

# HAWAIIAN TELCOM RETIREE MEDICAL

By Julie Kaupu, Assistant Business Manager

**The information provided in this article is for HT retirees and potential retirees.**

When you notify Hewitt of your intent to retire, as part of your retirement packet, you will be asked to identify the health plan that you want. Even if you elect to retain the same plan that you have as an active employee, you must still make an election. If you do not, you stand the risk of not having **any** retiree medical as HR and we assist you in correcting the matter with the Benefit Center.

For our retirees who participated in open enrollment for plan year 2008, you all know how trying that was because of the application of the VEBA II MOA. For our potential retirees, study the MOA that is found on pages 185 - 188. The language found in the agreement was bargained in the 1996-1999 agreement. You must have an understanding of the language as you look towards retirement.

The VEBA II MOA specifies several things i.e. the percentage amount the Company is responsible to pay and likewise, the amount the retiree will pay. The MOA also establishes caps. Caps were established to indicate the maximum amount the Company would pay towards the retiree's premium payment. Every year, the Company negotiates with the health care provider for premium costs. There are five health plans offered by Hawaiian Telcom - HMO Hawaii, HMSA PPO \$100, HMSA PPO \$150, HMSA PPO \$350 (the Company Medical Plan) and Kaiser.

Effective plan year 2008, the Company (in their own words) moved towards a "different rate application for active employee and retirees, in order to ensure the appropriate benefit costs are applied to the right population. Both HMSA and Kaiser calculated retiree rates for our groups based on the demographics of our retiree population and our group's experience." In other words, the retiree's cost is no longer subsidized by the active employees rate plans. The outcome of that move was an approximate increase in payment cost for the retiree upwards of 200% or greater.

In calculating your payment portion, there are several variables you need to know:

- The annual retiree premium cap (either single, retiree plus one dependent or family coverage) the Company pays for your premium (based on your years of service)
- The annual retiree premium cap for your payment
- The monthly cost of the HMSA \$350 cost (according to the type of plan you selected)
- The percentage amount you pay towards the premium
- The premium amount in excess of the premium cap

- Subtotal monthly retiree cost share
- The difference between \$350 PPO plan cost and your selected plan cost

The Company will provide you with the cost of each plan by coverage tier i.e. retiree only, retiree + spouse, retiree + child(ren) and retiree + family. They will also provide you with the monthly premium cost for each health plan and each coverage tier within each health plan.

Listed below are the 2008 premium rates:

<u>Health Plan</u>	<u>Coverage Tier</u>	<u>2008 Monthly Premium</u>
HMO Hawaii	Retiree only	\$396.56
	Retiree + spouse	\$908.14
	Retiree + child(ren)	\$753.50
	Retiree + family	\$1,265.02
PPO \$100	Retiree only	\$412.06
	Retiree + spouse	\$943.64
	Retiree + child(ren)	\$782.96
	Retiree + family	\$1,314.46
PPO \$150	Retiree only	\$378.80
	Retiree + spouse	\$867.48
	Retiree + child(ren)	\$719.76
	Retiree + family	\$1,208.36
PPO \$350	Retiree only	\$353.78
	Retiree + spouse	\$810.20
	Retiree + child(ren)	\$672.24
	Retiree + family	\$1,128.58
Kaiser	Retiree only	\$420.00
	Retiree + spouse	\$814.00
	Retiree + child(ren)	\$814.00
	Retiree + family	\$1,174.00

Listed below are the premium rate caps by coverage category. The initial calculation of each retiree's contribution is based on the premium for the HMSA \$350 PPO Plan, which is also known as the Company Plan or base plan. Any difference between the cost of the HMSA \$350 PPO Plan and the plan a retiree elects is the responsibility of the retiree and will be billed to the retiree.

**Coverage Category**

**Capped Retiree Medical Benefits Premium**

Retiree only (primary coverage)	\$5,124
Retiree plus one dependent	\$10,236
Family coverage	\$11,340
Medicare covered retiree (per eligible life)	\$1,354

Here are two examples of cost-share calculations based on different coverage scenarios:

Example 1: Retiree Joe has a retiree contribution amount of 10% and is enrolled in the HMSA PPO \$100 plan, family coverage.

<b>Calculation of maximum monthly employer contribution:</b>	
Annual retiree premium cap (family)	\$11,340.00
<u>Multiplied by company cost-share 90%</u>	<u>x.90</u>
Annual retiree premium cap for 'Retiree Joe'	\$10,206.00
<u>Divided by 12 months</u>	<u>12</u>
	\$850.50 (a)
<b>Calculation of retiree cost-share:</b>	
Monthly HMSA \$350 PPO cost (family) base-plan	\$1,128.58 (b)
<u>Multiplied by retiree cost-share 10%</u>	<u>x.10</u>
Subtotal monthly retiree cost-share (base plan)	\$112.86 (c)
Calculated Monthly company contribution using the HMSA \$350 PPO family plan cost (b less c)	\$1,015.72 (d)
Premium amount in excess of premium cap (d less a)	\$165.22
Plus subtotal monthly retiree cost share ( c)	\$112.86
<u>Plus difference between \$350 PPO and \$100 PPO</u>	<u>\$185.88</u>
<b>Monthly retiree cost-share</b>	<b>\$463.96</b>

Since the calculated monthly contribution (d) is more than the maximum monthly company contribution (a), retiree Joe's cost share is \$463.96 [the difference between the monthly premium for the HMSA \$100 PPO family plan of \$1314.46 and the maximum monthly company contribution (a) which includes the cost in excess of the premium cap in addition to the difference between the cost of the Company plan and the plan the retiree is enrolled in].

Example 2: Retiree Ted has a retiree contribution of 40% and is enrolled in the HMSA PPO \$350 plan, single coverage.

<b>Calculation of maximum monthly employer contributions:</b>	
Annual retiree premium cap (single)	\$5,124.00
<u>Multiplied by company cost-share 60 % x.60</u>	
Annual retiree premium cap for Retiree Ted	\$3,074.00

<u>Divided by 12 months</u>	<u>12</u>	
Maximum monthly company contribution	\$256.20	<b>(a)</b>
Monthly HMSA \$350 PPO cost (single)	\$353.78	<b>(b)</b>
<u>Multiplied by retiree cost-share 40%</u>	<u>x.40</u>	
<b>Monthly retiree cost-share</b>	\$141.51	<b>(c)</b>
Actual monthly Company contribution (b less c)	\$212.27	<b>(d)</b>

Since the actual monthly company contribution (d) is less than the maximum monthly Company contribution (a), Retiree Ted's cost share is \$141.51.

Here's a good to know fact: retirees who have another source of health coverage for themselves or their dependents may opt-out of their HT retiree coverage and enroll at a later date. Re-enrollment in the HT coverage for retirees and dependents may occur during any annual enrollment period **or if you lose your coverage provided re-enrollment is requested within 31 days from the date the other coverage is lost.** Keep in mind that if you are late and try to re-enroll beyond the 31 days, you will be denied coverage until the **next** open enrollment period. Open enrollment normally occurs in the month of November for the upcoming plan year.

Another fact to know: Retirees age 65 and older are transferred or enrolled in a Medicare Supplemental plan. Medicare parts A and B are deducted monthly from your Social Security check and by contract, Part B is refunded to you by the Company. Retiree enrollment in Medicare part B is required for supplemental coverage. When you initially apply for Social Security benefits and are offered Part B, if you don't sign up for the coverage at the initial offering, the plan will be more expensive to sign up at a later date. Retirees will be billed a minimum of \$15 monthly by the Company for the cost of the Medicare supplement coverage. You may be billed more dependent upon your selection of Medicare plan. It will behoove you to check out which Medicare plan includes prescription coverage.

As you can see, the cost to provide medical for the active employee as well as the retiree can be very costly. Every year, as medical costs rise, premium costs will increase. Your Union will continue to discuss the best benefit level for all of our people, will continue to work with the Company whenever issues arise and constantly search for alternative ways to provide the best medical care possible for our members.