

STRS Change Will Put Health Care Out of Reach for Many Retirees

In December, the State Teachers Retirement Board adopted a set of long-term goals to insure the solvency of the STRS Health Care program. Unfortunately, this change could make it too costly for most retirees to access health care through STRS until age 60.

This could cause a tremendous problem for retirees who are not yet within five years of Medicare eligibility.

The change establishes Medicare as the "health care program's cornerstone," intends to achieve 30 years of solvency by 2016 and extend the forecasted solvency to 60 or more years by 2025.

Translation: By 2016, the premium subsidy will be eliminated until a retiree comes within five years of Medicare eligibility which is currently age 65. Under current Medicare eligibility, health care premiums will be unsubsidized until the retiree is age 60; at age 60 the retiree will receive a subsidy of 1.7 percent per year of service and at age 65 a subsidy of 2.1 percent per year of service. The current years of service multiplier is 2.4 percent so a person who retires today after 30 years would receive a 72 percent subsidy which means he or she pays just 38 percent of the premium. However, the multiplier is being reduced by .1 percent each year down to 1.7 percent in 2019.

Without the subsidy, the cost of health care through STRS is likely to be too high to maintain. A retiree will still be able to purchase health care coverage from STRS before age 60, but at the full premium cost - making health care inaccessible through STRS for many retirees because of price.

It is important to note that none of the public pension systems are required by law to provide any health care coverage to members - the boards' primary responsibility is to ensure the long-term stability of our pensions. The systems have provided health care coverage for many years to meet a need of retirees. Currently, there is no dedicated revenue source to fund health care for STRS Ohio retirees. Instead, funding comes from: (1) premiums paid by enrollees in the health care program; (2) annually determined employer contributions; (3) investment earnings on the health care fund; and (4) Medicare Part D subsidy. Claims costs and the expense to fund the subsidy have put the fund's solvency in jeopardy.

Why did STRS change its policy now? The STRS health care program was predicted to run out of money by 2024 - these changes will allow STRS to provide retiree health care well into the future. Premiums average a 7-8 percent annual increase. The program is impacted greatly by the cost of providing health care services - one third of STRS members are under age 65, yet they incur two-thirds of the health care costs. Some change needed to be made in order to continue the health care fund.

Why not dedicate a larger portion of contributions to stabilize the health care program? The weak economy and investment market fluctuations also impact the value of the pension fund and its' ability to meet pension payment obligations. Redirecting a larger portion of contributions from contributions to health care would jeopardize our pensions.

Rather than let the health care program disappear for lack of funds, STRS chose last month to transition to a plan that essentially pushes health care out of reach for many retirees until they come within five years of age eligibility for Medicare. Subsidies would be available to reduce the cost of health care through STRS once a retiree reaches age 60.

OFT is greatly concerned about the impact this will have on retirees. We expect STRS to continue to explore options and strategies for increasing the solvency of the health care fund between now and when the adopted goals are fully implemented. We will keep members informed of future opportunities to impact and participate in these policy discussions.

STRS Health Care Plan with Subsidy Elimination Approved December 2011

Annual Projected Non-Medicare Premiums and Total Costs for Retiree with 30 Years of Service

Non-Medicare Basic Plan					
Annual	2012	2013	2014	2015	2016
Total Cost	\$6,516	\$7,080	\$7,680	\$8,280	\$9,000
Premiums	\$1,824	\$2,195	\$2,611	\$3,064	\$3,600
Subsidy	2.4%	2.3%	2.2%	2.1%	2% for retirees age 60 or older; zero for those under age 60
Co-payments, Deductible & Out-of Pocket					
Medical -----	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Rx-----	\$4,700	\$4,700	\$4,700	\$4,700	\$4,700
Enrollee's maximum Exposure	\$10, 524.	\$10,895	\$11,311	\$11,764	\$12,300
Non-Medicare Plus Plan					
Annual	2012	2013	2014	2015	2016
Total Cost	\$12,384	\$13,320	\$14,400	\$15,600	\$16,800
Premiums	\$3,468	\$4,129	\$4,896	\$5,772	\$6,720
Subsidy	2.4%	2.3%	2.2%	2.1%	2% for retirees age 60 or older; zero for those under age 60
Co-payments, Deductible & Out-of Pocket					
Medical -----	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Rx -----	\$4,700	\$4,700	\$4,700	\$4,700	\$4,700
Enrollee's maximum Exposure	\$10,168	\$10,829	\$11,596	\$12,472	\$13,420