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News

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Benefit "Cap" the Cause of Confusion and Frustration

We have heard from quite a number of members who are upset by large premium increases this year, and who are confused by premium amounts in their 2007 Enrollment Worksheets.

We have again turned to Aetna Benefits staff to help us better understand these issues. After struggling with this information, we have a better understanding of how Aetna applies the cap, and of your frustrations, too.

The first step to understanding is to know the percentage of subsidy for which you are eligible. All Aetna retirees who retired prior to 1988 receive a 100% subsidy. That is, they do not pay any part of the health insurance premium. Aetna pays it all.

Those who retired starting in 1988, and before March 1, 1994, receive a subsidy ranging from 70% to 85% depending on their years of service. For a retiree with an 80% subsidy, for example, Aetna will pay 80% of the monthly premium and the retiree will pay the other 20%.

Those who retired March 1, 1994 or later also get a percentage subsidy based on years of service (age and years of service for those who retired after January 1, 1999), but this subsidy is subject to the health care subsidy cap adopted by Aetna in 1994. This cap limits the amount Aetna will pay. As health insurance premiums have risen, more plan offerings have reached and exceeded the maximum under the cap. When the total premium reaches the cap, the retiree is responsible for contributing 100% of the amount over the cap, in addition to continuing his or her subsidized contribution for the amount below the cap. This, of course, causes the retiree's share of premiums to rise dramatically.

The fixed value of the cap is:

For retirees under age 65 -- \$4235 annually/\$352.92 monthly

For retirees age 65 and older -- \$1025 annually/\$85.42 monthly

The following examples should help you understand exactly how Aetna applies the cap. For purposes of examples, we have assumed a Medicare eligible retiree.

Aetna pays the **lesser** amount of: 1. the total premium X your subsidy percentage, or 2. the capped amount (\$85.42) X your subsidy percentage.

Let's assume a capped retiree with an 80% subsidy elects the indemnity plan only. The calculation would be the premium for the indemnity plan (\$42 per month) X 80% = \$33.60 – **or**, the cap amount (\$85.42) X 80% = \$68.34. Because the lower amount is \$33.60 that is what Aetna will pay in this case.

Let's suppose that a retiree with an 80% subsidy elects both the traditional indemnity plan and Medicare Rx Plus. The combined premiums would be \$160 so the calculation would be \$160 X 80% = \$128. Since the cap amount (\$85.42) X 80% is \$68.34, Aetna would pay that amount because it is the lower of the two. The retiree would have to pay the remainder -- \$91.66.

Therefore, Aetna pays \$68.34 per month (80% of \$85.42). The retiree pays \$91.66. That is, 20% of \$85.42 = \$17.08, plus 100% or everything over \$85.42 = 74.58, for a total of \$91.66.)

The confusion probably arises because capped employees assume that the cap is an absolute number that applies to them individually: \$1,025 annually/\$85.42 per month. This is not the case because the cap is applied based on your percentage of subsidy. In fact the cap is:

- For those with an 85% subsidy - \$871.25 annually/\$72.60 monthly
- For those with an 80% subsidy - \$820 annually/\$68.33 monthly
- For those with a 75% subsidy - \$768.75 annually/\$64.06 monthly
- For those with a 70% subsidy- \$717.50 annually/\$59.80 monthly

Because nobody in the capped group has a 100% subsidy, no one will qualify for the full cap amount -- \$1,025 annually/\$85.42 monthly. Therefore, we believe that these numbers are confusing or misleading.

For retirees who are not yet eligible for Medicare, the cap is applied in the same manner as for the Medicare eligible retirees. Aetna will pay the **lesser** amount of \$352.92 multiplied by the amount of the retiree's subsidy, or the total monthly premiums multiplied by the amount of the subsidy.

We have also learned that there is an error in the 2007 Enrollment Worksheets for non-capped retirees who retired between 1988 and 1994. Aetna advises us that while the retirees monthly cost is correct, the Aetna's monthly cost is understated. That means you cannot "do the math" to check to see if you are receiving the correct subsidy. Aetna promises to send new worksheets by January 1, 2007 showing the corrected Aetna monthly costs.

We hope this explanation is helpful to you.

LTC Coverage is Still Available

Aetna's decision to stop selling group Long-Term Care (LTC) insurance does not affect Aetna retirees who have it or wish to buy it. While Aetna will not accept or write new group accounts, it will continue to serve and pay LTC claims for eligible members who stay with Aetna as their carrier.

Retirees who are already enrolled may remain in the plan. Those not in the plan but who wish to enroll may do so until further notice. Aetna will continue to make deductions from pension checks for those who wish to have that service.

For more information, you may visit the Aetna LTC website at www.aetna.com/group/aetna or call the LTC customer service hotline at 1-(800) 537-8521. The phone is available Monday through Friday, 8:00 a.m. to 6:00 p.m.

Be persistent on medical claims

Several members report problems in collecting on claims for annual physicals. Medicare pays for just one "Welcome to Medicare" physical in the first six months on the plan. However, the Aetna Indemnity Plan promises to pay for annual physicals. In practice, however, those claims may be hard to collect. Members report that it may take extra effort on your part. If you have payment for a physical rejected, challenge it. Likewise, be on guard

against "lost" paperwork. It will be well worth your time to be sure that your claim is properly paid.

Don't forget your RRA Money

Just a reminder: if you haven't put in a claim to collect your RRA (Retirement Reimbursement Account) money, you need to do it soon.

Filing a Claim

After you have received health, dental or other services from a provider, you should submit an RRA claim form in order to apply for reimbursement. Copies of the form are available from Member Services at 1-888-238-6224 or through Aetna Navigator at www.aetnavigators.com >Forms Library.

Along with this claim form you should provide one of these two items:

- The Explanation of Benefits (EOB) you received from Aetna showing how much, if any, of your claim was paid; or
- Itemized bills from providers for expenses not covered by the plan. These bills should include patient's name, diagnosis, service provided, charges and date of service.

Send your claim form and the EOB or itemized bills to:

Aetna Retiree Reimbursement
Account Team
P.O. Box 4000
Richmond, KY 40476-4000

CONTACT ARA!

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

Dave Smith, Editor