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News

Volume VII, Edition 3 *April, 2011*

Aetna Pension Plan Funding Much Improved

The financial status of the defined benefit pension is of interest to all who participate in the plan and of concern to many in light of the effect of the 2008 general meltdown in the financial world on the condition of our pension plan. In August, 2009, after a meeting with Aetna pension personnel, we reported that "the ARA team in attendance left feeling much comforted by Aetna's philosophy and its approach to the funding and investment of our pension plans."

At that time – i.e., the end of 2008 – the plan's "funding ratio" was in the 80 – 85% area, depending on just how pension assets and liabilities were valued. Since then Aetna has continued to make voluntary contributions to the plan – $45 million in 2009 and $505 million last year. That, together with the recovery of asset values, improved the funded ratio as of the end of 2010 to 90 – 95%, again depending on how assets and liabilities are valued. This significant improvement in the pension plan financials appears to support the conclusions we reached after our 2009 visit with Aetna referred to above. In short, we think the pension plan continues to be in good hands.

Focus Group by Mail
What ARA Told Aetna

For the past several years following the annual enrollment period, the Aetna Benefits team has conducted a focus group of retirees to gain feedback. This year, Aetna elected to carry on the process but to do so by mail. A cross section of retirees was sent a questionnaire with four open-ended questions and was asked to comment.

As in past years, several ARA board members were invited to provide input. They were invited to do so as individual retirees and not as ARA board members. Of course, those selecting them knew them to be on the ARA board. No attempt was made by ARA to coordinate our message. Problems and issues arising from the enrollment process were well-known to all board members. While there were some differing points of emphasis from member to member, the overall input was consistent.

Generally, we gave Aetna fairly high marks for handling the 2011 enrollment smoothly. The passive defaulting of members to the available plan closest to their 2010 coverage made the process simple. In the case of Medicare-eligible members, the change was significant: moving from a Private Fee For Service (PFFS) plan in 2010 to a Preferred Provider Plan (PPO) for 2011. However, the choice was really "take it or leave it" -- no other option available -- so while some members may have been less than delighted with the change, most moved to it.

After a period of some discomfort while members and doctors became accustomed to it, the PFFS plan proved popular with most members. Unlike the PFFS plan, the PPO plan requires that the provider be under contract to Aetna or the member receives a lower reimbursement. This is true except in areas where insufficient providers are under contract. These areas are designated "Extended Service Areas" (ESA), and the higher compensation level is paid, even when the provider is not under contract.

While this was the primary difference between the old and new plans, it was certainly not the only one. ARA board members commenting felt that Aetna could have gone farther in explaining some of these differences. In recent weeks, for example, we have begun to see that significant changes were made in the drug formulary. Members who have been receiving certain drugs for several years are suddenly finding that they are no longer on the formulary or are subject to some restrictions. Aetna did not make a point of this during the enrollment period, but covered it in their first-quarter Retiree Connection Newsletter, pointing out that there are differences from plan to plan.

Health insurance is a complex subject and those who have never worked with the product may find it confusing. ARA Board members asked Aetna to be sensitive in working with the sea of acronyms that can be dizzying to the layman. Those designing health insurance products should be aware that every change creates a sharp learning curve for members. We realize that many of these changes are unavoidable – often imposed by the government – but every change imposed on elderly members has the potential for creating servicing problems for Aetna.

There were a few "snafus" along the line. Typographical errors were embarrassing to Aetna, but in the bigger picture did little damage. Of greater concern was the notice of cancellation letter which came out after the enrollment period and caused some panic with retirees who feared that what they had just agreed to had been undone. The letter further caused confusion because it was not designed for just the Aetna retiree audience but for other markets, too. Such letters are like assembly instructions that cover multiple products leaving the buyer confused. We have urged Aetna to target letters as much as possible. Initially this is more work but, in the end, it may eliminate confusion and extra service attention.

ARA members told Aetna that the Medicare educational sessions were useful. However, they should probably be promoted more so that more retirees use them.

Again, we salute Aetna for working hard and for being willing to seek member feedback as a part of the process. It is in the best interest of all retirees to help them succeed.

Aetna Shareholders Meeting in Philadelphia May 20

The Aetna Inc. annual shareholders meeting will be held at the Le Meridien Hotel in Philadelphia, Pennsylvania, on Friday, May 20, at 9:30 a.m. Aetna's Annual Report, 2010 Proxy Statement and the 2010 Financial Statement may be viewed on the company web site: www.aetna.com/investors-aetna/index.html. *[Webmaster's note: link to Annual Report appears on home page.]*

The Aetna Retirees Association holds shares of Aetna stock and will be represented at the annual meeting by retired Aetna executive and ARA member John Lang. Mr. Lang also represented ARA at the 2010 meeting.

Aetna retirees who can do so are urged to attend.

Do Your Friends a Favor

Aetna retirees who are members of ARA have an advantage over those who are not. In fact, they have a number of advantages. First and foremost, they are kept up to date on a wide variety of benefits issues. A good example is the pension plan funding story in this issue of the newsletter. The only place to read that story is here. Nonmembers will have to wait for the government required report, due out next month. It will cover results through January 1, 2010 – not exactly hot off the presses.
ARA's affiliation with the National Retiree Legislative Network (NRLN) gives us a watchful eye in Washington and a voice there when it is needed. A watchful electorate is the best guarantee of good government.

ARA has monitored administration of the pension COLA and explained how it differs from the COLA in Social Security. We've also been able to successfully forecast COLA changes before they are formally announced.

Of great value to quite a few of our members is ARA's ability to get answers and to work with the Aetna Benefits personnel to resolve frustrating issues which inevitably arise in servicing. ARA's excellent working relationship with Aetna Benefits has rescued quite a number of members who, after repeated attempts to resolve issues through normal channels, were at their wit's end.

If you have friends from your Aetna working days who might not be members, please do them a favor. Either talk to them about membership or give us their names and addresses (mail or email) so we can approach them. You'll be doing them a favor and yourself too. There's power in numbers, and the more retirees we represent, the stronger we all are.

CONTACT ARA!

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

Dave Smith, Editor