Retiree Medical Strategy
University Advisory Benefits Council Meeting

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Charge from President Fogel: Post-Retirement Medical Benefits

In May 2010 President Fogel charged the University Benefits Advisory Council (UBAC) to review Post-Retirement Medical Benefits and return an advisory report to him by September 29. The charge included three main objectives:

1. Review and discuss the projected long-term impact on budget of our existing post-retirement medical benefits program (“the program”), including Governmental Accounting Standards Board (GASB) requirements;

2. Identify and examine options for adjustments to the program that reasonably balance its financial impact on the University and the needs of future retirees;

3. Generate an advisory report that includes possible program adjustment scenarios, with associated pros and cons of each. The report should articulate and discuss the impact of various options on the University, not only monetarily, but also in terms of our human resource philosophy and principles and of projected effects on recruitment, retention, and employee morale, along with any other issues identified by the Committee.
Charge from President Fogel: Post-Retirement Medical Benefits – cont’d

The Alternative Scenarios included in the Advisory Report should include the following:

- The likely impact on retirees, current employees, and prospective employees respectively;

- Context and information on what other similarly situated higher education institutions are doing (i.e., those that have programs that are not associated with, or administered through, a state retirement program)

Today’s discussion will include a review of national market trends in Post-Retirement medical benefits for private sector employers as well as higher education, in order to

- To put the current UVM program in perspective

- To Assist the UBAC in developing alternative strategies that are (1) consistent with the guiding principles established earlier this spring, and (2) competitive with UVM’s peers
UBAC Guiding Principles for This Process

- Protect current retirees from undue financial burden
- Sustain access to a retiree medical benefit for current employees
- Preserve a similar premium-sharing structure as for current employees
- Educate employees and help them plan for their retirement, including medical care
- Support active employee engagement in health, emphasizing prevention and management of chronic health conditions
- Consider and continuously review contracts, plan design and/or vendor changes to ensure that UVM has an efficient, effective, and high-quality program, including pharmaceuticals
- Continue to offer benefits competitive with peer institutions
Market Trends—Private Sector Employers
Prevalence of Private Sector Employer-Sponsored Retiree Health Programs

Percentage of Large Employers (1,000+ Employees) Offering At Least Access-Based Retiree Medical to New Retirees

Pre-65
Post-65

1991 80% 88%
1996 71% 79%
1999 66% 75%
2000 62% 73%
2001 61% 73%
2002 56% 68%
2005 52% 64%
2006 51% 64%
2007 46% 59%
2008 46% 59%
2009 44% 55%

Source: Hewitt Associates SpecBook®

34% Subsidized 25% Access Only
30% Subsidized 25% Access Only
26% Subsidized 18% Access Only
27% Subsidized 19% Access Only
Hot Topics in Retirement: About This Survey

- Hewitt recently completed our annual survey of employers to gauge their likely areas of focus and action over the coming year regarding the design, management, and delivery of their retirement plans.

- 162 employers participated in the survey.

- Number of U.S. employees in survey:
## Prevalence of Private Sector Employer-Sponsored Retiree Health Programs

**Hewitt Hot Topics in Retirement 2010 Employer Survey**

### Type of Retiree Medical Coverage Offered

<table>
<thead>
<tr>
<th>Type of Coverage Offered</th>
<th>Current Retirees</th>
<th>Current Actives</th>
<th>New Hires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidized and uncapped through a company-sponsored group program$^1$</td>
<td>28% 24%</td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>Subsidized and capped through a company-sponsored group program</td>
<td>53% 41%</td>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>Subsidized to some extent, but without access to company-sponsored program</td>
<td>5% 4%</td>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>Access-only through a company-sponsored group program</td>
<td>13% 21%</td>
<td></td>
<td>38%</td>
</tr>
<tr>
<td>No retiree medical subsidy or access</td>
<td>1% (n=88)</td>
<td>10% (n=82)</td>
<td>26% (n=80)</td>
</tr>
</tbody>
</table>

$^1$ UVM’s program is subsidized and uncapped
Prevalence of Private Sector Employer-Sponsored Retiree Health Programs

Hewitt Hot Topics in Retirement 2010 Employer Survey

Employers With Subsidy Cap on Largest Plan

- Already hit the cap: 66% (Post-65), 63% (Pre-65)
- Will hit the cap next year: 3% (Post-65), 6% (Pre-65)
- Will hit the cap in the next 3 years: 11% (Post-65), 14% (Pre-65)
- Will not hit the cap in the near future: 20% (Post-65), 17% (Pre-65)

With a “hard” cap, Retirees bear all future premium cost increases above the cap; with a “soft” cap, retiree bear a greater portion of premium increases above the cap.
Prevalence of Private Sector Employer-Sponsored Retiree Health Programs

Hewitt Hot Topics in Retirement 2010 Employer Survey

Employer Strategies After Hitting the Subsidy Cap

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Strategy Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>93%</td>
<td>Held firm on the cap</td>
</tr>
<tr>
<td>19%</td>
<td>Introduced lower cost options to mitigate the impact on retirees</td>
</tr>
<tr>
<td>15%</td>
<td>Modified the cap to mitigate the impact on retirees</td>
</tr>
<tr>
<td>7%</td>
<td>Moved to a defined contribution approach supported by a Health Reimbursement Account (HRA) to mitigate impact on retirees</td>
</tr>
</tbody>
</table>

(n=27; multiple responses)

- An HRA is an account funded by the employer, which the retiree can draw on to purchase medical coverage through the individual market
  - Funds are not taxable if used for medical expenses
  - Can work well for post-65 retirees as individual market offers hundreds of plans with guarantee issue coverage and annual enrollment windows
Prevalence of Private Sector Employer-Sponsored Retiree Health Programs

Hewitt Hot Topics in Retirement 2010 Employer Survey

Medicare Part D Prescription Drug Strategy

<table>
<thead>
<tr>
<th>Approach</th>
<th>Actual 2010</th>
<th>Projected 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer prescription drug coverage and file for the 28% RDS¹</td>
<td>58%</td>
<td>55%</td>
</tr>
<tr>
<td>Supplement or wrap around Medicare prescription drug Part D coverage</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>through the group program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract with a Medicare prescription drug plan or Medicare Advantage</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Plan to provide Part D prescription drug coverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discontinue group-based prescription drug coverage with no employer</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>subsidy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discontinue group-based prescription drug coverage, but provide an</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>employer subsidy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>File with CMS to become a Medicare prescription drug Part D plan</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>(n=73)</td>
<td>(n=69)</td>
<td></td>
</tr>
</tbody>
</table>

With recent changes to Part D as a result of Health Care Reform, many employers will shift from the RDS to take advantage of larger federal subsidies due to the closure of the “donut hole” by 2020

¹ UVM’s current program reflects this approach
Prevalence of Private Sector Employer-Sponsored Retiree Health Programs

Hot Topics in Retirement 2010 Employer Survey

Percentage of Employers Offering Pre-65 Retirees HSA-Compatible High Deductible Health Plan (HDHP) in 2010

- This trend will increase among employers who continue to offer subsidized coverage to Pre-65 retirees
  - Individuals over age 55 can make larger contributions to their Health Savings Accounts, which can be used tax free for medical expenses even into Medicare
  - HDHPs provide a lower cost alternative to traditional medical plans

(n=84)
### Prevalence of Private Sector Employer-Sponsored Retiree Health Programs

**Hot Topics in Retirement 2010 Employer Survey**

**Actual Changes to Retiree Health Benefits From 2009 to 2010**

<table>
<thead>
<tr>
<th>Change Description</th>
<th>Pre-65 Retirees</th>
<th>Post-65 Retirees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased retiree contributions to premiums</td>
<td>64%</td>
<td>53%</td>
</tr>
<tr>
<td>Increased retiree plan design cost sharing requirements</td>
<td>39%</td>
<td>25%</td>
</tr>
<tr>
<td>Terminated subsidized benefits for some or all future retirees</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>Introduced an HSA-compatible High Deductible Health Plan (HDHP)</td>
<td>13%</td>
<td>N/A</td>
</tr>
<tr>
<td>Tightened restrictions on new retiree eligibility</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>Terminated subsidized benefits for some or all current retirees</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Facilitated retiree purchase of individual medical insurance</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Introduced a new premium subsidy cap for a group that was previously uncapped</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Moved to a pure defined contribution subsidy approach through a Health Reimbursement Arrangement (HRA)</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Introduced Medicare Advantage Plans</td>
<td>N/A</td>
<td>5%</td>
</tr>
<tr>
<td>Terminated Medicare Advantage Plans</td>
<td>N/A</td>
<td>2%</td>
</tr>
</tbody>
</table>

*(n=64; multiple responses) (n=57; multiple responses)*
Prevalence of Private Sector Employer-Sponsored Retiree Health Programs

Hot Topics in Retirement 2010 Employer Survey

Projected Changes to Retiree Medical Plans for 2011

- Increase retiree contributions to premiums: 56% Very Likely, 28% Somewhat Likely, 6% Somewhat Unlikely, 10% Very Unlikely
- Increase retiree plan design cost sharing requirements: 21% Very Likely, 32% Somewhat Likely, 24% Somewhat Unlikely, 23% Very Unlikely
- Introduce Medicare Advantage Plans: 13% Very Likely, 11% Somewhat Likely, 11% Somewhat Unlikely, 65% Very Unlikely
- Introduce an HSA-compatible HDHP (High Deductible Health Plan): 13% Very Likely, 11% Somewhat Likely, 19% Somewhat Unlikely, 57% Very Unlikely
- Introduce a new premium subsidy cap for a group that was previously uncapped: 12% Very Likely, 4% Somewhat Likely, 12% Somewhat Unlikely, 72% Very Unlikely
- Tighten restrictions on new retiree eligibility: 10% Very Likely, 16% Somewhat Likely, 19% Somewhat Unlikely, 55% Very Unlikely
- Terminate subsidized benefits for some or all future retirees: 10% Very Likely, 11% Somewhat Likely, 23% Somewhat Unlikely, 56% Very Unlikely
- Terminate Medicare Advantage Plans: 10% Very Likely, 7% Somewhat Likely, 12% Somewhat Unlikely, 71% Very Unlikely
- Move to a pure defined contribution subsidy approach through a Health Reimbursement Arrangement (HRA): 9% Very Likely, 5% Somewhat Likely, 20% Somewhat Unlikely, 66% Very Unlikely
- Facilitate retiree purchase of individual medical insurance: 8% Very Likely, 8% Somewhat Likely, 19% Somewhat Unlikely, 65% Very Unlikely
- Terminate subsidized benefits for some or all current retirees: 7% Very Likely, 7% Somewhat Likely, 17% Somewhat Unlikely, 69% Very Unlikely
Market Trends—Higher Education
## Value of Benefit Programs By Industry: Ranked By All Benefits (100% = Average)

<table>
<thead>
<tr>
<th>Rank in All Benefits</th>
<th>Industry</th>
<th>Retirement Income</th>
<th>Active Health Care</th>
<th>Retiree Health Care</th>
<th>Time Off With Pay</th>
<th>Death and Disability</th>
<th>All Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pharmaceuticals</td>
<td>106%</td>
<td>112%</td>
<td>130%</td>
<td>110%</td>
<td>107%</td>
<td>110%</td>
</tr>
<tr>
<td>2</td>
<td>Universities</td>
<td>112%</td>
<td>97%</td>
<td>238%</td>
<td>112%</td>
<td>91%</td>
<td>107%</td>
</tr>
<tr>
<td>3</td>
<td>Diversified</td>
<td>114%</td>
<td>103%</td>
<td>86%</td>
<td>103%</td>
<td>112%</td>
<td>106%</td>
</tr>
<tr>
<td>4</td>
<td>Utilities</td>
<td>123%</td>
<td>100%</td>
<td>190%</td>
<td>96%</td>
<td>103%</td>
<td>105%</td>
</tr>
<tr>
<td>5</td>
<td>Household Products</td>
<td>115%</td>
<td>100%</td>
<td>182%</td>
<td>101%</td>
<td>103%</td>
<td>105%</td>
</tr>
<tr>
<td>6</td>
<td>Energy/Oil/Mining</td>
<td>124%</td>
<td>99%</td>
<td>134%</td>
<td>95%</td>
<td>104%</td>
<td>104%</td>
</tr>
<tr>
<td>7</td>
<td>Research/Testing</td>
<td>107%</td>
<td>102%</td>
<td>204%</td>
<td>101%</td>
<td>95%</td>
<td>104%</td>
</tr>
<tr>
<td>8</td>
<td>Chemicals</td>
<td>116%</td>
<td>101%</td>
<td>80%</td>
<td>97%</td>
<td>110%</td>
<td>103%</td>
</tr>
<tr>
<td>9</td>
<td>Industrial Equipment</td>
<td>108%</td>
<td>104%</td>
<td>75%</td>
<td>99%</td>
<td>101%</td>
<td>103%</td>
</tr>
<tr>
<td>10</td>
<td>Insurance</td>
<td>109%</td>
<td>99%</td>
<td>132%</td>
<td>100%</td>
<td>101%</td>
<td>102%</td>
</tr>
<tr>
<td>11</td>
<td>Finance/Mutual Funds</td>
<td>105%</td>
<td>101%</td>
<td>49%</td>
<td>103%</td>
<td>104%</td>
<td>102%</td>
</tr>
<tr>
<td>12</td>
<td>Medical Products</td>
<td>103%</td>
<td>105%</td>
<td>55%</td>
<td>100%</td>
<td>100%</td>
<td>102%</td>
</tr>
<tr>
<td>13</td>
<td>Banks</td>
<td>112%</td>
<td>93%</td>
<td>75%</td>
<td>105%</td>
<td>107%</td>
<td>102%</td>
</tr>
<tr>
<td>14</td>
<td>Automotive</td>
<td>89%</td>
<td>111%</td>
<td>63%</td>
<td>98%</td>
<td>106%</td>
<td>101%</td>
</tr>
<tr>
<td>15</td>
<td>Aerospace/Defense</td>
<td>98%</td>
<td>108%</td>
<td>65%</td>
<td>97%</td>
<td>97%</td>
<td>101%</td>
</tr>
<tr>
<td>16</td>
<td>Food and Beverage</td>
<td>107%</td>
<td>99%</td>
<td>77%</td>
<td>99%</td>
<td>103%</td>
<td>101%</td>
</tr>
</tbody>
</table>

An index of 100% represents the average employer provided benefit value of all 651 companies valued using Hewitt's Benefit Index methodology. A value of 105% is 5% above average. Based on 2008 benefit designs.
## Value of Benefit Programs By Industry:
### Ranked By All Benefits (100% = Average)

<table>
<thead>
<tr>
<th>Rank in All Benefits</th>
<th>Industry</th>
<th>Retirement Income</th>
<th>Active Health Care</th>
<th>Retiree Health Care</th>
<th>Time Off With Pay</th>
<th>Death and Disability All Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Media</td>
<td>98%</td>
<td>102%</td>
<td>240%</td>
<td>96%</td>
<td>89%</td>
</tr>
<tr>
<td>18</td>
<td>Transportation</td>
<td>102%</td>
<td>107%</td>
<td>97%</td>
<td>92%</td>
<td>94%</td>
</tr>
<tr>
<td>19</td>
<td>Metals/Steel</td>
<td>94%</td>
<td>108%</td>
<td>84%</td>
<td>93%</td>
<td>103%</td>
</tr>
<tr>
<td>20</td>
<td>Telecommunications</td>
<td>76%</td>
<td>109%</td>
<td>93%</td>
<td>102%</td>
<td>96%</td>
</tr>
<tr>
<td>21</td>
<td>Electronics</td>
<td>91%</td>
<td>102%</td>
<td>32%</td>
<td>98%</td>
<td>102%</td>
</tr>
<tr>
<td>22</td>
<td>Other</td>
<td>90%</td>
<td>100%</td>
<td>85%</td>
<td>99%</td>
<td>93%</td>
</tr>
<tr>
<td>23</td>
<td>Personal/Consumer/Office Products</td>
<td>95%</td>
<td>94%</td>
<td>73%</td>
<td>101%</td>
<td>100%</td>
</tr>
<tr>
<td>24</td>
<td>Accounting/Consulting</td>
<td>85%</td>
<td>95%</td>
<td>102%</td>
<td>103%</td>
<td>97%</td>
</tr>
<tr>
<td>25</td>
<td>Forest Products</td>
<td>98%</td>
<td>95%</td>
<td>52%</td>
<td>95%</td>
<td>103%</td>
</tr>
<tr>
<td>26</td>
<td>Publishing/Printing</td>
<td>91%</td>
<td>95%</td>
<td>77%</td>
<td>99%</td>
<td>101%</td>
</tr>
<tr>
<td>27</td>
<td>Health Care Systems</td>
<td>78%</td>
<td>104%</td>
<td>10%</td>
<td>93%</td>
<td>94%</td>
</tr>
<tr>
<td>28</td>
<td>Computer Products/Services</td>
<td>64%</td>
<td>98%</td>
<td>26%</td>
<td>100%</td>
<td>94%</td>
</tr>
<tr>
<td>29</td>
<td>Building Materials</td>
<td>80%</td>
<td>93%</td>
<td>40%</td>
<td>93%</td>
<td>93%</td>
</tr>
<tr>
<td>30</td>
<td>Engineering/Construction</td>
<td>90%</td>
<td>92%</td>
<td>61%</td>
<td>88%</td>
<td>83%</td>
</tr>
<tr>
<td>31</td>
<td>Health Care Services/Hospitals</td>
<td>64%</td>
<td>96%</td>
<td>4%</td>
<td>94%</td>
<td>80%</td>
</tr>
<tr>
<td>32</td>
<td>Retail Distribution</td>
<td>57%</td>
<td>81%</td>
<td>6%</td>
<td>85%</td>
<td>83%</td>
</tr>
</tbody>
</table>

An index of 100% represents the average employer provided benefit value of all 651 companies valued using Hewitt's Benefit Index methodology. A value of 105% is 5% above average. Based on 2008 benefit designs.
2010 Higher Education Comparator Group

Baylor University
Boston College
Boston University
Brandeis University
Brown University
California Institute of Technology
Carnegie Mellon University
Case Western Reserve University
Columbia University
Cornell University (Endowed)
Dartmouth College
Duke University
Emory University
Georgetown University
Georgia Institute of Technology
Harvard University
Indiana University
Iowa State
Johns Hopkins University, The
Kansas State
Lehigh University
Massachusetts Institute of Technology
Michigan State University
New York University
North Carolina State
Northwestern University
Ohio State University
Penn State
Princeton University
Purdue University

Rice University
Rutgers
Stanford University
SUNY-Buffalo
Syracuse University
Texas A&M
Tufts University
Tulane University
University of California - Berkeley
University of Chicago
University of Illinois
University of Illinois - Chicago
University of Iowa
University of Maryland
University of Michigan
University of Minnesota
University of Missouri
University of North Carolina (Chapel Hill)
University of Notre Dame
University of Pennsylvania
University of Pittsburgh
University of Rochester
University of Southern California
University of Texas
University of Utah
University of Virginia
University of Wisconsin
Vanderbilt University
Wake Forest University
Yale University
Prevalence of Medical Coverage After Retirement

This chart shows the percent of universities that extend medical coverage to their retired employees. It also shows whether or not employers subsidize the cost of the coverage.
Pre-65 Retirees Defined Dollar Approach for Employer Contributions

This table shows whether or not universities are using a defined dollar approach to cap their subsidy for retiree medical premiums. The caps may freeze the subsidy at current costs or a stated dollar amount or freeze their subsidy at a level to be reached some time in the future.

- Defined dollar approach limits current employer cost - 17.86%
- Defined dollar approach with indexed limit - 1.79%
- Retiree pays 100% of cost - 19.64%
- No defined dollar cap to employer subsidy - 60.71%
Post-65 Retirees: Defined Dollar Approach for Employer Contributions

This table shows whether or not universities are using a defined dollar approach to cap their subsidy for retiree medical premiums. The caps may freeze the subsidy at current costs or a stated dollar amount or freeze their subsidy at a level to be reached some time in the future.

- Defined dollar approach limits current employer cost - 13.21%
- Defined dollar approach with indexed limit - 1.89%
- Retiree pays 100% of cost - 18.87%
- No defined dollar cap to employer subsidy - 66.04%
Pre-65 Retirees Type of Medical Coverage

This table shows whether pre-65 retirees are offered the active medical plan or a special retiree medical plan upon early retirement.

- **Same as active plan or all active plan options - 93.67%**
- **Same as active plan, but with modifications - 3.80%**
- **Special retiree plan - 2.53%**
Post-65 Retirees Type of Medical Coverage

This table shows whether post-65 retirees are offered the active medical plan or a special retiree medical plan upon early retirement.

- Active plan with Medicare carve-out - 35.85%
- Active plan with Medicare coordination of benefits - 1.89%
- Special retiree plan with Medicare carve-out - 15.09%
- Special retiree plan; coordination with Medicare not given - 3.77%
- Medicare supplement - 41.51%
- Other - 1.89%
## UVM Retiree Medical Program Comparison

### Employer Subsidy: Type and Level

<table>
<thead>
<tr>
<th>Plan Feature</th>
<th>University of Vermont</th>
<th>Fortune 500</th>
<th>Higher Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Employers</td>
<td>—</td>
<td>239</td>
<td>60</td>
</tr>
<tr>
<td>Non Medicare Retiree Medical Employer Subsidy Employers</td>
<td>No defined dollar cap; average premium subsidy for UVM is 86%</td>
<td>159</td>
<td>54</td>
</tr>
<tr>
<td>Medicare Retiree Medical Employer Subsidy Employers</td>
<td>—</td>
<td>128</td>
<td>53</td>
</tr>
<tr>
<td>Medicare Part B Premium Employers</td>
<td>—</td>
<td>239</td>
<td>60</td>
</tr>
</tbody>
</table>

- 26% - Defined dollar approach
- 17% - No defined dollar cap
- 57% - Retiree pays 100%
- 19% - Defined dollar approach
- 61% - No defined dollar cap
- 20% - Retiree pays 100%
- 36% - Defined dollar approach
- 51% - No defined dollar cap
- 13% - Retiree pays 100%
- 13% - Defined dollar approach
- 66% - No defined dollar cap
- 19% - Retiree pays 100%
- 2% - Others
- 99% do not provide
- 92% do not provide

- On average, UVM retirees contribute 14 percent of medical plan premiums
# UVM Retiree Medical Program Comparison

## Plan Design Cost Sharing: Pre-65 Retirees

<table>
<thead>
<tr>
<th>Plan Feature</th>
<th>University of Vermont&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Fortune 500</th>
<th>Higher Education</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Active/Pre 65 Medical PPO</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median Deductible (single/family)</td>
<td>$0/$0</td>
<td>$430/$1,000</td>
<td>$400/$800</td>
</tr>
<tr>
<td>Median Out-of-Pocket Maximum (single/family)</td>
<td>$0/$0</td>
<td>$2,000/$4,000</td>
<td>$2,000/$4,000</td>
</tr>
<tr>
<td>Median Coinsurance (single/family)</td>
<td>100%</td>
<td>80%</td>
<td>90%</td>
</tr>
<tr>
<td><strong>Active/Pre 65 Medical EPO</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median Deductible (single/family)</td>
<td>$0/$0</td>
<td>$250/$500</td>
<td>$250/$750</td>
</tr>
<tr>
<td>Median Out-of-Pocket Maximum (single/family)</td>
<td>$0/$0</td>
<td>$1,500/$3,000</td>
<td>$2,500/$5,000</td>
</tr>
<tr>
<td>Median Coinsurance (single/family)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Active/Pre 65 Prescription Drug</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median Generic Retail Copay</td>
<td>$5</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>Median Brand Formulary Retail Copay</td>
<td>$20</td>
<td>$25</td>
<td>$25</td>
</tr>
<tr>
<td>Median Brand Nonformulary Retail Copay</td>
<td>$40</td>
<td>$45</td>
<td>$43</td>
</tr>
</tbody>
</table>

<sup>1</sup>Represents the largest enrollment Pre 65 plan—VHP

<sup>2</sup>Employee contributions, on average represent 14% of total medical plan premiums
UVM Retiree Medical Program Comparison

Plan Design Cost Sharing: Post-65 Retirees

<table>
<thead>
<tr>
<th>Plan Feature</th>
<th>University of Vermont</th>
<th>Higher Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Employers</td>
<td>—</td>
<td>60</td>
</tr>
<tr>
<td>Post 65 Medical Plan Features</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Deductible</td>
<td>$0/$0</td>
<td>$330/$780</td>
</tr>
<tr>
<td>• Coinsurance</td>
<td>100%</td>
<td>90%</td>
</tr>
<tr>
<td>• Out-of-pocket</td>
<td>$0/$0</td>
<td>$1,900/$4,850</td>
</tr>
</tbody>
</table>

- 60% of schools provide the active prescription drug design to the post-65 population
- 28% provide separate retiree prescription coverage
- Based on the actuarial relative value, UVM’s plan design is 15%–20% richer than other schools

1 Represents the largest enrollment Post-65 plan—J Carve-out plan
# UVM Retiree Medical Program Comparison

## Medical Plan Premium Cost Sharing

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Pre-65 Retirees</th>
<th>Post-65 Retirees</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>$6,923</td>
<td>$4,235</td>
</tr>
<tr>
<td>25%</td>
<td>$5,184</td>
<td>$3,620</td>
</tr>
<tr>
<td>50%</td>
<td>$3,535</td>
<td>$2,091</td>
</tr>
<tr>
<td>75%</td>
<td>$1,595</td>
<td>$1,089</td>
</tr>
<tr>
<td>90%</td>
<td>$868</td>
<td>$439</td>
</tr>
<tr>
<td>University of Vermont</td>
<td>$969</td>
<td>$585</td>
</tr>
</tbody>
</table>

- UVM premium subsidy is at 87<sup>th</sup> percentile for pre-65 retirees, 86<sup>th</sup> percentile for post-65 retirees
The value of the University’s future commitment (measured in today’s dollars) for current members is $333.2 million. 89.7% is for medical/prescription benefits. 36.5% is for members already receiving benefits.

This chart shows the plan’s current value of benefits (from July 1, 2009 valuation) split by benefit type. The liability has been further broken down by participant status – active employees with less than 15 years of service, active employees with more than 15 years of service, and inactive participants.
Strategies for Managing Retiree Health Liabilities

Five Key Categories

- **Funding Policy**: can reduce cost slightly without impacting benefits
- **Medicare Part D**: can have moderate impact on cost with minimal impact on benefits
- **Plan Design**: low to high impact on cost and benefits, depending on changes
- **Eligibility**: moderate to high cost impact
- **Premium Subsidy**: greatest potential impact on cost
Premium Subsidy Design Spectrum

- Free, age + service cliff
- Fixed percentage, age + service cliff
- Service based percentage contribution
- Service based dollar contribution
- Defined contribution design, employer funded
- Savings account, employee funded
- Access Only / COBRA and Medicare

Employee Responsibility

Employer Commitment (and cost)
General Retiree Health Care Strategy Spectrum

Manage
- UVM continues to offer group coverage as plan sponsor
- Potential changes to plan design(s), Medicare Part D Coordination, and employer subsidies to manage cost

Sponsor
- UVM partners with a 3rd Party Platform
- Provider determines coverage details, offers limited choice
- Can continue to subsidize coverage

Facilitate
- Open market purchasing (e.g., Insurance Exchange)
- May include employer subsidy through Health Reimbursement Account or other mechanism

Employer Role

Retiree Responsibility

Low

High
Next Steps

UBAC Meeting Schedule
- Jul 16 - DC, Silver Maple, 2 to 4 PM
- Aug 10 - DC, Livak, 10 AM to noon
- Aug 24 - Old Mill, John Dewey Lounge, 10 AM to noon
- Sep 10 - Billings North Lounge, 9 to 11 AM

HIWG Meeting Schedule
- Jul 22 - Billings North Lounge, 9 to 10:30 AM
- Aug 12 - DC, Livak, 9:30 to 11 AM
- Sep 2 - Billings North Lounge, 8:15 to 9:45 AM

Final Report: Due September 29