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News

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On the Website

What's new since the last newsletter

- An article on the new treatment of some pension plans called "de-risking" (7/13)
- Aetna's 2nd-quarter earnings report (7/13)
- An article on a Hartford judge's denying home care coverage under Medicare after certain hospital stays (9/12)
- Two articles on the exchanges created under the Affordable Care Act (Obamacare) (10/12)

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Liaison Team Meeting with Aetna on 2014 Benefits

On September 20, 2013, the ARA Liaison Team met with Aetna representatives to learn about changes in benefits and/or administration of the Retiree Health programs to become effective January 1, 2014. As in the past, Aetna will provide comprehensive materials concerning the 2014 plans and administration in their Fall ***Aetna Retiree Connection*** newsletter and in the annual enrollment materials, both to be mailed in mid-October.

A number of pertinent issues will have an effect, albeit minor, on 2014 benefits.

- The Affordable Care Act (aka ObamaCare) continues to add regulation, cost and complexity to retiree group health plans
- Medicare Advantage plans remain a "political target" but, in Aetna's opinion, the likelihood of these plans being eliminated is very low in the near future
- Public Exchanges will launch in 2014 and these will provide access-only, guaranteed issue plans
- Private Exchanges (example, IBM and Extend Health) have grown in popularity as an alternative to Public Exchanges

2014 Pre-Medicare Plans

There are some changes of note with respect to the 2014 plans:

First, Rx plans can no longer be stand-alone and must meet Affordable Care Act limits. Accordingly, deductibles for Rx and Medical plans will now be combined but the new

combined deductible will be lower than the sum of the two previously separate deductibles. The 2013 deductibles were $350 for Medical and $250 for Rx; the 2014 combined deductible will be $500.

Second, the coinsurance level will be 80% as compared to 90% for the 2013 plans.

Third, there will be some changes (enhancements) to Women's Health coverage (more definitive information on these changes will be contained in the annual enrollment package).

The pricing for Pre-Medicare plans will show decreases in the range of -8% to -22%, depending upon which plan you choose.

2014 Medicare Plans

First and foremost, the same plan options available in 2013 will still be available for 2014. There will be no Aetna-driven plan changes, but there will be some minor adjustments to comply with the Affordable Care Act. Both preventive care and women's health benefits will be enhanced in 2014.

After a thorough analysis, Aetna has determined that some individuals who were in an ESA (Extended Service Area) location can now be moved to the "normal" PPO network area. At the same time, there will be some individuals who will move from the PPO to an ESA status. Your annual enrollment package will indicate this change to those affected.

With respect to the Rx plans, there will be a new category of generic drugs which will result in lower copays. More information on this change will be in material to be published by Aetna in a few weeks.

The pricing for Medicare plan options will generally show changes in the range from about -8% (for Indemnity only) to +28%. One plan option, however, will see a significant increase – the Medicare Advantage PPO (ESA) with Rx Standard will increase approximately 150%. The reason for this change is the implementation of the Health Insurers Fee feature of the Affordable Care Act (more on this subject appears elsewhere in this newsletter). Why this change is so large on the Medicare Advantage PPO (ESA) with Rx Standard is that the Health Insurers' Fee is being added to a relatively much lower retiree premium thereby making the increase relatively much higher than on other plans.

The rates for the Indemnity plan are being decreased about 8%. Please note that, in the past, it has been relatively easy to change from the PPO plan to the Indemnity plan. If even one of an individual's physicians was not in the PPO network, Aetna would allow a shift into the Indemnity plan. Beginning in 2014, Aetna has tightened up the rules for opting into the Indemnity plan. Their example to us was something like "if 8 out of 10 of your providers is in the network, the individual should be encouraged to find a provider in that specialty that is in the network." Please keep this in mind during your enrollment for 2014 benefits.

Please note that the rates and/or percentage increases/decreases illustrated above assume a retiree with an 80% subsidy. If your subsidy is other than 80%, the change in your premium could vary.

2014 Retiree Dental Plans

The same plan options which were available in 2013 will also be available in 2014. The pricing will show decreases of 3.7% for the DMO and 10.8% for the PPO.

2014 Annual Enrollment and Communications Timeline

The following table illustrates the timing for the various enrollment activities.

Communication/Event	Timing
Fall ***Aetna Retiree Connection*** Newsletter	Mid October
Annual Notice of Change Letter	Mid October
Annual enrollment kits mailed/ARSC begins taking annual enrollment questions	October 28
YBR "enroll" page available – enrollment preview	November 4
Annual enrollment period begins	November11
Annual enrollment period ends	November 22
Confirmation statements mailed	End of November
Annual enrollment survey (new in 2013)	End of November
ID cards mailed	Mid December

One item to note is the Annual Notice of Change Letter. This letter, required by the Federal Government, caused some confusion last year. As we all discovered last year, even though the letter tended to be confusing in its intent, we now know it has no effect on the enrollment process. Accordingly, please approach this year's enrollment without regard to that letter.

As in past years, the 2014 enrollment will be a passive one, i.e., if you are not making any plan changes, you will be enrolled in the same plan in which you were enrolled in 2013. In addition, not everyone will receive new ID cards. Those enrolled in the Pre-Medicare plans will receive new ID cards as will those whose PPO/ESA status has changed. All others will not receive new ID cards.

Check your mailboxes often, thoroughly read any material you receive and contact the Aetna Retirement Service Center with any questions before completing your enrollment.

Health Insurers Fee (HIF)

Under the Affordable Care Act (ACA), the IRS will assess a new fee on health insurers - the Health Insurers Fee (HIF). This fee will be used to help pay for health premium subsidies and tax credits that will be made available in 2014.

The fee begins in January 2014 and will not expire unless federal legislative changes are made.

This new fee applies to:

- Most forms of health insurance including Medicare Advantage and Medicare Part D plans
- Insured new business and renewals
- Grandfathered and non-grandfathered plans

The IRS will collect $8 billion from health insurers in 2014

What is the purpose of this fee?

In 2014, an estimated 33 million people will enter the insurance market. Many of these new entrants are low-income families who will receive subsidies toward the purchase of insurance. These subsidies will be provided by the federal government and will be funded in part by the Health Insurers Fee assessed on health insurers beginning in 2014.

How much is the fee?

The ACA expresses the Health Insurers Fee as an overall amount to be collected from the industry on an annual basis. The annual amounts (the "applicable amount") are as follows: 2014: $8 billion; 2015 and 2016: $11.3 billion; 2017: $13.9 billion; 2018: $14.3 billion; years after 2018: preceding year amount increased by the rate of annualized premium growth. The fee is payable by no later than September 30th each year.

How is Aetna's fee determined?

Each insurer's annual share of the fee is determined by taking the total amount to be collected for that year, and multiplying by the ratio of that insurer's net premiums written on U.S. health risk for the preceding year, divided by all relevant entities' net premiums written on U.S. health risk for the preceding year.

The Health Insurers Fee applies to Medicare Advantage and Medicare Part D and commercial plans regardless of the tax-exempt status of plan sponsors.

Net premiums written for purposes of the HIF include funding received from CMS (Medicare Parts A and B) plus plan sponsor supplemental premium. For Medicare Advantage plans this

will typically result in approximately a $26 per member per month (PMPM) impact since total premium is approximately $1,000 PMPM.

Example for Medicare Advantage plans:

CMS funding: $850 PMPM
Plan sponsor premium: $150 PMPM
Total premium: $1,000 PMPM
Health Insurance Providers Fee percentage impact: 2.6% Health
Insurance Providers Fee dollar impact: $26 PMPM

The $26 PMPM is for Medical only and results in a significant increase in the premium paid by the retiree. When the Rx benefit is taken into account, the total increase becomes approximately $40 PMPM before any applicable subsidy.

ARA Estimates 2014 COLAs

Because the Consumer Price Index (CPI) data for September is not yet available as we go to press, the final cost-of-living adjustments (COLAs) for Aetna's pension plan (where applicable) and Social Security in 2014 are not yet available. However, we at ARA are able to provide an estimate for each of these if an assumption is made about the CPI for September.

The simplest assumption is that the CPI does not change for the month of September. On that basis, we calculate the Aetna COLA applicable to 2014 to be 1.0% and the Social Security COLA to be 1.5%.

If there is a percentage increase in the CPI from this August to September, the above 1.0% figure for Aetna's COLA would rise by the amount of that increase. The Social Security COLA would rise by 1/3 of that increase. If September's CPI decreases, of course, corresponding decreases would occur in the 1.0% and 1.5% figures.

The question is often asked as why there is generally a difference between the two COLAs. Although we have written about this topic before, it is a somewhat esoteric subject and it does not hurt to go over it again.

While CPI data may be highly questionable as a measure of actual inflation—especially for retirees—Social Security and Aetna both base their COLA calculations on statistics from the same Consumer Price Index table. Specifically, they both use the base data for CPI-W, the US Bureau of Labor Statistics' "**Consumer Price Index for Urban Wage Earners and Clerical Workers,"** with 1982-84 as the base.

However, while both use the same table, the data selected from CPI-W table — and the methodology utilized — are not the same, producing different COLA results:

Social Security:
The basic formula for the Social Security COLA is to divide the average of the CPI (base data) for the months of July, August and September by the corresponding average for the prior year.

Aetna: The basic formula for the Aetna's COLA is to divide the CPI (base datum) for only the month of September by the CPI for the prior-year September. In the case of the Aetna COLA, the resulting percentage change is limited by the 3% cap (in either direction).

However the COLA turns out for the Aetna pension plan this year, it is no exaggeration to note that, for those Aetna retirees fortunate enough to qualify for it, this benefit has proven over the years to be extremely valuable.

E-Mail Addresses

For those of you who have an e-mail address, we would appreciate your letting ARA know if you have changed your e-mail address.

In order to provide important information to our membership on a timely basis, we need to keep our records up to date. Anything we send to ARA members that is sent by e-mail versus being sent through the U.S. Post Office is more timely and cost effective.

If you have a change, you may e-mail ARA at www.aetnaretirees.com.

New Member of ARA Board

We are pleased to announce the addition of Dorothy Cooney to the ARA Board. Dorothy worked at Aetna for 23 years, primarily IT – in Life, Property Casualty, and Corporate Systems. She left Aetna in 1996 and then worked for Johnson & Johnson for 12 years. She is now splitting her time in the Villages, Florida, and in Killingworth, Connecticut.

Early in ARA's existence, Dorothy was the head of our Membership Team. Later, and for several years, she has ably done all the formatting of and a lot of other behind-the-scenes work for our ARA Newsletters.

Dorothy has vast experience which will add valuable expertise to our current Board. She is looking forward to getting involved in the Aetna Retirees Association as a Board member.

New Additions to Our Website

We would like to inform you that we have placed five new articles on our website. Two of these articles deal with Health Exchanges, both Public and Private. The articles are entitled:

(1) "**Obamacare: The Rise of Private Health Insurance Exchanges**" and
(2) "**Excerpt from Aetna publication *Health Reform Connection* found on *www.aetna.com***

Health Exchanges are available to individuals who do not obtain their health insurance from their employers (including, for example, a retiree who left Aetna's plan and cannot return). Neither Public nor Private Health Exchanges apply to Aetna retirees who continue to obtain

their health benefits supplementing Medicare from Aetna, whether it is an Indemnity or Medicare Advantage Plan.

The advent of Health Exchanges is all over the news and we thought Aetna retirees might be interested in hearing about how exchanges work as well as the difference(s) between Public and Private Health Exchanges.