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News

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ARA REPRESENTED BY JOHN C. LANG AT THE 2013 AETNA SHAREHOLDER MEETING

The Aetna Retiree Association was, again, ably represented by former Aetna Treasurer John C. Lang at the Aetna, Inc. Annual Shareholders Meeting held on Friday, May 17, 2013, in Tampa, Florida. John reported on ARA's questions, and Aetna Chairman, CEO and President Mark T. Bertolini's responses, as follows:

QUESTION

Will Medicare Advantage continue to be offered to Aetna retirees in future years?

RESPONSE

Chairman Bertolini responded in the affirmative.

QUESTION

Does Aetna anticipate that better care and better outcomes under Medicare Advantage will offset the need to increase premiums and/or reduce benefits even if Medicare Advantage payments are reduced in future years to equalize them with fee-for-service Medicare costs?

RESPONSE

Chairman Bertolini gave assurance that retiree health benefits are an item of great importance to the company. Aetna remains deeply committed to Medicare Advantage and is actively developing efforts with providers to provide quality healthcare to retirees and to members. The move to 100% fee-for-service is designed to maintain a quality, affordable healthcare benefit to retirees through the Medicare Advantage plan, as he had just affirmed.

QUESTION

When can we expect Aetna to return to Hartford for the Annual Meeting, thus saving expenses and providing a greater opportunity for retiree and employee owners to participate?

RESPONSE

It has been the intent to move Aetna Shareholder meetings to different cities where we recognize that Aetna retirees have chosen to live, while also allowing access to our shareholders to experience shareholder meetings in their geographic region. To answer your question specifically, it is my intention to conduct a shareholder meeting, in Hartford, prior to my retirement.

John Lang reports that, following the meeting, Chairman Bertolini expressed his high regard for Aetna retirees and his gratitude for the tremendous contribution they made in establishing the solid foundation of integrity and reputation for quality service and product that Aetna continues to represent.

A brief overview of the background that prompted ARA's questions about Medicare Advantage and its future availability to Aetna retirees follows on page 2 for those who desire more information.

Medicare Advantage - Background

(Continued from Page 1)

Medicare Advantage Plans are offered by private companies like Aetna as a private insurance alternative to "original" Medicare (Part A and Part B). Aetna contracts with Medicare to assume Medicare's risks by providing Part A and Part B Medicare benefits. Aetna is paid a set amount every month by Medicare for each Aetna retiree enrolled in a Medicare Advantage plan.

Medicare Advantage insurers are required to offer a benefit "package" that is at least as good as Medicare's. Insurers are currently paid 114 percent of the fee-for-service costs that Medicare pays to care for a patient. A Medicare Advantage insurer may use some of the excess payments they receive for each enrollee to offer supplemental benefits such as improved drug coverage, hearing coverage, vision coverage, gym memberships and other services not covered by traditional Medicare and/or to protect individuals against catastrophic medical bills via out-of- pocket maximums per year, with no lifetime benefits maximum, so long as individuals use in-network providers.

A study by George Washington University found that the extra 14 percent paid to Medicare Advantage insurers meant increased costs to Medicare of $795 per beneficiary in 2004; by 2009, the increased costs had increased to $1,138 per beneficiary. While Medicare Advantage is more expensive, academic and industry research shows that the care coordination and disease management in Medicare Advantage plans result in higher quality care than fee-for-service, including lower hospital readmission rates and better outcomes for seniors with chronic conditions.

Affordable Health Care Act reductions

While the 14 percent higher cost of Medicare Advantage is offset partially if not wholly by better care, lower hospital readmissions and better medical outcomes, as part of the effort to reduce Medicare payments by approximately $500 billion over time, the 2010 "Patient Protection and Affordable Care Act" (commonly called "Obamacare") requires that payments for Medicare Advantage be reduced until they are equal to payments for Medicare fee-for-service.

In fact, there was an effort by the Administration in 2013 to accelerate the Medicare Advantage payment reductions beyond those required by law, starting off with a reduction of Medicare Advantage payments by 2.2 percent in 2014. A large public outcry prompted many in Congress to pressure the Administration to back off of the payment reductions for 2014. On April 2, 2013 Medicare Services announced that, instead of reducing Medicare Advantage payments, in 2014 they will increase by 3.3 percent.

While there has been a temporary respite in Medicare Advantage reductions, equalizing its cost over time with fee-for-service payments is designed to produce significant reductions in Medicare Advantage payments. While the gap is now around 14 percent, actual future changes in Medicare Advantage payments may be more or less than this, depending upon future cost increases or decreases in Medicare fee-for-service costs.

The incentive for employers and insurers to offer extra coverage, annual out-of-pocket limits, improved prescription drug coverage, smaller deductibles, etc. will be lessened as the extra payments for Medicare Advantage are eliminated. A continuation of Medicare Advantage for 2014 and beyond is a vital concern to Aetna retirees, prompting ARA's questions at the Aetna Shareholder meeting.

NRLN STUDIES PENSION ISSUES

One of the first things the ARA did after its formation in 2004 was to become an association member of the National Retiree Legislative Network (NRLN), the trade association in Washington, D.C. that works to protect employer-sponsored retirement benefits, as well as Social Security and Medicare. One of their principal priorities has been the safeguarding of pension benefits. They have recently published a study on pension plan disclosure policy and are finishing another on pension plan "buyouts/ derisking."

The disclosure policy study concludes that current pension plan disclosure requirements are inadequate, increasing participants' financial risk, and makes proposals to strengthen current requirements in a number of areas. Probably the most relevant of these for Aetna retirees relates to the change in the federally mandated annual funding notices (AFNs) that were brought about by the Moving Ahead for Progress in the 21st Century Act (MAP-21), a highway bill passed by Congress in 2012 that included some non-highway provisions as well. One of these was intended to ease the funding burden on pension plans resulting from lower than usual interest rates in recent years. For the Aetna plan, this resulted in lower liability amounts and a "funding target attainment percentage" of 97.55%, a significant increase from the percentage that would have been calculated had MAP-21 not been enacted.

The act also required certain disclosures to plan participants in the AFNs, and this is where the NRLN study expressed concerns. Although Aetna and presumably most companies made the required disclosures in their AFNs, some companies did not. The NRLN study proposes requiring disclosure by all companies, as well as requiring certain additional information, including disclosure of data regarding company contributions and interest rates used in determining plan liabilities. NRLN will be including implementing statutory provisions in its ongoing efforts to strengthen federal pension laws to protect plan participants.

The buyouts/derisking study addresses concerns arising out of actions taken by a number of large employers in recent years to transfer their risk relative to their defined benefit pension plans to others, including the plan participants. These were effected via "standard" terminations (requiring the employer to demonstrate that the plan is fully funded; as opposed to "distress" terminations, when the employer demonstrates that it cannot remain in business unless the plan is terminated).

NRLN's antennae went up when some of the recent terminations involved only a portion of the participants in question, e.g., the management employees in the Verizon termination. In addition to presenting the usual potential problems in standard terminations, e.g., that insurer guaranty fund protection for annuities will usually be less than PBGC backup for ERISA-protected pensions, the partial terminations presented the strong possibility of significant differential treatment for groups of retirees – and the concern that some employers might get even more creative, to their advantage and their retirees' disadvantage. Accordingly, at it's February meeting this year, the NRLN attendees discussed this at some length, and the NRLN leadership subsequently decided to commission a study of the issue and possible statutory solutions. As this Newsletter goes to print, NRLN has finalized the derisking study; and it has scheduled meetings with the Department of Labor and members of Congress to begin discussions regarding additional regulatory or legislative protections for retirees, with respect to both disclosure and derisking.

THE RAPIDLY CHANGING HEALTHCARE LANDSCAPE

We are certain you are very aware that the healthcare marketplace is changing very rapidly. Virtually every day we see newspaper or magazine articles or hear news reports on issues surrounding healthcare. With so much information readily available, it is, nevertheless, very difficult to remain current on what is going on with respect to the Patient Protection and Affordable Care Act (ObamaCare) and other marketplace issues which do and will have an effect on your benefits.

In an effort to help keep our membership up to date on recent developments in the healthcare marketplace, we have been placing pertinent articles on our website. We feel this is the most effective and efficient manner in which to get information into your hands. Accordingly, we encourage you to visit our website at www.aetnaretirees.com on a regular basis. The articles are found on both the home page of the website (under **Recent Changes to The Website**) as well as under **News of Interest** (a button on the left hand side of the website).

As most of the articles posted are from local press in Connecticut, we do not currently capture information from other parts of the country. Articles written outside of Connecticut could also be pertinent to our membership. Accordingly, we would encourage you to send us articles you feel may be of interest to our national membership. Please e-mail the articles (or a link to the article) to aetnaretiree@comcast.net and, if appropriate, we will display it on our website.

We will periodically notify our membership via e-mail of what new articles we have recently added to the website.

THE IMPORTANCE OF CORRECT INFORMATION

In some past publications, we have encouraged you to carefully review any information which comes from Aetna about you and/or your family. This is especially important in today's age of widespread dissemination of information among any number of vehicles, e.g., printed material, e-mail material, internet information, etc.

In the past, we have specifically recommended that you make certain the information contained in your annual benefits enrollment material is complete and accurate. Making sure the information concerning you and your family is accurate is crucial to ensure that you become enrolled in the correct plan for you.

In addition to reviewing the information concerning your Health Benefits, you should also periodically review any Life Insurance policies you may own. This includes the free Retiree Life Insurance provided by Aetna. You should make certain all information, including face amount of the policy and designated beneficiary(s) is correct. With respect to your Aetna Retiree Life Insurance benefit, you may go to the Aetna's "Your Benefits Resources" website at www.ybr.com/aetna to review this information.

Our ARA Liaison Team will be meeting with Aetna's representatives in our annual benefits review/enrollment meeting on September 20, 2013. We will report the results of that meeting in our next newsletter.

As you communicate with a retiree, retiree group or a colleague, we encourage you to provide them with information and the benefits of joining ARA. Please refer any prospective members to our website at www.aetnaretirees.com for additional information and an application form. Further, you may encourage prospective members to contact any Board Member for additional information. If, however, a retiree or colleague does not wish to become an active member and would still like to hear what we are doing, please have them state "communications only" on the application. We will send them our communications.

CONTACT ARA!

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

Marilyn Wilson, Editor