He showed the wit and style that he was well known for in his Aetna career, and provided the only life to a meeting that was otherwise formal, perfunctory and brief.

CONTACT ARA!

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

Dave Smith, Editor