Health Benefits Feasibility Study

Executive Summary

Presented to:
Health Benefits Committee
Teachers’ Retirement Board
November 4, 1999

Presented by:
Jennifer DuCray-Morrill
Chief External Affairs Officer

Today’s Meeting Objectives
- Discuss Process
- Present Significant findings
- Present Approaches
  (Mercer)
- Health Benefit Task Force
  Input
- Public Input
- Discussion
- Respond to Board Questions
- Obtain Board Direction
- Schedule the next meeting
  of the Health Benefits
  Committee

Health Benefits Study Process
- Teachers Retirement Board
  was mandated to conduct a
  feasibility study on providing
  health insurance for:
  - active
  - retired and disabled members
  - beneficiaries
  - children and dependent parents

Teachers’ Retirement Board – Health Benefits Committee
November 4, 1999
Study Objectives

- Assessing the lack of access to health insurance benefits for retired teachers
- Demand for health insurance benefits
- Integration of health insurance
- Manner in which health insurance benefits would be administered and provided

Health Benefit Study Process

- Teachers’ Retirement Board:
  - Established a Health Benefits Committee and
  - Delegated project to staff
- Staff developed a workplan to:
  - Request for Proposal for consultant services
  - Conduct a survey in conjunction with other research activities
  - Meet with organizations; employers; individuals
  - Establish a Task Force
- The Chair of the Health Benefits Committee established the Health Executive Advisory Review Team (HEART)

Significant Findings

- Retirees are concerned with:
  - The cost of coverage
  - Who pays for coverage
  - Quality of Care
- 92% of Retirees have coverage
- 97% of Actives have coverage
Health Benefits Feasibility Study

Executive Summary

Retired Survey

<table>
<thead>
<tr>
<th>Who provides the medical insurance you currently have for medical expenses?</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Percentage/Number of retirees paying $2 or more than $250 per month</th>
<th>Percentage/Number of retirees paying more than $250 per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>You buy individual insurance</td>
<td>256</td>
<td>35%</td>
<td>46%</td>
<td>88%</td>
</tr>
<tr>
<td>Former educational employer</td>
<td>422</td>
<td>58%</td>
<td>24%</td>
<td>39%</td>
</tr>
<tr>
<td>Spouse’s current or former employer</td>
<td>167</td>
<td>22%</td>
<td>19%</td>
<td>30%</td>
</tr>
<tr>
<td>Current or former employer other than educational</td>
<td>16/2</td>
<td>2%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>505</td>
<td>100%</td>
<td>90%</td>
<td>90%</td>
</tr>
</tbody>
</table>

Confidence Level

If we draw samples of approximately the same size for a population that contains this estimated variant, then 95 times out of 100 we will capture the population mean between the parameters of the confidence interval

(ie. Mean for Question #9 of Active Survey is 1.87. The confidence interval (95% confidence level) is 1.87 +/- .043 or 1.83 to 1.91)

CalSTRS Coverage Statistics

<table>
<thead>
<tr>
<th>Who provides the medical insurance you currently have for medical expenses?</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Percentage/Number of retirees paying $2 or more than $250 per month</th>
<th>Percentage/Number of retirees paying more than $250 per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>You buy individual insurance</td>
<td>46,980</td>
<td>99%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Former educational employer</td>
<td>78,420</td>
<td>75%</td>
<td>25%</td>
<td>12%</td>
</tr>
<tr>
<td>Spouse’s current or former employer</td>
<td>35,920</td>
<td>30%</td>
<td>70%</td>
<td>58%</td>
</tr>
<tr>
<td>Current or former employer other than educational</td>
<td>3,300</td>
<td>3%</td>
<td>97%</td>
<td>95%</td>
</tr>
<tr>
<td>Total</td>
<td>131,640</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Teachers’ Retirement Board – Health Benefits Committee

November 4, 1999
CalSTRS Coverage Statistics

<table>
<thead>
<tr>
<th>Source of Medical Coverage</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Percentage/Number of retirees paying less than $250 per month</th>
<th>Percentage/Number of retirees paying more than $250 per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>You have individual insurance coverage</td>
<td>18/67/59</td>
<td>17%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Former educational employer</td>
<td>3/3/3</td>
<td>3%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Spouse’s current or former employer</td>
<td>3/7/1/5</td>
<td>3%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Former current or former employer other than educational</td>
<td>2/3/2/9</td>
<td>3%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>6/4/5</td>
<td>2%</td>
<td>1%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Project Alternatives and Recommendations

- Do Nothing
- CalPERS
- Increase Member Retirement Allowance
- Retiree Statewide Program
- Active and Retiree Statewide Program

Health Benefits Task Force Update

- Governance Issue
- Subsidy
- Membership
- Bankruptcy
- Legal Issues
- SDEA

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District Administrators Input

Superintendents

Medicare Presentation

- AB 265 Statutes of 1989
- Balance Budget Act of 1997

Public Comments
Executive Summary

Schedule the next meeting