Welcome to The Exchange
Welcome to The Exchange, our quarterly report on retiree health benefits that brings you news and advice about the most important political, economic, social, and technological developments in retiree healthcare and a place to exchange ideas about issues that affect all of us.

Survey Results
Extend Health recently polled our employer clients to find out what drove their choice to transition retirees to individual Medicare plans, as well as what they looked for in a solution. Read this story to learn what we found out.

Case Studies
Avon retiree insurance premiums were increasing 15% each year, and the cost and work required to administrate a plan for retirees was significant. Learn how they found a solution with the help of Extend Health.

Read Avon Case Study

The City of Waco group retiree medical plan was becoming increasingly cost prohibitive for retirees, and it didn’t offer enough choice. With the help of consultant Holmes and Murphy, the City found a better solution through Extend Health.

Read City of Waco Case Study

A Message from our CEO
October is here and that means American retirees over the age of 65 are a few weeks away from this year's Medicare Annual Enrollment Period. As you might imagine…

Voice of the Retiree
Don’t take our word for it. Here’s what actual retirees had to say.

"When we received the letter that Allstate Insurance was no longer going to provide health insurance business. Extend Health was very beneficial in helping us make a change in our health insurance since we were getting help from experts in the 100 companies that could cover us in our area. We were more comfortable making a decision as to which company would satisfy our needs." - Nancy Bonomo, Boca Raton, Florida

Contact National Sales
Contact National Sales office at Extend Health to speak to the Client Solutions executive in your area.
Email: sales@extendhealth.com
Phone: 1-888-612-8210

Why Read The Exchange?
The Exchange will bring readers exclusive analyses and ideas from some of the very best minds working in healthcare policy, economics, and management.
- Inclusive reports on political developments that affect employees and employers
- Trend Analysis, Expert Interviews, Best Practices to help maximize satisfaction and keep down cost and much, much more.

AEP 2010 Update for Extend Health Clients
Medicare-eligible retirees may enroll or change their existing coverage during Medicare’s Annual Enrollment Period from November 15th through December 31st. To ensure that your retirees are aware they can review their coverage during AEP, and that they know about changes in Medicare regulations that may affect them, Extend Health will reach out to them several times over the next six to eight weeks with the following notices:

October:
- AEP-reminder postcard to all active Extend Health subscribers
- Retiree newsletter with updates on Medicare regulation changes and their impact on Medicare recipients, including PFFS plan termination and Medicare Part D plan consolidation
- Alzheimer’s Association: Alzheimers.gov

September:
- Postcard alerting retirees potentially affected by termination of Medicare Advantage Private Fee for Service Plans

An Interview with Charles Bowsher
Charles Bowsher, former head of the Federal Government Accountability Office (GAO) and member of the Extend Health Board of Advisors, discusses with The Exchange his thoughts about financial crises, health care, and the future of Medicare.

An Interview with Charles Bowsher

扩展健康优势---通过转换为个别医疗保险计划，大幅降低每位雇员的保险费用，同时为员工提供更广泛的选择。

扩展健康近期对雇主客户进行了调查，以了解促使他们做出这种转变的原因，以及他们在寻找解决方案时所考虑的因素。通过阅读这个故事，您可以了解更多有关我们发现的结果。

案例研究

阿文的退休保险保费每年增加15%，并且管理和维护退休人员计划的成本很高。在Extend Health的帮助下，他们找到了一个解决方案。

沃克市的退休人员医疗保险计划越来越难以负担，而且提供的选择也不够。在Holmes and Murphy咨询公司的帮助下，沃克市找到了一个更好的解决方案。

致CEO的一封信

我们收到了Allstate停止提供医疗保险的通知。扩展健康对那些退休人员提供了很大的帮助，因为他们得到了来自100家可能在该地区提供保险的公司中专家的建议。

退休人员的声音

"当我们收到Allstate不再提供医疗保险的信时，我们感到很震惊。扩展健康非常有益，他们帮助我们做出了决定，因为我们得到了来自100家可能在该地区提供保险的公司的专家的建议。" - Nancy Bonomo，佛罗里达州博卡拉顿

contact National Sales
Welcome to The Exchange!
A letter from our CEO

October is here and that means American retirees over the age of 65 are a few weeks away from this year’s Medicare Annual Enrollment Period. As you might imagine, the weeks in preparation for the AEP, in combination with the actual enrollment period itself, are a busy and exciting time for everyone at Extend Health. As a direct result of our Six Sigma improvement initiatives implemented over the last two years, Extend Health’s team has never been better prepared to handle our clients and their retirees’ transition from group Medicare to an individual Medicare plan exchange.

There are six stories included in this edition of TheExchange. I hope one or more of them prove interesting to you - and thanks for reading our newsletter.

As one of the most important benefits of our exchange is to provide a wide array of quality plan choices, we’ve added some great plan options in 2010. This brings our total number of carriers on the exchange to just under 70, with thousands of plans offered. To learn more about our carrier expansion, as well as some new advanced capabilities we’ve added to our technology platform, please see the article entitled “Expanding Choices and Advanced Capabilities on the Extend Health Exchange.”

In this issue you’ll also find an interview with Chuck Bowsher. This is the first in a series of conversations with the individuals who form our Board of Advisors. As the former Comptroller General of the United States, Chuck possesses a wealth of experience and knowledge about the politics and history of health care reform in this country, and I think you’ll find his insights well worth reading. Other individuals on the advisory board are just as distinguished and we look forward to a dynamic and informative series of discussions.

Also in this issue, we bring you an in-depth look at the stories of the experience of two of our clients as they move their retirees from group to individual Medicare supplemental insurance. Michele Levy, director of global benefits for Avon Products, Inc., explains how the process worked for her company and its retirees, from the initial decision through the implementation and its aftermath. In addition, Missie Pustejovsky, assistant director of human resources for the City of Waco, gives the perspective of a public sector entity going through the same transition. Both are compelling reading.

Finally, this issue includes results of a recent survey wherein we asked a group of clients what factors were most important to their decision to transition their retirees to individual Medicare plans. The survey produced some intriguing results that will be of interest to anyone responsible for providing retiree health care benefits.

We also want to share news of a prestigious honor recently awarded to our company. In late August, Extend Health debuted at number 94 in this year’s Inc. 500 list of the fastest growing private companies in America. Our strong growth over the last few years is a testimony to the hard work and excellence of our people and the trust our clients place in us to skillfully transition their retirees to an individual Medicare exchange. As CEO and founder, I couldn’t be more proud of what we’ve accomplished. To our clients, we thank you for that trust and look forward to finding more ways for you and your company to get more health care value by leveraging an exchange. To our retiree members, we enjoyed every one of the over 1 million minutes we spent on the phone with you helping you choose the right Medicare plan.

We hope you enjoy this latest edition of TheExchange. As always, feedback on these articles and requests for future articles are welcomed. Send your thoughts and ideas to newsletter@extendhealth.com.

Bryce Williams
President and CEO
Extend Health
Expanding Choices and Advanced Capabilities on the Extend Health Exchange

Our carrier relations team never stops evaluating our existing offerings, and adding new plans and carriers to the Extend exchange. In this way, Extend Health ensures that we are offering the richest set of options for medical, prescription drug, dental and vision coverage in every region of the country. And our product development team is just as hard-working, continually bringing new features and functionality to the platform that minimize errors and make the entire process faster and more efficient. Here’s a summary of some of the exciting changes we’ve made to the Extend Health exchange this year.

New Carriers Added

One of the most important things we offer retirees is a range of Medicare insurance choices. So far this year, we’ve added 12 major carriers, putting our total portfolio at more than 65 carrier partners, including Harvard Pilgrim Health Care, the highest-ranked health insurance plan in the New England region in the J.D. Power and Associates 2010 National Health Insurance Plan Study™ and Geisinger, ranked #3 among Medicare plans on the 2009-2010 U.S. News & World Report/NCQA America’s Best Health Insurance Plans list. Also joining the Extend Health exchange this year: Arcadian, BRAVO, CVS / Caremark, and a number of regional Blue Cross Blue Shield organizations:

- Regence Blue Cross Blue Shield of Washington
- Regence Blue Cross Blue Shield of Oregon
- Regence Blue Cross Blue Shield of Utah
- Regence Blue Cross Blue Shield of Idaho
- Wellmark Blue Cross Blue Shield of Iowa
- Wellmark Blue Cross Blue Shield of South Dakota
- Blue Cross Blue Shield of Louisiana

Making Enrollment Foolproof, Faster, and Easier Than Ever

We’re pleased to say that as of this year, with every carrier old and new, enrollment applications are now entirely paperless. We submit enrollments through digital means only, and in most cases, via file format, directly into our partners’ back end systems. This new (and unique) capability alleviates the potential for errors in manual submission, while greatly increasing speed to issuance of new plans.

As we look forward to AEP this year, we’re excited about the increased choice offered by our expanded carrier list and the efficiency enabled by our new paperless and online enrollment capabilities. You can be sure we’ll continue to innovate and expand the Extend Health exchange; check back with us next year for further developments.
Survey Results: Why Employers Transition Retirees to Individual Medicare Supplemental Insurance

As both private and public sector employers face ever-increasing obligations for the health care costs of their retirees, many have begun looking for solutions to manage (and lower) these costs. These obligations only compound with the passage of time, pushing employers to search for options that allow them to honor their commitments to retirees, without bankrupting the budget for active employees.

Many specific examples of this growing cost problem exist. One client recently told us that they "expect 10% of our actives to retire in the next two to three years. We need to ensure financial solvency to be able to meet the obligations for these folks and those that came before them." Another told us, "Fire Department retiree obligations are beginning to outstrip the entire budget for operating this county’s unit." Further, many organizations are worried about their liabilities affecting their credit rating and ability to borrow, especially in the current economic environment.

Extend Health surveyed our clients to understand the most important factors motivating their choice to offer retirees access to a Medicare insurance exchange. The results of this poll show that concern for helping retirees find quality, affordable health care insurance is the most important consideration – but cost savings are also a factor.

Gathering feedback

During the last two weeks of August, Extend Health polled approximately 50 of our current employer clients across both public and private sector organizations. Questions in a brief, five-question survey were aimed at finding out what drove their choice to transition retirees, as well as what they looked for in a solution. We received responses from 26 individuals – better than 50% of those we polled - from a range of employer organizations including Fortune 100 companies, public sector employers, and others. We focused our fact-finding on organizations that have already been through at least one full open enrollment season with us, to make certain we received relevant feedback.

Respondents were able to choose the top two or three factors out of a list of several possible answers to each question, so response numbers do not correspond to total number of individuals who completed the poll. Here is what we learned:

• They want lower health care premiums and more choice for their retirees:
  • Most important was lowering the cost of benefits for retirees. 73% said the cost to retirees of company-provided benefits was too high
  • Almost as important was expanding the range of choice for retirees, with 65% citing this as one of the most critical factors.

• Containing costs is very important, especially long term OPEB liabilities:
  • 93% cited the "need to reduce or contain overall cost of providing retiree health care benefits" as a critical impetus for moving retirees to individual Medicare accounts.
  • 77% specifically cited reduction of long-term OPEB liability as a priority.
  • Only 7% claimed "freeing up funds to redeploy to other priorities (e.g. hiring new employees)" as an important driver in making a change.

• Easing administrative burden is less important:
  • Reducing time to negotiate and administer health plans was cited in 54% of responses,
  • Reducing the time required to provide advice and counsel to retirees was important to 50% of respondents.
  • Several responded that neither of these administrative factors played a role in their decision.

• A solution provider needs to offer objective advice and counsel for retirees:
  • 81% cited the existence of "a service center with trained advisors retirees can call for advice and counsel" as an important factor.
  • Only 7% claimed "freeing up funds to redeploy to other priorities (e.g. hiring new employees)" as an important driver in making a change.

Extend Health Senior Vice President Richard Wheeler found the results of this survey quite interesting. "This exercise gave us data to back up what we had always thought—employers really care about honoring commitments to their retired employees even ahead of cost savings, but they do need to reduce those retiree benefit costs. Lots of different types of employers are looking for a way to protect both their retirees and the bottom line."
Charles Bowsher has a distinguished background in corporate governance and financial management and reporting in both the private and public sectors. His experience includes a 15-year term as Comptroller General of the United States and head of the Government Accountability Office (GAO). Bowsher was nominated by Ronald Reagan in 1981 and served as Comptroller General under President Reagan, George H.W. Bush, and first Clinton administration. During that period, he led the Government Accountability Office in addressing the savings and loan crisis and other major issues. His experience also includes 21-year association with Arthur Andersen & Co., and four years as Assistant Secretary of the Treasury for Financial Management.

Since retiring as Comptroller General, Mr. Bowsher has served on several corporate boards. He is a trustee of the Center for Naval Analysis, the Logistics Management Institute, the United States Navy Memorial Foundation, the Concord Coalition, the Hilchel Foundation, and serves on advisory boards at several universities. Mr. Bowsher was also Chairman of the Public Television Board which was an independent, private sector body that monitored and reported on the self-regulatory programs operating in the SEC Practice Section of the Division for CPA firms of the American Institute of Certified Public Accountants. He is a graduate of the University of Illinois with a major in accounting, and received an MBA from the University of Chicago.

As a member of the Extend Health Board of Advisors, Mr. Bowsher graciously agreed to answer a few questions for TheExchange.

TheExchange: You were Comptroller of the United States across both Republican and Democratic administrations. You led the GAO during the Savings and Loan crisis. Based on your deep experience and knowledge of how Washington works, what can you tell us about the 2008 financial crisis and its aftermath?

CB: The United States had a very safe and sound banking system starting in the 1930s with passage of the Glass-Steagall act, and that continued right into the 80s—for about 30 years, you had a system that worked well. Some thought it was too restrictive, but in those 30 years the average person could invest money in the stock market and keep their savings in banks and feel secure. Before the savings and loan crisis, the state S&Ls for years gave savings accounts 3% interest, and offered mortgages at 6%. Nobody was getting rich but everyone was making a good living. When the S&L crisis hit, it took about three years at cost of half a trillion dollars to make it right.

Good reforms came out of the S&L crisis but we didn’t recognize how creative wall street would become. I testified to Congress on derivatives in the mid 90s, saying it was potentially a very dangerous situation; powerful people from Wall Street disagreed and they continued to get more creative with their products. Back in 1939, individuals were highly leveraged and when the market crashed they lost everything. In the 2008 crash it was the firms who were highly leveraged and the crash would not have taken them out but we bailed most of them out instead.

I think the latest financial reform legislation is a step in the right direction but doesn’t go far enough in some areas as I think it should. There are some safeguards in the law, but Wall Street can still get creative. It will depend on how strong the regulators are. Ten years down the road, will we still remember? Seems like every ten years or so we’re having crises, and they’re getting bigger every time.

TE: David Walker, your successor at the GAO, was the first GAO head to leave the office earlier than the end of the 15 year term. What did Mr. Walker see early in his term that caused him to want to leave before his term was up?

CB: That’s not quite accurate—all six men have held the job since 1921. Three served out the whole term. Two left early due to ill health. David was the first one to resign from the office. He got an offer to be president of the Peter G. Peterson foundation, and he thought he would have fewer constraints on speaking up about the big financial issues from that position. Dave was speaking out on the growing budget deficit and as a result he got criticized from Congress and people in Washington who felt that wasn’t his role.

TE: He has said publicly he was frustrated that Congress was not taking fiscal responsibility seriously. What can you add to that line of thinking?

CB: I think he was not only Congress but it was also the Bush-Cheney administration. When they came in we had a surplus, when they left we had a big deficit. I’m not as critical of Obama because he inherited the Bush tax cuts, the wars, and the banking crisis. I think the executive branch, primarily the previous administration, were as bad as Congress about running up the deficit. Now everybody—the Tea party, Congress—wants to balance the budget overnight, it’s not that easy. I give Obama credit for at least stabilizing the economy—the first thing you have to do before you can even start to come back.

TE: Let’s talk about some of the bigger issues in health care and health care benefit. What do you see happening now in terms of state and city budgets and what are the implications for pensions and health care (the so-called “sacred cows” or “third-rail” of American society?)

CB: You have a real problem there. I headed up the Arthur Andersen team in New York City in the 70s, where they had promised all the public employees a pension based on their last year’s salary. So what you had was the desk sergeant at the police station making sure everyone got a lot of overtime in their last year on the job so the base for their pension would be high. Now you have a lot of people coming into retirement it’s a growing problem for state and local governments, compounded by the losses to all their stock market investments over the last few years. I don’t know how the states are going to deal with it. People don’t want to pay more taxes, but the retirees think you should stick with the deal they were promised. I still have to get resolved, and sometimes it only gets resolved after you have a crisis. Everyone has to come to the table and make a contribution.

TE: What is the future of Medicare funding in your opinion?

CB: I think that Medicare is here to stay. I think that more and more employers will want to get out of the health care business—they’ll send their employees to the exchanges, and eventually they’ll be willing to let someone else extend Medicare to younger people. I think at some point you’ll end up with a single-payer system like Canada has. The Canadian health care system is like the American system in that you can choose your own doctor, but it’s a single-payer system. That has its own problems because you don’t necessarily have all the facilities and equipment that people want, and people complain about long lines, but in Canada, when you do a survey on the healthcare system, you get a 95% approval, here it’s only around 50%.

When the corporations really decide they want to get out of managing health care for their employees, they’ll be willing to make compromises and cooperate with the government on extending Medicare. I think the conservatives will be surprised just how much their business will cooperate. I think we could go up with a Value-Added Tax (VAT) as a dedicated tax for Medicare. As you get older, over 65, parts of the body start to wear out—you can help people with that, but it’s not easy to do. If you can spread the cost, people are generally willing to chip in. A dedicated health care tax (like a VAT) would probably be acceptable.

TE: You have an interest in ways to make health care more efficient and cost-effective in order to control the long-term growth in medical expenses in this country. Can you talk a little about innovations or best practices you’ve seen in the US that should be widely adopted by health care providers? Based on your tour of other health systems in 1993, what can you suggest our country should adopt in terms of best practices from some of these countries?

CB: In other countries, you see a good standard of care for individuals through either a limited number of non-profit insurance companies, as they have in Germany; or you have a single-payer government system, as they have in Britain and Canada. In these countries, people feel comfortable with the payment system for the most part—but the question is, how good is the
Some of these systems are surprisingly efficient. In Germany you don't find people complaining about the system like they do in Canada where there are long queues. A friend's wife just had a bicycle accident in Italy, and she was admitted into the emergency room, stitched up and back out within 45 minutes.

If you're a rich Canadian you might go to the Mayo Clinic to find the most talented surgeons, but that's true here too; not everyone has great surgeons in their home town. In this country we have the best medical centers in the world with the best doctors, but they are only in certain places.

In this country, you have a great example of a health care provider that has the future figured out for delivering good health care at lower cost. Glenn Steele, the head of Geisinger for the last ten years, has a great system. It's fully integrated, they have a big medical center and they have their own health plan that insures about 30 percent of the system's patients. They have employee doctors and they partner with a range of non-employee doctors too. Geisinger gives the non-employee doctors access to the electronic medical records of shared patients which means they know what's happening to their patients right away. They've instituted a lot of standardized procedures. It's very impressive. I think Steele is taking medical care a few steps further into the future. I visited Toronto General, the biggest hospital in Toronto, where they have an America administrator who'd been in big hospitals in the US. He said it was such a pleasure not to have all this paperwork. "All we have to do is run the hospital and treat the patients. There's no question that sometimes things take longer – it can take longer to schedule your knee replacement than it would in the states – but if it's really bad the patient will be moved up in the line."

If you go back and look at the history of Medicare and Medicaid from when they first came in, or Tricare, all the original estimates have been way off. My experience is that the estimates always prove to be too low. Healthcare is going to be like agriculture. The government has subsidized it for a long time, and we've ended up with probably the most efficient agriculture system in the world -- but don't think for a minute we didn't spend a lot of money to get there.

TE: What did we learn from Medicare or other broad scale funding projections during your term that could be applied to what health care reform might end up costing? CB: The guy that was head of CBO during my term, Bob Reischauer— when he made estimates he would always say I'm required to give you this estimate but I want you to know up front I've never been right on a health care projection. I think that's pretty accurate. If you go back and look at the history of Medicare and Medicaid from when they first came in, or Tricare, all the original estimates have been way off.
The Solution

In defining the new solution, it was very important to the company to ensure that any changes would not result in substantial retiree cost for health care benefits, and a proposal to drop the benefit altogether was discarded. Ms. Levine and team set objectives of reducing Avon’s administrative burden and costs while providing retirees with equal or better value in their health care benefits.

Their research showed that they would most likely meet cost reduction targets and make long-term obligations more sustainable if they moved Medicare-eligible retirees from Avon’s group plan to individual Medicare plans paid for with a Health Reimbursement Arrangement (HRA). At the same time, Medicare-eligible retirees and their spouses would be able to take advantage of the individual Medicare insurance marketplace, where each person could find best in market rates and select a plan most suited to her or his unique medical, prescription drug, and lifestyle requirements.

The next step was figuring out the best route for transitioning retirees to the new insurance paradigm. Levine’s team looked at two options to reduce costs and increase value: a single-provider “connector” model, which moves retirees from a group Medicare Advantage plan to individual Medicare plans paid for with a Health Reimbursement Arrangement (HRA). At the same time, Medicare-eligible retirees and their spouses would be able to take advantage of the individual Medicare insurance marketplace, where each person could find best in market rates and select a plan most suited to her or his unique medical, prescription drug, and lifestyle requirements.

The Implementation

Decision made, Levine and her team, including senior manager of global benefits Dijanira McClosky, got to work on the implementation. First up was a comprehensive communication plan, to make sure all retirees knew and understood the change, and the team went after it with typical Avon thoroughness and concern for employees’ well-being. Avon leveraged communications materials developed by Extend Health (through several years of experience with transitioning retirees out of employer group plans and into individual Medicare plans) to reach out to the retiree community. Initial communications included a letter from Avon vice president of global compensation and benefits Amy White Byrne and an educational brochure. At the same time Extend Health conducted on-site meetings in the seven states where the majority of Avon retirees reside, giving many retirees a chance to ask questions in person.

Says McClosky, “One of the most important things for us to set was a positive tone and make sure the news was communicated in the right way. We were honest with the retirees about the need to tighten our belts for the organization, but we wanted them to understand that this was expected positive results for everyone. And we were right – we know that 85 or 90 percent of our retirees ended up with a better benefit than they had before.”

As communications started to roll out, the implementation team – consisting of both Avon and Extend Health personnel – started to hold weekly implementation calls focused on rollout, communications, and retiree eligibility. Levine recalls, “We were thrilled with our implementation manager Joan – she understood all of our issues – but she chose to leave Extend Health before our implementation was complete. As you can imagine, we were very concerned about the impact on this critical project, but our fears turned out to be groundless. The gentleman who stepped in didn’t skip a beat, and he was just as responsive. Nothing suffered because Joan left.”

The bulk of the communications process was handled by Extend Health, with Avon’s approval. Levine explains, “We were very happy for Extend Health to handle the communications after our initial outreach, and we benefited from the enhanced process they have developed over several years. We knew our retirees would want and appreciate the high level of outreach and contact Extend Health offered. Not only were they there helpful materials like the guides for getting started and enrollment, but Extend Health also provided a dedicated group of benefit advisors who were trained on specifics of our retiree situation. They were available to answer calls of course, but they also reached out to the retirees, to make sure they were scheduled for enrollment appointments and got their applications completed on time.”

Dijanira McClosky adds, “The great thing about working with Extend Health on this process was that it was turnkey. From initial communications through the on-site meetings to the actual process of enrollment – it was all well thought out and seamless. Michele had warned me that we might have two solid months of ‘cleanup’ after the enrollment period, when I would have to track down retirees who didn’t complete their paperwork. It didn’t happen. Throughout the process there were maybe five or ten escalations I needed to send to our Extend Health account manager, and they weren’t really issues, just folks who wanted to talk to someone at a higher level, or who didn’t quite understand.

“I was incredibly impressed – the first time you do anything there are always things that go wrong but that just didn’t happen in this case. We kept seeing to each other. Wait until January – then we’ll see issues – well until the first HRA funding – then we’ll see issues – and so on and now it’s June and I think we can safely say it all went very, very smoothly. Everyone on the Extend Health team knew what they were doing. They were efficient, flexible when we needed them to be flexible, and very responsive, giving us quick turnaround on any issues.”

The Results

During the enrollment period, Extend Health was able to help 90 percent of eligible Avon retirees enroll in 465 different Medicare plans offered by 39 insurance providers. According to the post-enrollment analysis, the majority of the group ended up with comparable or better benefits for less cost. Avon was able to meet its financial goals as well. Annual expenses dropped by $5.4 million due to reductions in ongoing administrative costs and annual FAS 106 accounting expenses, while Avon was able to meet its financial goals as well. Annual expenses dropped by $5.4 million due to reductions in ongoing administrative costs and annual FAS 106 accounting expenses, while
The most important result, as far as Levine and team are concerned, is that retirees were happy and felt well taken care of. “When we made the announcement we had a few calls from upset folks who worried their benefits were being taken away,” says McClosky, “but we responded consistently and that quickly died down. After enrollment, the people I talked to told me they realized what a great thing it was to have the HRA to help pay their medical expenses.”

“Extend Health was a great partner throughout this process,” says Levine. “We got compliments about the Extend Health benefit advisors’ patience and kindness. Overall we were more than pleased with results.” McClosky agrees, adding “I wish I would have known how well it would go – it would have saved me some sleepless hours.”

Why Read The Exchange?

- The Exchange will bring readers exclusive analyses and ideas from some of the very best minds working in healthcare policy, economics, and management.
- Incisive reports on political developments that affect employers and insurers
- Trend Analysis, Expert Interviews, Best Practices to help maximize satisfaction and keep down cost and much, much more.

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Case Study: City of Waco, TX

Introduction
The City of Waco, founded in 1849, has a population of more than 120,000 residents. The City is located in the heart of the Texas manufacturing and technology corridor between Dallas and Austin. It is home to Baylor University, the Texas Sports Hall of Fame, the Waco mammoth site and the Dr. Pepper Museum. Missie Pupekjoevsky, assistant director of human resources, has worked for the city for seven years, the last six in benefits. “The City of Waco is a wonderful place to work because it’s a fun atmosphere. People are happy here; you walk down the hall and you’ll hear people laughing.”

Challenge
That productive and friendly atmosphere translated to the way Missie’s department related to city retirees. Although the city did not subsidize health insurance for its Medicare-age retirees, it did offer them group Medicare supplemental and prescription drug plans, and the HR team spent plenty of time helping retirees understand their options. “A lot of retirees didn’t understand all the components of what they needed to look at to make the right choice, like comparing prescription and medical coverage, and they were coming to the city asking for help,” says Pupekjoevsky. “We had been bringing in a local broker to help them.”

Unfortunately, the City’s group retiree medical plan was becoming increasingly cost prohibitive for retirees. Additionally, the City only offered two Medicare Supplement medical options and one Part D prescription drug plan.

Solution
Holmes Murphy Employer Benefit Services provides employee benefit management services to the City, and understood that the current retiree coverage solution was not optimal. The Holmes Murphy representative suggested that the City look at alternatives. One option was to join an association of public entities that have banded together to provide economies of scale in health care benefits. The second option was to move the retirees to the individual Medicare supplemental insurance market with the help of a third party. The City decided that offering their retirees a broader choice of plans in combination with professional enrollment advice was the socially responsible approach. With the help and advice of Holmes Murphy, the City selected Extend Health to provide retirees with access to the largest Medicare exchanges in the country and a world-class customer service organization to support it.

The Extend Health private Medicare exchange brings together plans from more than 65 of the largest and most recognized national and regional health insurers. The exchange combines the elements of consumer choice with the bargaining power and scale typically available only to the largest employers. Extend Health provides every retiree with an objective, trained and licensed benefit advisor who helps him or her find and enroll in an individual Medicare insurance plan that best fits the retiree’s unique medical and financial needs. Using industry-leading decision support tools, the benefit advisor refines a wide array of benefit choices to a manageable and personalized set of offerings that maximizes benefit value for each retiree.

“Extend Health was an attractive choice for us because it gave our retirees a lot more options,” says Pupekjoevsky. “We were also pleased that Extend Health offered them a personal advocate who could help our retirees understand their options and select the most beneficial plan. Since the advisors are not paid based on placing the retirees in any particular plan, we knew their advice would be unbiased. This solution got the city out of the Medicare supplemental business while giving our retirees better options and a more qualified advisor.”

Implementation
The implementation process went very smoothly. Since retirees were already paying for their own health care, they at first thought that the Extend Health exchange, with a number of options that were lower-cost than their existing plans, sounded “too good to be true.” Extend Health representatives traveled to the City of Waco for retiree meetings to explain the process and answer questions. Since the transition, Pupekjoevsky and her colleagues receive fewer calls from retirees about health care insurance. “With retirees, if they’re not happy you’re going to hear about it!” she says. “If you don’t hear from them, it means everything is going well.”

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Results
The City of Waco retirees capitalized on the variety of choices available in the individual Medicare market, enrolling in more than 15 different plan combinations. The City has now transferred retirees plan administration to Extend Health, allowing the Human Resources team to focus on the administration of plans for active employees. The transition to Extend Health helps the City mitigate future GASB liabilities and comply with state mandates regarding retiree coverage availability. The average City retiree is expected to save approximately $600 annually in total out of pocket and premium costs—enabled by the personalized selection of supplemental plans and formularies in the individual Medicare market.

Pupekjoevsky sums up the experience: “This move has been very positive for us, and I wish we had been able to make the change sooner. It was a win for both the city and the retirees.”

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