2015 Medical Plan Proposal FAQ's – Jan. 9, 2014

Updated Jan. 29 – Newest added FAQ's shown in blue text

Q. With the proposed change, if you retire after Jan. 1, 2015 you can plan on the Commission paying 2 percent of the cost of your medical insurance for every year of service. Will the Commission always pay this same rate throughout your retirement or could that percentage change at some point?
A. Unfortunately, there can be no guarantees the percentages outlined will not change over time. The funding challenges that we face are very serious, and additional action may be necessary in the future.

Q. Is there any way the implementation date can be after Jan. 1? This date requires retirement on Dec. 1 or sooner. Employees who would like to use their final payout of leave and comp time to cover medical insurance premiums and use the Cafeteria Plan to make this expense non-taxable, are being excluded from this benefit.
A. Since deductions for 2015 premiums will begin in Dec., 2014, the current Cafeteria Plan regulations allow those retiring Jan. 1, 2015 to pay their 2015 premium from their lump-sum payment. This allows the payment to be tax-free.

Q. Why Jan. 1, 2015? Why not do this now?
A. Since the decision to retire is a very individual one, and there will be advantages and disadvantages to this decision, the determination to use the Jan. 1, 2015 date was made to allow time for potential retirees to consider the alternatives. This also allows staff to make changes to the administrative processes and the system software to ensure the health care plan will operate in accordance with the plan design.

Q. Will the proposed changes only be in place for one year, 2015, and then will change again? If the Commission would commit to three or five years at the same rate, it would help employees and retirees plan for the future.
A. The proposed plan would take effect Jan. 1, 2015, but it is not a one year plan that will change in 2016. We intend this premium sharing strategy to be in place for a long time. However, at some point in the future, additional changes may be necessary.

Q. It looks like the proposed 2015 employee share of the premium will be $150.00 per month for the subscriber only category. Is that correct? It seems the subscriber only category employee share has increased more than the other categories in the past few years. Why isn't the percentage increase the same across the board, whether family or employee only?
A: Sorry for the confusion, but we don't see where you saw the $150 per month for subscriber only. Based on the 2014 rates, if the proposed change to 80 percent/20 percent share is implemented, the rate would increase from $64 to $80 per month. The rates for 2015 have not yet been determined, but the increase would not be $150. The total monthly premium would have to increase to $750 before the employee's 20 percent share equaled $150. Premiums do not increase that rapidly. For example, the subscriber only premium in 2010 was $384, compared to the current $399.

Employees who cover dependents are already paying 20 percent of the premium cost, and some have been for a number of years. The special committee formed to review this issue agreed with staff that this percentage was appropriate for all employees, regardless of the rate category in which they are enrolled. The employee percentage share for subscriber only coverage has been increasing over the past several years to make the percentages consistent among employees. When everyone has "skin in the game", it encourages wise use of medical services.

Q. If you cap the employer contribution at 50 percent for retirees, won't that be catastrophic for people who have a major medical issue? With this proposed change, if someone has a medical issue that totals $150,000, would their out of pocket cost be $75,000?
A: The 50 percent cap applies to the monthly premium. In 2014, the total premium ranges from a low of $260 per month to a high of $1,392 per month. How much your premium is depends on what rate category you're in (pre-Medicare or Medicare) and then what tier (subscriber only, subscriber/spouse, subscriber/family, etc.), you are in. If you were unfortunate enough to incur medical claims that totaled $150,000, and you received covered services from participating providers, the maximum you would pay out of pocket for the services would be $1,700, including deductibles and copayments, for both medical and pharmacy services for 2014. You would also be responsible for your share of that monthly premium.

Q. Why is retirement not based on the employee's base salary? Overtime increases some employee's retirement benefit, but not everyone's, and some overtime is not managed well.
A. The inclusion of overtime in the calculation of the employee's retirement benefit is required by state law. For some years, MoDOT has aggressively managed overtime as one of our many cost saving measures.

Q. Why aren't vested employees grandfathered in to the rates that were in effect when they became vested? Many employees stay because of the great benefits and retirement.
A. The contribution changes are necessary because of the financial challenges we face. Grandfathering vested employees would simply not reduce our financial obligation enough to make it a viable option.

Q. I really don't understand why MoDOT uses percentages of health care cost instead of actual dollars. With the direction of our nation's healthcare exchanges why not just decide how much the Commission is willing to pay, add that to employee salaries, and quit paying our insurance premiums. Insurance premiums run through the cafeteria plan so it wouldn't be affected by tax. I would expect many employees would choose to combine with spouses insurance if they were given the option to spend their premiums toward another plan which would reduce overall increases in future insurance premiums. This way everyone would be getting equal benefits too.
A. The retiree health care funding plan that was approved by the Commission in September 2011 actually took this approach of providing a fixed dollar amount per year of service. Due to the amount of negative response received by the Commission, that plan was rescinded in May 2012. While the approach you suggest is feasible, we believe the vast majority of our employees and retirees don't want us to cut them a check and let them find their own insurance. Employees frequently tell us that the value of the benefits is one of the reasons they continue to work for the state.

Q. When calculating the monthly premiums for medical insurance as a subscriber and spouse only, if I retire after Jan. 1, 2015 my premium will be less than if I retire before Jan. 1, 2015. Is this correct? I used the premium calculator @ the MoDOT / MSHP Medical and Life Insurance web site.
A. If you cover your spouse and retire on or after Jan. 1, 2015, and have 25 or more years of earned creditable service, the scenario you outlined is correct.

Q: ***The new plan you are proposing would actually be less expensive for me and my spouse if I am a retiree. How can you save money with a plan that pays more?***
A: There are some potential retirees who may earn a greater contribution toward their dependent coverage if they elect to retire after Jan. 1, 2015. The number of those is relatively small compared to other enrollment categories. The earned percentage contribution cap is intended to be consistent among retirees, after Jan. 1, 2015, so it is established at 2 percent per year of service, regardless of the enrollment category.

Q. ***Why is there such a large drop in contribution rates for retirees beginning Jan. 1, 2015? Going from 80 percent to 50 percent or less seems very dramatic.***
A. There seems to be a misperception regarding current funding for retirees. Current retirees do not receive an 80 percent contribution for any rate category. The most a retiree receives currently is 57 percent. The proposed plan would "cap" the Commission contribution toward the medical insurance premium amounts for retirees at 50 percent for those retiring on or after Jan. 1, 2015. This percentage is based upon the total premium cost for the category of coverage in which the retiree is enrolled.

Q. ***Does the 50 percent cap apply to the retiree's medical premium only or does it cover 50 percent of both the retiree and the spouse's premium?***
A. The 2 percent Commission contribution per year of service applies to the total premium for the level of coverage in which the retiree is enrolled. If a retiree is enrolled in retiree and spouse coverage, the percentage is applied to the total premium for that level of coverage.

Q. ***If an employee chooses the backdrop option; would the 2 percent per year of service include the back drop years?***
A. Yes. For example, if an employee worked 25 years with the last two of those being backdrop years, the Commission contribution for years of service would be 50 percent (2 percent x 25 years).

Q. ***If an employee worked for another state agency and transferred those years of service to MoDOT to count towards their retirement, would those years of service at the other state agency be included in the 2 percent contribution?***
A. Yes. If those years of service at another state agency are transferred and count towards your service at MoDOT for retirement, those years would be included in the 2 percent contribution.

Q. According to the calculation, a MoDOT employee whose spouse works for the Patrol, both with over 25 years of service and both retiring after Jan. 1, 2015, would pay less per month ($.50) if they were on a survivor and spouse plan rather than subscriber only plans. Why would there be a difference, even if it is just $.50?

A. The amounts that are provided by using the premium calculator are for informational purposes only at this point, and meant to provide a relative comparison between the proposed and current contribution strategies. Once 2015 rates are actually approved, we will review the rates to ensure they are consistent with what is needed for each rate category. These rates will likely not be different once that process is completed.

Q: Will military or other time purchased (such as law enforcement) from MPERS and credited as retirement service count toward the contribution?
A: Yes, the time that you are credited with from MPERs will be counted toward your contribution. **Only full years of service will count toward your total employer contribution**, so amounts will be rounded down. For example, 23 years, and 1to 11months will be 23 years for the purposes of health insurance contribution. MoDOT Employee Benefits staff will receive a preliminary report from MPERS containing the earned service credit once the retirement notice is received. Staff will compare that with the information available in PeopleSoft to confirm a premium amount. Once the retirement is effective, a final report will be received from MPERS that staff will use to ensure the correct contribution is provided on behalf of the retiree. And of course, the total is capped at 25 years.

Q. Employees who have more than 25 years of service should receive the two percent per year Commission contribution for all of their years of service, there should not be a 50 percent cap. Why will those additional years of service not be recognized? It seems that employees who have more years of service should have better benefits than employees with less years of service. Other state employees retiring with the MCHCP program will get 2.5 percent per year of service up to 26 years contribution towards retirees' medical insurance premiums.
A. A great deal of research was conducted regarding this issue. The result of this research finds there must be a cap on the benefit to help control long term cost. Fifty percent was determined to be an equitable number as both the retiree and the former employer pay the same percentage of required premium. Additionally, the average length of service for new retirees is just under 23 years, so 25 years is higher than the current average, thereby encouraging a longer term of employment.

Q. Current retirees (25 years of service or more) will be paying 10 percent more for their medical insurance premiums than future retires with 25 year or more. How is that fair?
A. That is correct for the retiree/spouse and the retiree/2 children rate categories. For the remaining categories, the difference is smaller. The feedback we received from employees and retirees indicated that current retirees should see no changes in their contribution percentages for health care. The thought was that these retirees had planned for the percentages in place as part of their overall retirement planning. Providing additional contributions for those who cover dependents would simply result in additional liability, and the unfortunate task we face is to reduce this liability over the long term.

Q. If you are an active employee with a spouse who works for another state department agency that is covered by Missouri Consolidated, can an option be created to offer a Flex Medical Insurance Premium Spending Account so the employee could use the percentage paid by the Commission to join the spouses Missouri Consolidated family plan?
A. Any revision in the administration of a Flex Medical Insurance Premium Spending Account would require changes to Federal law. Employees are required to participate in our plan to

receive the Commission contribution. At this point, we do not plan to offer employees a cash payment to obtain health insurance from another provider.

Q. ***Would the 2 percent contribution be different for non-Medicare and Medicare members?***
A. No, the percentage would be applied to the total premium for the enrollment category, regardless of participation in Medicare.

Q. ***In the proposed plan, active employees enrolled as a subscriber only for medical insurance would pay 20 percent of the premium cost, right?***
A. Yes. Eighty percent of the cost of the premium would be paid by the Commission and 20 percent would be paid by the employee. For all categories, except employee-only, this is already in place today.

Q: ***Why is it that "subscriber only" and "subscriber and family", for instance, paid different percentages of the total premium? Since the total premiums differ anyway, why did one group pay a different percentage? What has changed in the logic to make everyone pay 20 percent now?***
A: For many years, there was no defined strategy to the amounts paid by subscribers of our plan for their premiums. Within the past seven years, we have been working to have a more consistent approach to how contributions are provided by the Commission. The Special Committee of active employees and retirees of both MoDOT and the MSHP agreed that each active employee rate category should be 80 percent employer/20 percent employee, and that is what was presented to the Commission. This strategy is intended to keep premium amounts affordable for employees, while enhancing sustainability of the rate category.

Q: I think that the family plan should have an additional tier for families that have more than three or four children. It is not fair for families with just a few children to subsidize families with a large number of children. I suspect large families account for a relatively small percentage of enrollments, but account for a relatively high percentage of expenses in the family plan category. I would be interested in seeing these costs broken out based on family size. It appears that the "subscriber only" category is subsidizing the plans with children.
A: Our plan board of trustees monitors the rate categories to determine whether the contributions received are enough to pay for the claims incurred. That analysis shows that those in the subscriber only category are not subsidizing those who have their children in our plan. Typically, children are much less likely to incur significant costs than older plan participants. That means employees/retirees and spouses are much more likely to be significant cost drivers than are children. We will continue to monitor the rate categories to ensure premiums reflect the cost of the tier.

Q. ***How would these proposed changes affect employee retirement benefits?***
A. The proposed plan deals exclusively with the Commission contribution for medical insurance premiums for active and retired employees. It does not in any way affect the retirement (pension) benefit of any employee.

Q. ***How would these proposed changes affect employee life insurance benefits?***

A. The proposed plan deals exclusively with the Commission contribution for medical insurance premiums for active and retired employees. It does not in any way affect employee life insurance benefits. The Commission provides a basic life insurance policy for active employees, which is paid in full by the Commission. Retirees are not eligible for basic life insurance.

Q: ***The overview document lists one of the issues being addressed as "each medical plan category should be self-sustaining" and that it is "in the process of implementation". How much of each retiree category is currently being subsidized? When will the implementation be complete?***
A: Rate categories in the "Non-Medicare retiree" group are currently being subsidized by approximately 14 percent by both active employees and Medicare retirees. Our medical plan board of trustees has recommended, and the Commission has approved, additional out-of-pocket premium for these rate categories for the past few years. For 2014, the rates in this category were increased by 6 percent, while the total premium rates were not increased for the other two groups. The intent is to resolve this differential by the end of calendar year 2017 by increasing premium for "Non-Medicare retirees" as necessary.

Q: ***Are the categories (subscriber only, subscriber and spouse, subscriber and one child, subscriber and two children, and subscriber and family) dictated by Coventry, or does MoDOT make these groups? Has research been done on optimal number of groups to ensure each person is actually paying a logical premium? Example: is it logical for a 20 year old to pay the same subscriber only rate as a 70 year old? If it is beneficial to have the five groups currently in place, wouldn't it be more beneficial to set up additional groups that better match a persons' insurance risk?***
A: These categories are not created by Coventry. They are determined by the board of trustees for our medical plan with a great deal of input from our plan actuary. Much work is done to ensure that the breakdown within each category is as equitable as possible to the subscribers and for the overall plan finances. Our plan, like most group plans, does not have rate categories based on age, gender, etc. Our plan subscribers are grouped with comparable subscribers (active employees, non-Medicare retirees, and Medicare retirees). So, generally, a 20 year old does not have the same total premium as a 70 year old. Rather it is based upon your employment status and whether or not you have Medicare as your primary coverage, in addition to the cost of providing coverage for your rate category.

Q: ***Has the Commission or MoDOT considered offering a high deductible HSA plan? As a young, healthy individual, I would much prefer an option where I can save for medical expenses pre-tax, but still have a deductible in the event that a serious medical expense occurs. I realize that this type of plan would not benefit all employees, especially those with families who benefit from co-pay, but I am confident that it would bring down the overall cost of healthcare to the Commission/MoDOT.***
A: Our medical plan board, and staff from both MoDOT and the MSHP, has been considering this option for the past few years. The offering of a high deductible health plan, with a health savings account will continue to be seriously considered as an option.

Q. Is it possible to negotiate better premium pricing with Cox Health Systems or have the option to use either Cox or Mercy? It seems an insurance benefit contract that gives the option to use Cox or Mercy would cost less than using a single provider as we do now.
A. Actually, it would not. Our medical plan board of trustees conducted a thorough review of this issue several years ago. The finding at that point was that these two health systems that control the market in Springfield were willing to compete with each other, but not unless both were reimbursed at a higher level. The board determined that it was not fair for the majority of plan subscribers, who do not live or receive services in the Springfield area, to pay additional costs to support health systems who are unwilling to compete with each other like systems do in nearly every other market. Our board recently reviewed bids for administrative services again, and the issue was revisited at that time. This issue will continue to be reviewed in future bids to provide administrative services. The bottom line is the two health systems in Springfield do not want to compete against each other.

Q. Has anyone looked into our prescription program? Are there any other options to provide better coverage of prescriptions? A savings in prescriptions could help with the increase in health insurance premiums.
A. We have both our pharmacy benefits manager and our pharmacy benefits consultant review our plan in relation to other plans on at least an annual basis. Our current plan offers competitive pricing along with the ability of participants to determine the drugs that best fit their cost and clinical needs, all without worrying about complying with a set formulary of covered drugs. We have had excellent financial results over the years thanks to our pharmacy benefit program. Our program was also recently honored by Medicare with its "Five-Star" rating, which is the highest possible for pharmacy programs.

Q. Financial difficulties are everywhere. Isn't there another way MoDOT could save money than making this change to employee medical benefits?
A. MoDOT is looking at ways to save money in many areas of our organization, and has been doing so for years. The Bolder Five Year Direction reduced the number of employees, as well as the number of facilities and pieces of equipment. We don't believe we can do the work we need to do if we further reduce those areas. The retirement system benefit structure is set by state law, and that structure drives our required contributions. Health care is the only other benefit provided to retirees. We need to make these changes to try to control the growth in those costs.

Q. Although the proposed changes seem reasonable, an increase in the cost for medical benefits is basically a pay cut for employees. The employees of the department have sacrificed to cut costs for Missouri to keep the system in the best condition we can with the funding we have. The decisions in the past by the Commission to cover increased costs in medical insurance have been appreciated. However what will happen in the future if no plan is set up to at least keep up with needed cost of living raises for employees? As medical costs go up over the years and premiums increase for employees, will we get cost of living raises to offset these increases? We need to take care of our system, but we also need to take care of our employees.
A. Every year MoDOT continues to support proposals for step increases and COLAs with the legislature and state officials, and will continue to do so in the future. Last year the legislature approved and Governor Nixon signed a bill to give state employees a $500 increase, which employees will see on their Jan. 31paycheck. However, there have been very few COLAs' granted over the last several years. There is no guarantee that any salary increase will be

approved by the legislature in the future. Yes, we have been lucky that for several years the Commission absorbed many of the costs for us. But the stark reality is that the Commission can no longer absorb as much of the cost as they have in the past and the only way to keep the coverage we have is to pass along some of that cost to employees and retirees.

Q: There is probably a significant benefit savings for the proposed health care plan that is not being discussed. The terms should be 2 percent for every year of service not to exceed 60 percent. That gives the employees that have been loyal to their jobs for 30 years a little extra help with the health care plan when they retire.
A: Many scenarios have been completed by our actuary with regard to this issue. We have not specifically completed an analysis for the 60 percent scenario you referenced with the most current data available. However, we did complete an analysis during the previous review period and the differential from current cost was a savings of approximately 6 percent. In contrast, the proposed plan provides savings of approximately 10 percent. Although this may not seem like a lot, percentage-wise, it is a difference of approximately $50 million.

Q. Have you considered taking a bolder approach to capping and even reducing the cost of health care as some private companies have done by holding employees accountable for leading a healthier lifestyle with diet, exercise, not smoking, etc.? These measures can promote a healthy work environment while reducing insurance premiums.
A. These cost management strategies are, and will continue to be, under review. Our participants have done an excellent job of managing costs over the past few years, but we will continue to evaluate these options.

Q. ***What if someone retires prior to Jan. 1, 2015? What percentage would they pay for medical coverage during retirement?***
A. The Commission will contribute the current percentage of the cost of retiree medical insurance premiums. Currently for calendar year 2014, premium sharing for these rate categories varies from a high of 57 percent of the premium paid by the Commission and 43 percent paid by the employee, to 40 percent paid by the Commission and 60 percent paid by the employee. Contributions are not based on years of service.