



RETIREE HEALTH COVERAGE OPT OUT AND REENROLLMENT PROVISION

The University of Maine System currently provides health benefits to approximately 2,000 retirees, former employees receiving Long Term Disability benefits, and their dependents. Accounting requirements for postemployment benefits were implemented for the System's 2008 fiscal year. The new rules greatly increase the cost of these benefits, which must be reflected on UMS financial statements.

As a result of Retiree Health Plan Task Forces (RHPTF) I, II, and III, recommendations were made to the Chancellor for a program that will continue to provide meaningful retiree health benefits in the future, while maintaining the System's financial integrity and complying with the new accounting requirements.

Following is a description of changes to the eligibility criteria for continuation of health coverage for UMS retirees or former employees receiving Long Term Disability benefits along with the most frequently asked questions and answers.

Change Effective April 1, 2008

Effective April 1, 2008, retirees have a one-time option to cease coverage under the UMS health plan with an opportunity to reenroll in the UMS health plan, provided that the election to reenroll occurs no later than ninety (90) days after the retiree becomes eligible for Medicare and the retiree documents continuous coverage for self and dependents during the period for which they were not covered in the UMS health plan.

It is the retiree's responsibility to request reenrollment within the allowable 90 days of becoming eligible for Medicare.

Also, if a retiree exercises their one-time opt out, reenrolls, and later cancels health coverage, their coverage may not be reinstated in the future.

Changes Effective July 1, 2010

With the exception of the opt out described above, most of the changes are effective July 1, 2010. Following is a summary of the changes to retiree health coverage continuation policy at that time:

- a. Retirees must have at least 10 years of continuous, full-time regular University service after age 45 and immediately preceding retirement in order to continue health coverage. Benefits Regular employees, Partial/Phased Retirement Plan participants, Shared Appointment employees, and eligible part-time temporary faculty must also have at least 10 years of continuous, regular, full-time equivalent service immediately preceding retirement, but some of that service can be before age 45 due to the time necessary for these employees to reach 10 years of full-time regular equivalent service.
- b. Medicare eligible retirees will pay the following portion of the individual premium based on their completed, continuous, full-time equivalent regular service immediately preceding retirement:

Years of Service at Retirement

10 through 19
20 through 29
30 or more

Required Contribution

15% of Individual Premium
10% of Individual Premium
7% of Individual Premium

- c. Medicare eligible retirees will continue to pay one-half of the premium for any eligible dependents.
- d. Retirees who retire on or after age 65 with less than 10 years of completed, continuous, full-time equivalent regular service will no longer be eligible to continue retiree health coverage.

Changes Effective January 1, 2011

Early retirees (under age 65) prior to January 1, 2011 pay the full monthly premium applicable to active employees, which represents approximately 50% of the actual cost for early retirees. Effective for UMS employees who retire early (under age 65) on or after January 1, 2011, their monthly premium will be increased over time to reflect the true cost of the group, with full implementation in 2019.

<u>Date</u>	<u>Percentage of Total Actual Premium Cost</u>
January 1, 2011	62.5%
January 1, 2013	75.0%
January 1, 2016	87.5%
January 1, 2019	100.0%

Frequently Asked Questions and Answers

The System Office of Human Resources has received a number of questions regarding administration of the retiree health continuation policy. Following are frequently asked questions along with answers:

1. Currently, a former employee receiving LTD benefits receives the health plan subsidy on the same basis as a retiree over age 65 with more than 10 years of service, regardless of actual age or service – that is, the employee's premium paid in full and one-half of the dependent premium. After July 1, 2010, which subsidy will the former employee on LTD receive?

Answer: The former employee who becomes eligible to receive LTD benefits on or after July 1, 2010 will pay the portion of the individual premium based on actual service (15%, 10%, or 7%) as described above. A former employee receiving LTD benefits with less than 10 years of service will pay 15% of the individual premium. The employee will continue to pay one-half of the dependent premium.

2. A retiree chooses to opt out of UMS retiree health coverage. The retiree then dies before reenrolling in the UMS plan. Does the surviving spouse have the option to reenroll at some point? Does it matter whether the spouse was covered at the time of the employee's retirement? What about any dependent children?

Answer: The surviving spouse can reenroll within 3 months of becoming eligible for Medicare, provided the spouse was covered under the health plan at the time of the opt out. The spouse must still show continuous coverage under a health plan during the period for which the spouse was not covered in the UMS retiree health plan. If the retiree was under 65 at the time of death and the spouse over 65, the surviving spouse has up to the later of ninety (90) days after becoming eligible for Medicare or six (6) months after the death of the retiree to reenroll. If the spouse dies first, the retiree also has up to the later of ninety (90) days after becoming eligible for Medicare or six (6) months after the death of the spouse to reenroll. Dependent children may reenroll anytime prior to attaining age 26, provided they were covered

under the health plan at the time of the opt out. They must also show that they had continuous coverage under a health plan during the period for which they were not covered in the UMS retiree health plan.

3. Will the retiree's one-time reenrollment option be restricted to the annual open enrollment, or can it occur at any time during the calendar year?

Answer: Retiree's reenrollment may occur at any time during the calendar year.

4. The spouse of the UMS retiree is older and will reach age 65 first. Will the reenrollment option be tied to the retiree reaching Medicare eligibility or, in this example, when the spouse reaches Medicare eligibility first?

Answer: The reenrollment option will be tied to the retiree reaching Medicare eligibility.

5. Will UMS establish a threshold for the kind of health plan that would meet the definition of being continuously covered? For example, would a catastrophic only plan count; does it matter whether a health plan was individual vs. group etc.?

Answer: UMS will not attempt to define the type of health plan – it will only require that the retiree provide a Notice of Credible Coverage from the plan that the retiree was continuously covered by a health plan.

6. Former employees receiving LTD benefits also have the opt out available. They generally become eligible for Medicare after 24 months of disability benefits, regardless of age. Is their reenrollment window 3 months from that time, or is it age 65, when Medicare would normally be effective?

Answer: The 3 month reenrollment window will begin at the point the former employee reaches Medicare eligibility while on disability.

7. What portion of the monthly health premium will a retiree under the age of 65 pay?

Answer: Retirees under the age of 65 will continue to pay 100% of the applicable monthly premium for whatever level of health coverage they elect (e.g. individual, two-person, or family).

Please note that the above represents current University of Maine System policy, which is subject to change in the future.