



# Open Forum

For Retiree Group Members in the Commonwealth of Virginia's Health Benefits Program

Published by the Virginia Department of Human Resource Management for Medicare-Eligible Participants

November 2002

## Review Changes for 2003

It's time once again for Medicare-eligible members of the State Retiree Health Benefits Program (including retirees, survivors and Virginia Sickness and Disability Program/Long Term Disability participants) to review their current benefit elections and upcoming changes for another year. The rate notification package that accompanies this newsletter provides important information about the program and changes that could affect you, so please take the time to read it carefully.

We hope that you find this publication useful. However, if you have comments on the newsletter, please contact us by e-mail at [hbp@dhrm.state.va.us](mailto:hbp@dhrm.state.va.us) or at 101 N. 14<sup>th</sup> Street, 13<sup>th</sup> Floor, Richmond, VA 23219.

## Meetings Scheduled for Retiree Group Members

Based on positive feedback from participants in the State Retiree Health Benefits Program who attended informational meetings last fall on their health benefits program, the Department of Human Resource Management's Office of Health Benefits will again hold a series of meetings to answer questions and get input from retiree group members. Due to budget constraints, meeting locations have been limited; however, if you live in one of the areas shown in the chart below and have questions

or concerns about the program, we look forward to your attendance.

**If you plan to attend, be sure to call 1-888-695-3466 (outside of Richmond) or 786-3250 (in Richmond) to reserve a seat.** Please leave your name, the meeting location that you will attend, a telephone number where you can be reached, and the number of attendees. Unless there are any changes in the meeting schedule, you will not be called back. Feel free to bring your spouse or other interested parties.

### Meeting Information

CC= Community College

Date	Location	Meeting Room	Time
December 3	Norfolk State University, Norfolk	L. Douglas Wilder Center, Conference Room B	10—11:00 AM
December 4	Mary Washington College, Fredericksburg	James Monroe Center, Rooms 205-206	1—2:00 PM
December 5	Piedmont Virginia CC, Charlottesville	Main Building Auditorium, Room 229	2—3:00 PM
December 6	Northern Virginia CC, Annandale Campus	Ernst Cultural Center, Seminar Room B,C, D	1:30—2:30 PM
December 10	101 N. 14 <sup>th</sup> Street, Richmond	James Monroe Building, Conference Room D	9—10:00 AM 1—2:00 PM
December 12	Danville CC, Danville	Oliver Auditorium, Temple Building, Bonner Avenue	2—3:00 PM
December 13	Virginia Western CC, Roanoke	Whitman Auditorium	1—2:00 PM

## Health Plan Premium Increases: A National Problem

The premium increase being realized by Medicare-eligible participants in the State Retiree Health Benefits Program reflects the higher cost of medical care, a problem that health plans are facing nationwide. The following questions and answers are provided to help participants understand the impact of skyrocketing health care costs on the state program.

### [Is my Medicare-coordinating plan self-funded?](#)

All state plans that coordinate with Medicare are self-funded. That means that the state assumes the full responsibility for all plan costs. One hundred percent (100%) of the premiums paid by Medicare-eligible retiree group members (including retirees, survivors and VSDP/LTD participants) go toward paying plan expenses (claims and administrative costs).

### [How are my monthly premiums determined?](#)

Each year, the Department of Human Resource Management reviews accounting, underwriting and actuarial information for its self-funded plans. The total amount paid for claims in the previous year is a significant part of the review. Premium levels are directly related to the expenses incurred by the plans since premium payments, paid in full by Medicare-eligible retiree group members, are the Medicare plan program's only source of revenue. The funds collected through premium payments must then pay the plans' expenses. Increased claims equate to increased premiums. If premiums collected are not sufficient to pay program expenses, an adjustment has to take place in the following year—in addition to any adjustments to reflect other projected increases (e.g., increasing medical and prescription costs). Unfortunately, without any state contribution, retiree group members realize the full impact of premium increases.

Premium payments are directed into the Health Insurance Fund, which pays the claims and administrative costs incurred by all self-funded plans. Ninety-five percent (95%) of premium payments go directly toward paying the claims expense incurred by the program. Only five percent (5%) of the premium is used to pay the program's administrative costs (program oversight, data processing, communication, reporting, analysis, etc.).

### [Does the state contribute toward the cost of my health plan premium?](#)

All Retiree group members pay the full cost of their health plan coverage. While some members are eligible for the Health Insurance Credit Program (separate from the State Retiree Health Benefits Program and administered by the Virginia Retirement System), the full amount of the premium is collected from the retiree plan member and deposited into the Health Insurance Fund. Remember:

- The fund must pay all claims and administrative costs incurred by the plans.
- Premiums, collected from Medicare-eligible retiree group members, are the only source of revenue for the Medicare-coordinating plans.

### [Do I have alternatives to the State Retiree Health Benefits Program?](#)

Participation in the State Retiree Health Benefits Program is not mandatory. All plan members may choose to shop for plans outside of the state program that might better meet their needs. The Department of Human Resource Management works diligently to keep the retiree program effective and affordable for its participants. However, health plan needs are individual. Not every individual need can be met through the state program. The Department of Human Resource Management greatly values its plan participants, but members' top priority should be to achieve their own health plan and financial goals. If participants can find a better product to meet those needs, they may leave the retiree program at any time; however, once coverage has been canceled, the participant may not return to the program. Be sure to check into the long-term implications of any new plan into which you are considering enrollment. Information about standard Medigap plans may be found at the Medicare Web site ([www.medicare.gov](http://www.medicare.gov)).

### [Are increasing premiums a problem in all retiree programs?](#)

Increasing medical costs are a national problem in health plans for active and retired employees. Unfortunately, this rise in costs coupled with projected future increases has led to a reduction in the number of large employers providing retiree health benefits coverage. According to the Henry J. Kaiser Family Foundation, 80% of large employers offered retiree health benefits in 1991, compared to only 62% in 2000.

### [What types of medical expenses are the biggest contributors to higher premiums?](#)

The biggest single driver of increased health plan expenses is prescription drug cost. The impact of prescription drug costs is particularly significant to Medicare-coordinating plans since there is no Medicare coverage for most outpatient prescription drugs. According to *Business and Health* magazine, higher costs can be attributed to overall price increases (22%), increased numbers of higher priced drugs (36%), and a higher volume of prescription drugs (42%). The volume of drugs dispensed in the United States increased from 1.9 billion in 1992 to 2.9 billion in 2000.

### [Can I expect to see continued increases in the future?](#)

According to the Henry J. Kaiser Family Foundation, annual growth percentages in national health expenditures are projected to continue an upward trend in the areas of hospital care, physician services and prescription drugs until at least 2010. This is likely to have a continuing impact on premium levels, even when Medicare is the primary payor.