



Northwest Retiree Association

Communication ♦ Commitment ♦ Community

October 30, 2020

Dear Friends,

Greetings from the Board.

Information Concerning the Termination of Northwest's Retiree Health Care Insurance

The following is a summary of the information that I gathered during my meeting with Krista Barcus of HR on 30 October 2020. In this meeting, I attempted to cover all of the questions that NWRA has received at this point. Other questions may arise and the NWRA will continue to engage Northwest on these issues as they do.

Current Policy Situation

The entire Health Care Program at Northwest is divided into two subgroups. First, there is the employees which account for 700 plus individuals and second the retirees which account for 45 members in the plan. This division is pragmatic for the purpose of tracking outlays based on employment or non-employment status.

Retirees cover 100% of their premiums in this plan which is roughly \$800 or more.

The Claims Experience/Utilization segment of the current plan is what the university pays out for the coverage and is in excess of \$200,000 annually for the Retiree Segment of the plan. This segment of outlays is experiencing rapid increase due to the overall rise in medical and prescription drug costs. The rapid rise in these costs for the small group of 45 retirees' part was driving overall cost of the plan at a rate that made it unsustainable for employees themselves.

Given the shrinking revenue stream that the university has, it was necessary to look at various strategies to lower costs in this rapidly increasing health insurance arena, especially for the employee group.

Process

In order to address this issue, various elements of the University in conjunction with Northwest's Legal Counsel and Courtenay Brummer, Health and Medicare Consultant, of Mylo, powered by Lockton (medical insurance advisor) discussed various ways to move forward.

One such possibility that was explored was to pass the \$200,000+ that the university was paying out for the retiree coverage on to the retirees' premium costs. This solution was deemed to be unrealistic and unacceptable given the dramatic increase in premiums to the retirees.

Option Taken

After much deliberation, the plan that surfaced was the one we are currently discussing. Northwest would drop the retiree segment of the current plan. The \$200,000+ (and growing) 'saved' would be then be directed to rising costs in the employees' coverage.

At this point, I can say that the employees' rates are going to be adjusted to meet the overall costs of the plan; but the increase in those rates will be 6% less than what would be needed if the \$200,000+ were not transferred to those increased rates for employees. In other words, the increase in employee's contribution to the plan that is coming will be 6% less than it would be with the status quo.

In addition, as this plan was being discussed, the team became aware through Courtenay Brummer, that there exist numerous plans which the retirees could opt into which had comparable coverage and lower premiums. Thus, it was possible for the retirees to move to plans which would cost them less. The bottom line being that the current university plan is an expensive plan for the retirees themselves. This is especially true for those retirees who are Medicare eligible. Of the 45 impacted retirees, all but 17 are Medicare eligible. Some of the Medicare eligible are already using Medicare in part.

Aside from Jim: We have heard back already from a married couple who were on the Northwest Retiree plan, and they have found a new comparable plan that meets their needs and will cost them substantively less in premiums.

The Northwest team was and remains keenly aware of the anxiety and concern that this change would and is bringing to the impacted retirees. Human Resources, and the university team, committed itself to assisting the retirees in this transition. One step was to provide the services of Courtenay Brummer to assist everyone during this transition.

The NLT (Northwest Leadership Team) made the final decision on Tuesday, October 20. This was not a decision that needed to go to the Board of Regents. It took a few days for Human Resources to formulate the letters to go out and they were mailed on Monday, October 26.

Questions from NWRA members which we received prior to the meeting on 30 October

1) Can this be legally done?

Throughout the process of evaluating this option, Northwest Legal Counsel was involved. Legal Counsel has determined that under the exigencies which are being confronted, these steps are legal.

Aside from Jim: After I retired, I moved to Medicare plus a supplemental insurance. After being with that supplemental insurance company for one year, I was informed by the company that they were discontinuing their supplemental insurance program. They provided me with resources to find another carrier which I did. At that time, I asked about the legality of such and was informed that while there are legal protections against an individual being arbitrarily dropped from a plan, a company can discontinue plans as such (i.e., reordering its business model, etc.). While this analogy is not perfect, it does hopefully give some insight.

2) This health insurance plan is 'a benefit'. It can be legally drop?

Same as above.

3) What about retirees who chose early retirement with incentives and chose the health care coverage option? Is that not a contractual obligation? Will they be 'compensated'?

During the process of assessing this plan (i.e., termination of retiree coverage), Legal Counsel reviewed all contracts of retirees with this stipulation. The insurance coverage option had time-expired in all cases.

4) Is it appropriate for someone from the NWRA to inquire regarding items that led to this decision?

Yes. This letter is part of that process. As new questions arise, HR and Northwest are willing to continue to engage the retirees and the NWRA on this issue. Part of the 'items that led to this decision' are outlined above. More will come as more questions emerge.

5) Was the Faculty Senate, the Faculty Senate Executive Committee, or Support Staff Committee notified of this decision prior to the announcement to retirees?

No. Due to legal issues of privacy, mandated by government regulations, the institution could not reveal any specific issues pertaining to medical care insurance to a third party before contacting the beneficiary (in this case the impacted retirees). This became even more acute because the retirees are not considered legally members or employees of the university. Hence, the retirees, as well as the NWRA, is not considered to be part of the University *per se*. In fact, our organization falls under the umbrella of the Foundation/Alumni Association which is also technically independent of the university. Hence, Faculty Senate, etc., would be a third party. Notification to retirees had to come first.

6) Was anyone from the NWRA consulted prior to this decision?

Yes. In late August, I (Jim) had a meeting with Krista and this possibility was discussed. At this stage, the plan was simply a possibility in blue-print form. Informing me at that point was a courtesy, so that if it did occur, the NWRA could implement support networking. We discussed that if this was implemented there would be great anxiety among impacted retirees. I, on behalf of the NWRA, said we would be committed to do all that we could to assist in such a transition, if it would occur.

At that time, no communication about this possibility was shared beyond this meeting because it was not known if it would become a reality. Also, given the legal issues surrounding medical insurance privacy, no third-party discussion was possible. I was assured that once a decision was made and impacted retirees notified, the NWRA would be formally notified and we could swing into co-operative support of these retirees. This is what subsequently transpired.

Finally, since the NWRA has no legal standing in the university as such, the NWRA was not involved in the actual decision process or evaluation of this option. NWRA did not function as a 'consultant' in this process, but only was there to provide potential assistance, if the decision was made to go forward with this plan.

7) Chapter 2 states that emeritus faculty benefits include: Eligibility for membership in the Retired Group Health Insurance Plan.

There is some ambiguity about this question. Not all retirees of Northwest are former faculty. It is also not clear if all retired faculty are of 'emeritus' status approved by the Board of Regents as such. That caveat being said, let's simply address unambiguous 'emeritus faculty'. The chapter 2 clause indicates 'eligibility' for membership, it does not guarantee membership. In our current situation, if there is no 'Retired Group Health Insurance Plan', the eligibility becomes moot. If Chapter Two had been composed to 'guarantee' such coverage the story might be different. Faculty Senate may need to revisit this clause, especially in light of the discontinuation of the plan.

8) Does this action mean that other benefits may be removed with little notice?

This is hard to address in the abstract. Parking permits, ticket discounts, etc. and other like benefits are not currently being looked at as a way of cutting cost. However, what will happen in the future due to financial exigencies is unknown. NWRA related benefits such as Northwest Email, and Bookstore reductions are not on the table.

9) Are there any legal issues related to this decision such as the timing of the announcement?

No. As Northwest looked at the possibility of this decision, Legal Counsel in conjunction with Courtenay Brummer worked out a timetable which would be needed to ensure that impacted retirees could move to a new policy as well as provide assistance for that move. Human Resources followed this time-table. Sensitivity to the insurances and Medicare's open enrollment windows was considered.

10) I am curious as to what Northwest pays for each faculty member and what it would be with the rates going up.

Specifics on 'each' retiree on the plan are unavailable and protected. But the \$200,000+ paid out by the university,

which is mentioned above, is for the entire retiree sub-group. This outlay is rapidly increasing and putting stress on the entire health care plan.

11) How much will the university save and what is it going to be used for?

As mentioned above, the \$200,000+ is going to be applied to keeping the upcoming hike in insurance coverage costs to employees lower than otherwise needed. The estimate is that the increase to employees will be 6% less due to this change. This 'reduction in increase' will be a major positive for the employees who are making \$40,000 and less, especially those on family plans with children.

It is important that I state here that the above information is based on my recollections of and notes taken during my meeting with Krista. This is not a formal or legal document from Northwest or any department thereof. This is solely the product of myself for the purposes of communication to the membership of the NWRA. Any errors or misrepresentations in this information is my responsibility entirely and should not be attributed to Human Resources nor to Northwest. – Jim Eiswert

Zoom Meeting with Krista

Do not forget the upcoming Zoom Meeting with Krista to discuss these matters.

Be mindful that some questions that come up might not be able to be addressed give legal constraints and protections.

NWRA is inviting you to a scheduled Zoom meeting.

Topic: NWRA Virtual Meeting On Health Insurance with Krista Barcus from HR

Time: Nov 4, 2020 01:00 PM Central Time (US and Canada)

Join Zoom Meeting

<https://zoom.us/j/99335879325?pwd=QVV3ZzNxbVBZUIJ3RmVEMDZGaGt6UT09>

Meeting ID: 993 3587 9325

Passcode: 350023

Again, I want to encourage all impacted retirees to contact us, if you have not yet, and that the NWRA will stand with you until we get this insurance issue resolved for you.

Feel free to direct any additional questions to me at jeiswer@nwmissouri.edu.

For the Board,

Jim Eiswert

PS. More to come as we progress.