Jim Keller and Sid Stein met with Peter Barnes, Theresa Milazzo and Felicia Smith on Aug. 1, 2012 to discuss the proposed new voucher program for Medicare-age retirees that would replace the current Emory-provided Aetna Supplemental Insurance that includes prescription drug coverage with an annual payment of about $500 to help offset a portion of the retiree’s expense of either purchasing a Part C Medicare plan or a Medicare supplement along with a Part D Medicare prescription drug plan; Extend Health would help these retirees select from these three options.

We voiced our admiration for the current plan offered to Emory retirees for the following reasons: 1) the final arbitration of any disputes (including off-label drug use) resides with Emory; 2) the reduction in premiums for 2013 is a manifestation of Emory’s transparency and integrity; and 3) the thought and scrutiny that HR puts into the plan design for retirees each year, is a huge benefit for senior citizens who may find selection of appropriate coverage a formidable task at a time in their lives when they are possibly one illness away from a major, costly infirmity.

HR was encouraged to not move from the Aetna supplement to Medicare-based alternatives too quickly given the uncertain future that the Affordable Care Act may face after the presidential and congressional elections in November.

The future of Medicare supplemental insurance is in doubt with bills pending in Congress that would either eliminate it or dramatically reduce its ability to offset first-dollar costs for seniors. The Affordable Care Act itself provides for reductions in the payments that the government makes to Part C providers; the last time this happened, many Part C plans were abruptly terminated throwing beneficiaries back into standard Medicare. If the currently envisaged cuts to Part C are made, program elimination or significantly higher premiums for seniors are likely to result. Recent data have demonstrated that the cost of drug claims, as opposed to medical claims, has been dramatically expanding over the past few years; it is anticipated that this trend will continue, making the cost of drugs an increasingly important component of a retiree’s overall health costs. If the Affordable Care Act is repealed, the donut hole in drug coverage, which just began closing for seniors, will immediately expand. Because of all these uncertainties, an annual $500 voucher today may in retrospect be viewed as inadequate two years from now. Given all the unknowns and uncertainties, the following was recommended:

a. Delay any decisions about switching from the current Aetna supplement to Medicare-based coverage until at least 2014.

b. Use existing, anonymized 2011 drug data for each Medicare-age retiree, to compare the premium and drug costs under the current Emory plan with the premium and drug costs of a popular Part D Medicare plan (AARP, Aetna, and Medco would be some examples). The data from such a comparison could be used to construct a waterfall plot that would allow us to see what percentage of retirees would benefit from or be disadvantaged by a switch to a Medicare Part D plan.
c. If Emory decides to move away from the current Aetna supplement, it should investigate the option of adopting a private Part D plan that would give retirees access to the superior formulary that Emory offers its active employees.

d. If Emory still wishes to proceed, it should make the program voluntary and give Medicare-age retirees the option of staying with the current Aetna supplement or moving to one of the Medicare-based programs. Those who do make the move should be given the opportunity to return to the Aetna supplement during a two-year window of experimentation.

Prepared for the Fringe Benefits Committee Meeting to be held Sep 18, 2012 by Jim Keller, Emeritus College representative to the Fringe Benefits Committee, University Senate, and Faculty Council.