

Report of the Compensation Committee to Faculty Council on Changing the Description of Medical Benefits for Faculty Retirees

I. Background:

Faculty on the former Rank, Tenure, and Salary Committee, the Handbook Committee, and the Compensation Committee have been working with Human Resources for years to update the description of faculty benefits that was last revised in 2000. After thorough review in Summer 2011 of HR's June 2011 draft update, the Compensation Committee found six areas where changes in benefit description might be understood as reductions in benefits: medical coverage for retirees, life insurance, long-term disability, eligibility for the tuition benefit, loans, and purchasing discounts. This report and proposal deal only with the first of those six areas, medical coverage for retirees, where we could not determine the exact nature of reduction. Further reports and proposals will follow regarding the remaining draft changes.

II. The Problem and the Documentation:

On page 26 [Part Four Sec. V., A.] the Faculty Handbook reads:

Certain benefits are also preserved by each retired member of the Faculty:

2. *purchase of hospitalization and medical insurance at the University's group rate, but at the expense of the retiree*

The Handbook Committee Chair understands this to mean that retired faculty have the right to purchase the SAME group medical insurance as active faculty.

As a matter of practice, however, the Human Resources Department has supplied the following documentation to support their contention that from the inception of Medicare (signed into law July 1965; went into effect July 1966) John Carroll University's intent and practice has been to offer medical coverage to retired faculty over the age of 65 that differed from the group plan for active employees and that assumed Medicare participation—specifically, that it required enrollment in Medicare Parts A and B and functioned, therefore, as supplemental major medical and prescription drug plan to Medicare.

First, from the 1967 *Fringe Benefits Book*:

p. 10: **Group Hospital Medical-Surgical Coverage:**

VI. COVERAGE AFTER RETIREMENT

Upon retirement, your coverage is transferred to our annuitant group. The coverage is substantially the same but the premiums are generally lower depending on certain factors. The lower premium is paid wholly by the annuitant.

p. 17: **Social Security Programs:**

II. WHAT ARE THE BENEFITS?

The medicare and medical insurance benefits are generally tied in with reduced hospital-medical group coverage after age 65.

--This language persisted in the 1972 Benefits booklet but is absent from subsequent booklets that simply note that further information and plan details are available through certificates of coverage.

Second, from current plan descriptions from Medical Mutual of Ohio:

Supermed Plus, RX Plan C—Active, p. 31:

EXCLUSIONS

In addition to the exclusions and limitations explained in the Health Care Benefits section, coverage is not provided for services and supplies:

. . . 13. For which payment was made or would have been made under Medicare Parts A and B if benefits were claimed. This applies when you are eligible for Medicare even if you did not apply for or claim Medicare benefits. This does not apply, however, if in accordance with federal law, this coverage is primary and Medicare is the secondary payer of your health care expenses.

Medifil 365 Day and Supplemental Major Medical Coverage, p. 17:

EXCLUSIONS

In addition to the exclusions and limitations explained in the Health Care Benefits section, coverage is not provided for services and supplies:

. . . 1. For which payment was made or would have been made under Medicare Parts A and B if benefits were claimed. This applies when you are eligible for Medicare even if you did not apply for or claim Medicare benefits.

Last, from the Centers for Medicare and Medicaid Services publication **Medicare and Other Health Benefits: Your Guide to Who Pays First**, p. 6:

If you	Situation	Pays first	Pays second
Have an employer group health plan after you retire and are 65 or older	Entitled to Medicare	Medicare	Retiree Coverage

In light of this documentation, it appears to the Compensation Committee that practice has been to offer a supplemental medical plan to retired faculty contingent upon enrollment in Medicare, and that the federal government actually directs that first payment come from Medicare for retirees over age 65.

Having supplied this documentation to the Handbook Committee, the Compensation Committee then asked for an interpretation of the Faculty Handbook from Dr. Bob Kolesar, the Chair of the Faculty Handbook, and Dr. John Day, Provost of the University, on the question of whether the phrase on p. 26 of the Faculty Handbook, “*purchase of hospitalization and medical insurance at the University’s group rate, but at the expense of the retiree*” necessarily refers to the SAME group medical insurance plan as the one in which active faculty at John Carroll are

entitled to enroll. John and Bob have indicated they do not believe interpretations are precisely called for, but have written a memo explaining their understanding of the situation. Additionally, Bob communicated the following regarding the Handbook Committee's position on the medical plan:

"The medical Plan option for retired Faculty needs to be voted on. It is clear from earlier Fringe Benefit Booklets that the plan referred to is the group plan offered to active Faculty. Since there now seem to be Federal guidelines that preclude this, the Faculty need to know this and be encouraged to vote accordingly."

III. Proposal:

In light of this documentation, the Compensation Committee recommends that Faculty Council refer the following proposal to the full faculty for discussion and a vote:

Resolved: *That faculty agree to the following provisions for retiree medical coverage: Faculty retirees, upon reaching age 65 and upon enrollment in Medicare Parts A and B, may elect University-sponsored group supplemental medical and prescription drug insurance.*

Furthermore, subsequent to the faculty vote, if it is in the affirmative, the Compensation Committee recommends that Faculty Council ask the Handbook Committee to propose a Handbook amendment for a faculty vote that changes p. 26 [Part Four Sec. V., A.] to specify that University coverage is supplemental for retirees eligible for Medicare.

See Appendix A for the text of the 2000 Fringe Benefits Booklet description of the medical benefits for retirees and the description as it would be published in a new Fringe Benefits Booklet, should the vote on the resolution be in the affirmative.

IV. Recommendation:

The Compensation Committee recommends a "yes" vote.