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News

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STATE OF THE ASSOCIATION

ARA Successful in 2009 But New Year Promises New Challenges

The past year was a success for the Aetna Retirees Association. Our relationship with our former employer was marked by mutual cooperation. Things were relatively tranquil on the benefits front.

Service problems cropped up during the year but, for the most part, they were, with Aetna's cooperation, easily resolved and not great in number. The 2010 enrollment period promised to be both simple and easy. There were no major changes to grapple with, essentially, the same plans offered, enrollment automatic for those not making changes, and the same vendor providing services. Rates were going up, of course, but that was a given. Then, things got complicated for many Connecticut members when the contract negotiations between Aetna and Hartford Hospital broke down. Aetna turned to ARA for help, and we urged affected members to write letters to their Hartford Hospital providers urging a resolution.

The impasse put many Connecticut members into an uncomfortable spot. They had to elect 2010 coverage without being sure that their providers would accept their plans. Aetna responded with flexibility. Medicare eligible retirees could switch back to the Traditional Indemnity Plan if they wished. If the contract was signed before the end of the year, they could return to the Advantage Plan. That is, of course, what happened and, by all reports, the changes were handled smoothly.

Of course, ARA would far prefer to cooperate with Aetna. We have come far since the unilateral dropping of the dental plan subsidy sparked the founding of our association. The present situation is beneficial both to ARA members and the company.

A Close Look at Pension Plan Funding

The dramatic drop in the financial markets led a number of members to inquire into the safety and funding adequacy of our pension plan. After discussion by the ARA Board, Aetna was approached on the subject. They offered ARA an opportunity to review data in detail and to sit down with their team and ask questions.

To take full advantage of this excellent opportunity, ARA assembled a dream team. Ken Veit, former president of Aetna International and an actuary, flew in from Phoenix. Phil Roberts, formerly chief investment officer for Aetna, drove in from Pittsburgh. They were joined by Dick Wenner, formerly an actuary in the pension area, and ARA Chairman/President Bob Gilligan.

The session allowed the ARA board to satisfy itself that, despite the dangerous drop in the value of real estate and securities, the Aetna pension plan is in relatively good condition – probably better than most.

This was yet another example of the cooperative spirit that has developed between the company and ARA, the voice of its retirees. That cooperation has worked to the benefit of all parties. ARA will do all that it can to continue this positive environment.

Disappointment in a Negative COLA

Most retirees were surprised – some downright shocked – to learn that a drop in the government's cost of living index would mean a 1.7% reduction in pension checks in 2010. That provision was written into the pension plan in 1968, but this is the first year that the COLA has been in negative territory. When Social Security experiences a negative COLA, payment checks do not drop but remain at the same amount as the previous year. Many retirees had either forgotten the way the Aetna plan is written or assumed it would be the same as for Social Security.

The reduction is a relatively small amount, but it hurts, none-the-less, because few retirees are seeing their actual living expenses dropping. Rapidly increasing medical costs and health insurance premiums take an ever larger slice out of our annual income. It would probably be hard to find a senior citizen who feels that his or her living costs dropped in 2009.

ARA initially felt that there was no reason to comment on it. Aetna was administering the plan as written. On balance, the COLA is a very attractive feature of the pension plan. To ask for relief in the odd year that it goes negative might seem unreasonable.

However, key board members pointed out that the actuarial assumptions in the plan anticipate a 2.75% inflation rate. If the 2010 payout rate was left the same as for 2009, the plan would still enjoy a windfall of 2.75%. This should have no material or immediate impact on the Aetna "bottom line," but would help retirees.

This was pointed out to the company in a letter from Bob Gilligan to Ron Williams. Apparently, Aetna has decided not to act favorably on that suggestion. At this point, we do not know the company's rationale, because Mr. Gilligan's letter has gone unanswered.

Larger Federal Role Likely Continuing in 2010

Looming over everything in 2009 was the impact of the extended recession, high unemployment, massive government spending on bail-out and stimulus plans, expensive "cap and trade" energy plans and, perhaps most importantly, healthcare/health insurance reforms that may totally rewrite the health benefits scene.

As of this writing, the House of Representatives has written and passed a bill along party lines that includes a public option – in effect, a federally run insurance company that would compete with private companies. Proponents say this is necessary to keep the private companies honest and guarantee competition. Opponents see it as a Trojan horse aimed at destroying the private companies through unfair competition so that a single payer plan can be adopted.

Just before Christmas, the U.S. Senate passed its own version of the bill. It does not include a public option as such, nor does it allow for Medicare buy-in for those over age 50. However, it does mandate that all citizens purchase health insurance or pay a fine. It gives the Federal Government the power to dictate policy forms and conditions including removing the power of the insurers to refuse coverage based upon pre-existing conditions. Some see this as reducing the role of the insurance companies to that of public utilities. It would certainly minimize the traditional role of the companies in spreading and sharing risks. The possible prohibition of pre-existing condition exclusions could tempt some insureds, with potentially serious health problems, to buy the lowest priced coverage available until such time as the condition would require expensive treatment. Then, that person could switch to a plan that pays far higher benefits.

As of this writing, the two bills have skipped the normal joint conference committee of Senate and House members and, instead, are being reconciled by House and Senate majority leaders and the White House. They will attempt to hammer out a compromise bill that both houses can agree on. That may not be easy. While moderate Democrats oppose such things as the government option, Medicare buy-in, and public funding of abortions, liberals threaten to pull their support from any final bill that does not include these things. As with the Senate bill, there is likely to be much arm twisting, horse trading and vote "buying" before it can become law. Republicans who voted against both bills are shut out of the resolution process. Whatever emerges will be a Democrat-only bill.

President Obama has put pressure on the Congress to get the bill to his desk in time to sign before his State of the Union address in late January.

ARA Position on Healthcare Reforms

ARA has taken a position generally in support of Aetna's stance on the Healthcare reform legislation. Anything that endangers Aetna puts all of our benefits in danger.

ARA understands that individual members may have vastly different views of health insurance and other legislation. The most convincing arguments in favor of reform are that a country with the resources we have should not be the only advanced nation in the western world that does not have a healthcare system protecting its citizens and that reform is necessary to at least moderate the rapid growth of medical services. If current healthcare costs continue to rise at current rates, medical services may be financially out of reach of many Americans. Some form of health legislation is probably in order, and honest people may well differ on what will work best. Most agree that the most important thing is to eliminate unnecessary expenses. Some form of tort reform would seem to be a good place to start, but this is not addressed in the current bills. Defensive medicine is also a major concern – extra tests run simply to head off the risk of lawsuit. This does not seem to be addressed in either bill.

There is massive waste and fraud in the administration of Medicare, and both bills partially fund new expenses by taking massive amounts from Medicare based on the elimination of waste and fraud and by reimbursing providers at lower-than-current rates. Elimination of waste and fraud seems ambitious given that no administration has been able to do it. Many retirees worry that lower Medicare reimbursement rates will cause many providers to stop taking Medicare patients or to spend far less time with them. That, and the fear of health service rationing, are a deep concern for the elderly.

It is impossible to predict, with any accuracy, the future of Medicare Advantage plans such as the one Aetna offers to most eligible retirees. However, the signals are strong that the government plans to deeply cut the subsidies to them. That would force the insurers to either dramatically increase rates or drop the plans altogether.

As the 2010 elections near, sitting members of Congress and those seeking to join it will become more sensitive to voter feedback. We urge you to make your voice heard in this important hour of national change.

Organization and Membership

Your ARA is in excellent condition as it enters 2010. It has a talented and active board that has considerable experience in dealing with the issues. The board is not only knowledgeable but energetic, devoting many hours to its work. Our association with the National Retiree Legislative Network (NRLN) provides us with information on pending legislation and a rapid system for contacting members of Congress to influence legislation.

The treasury is in good shape thanks to keeping expenses low and a strong and persistent membership. Of course, we'd like to grow larger. The more voices in our Association, the greater our impact on the political process. Aetna says that it cannot share retiree lists with us and cites privacy rules as the reason. That means that we must rely on our current members to find us retirees who are not yet members.

On balance, we are in good condition, but expect more changes in the years ahead, and expect those changes to be dramatic.

CONTACT ARA!

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

Dave Smith, Editor