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Dannel P. Malloy
Chancellor

September 30, 2020

Maine Senate Democratic Office
3 State House Station
Augusta, ME 04333

Maine House Democratic Office
2 State House Station
Augusta, ME 04333

Dear Senate President Jackson, Senate Majority Leader Libby, Senate Assistant Majority Leader Vitelli, Chair Millett, House Majority Leader Moonen, House Assistant Majority Leader Fecteau, Chair Kornfield, and fellow Maine Legislators:

Thank you for your ongoing partnership with and support for the University of Maine System. UMS has been and remains fully committed to our retirees, who have served our students and our state with great dedication and distinction. Considering both, I wanted to respond immediately to the important concerns raised in your September 28 letter to me regarding the System's January 1, 2021 transition of retiree supplemental health benefits from a limited and costly Aetna group plan to a Medicare exchange administered by Aon that will offer our retirees a broad array of flexible plans providing far more benefits than are available from the inflexible Aetna plan.

Let me first be very clear: No UMS retiree or covered spouse will lose supplemental retiree health care benefits. The actions we are taking will greatly expand the benefits available to our retirees even as they permit UMS to manage its limited public resources more efficiently. We are fully committed to our retirees and will simply not allow this transition to result in any retiree losing supplemental coverage. Further, our Board has not made any decisions in executive session. Our benefits and budget planning are done within my System administration, and we are also engaged in appropriate good-faith discussions with our labor union partners about how this transition will affect current UMS employees who today are both members of our unions and our future retirees.

Since 1981, UMS has partially subsidized supplemental coverage that helps pay our retirees' health care costs not otherwise covered by Medicare Parts A & B. This commitment not only continues when our retirees and their spouses move onto an exchange in 2021 but will broaden as the UMS contribution will, for many beneficiaries, cover dental, hearing, vision and prescription benefits not currently available to them.

If we were to remain in the group market, we could not maintain our commitment to our retirees. Given the small size and age of our retiree risk pool, our current Aetna group plan rates have been escalating at an unsustainable cost for UMS and our retirees, who are often on fixed incomes. To control those costs but maintain the group plan, UMS has been forced to reduce benefits and increase out-of-pocket expenses. For example, following a projected 9.6 percent rate

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increase for 2020, UMS was able to limit the increase to 5 percent by increasing co-pays for office and specialists visits and adding a \$200 co-pay for inpatient stays. Despite these ongoing plan changes, a further double-digit rate increase was expected for 2021.

Instead, to sustain and expand the supplemental benefits available to our retirees, UMS will contribute \$2,100 annually for each retiree and \$800 for each eligible spouse to a non-taxable Health Reimbursement Account (HRA) that will allow them free choice to purchase customized coverage to supplement their core Medicare benefits from more than 100 insurers on the Aon-administered exchange. That amount, which will be indexed in future years, was determined through extensive modeling showing it will give our retirees comparable or better coverage than the current plan.¹ Because there will be tens of millions of seniors in the exchange risk pool instead of just the 2,900-retiree UMS cohort, plan costs will be far more competitive – in many cases significantly less than the current rigid Aetna plan – and coverage will be far more flexible, able to be tailored to an individual retiree's actual needs. Among the plans our retirees will have the flexibility to choose from are Anthem Blue Cross Blue Shield, which provides coverage to State of Maine employees, and United Health, which already insures two-thirds of Mainers in the Medicare marketplace. Our retirees can even chose a comparable plan – though likely at less cost – through our current group plan provider, Aetna, if they determine that is the best plan for them based on their age, location and health care needs, including preferred providers and prescriptions. I encourage you to explore the plans available and their prices by visiting <https://retiree.aon.com/recommendation-pref>.

Additionally, I'm including a table with this letter for your reference that provides basic comparison data showing how two typical exchange plans, which will be available where large numbers of our retirees live, provide broader and/or more affordable coverage than the current Aetna group plan. For example, as the included table shows, a Medicare Advantage plan available to many of our retirees on the exchange will have zero premium and zero deductible and the maximum out-of-pocket costs after \$2,100 from the UMS-funded HRA has been applied is \$850 less than the current out-of-pocket maximum. The plan will also include \$500 in yearly dental services and \$1,500 for hearing aids - benefits not provided through the current group plan - and similar co-pays for primary care and specialist visits. Meanwhile, a Medicare Supplemental plan would have an annual cost of less than \$360 to the retiree after the \$2,100 from the HRA was provided but no other out-of-pocket health care costs or co-pays.

While there are many zero-premium plans available on the Aon supplemental exchange, I share your concern that some of our retirees may select a plan for which the first month's premium payment is due before the UMS-funded HRA is available to reimburse them. While this is a highly regulated area, Vice Chancellor for Finance and Administration Ryan Low and his team are exploring how UMS can assist our retirees and their spouses make this initial month's payment without tax penalty. I will let you know when we have a plan for addressing this matter.

While expanding choice and coverage will undoubtedly benefit our retirees and their spouses, we understand having so many options is overwhelming, especially at this time. That is why we first reached out to our retirees about this transition starting in mid-August, providing them mailed materials about the supplemental coverage available to them in advance of a webinar

¹ The UMS retiree and spouse HRA contribution amounts -- \$2,100 and \$800, respectively -- will have significant buying power on the exchange, considering last week's announcement by the Centers for Medicare & Medicaid Services (CMS) that the average 2021 premium for Medicare Advantage (MA) plans will be the lowest in 14 years. See <https://www.risehealth.org/insights-articles/cms-medicare-advantage-premiums-plunge-as-enrollment-soars/>

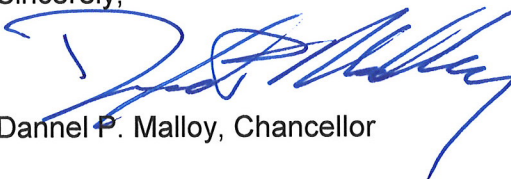
series and offering individual appointments with a benefits consultant for every beneficiary. To guarantee there is no gap in their supplemental coverage after the group plan expires on December 31, we have invited our retirees to select their preferred plan by then. But because the special enrollment period will not close until February 28, 2021, our retirees will have more than six months to make an informed choice. As always, the UMS Benefits Team is available to assist retirees and can be reached via email at benefits@maine.edu or by phone at (866) 269-9635 (toll-free) or (207) 973-3373.

As a Medicare-eligible public servant myself, please know I take seriously our collective responsibility to care for our retirees and their families, including by helping them with their health care costs for their lifetime. Your questions, as well as those raised by our retirees, have reinforced the need for UMS to both increase and improve communications about and support through this change and the rationale for having moved it forward at this time. As you are reading this letter, we are preparing a detailed letter with "FAQ"s that will be sent to all of our retirees.

Finally, while the transition to the exchange was driven primarily by a desire to expand choice for our retirees and maintain their benefits without undue burden to them, it is similarly important that we be prudent stewards of the constrained public resources available to us in our operations. When the exchange transition is complete, UMS expects to realize \$2.5 million in annual savings from this initiative – while in many cases expanding the benefits and flexibility available to our retirees. This savings is significant, especially given the Legislature's flat appropriation for our System in FY21 even as we maintained full employment through the pandemic and bore an \$11.5 million increase in personnel costs as a result of previously settled contracts with our current employees. A \$2.25 million curtailment just announced for FY21 and \$80 million in unplanned pandemic-related expenses and lost revenues since March, offset by just \$8.5 million in federal CARES Act relief, has only exacerbated the serious financial challenges facing Maine's public university system. At the same time, we've been an active partner with MEMA throughout the pandemic, helping the State, our health care systems, and first responders manage a once-in-a-century public health crisis, and we're now leading perhaps the safest higher education fall reopening in the country to date.

The University of Maine System is the state's largest educational asset and also one of its biggest employers, yet only nine states spend less than Maine on public higher education on a per capita basis. You can be proud of the ways we continue to fulfill our responsibilities to our students, current and past employees, and the state during these unprecedented times. I look forward to working closely with you to ensure we are adequately resourced so we can continue to do so into the future.

Sincerely,



Dannel P. Malloy, Chancellor

cc: UMS Board of Trustees

Plan Design Summary - zip code 04401 and 04105	UMS Aetna Group PPO plan in/out of network/ current plan	Wellcare Today's Option Advantage Plus PPO in/out of network	Anthem BCBS Plan G Supplemental Plan
Health Reimbursement Account (HRA) (Retiree)		\$2,100.00	\$2,100.00
Premium (Monthly)	\$0 - \$55	\$0.00	\$188.40
Deductible (Annual)	\$300/\$300		\$198
Max Out-of-Pocket Limit	\$2,750/\$2,750	\$4000/\$4000	premium and annual deductible
Primary Doctor Copay	\$20/20%	\$10/\$25	\$0
Specialist Copay	\$35/20%	\$35/\$60	\$0
Inpatient Hospital	\$200 per stay/20% per stay	\$300 per day 1-6/\$300 per day 1-7	\$0
Emergency Room Copay	\$100/\$100	\$90/\$90	\$0
Preventative Care	\$0/20%	\$0/\$0	\$0
Vision	one yearly eye exam	1 yearly eye exam and \$100 for glasses/contacts	
Dental		\$500 in yearly services	
Hearing	one yearly hearing exam	\$1500 yearly for two hearing aids	
Rx Benefits (Retail 30 day)			
Tier 1 Generic - copay	\$10	\$2	Plan D- RX Plans
Tier 2 Preferred Brand - copay	\$25	\$37	\$13.30 - \$ 84.10
Tier 3 Non-Preferred Brand - copay	\$40	\$90	monthly
Tier 4 Specialty - copay	\$55	33%	
Mail Order (90 day)			
Tier 1 Generic - copay	\$20	\$0	
Tier 2 Preferred Brand - copay	\$50	\$74	
Tier 3 Non-Preferred Brand - copay	\$80	\$180	
Tier 4 Specialty - copay	Not available	Not available	