

**Eye on 65 – Episode 2 Transcript**

- Marianne** Public sector employers are looking for ways to make retiree health care sustainable. I'm Marianne Steger with my co-host John Barkett, and we're here to help you make sense of the options to do this.
- John** From Willis Towers Watson welcome to Eye On 65, a podcast for public sector employers concerned about retiree health care.  
Welcome to our podcast. I'm John Barkett.  
If you listened to our first episode, you know that our series goal is to provide you with valuable information about how you can preserve retiree health care. As always, I'm with my co-host Marianne Steger.  
So, let's dive right in. Marianne, remind us again, what was your old job?
- Marianne** Well, I used to run the health care program for the Ohio Public Employees Retirement System. And it was the 12th largest system in the country, and we provided retiree health care for about a quarter of a million retirees.
- John** And in that job between your own experiences in talking with your colleagues and other retirement systems, you probably saw all there was to see when it comes to ways in which you can preserve retiree health care. Is that fair?
- Marianne** Yeah. We certainly did a lot of innovative things at OPERS.
- John** Okay. So, let's talk about your experience in talking with others and in your own career about successful ways to preserve retiree health care. First, why don't you tell us, what's the typical situation that a retirement system will find themselves in today? What are the challenges that they're facing and what are their goals when aiming to preserve retiree health care?
- Marianne** Well, John, there's a lot of different ways in which they're providing retiree health care, particularly on the Medicare side. Sometimes, you'll see retirees lumped in with active employees and that has the effect of lowering the premiums for retirees, but it also raises them for the active employees. Sometimes, you see a MedSup plan, which is just supplementing Medicare. More often, you're seeing systems move to a Medicare Advantage Plan, so they can draw down some pretty good federal subsidies and dollars that are available to systems. And they also, generally on the drug side, move to an Employer Group Waiver Program with a wrap, which is another way of also getting as many federal dollars as you can. And so there are a lot of systems doing things like that, and you know, they are saving some money when they move to these MA plans with the Part D EGWP plans. But they're soon finding out that that's not enough. It doesn't save enough money. So, we see these systems—some of which are pay as you go, meaning, they have no funding in the bank to pay for future costs for health care. Some that do have a pretty good amount of funding, but when they do the math, it looks like that

funding is going to run out in 6 or 7 or 10 years, and so they find themselves looking for additional options because the options they've used so far really don't save enough money.

**John**

So, let me push you on that for just a second Marianne. You talked about blending the retirees in with active employees. You talked about different programs available through Medicare that take advantage of some extra federal dollars. What about just trying to negotiate a better deal with providers or trying to contract in different ways or promote wellness? Have you seen retirement systems adopt those types of programs and have they been able to have any success?

**Marianne**

Yes, absolutely. You know, with regard to wellness that's sometimes a difficulty because you're paying 20 percent of the cost, whereas Medicare is paying roughly 80 percent. And so, you could spend a lot of money on wellness programs and you know, not reap many savings. It's the right thing to do, but it doesn't always get you the bang for the buck that you want.

I've seen contracting with Medicare Advantage Plans where the employer has a vendor, like a Humana or an Aetna, and they negotiate pretty good gain sharing programs. And what I mean by that is you agree upfront with the vendor, "Here's what we think our claims costs are going to be for the next 12 months." And if you manage to get them to be less than that, then you're going to give us back some of those savings. But we still often see these plans not being as competitive with the individual marketplace plans. And what tends to happen is retirees look at the numbers themselves, and they say, "Well, here's what I'm paying for premium in my employers or my pension systems group Medicare Advantage Plan." But I could go out to the individual marketplace and have a zero-dollar premium Medicare Advantage Plan, or I could have a Medigap Plan with a drug plan and have more comprehensive coverage.

So, we then see retirees starting to leave the group and you know what that could lead to is potentially all the healthy people leaving and you're left with a pool of pretty ill people.

**John**

And what you're saying Marianne—tell me if I have this right—is that there are certain retirement systems offering retiree health care plans that are vastly more expensive than the plans that you could purchase out in the individual market, and that that's leading to certain retiree's saying, "It's not worth it for me to stay in my retirement systems plan. I should go buy my own." Is that what you're suggesting?

**Marianne**

Exactly. And honestly John, most people don't make that comparison to the individual marketplace if they're running the system because, just like I was when I was a health care director, I assumed my group plan was going to be far more affordable than the individual marketplace. What I didn't know is that individual marketplace has 58 million people in the group that's buying those plans and there's no way, you know, 100,000

retirees, 200,000 are going to compete with 58 million. And so, that's why those prices are so much better.

**John** Let me ask you Marianne about another tactic that employer retirement systems, any plan sponsor, could use. And that would be changing the levels at which they contribute or pulling other levers like that. How much of that goes on and at what point is that also—or sort of pulling those levers—at what point does that become unsustainable?

**Marianne** Well, that absolutely is going on. For pension systems and for state governments or large municipalities, counties, cities, whomever is trying to provide the retiree health care, their first obligation is to fund the pension. And only after they fund the pension do they then have sufficient funding—if they do have sufficient funding—can they then fund a health care program for retirees. So, it's very common to see employers starting to do things like: we're not going to cover spouses anymore or anybody hired after this date no longer has any retiree health care or everybody else who's working here now has to work at least 20 years to qualify for health care. And by the way, we're not going to reimburse your Medicare Part B premium anymore, and we're not going to give you as much of a subsidy towards your health care plan.

But the health care plan is still very expensive, and so what we're seeing more and more happen is state systems, pension systems working with their stakeholders, their unions, their retiree groups, and saying, "Okay. This is unsustainable. You know, it's not common for anybody to have health care after only 10 years of employment. We're going to change those things. And those savings, we're going to then have to find a more affordable plan. Even though we have those savings, the plan might not be affordable for the retirees." And so, how do we find affordability? And that's when we see employers starting to look to what the retiree is already figuring out, and that is that the individual marketplace is more affordable.

So, we're starting to see that happen sort of, naturally. So, I like to think of it as it's a nice package where if you need to make those changes to preserve the retiree benefit, then you also need to find something that's affordable for retirees. And going to the individual marketplace is a nice partnership along with those changes.

**John** That's all we have time for today but tune into our next episode.

We're going to continue this conversation and dig deeper into what this transition to the individual marketplace really looks like.

**Marianne** That's right. I could talk about this forever, so more to come. Talk to you next time.

**John** Thank you for listening to Eye On 65 by Willis Towers Watson, a leading global advisory, broking, and solutions company serving thousands of employers worldwide. For more information on Willis Towers Watson's solutions to manage employee risk, optimize benefits, cultivate talent,

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