

Perspectives

FOR RETIRED
MEMBERS
OF THE
NORTH DAKOTA
PUBLIC
EMPLOYEES
RETIREMENT
SYSTEM

SPRING 2009 • VOLUME 18, NUMBER 1

In this issue...

- **COBRA Premium Subsidy Assistance**
- **EPO Discontinued July 1, 2009**
- **Wellness Program Benefit**
- **Benefit Changes for NDPERS Dakota Retiree Plan**
- **Health Insurance Premiums to Increase**
- **Special Notice: 2009 Income Tax Withholding for Pension Payments**



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COBRA Premium Subsidy Assistance

The American Recovery and Reinvestment Act (ARRA) signed into law on February 17, 2009, provides that certain individuals known as “assistance eligible individuals” (AEIs) are eligible for a 65% reduction in the premiums for group insurance continuation coverage under COBRA for a period of 9 months. This includes coverage under the NDPERS group health, dental or vision plans. The premium subsidy provisions of the ARRA are in effect from September 1, 2008 through December 31, 2009.

“Assistance-eligible individuals” (AEI) are entitled to elect COBRA coverage and will pay 35% of the applicable premium if you lost group insurance coverage due to being involuntarily terminated from employment during the qualifying period from September 1, 2008 through December 31, 2009. Involuntary termination is a termination that was at the direction of your employer and will not generally include voluntary resignation or retirement.

Continued on page 2

EPO Discontinued July 1, 2009

The EPO program will no longer be an option in the PERS group health plan effective July 1, 2009. After that date, the only coverage option will be the PPO/Basic plan (formerly the EPO/PPO/Basic option).

The EPO program has been a part of the PERS plan since the mid 1990s. The foundation of this program was a contract between PERS/BCBSND and the participating provider networks. This contract transferred a portion of the financial risk of providing health care services to the provider in exchange for our members selecting a specific network as their Exclusive Provider. If the provider network was able to meet the health care needs of its members for less than the plan payments, they could keep all or a portion of the difference. If the cost to the provider was higher than the plan’s payments, then the provider paid all or a portion of the excess cost. Payments were based upon the methodology in the contract rather than the traditional method of payment for actual services performed. The objective of the program was to create a risk/reward relationship for the health care network that encouraged them to effectively manage the health care needs of its members and, in so doing, reduce the rate of increase in overall plan costs.

Two years ago BCBSND was unable to renew EPO network provider contracts without removing the risk-sharing provision. Since this occurred after the 2007-2009 biennium premium rates had already been accepted by the PERS Board; included in the Governor’s budget; and in final consideration by the Legislature, BCBSND agreed to continue the option without an adjustment in the premium rates for this biennium.

In the renewal for PERS 2009-2011 biennium, BCBSND indicated it would cost approximately 2% of overall premiums for us to maintain the EPO program for our members. This would require about \$7.2 million in premium payments for all our plan participants, with the state paying about 75% of that amount. Therefore, because of the additional cost to maintain the program, it will not be a part of the PERS plan for the 2009-2011 biennium.

Wellness Program A New Benefit for You

Effective July 1, 2009, you will now be eligible to participate in our new Wellness Program being offered as part of your group health coverage in the NDPERS Dakota and Dakota Retiree plans.

Blue Cross Blue Shield of North Dakota is pleased to offer two wellness programs for fully insured groups. Employees and spouses age 18 and older who are covered by the group BCBSND plan are eligible to participate.

Employees and eligible spouses can each qualify to receive up to a total of \$250 each year that can be earned for one or both of the following programs.

- **Health Club Credit.** Employees and their eligible spouses can earn up to a \$20 credit monthly for visiting a participating health club a minimum of 12 days a month.

- **MyHealth Center.** Employees and their eligible spouses can earn points to apply toward incentive prizes in this online program. MyHealthCenter provides personal coaching, the QuitNet tobacco cessation program, customized plans for fitness and nutrition, and family tools for kids. Even if your group discontinues MyHealth Center, you can remain a lifelong member of QuitNet.

You will receive a wellness packet with your new health ID cards which will include:

1. A letter that explains both programs in detail as well as the member's enrollment process.
2. Health Club Credit Schedule and list of frequently asked questions.
3. Login/Know Your Numbers card.

Benefit Changes for NDPERS Dakota Reti

The Dakota Retiree Plan design will change effective July 1, 2009. Under the new plan design you will no longer be assessed deductible or coinsurance amounts. Please refer to the schedule of benefits outlined below.

The following information is intended to provide a brief summary of your Benefit Changes effective July 1, 2009. It should not be used to determine whether your health care expenses will be paid. The written Benefit Plan governs the benefits available. Covered Services are subject to your Benefit Plan Cost Sharing Amounts, unless otherwise indicated. You will receive an updated Benefit Plan in the near future. If you have any questions, please call the number listed on the back of your Identification Card.

Part A – Hospital Benefits for Medicare Approved Services

| Services | Medicare Pays | Dakota Retiree Plan Pays | Member Pays |
|----------|---------------|--------------------------|-------------|
|----------|---------------|--------------------------|-------------|

Hospitalization

Semiprivate room and board, general nursing and miscellaneous services and supplies

| | | | |
|--------------------------------------|--|------------------------------------|-----------|
| First 60 days | All but \$1,068 (Part A deductible) | \$1,068 | \$0 |
| 61st thru 90th day | All but \$267 a day | \$267 a day | \$0 |
| 91st day and after: | All but \$534 a day | \$534 a day | \$0 |
| While using 60 lifetime reserve days | | | |
| Once lifetime reserve days are used: | \$0 | 100% of Medicare eligible expenses | \$0* |
| Additional 365 days | | | |
| Beyond the additional 365 days | \$0 | \$0 | All costs |

Skilled Nursing Facility Care

You must meet Medicare's requirements, including having been in a hospital for at least three days and entered a Medicare-approved facility within 30 days after leaving the hospital

| | | | |
|---------------------|------------------------|----------------------|-----------|
| First 20 days | All approved amounts | \$0 | \$0 |
| 21st thru 100th day | All but \$133.50 a day | Up to \$133.50 a day | \$0 |
| 101st day and after | \$0 | \$0 | All costs |

Blood

| | | | |
|--------------------|------|-------------|-----|
| First Three Pints | \$0 | Three Pints | \$0 |
| Additional Amounts | 100% | \$0 | \$0 |

Hospice Care

Available as long as your doctor certifies you are terminally ill and you elect to receive these services

| | | |
|---|-----|---------|
| All but very limited Coinsurance for Outpatient drug and Inpatient respite care | \$0 | Balance |
|---|-----|---------|

COBRA Premium Continued from cover

If any of the following apply, you are not eligible for the subsidy:

- Were terminated for gross misconduct,
- Voluntarily resigned or retired,
- Are eligible for or are enrolled in other health, dental or vision insurance coverage (such as through another group plan or through a spouse's plan),
- Are eligible for Medicare, or
- Are eligible for assistance under the Trade Act via the HealthCare Tax Credit.

How Do You Elect the Subsidized COBRA Coverage?

When the NDPERS office receives notice of termination from your employer, you will be sent a notice outlining your COBRA

continuation and premium subsidy rights, a COBRA Premium Subsidy Election Form and a COBRA Continuation Election form. You will have 60 days to respond. If you fail to respond within the 60-day time period, you will have irrevocably waived any right to a COBRA premium subsidy for all years for which the subsidy is otherwise available and will also forfeit your right to COBRA continuation coverage.

If you are not eligible for the premium subsidy, this in no way affects your eligibility to continue your coverage under the COBRA continuation provisions; however, you will pay the full premium in effect for your elected level of coverage.

Free Plan

Part B – Hospital Outpatient and Physician Benefits for Medicare Approved Services

| Services | Medicare Pays | Dakota Retiree Plan Pays | Member Pays |
|----------|---------------|--------------------------|-------------|
|----------|---------------|--------------------------|-------------|

Medical Expenses

In or out of the hospital and outpatient hospital treatment, such as physician's services, inpatient and outpatient medical and surgical services and supplies, physical and speech therapy, diagnostic tests, and durable medical equipment.

| | | | |
|---|---------------|------------------------------|-----|
| First \$135 of Medicare Approved Amounts** | \$0 | \$135 (Part B deductible) | \$0 |
| Remainder of Medicare Approved Amounts | Generally 80% | Generally 20% | \$0 |
| Part B Excess Charges (Above Medicare Approved Amounts) | \$0 | 100% | \$0 |

Blood

| | | | |
|---|-----|------------------------------|-----|
| First Three Pints | \$0 | All costs | \$0 |
| Next \$135 of Medicare Approved Amounts** | \$0 | \$135 (Part B deductible) | \$0 |
| Remainder of Medicare Approved Amounts | 80% | 20% | \$0 |

Clinical Laboratory Services

| | | | |
|-------------------------------------|------|-----|-----|
| Blood Tests For Diagnostic Services | 100% | \$0 | \$0 |
|-------------------------------------|------|-----|-----|

Parts A and B – Hospital and Physician Benefits for Medicare Approved Services

Home Health Care

| | | | |
|--|------|------------------------------|-----|
| Medically necessary skilled care services and medical supplies | 100% | \$0 | \$0 |
| Durable medical equipment | | | |
| First \$135 of Medicare Approved Amounts** | \$0 | \$135 (Part B deductible) | \$0 |
| Remainder of Medicare Approved Amounts | 80% | 20% | \$0 |

Other Benefits Not Covered by Medicare

Foreign Travel

Not Covered by Medicare – Medically necessary emergency care services beginning during the first 60 days of each trip outside the USA.

| | | | |
|--------------------------------|-----|---|---|
| First \$250 each calendar year | \$0 | \$0 | \$250 |
| Remainder of Charges | \$0 | 80% to a Maximum Lifetime benefit of \$50,000 | 20% and amounts over the \$50,000 Lifetime Maximum |

These are some Items not Covered:

*Services that are experimental or investigative in nature or that are not medically necessary as determined by Medicare.

*Services received prior to the effective date of your benefit plan.

*Services when benefits are provided by any governmental unit or social agency except Medicaid or when payment has been made under Medicare Part A or Part B.

*Outpatient prescription drugs, unless eligible under Medicare. Covered under your Part D Plan.

*Custodial care provided in a hospital or by a home health agency.

*Skilled nursing facility care costs beyond what is covered by Medicare and your benefit plan.

*Surgery to approve appearance.

*Services, treatments or supplies that are not a Medicare eligible expense.

Health Insurance Premiums to Increase

Group health insurance premiums for pre-Medicare retirees will increase by approximately 26%. For Medicare eligible retirees, increases are within the range of up to 10% and will vary depending on your current rate category. The proposed rate increase will be effective July 1, 2009 through June 30, 2011. The rates will not be finalized until after the legislative session adjourns.

After the rates have been finalized, you will be sent a formal notice in May that will outline the effect of the increase on your current premium which will include your retiree health credit (if eligible) and net premium.

In conjunction with our renewal with BCBS, there will be several benefit plan changes for participants in the Dakota Retiree Plan. For an outline of the changes, please refer to the "Summary of Benefit Plan Changes" article.

***NOTICE:** When your Medicare Part A hospital benefits are exhausted, the insurer stands in the place of Medicare and will pay whatever amount Medicare would have paid for up to an additional 365 days as provided in the policy's "Core Benefits". During this time the hospital is prohibited from billing you for the balance based on any difference between its billed charges and the amount Medicare would have paid.

****Once you have been billed \$135 of Medicare-approved amounts for covered services, your Part B deductible will have been met for the calendar year.**

SPECIAL NOTICE: 2009 Income Tax Withholding for Pension Payments

Due to the American Recovery and Reinvestment Act (ARRA) signed into law on February 17, 2009, the Internal Revenue Service (IRS) has issued new tax withholding tables effective April 1, 2009 that are to be used to calculate the federal income tax withholding for pension payments. In summary, the automatic withholding threshold will increase from \$1,600 to \$2,240 effective April 1, 2009. Under the revised wage withholding tables, no tax is to be withheld from monthly payments that are less than \$2,240, unless you request otherwise, because this is the monthly withholding threshold for a "married-and three" taxpayer.

NDPERS was required to adjust its system to incorporate the new tax withholding tables effective with your April 1 payment. Therefore, the change in withholding occurred automatically and if you have a Form W-4P on file, the tax was applied in accordance with that form. The result of this might be that you will

receive a larger pension check for the remainder of the year; therefore, at the end of the year not enough tax will be withheld to cover your 2009 tax bill.

If you wish to adjust your withholding you must file a new W-4P with the PERS office. You may obtain the form from our web site at www.nd.gov/ndpers under Forms and Publications for the Defined Benefit Hybrid Retirement Plan or you

may call the NDPERS office at 701-328-3900 or 1-800-803-7377. For additional assistance, get IRS Publication 919, "How Do I Adjust My Tax Withholding?" or visit the IRS website at 222.irs.gov and use the "Withholding Calculator." As will all tax matters, we also recommend that you discuss this issue with your personal tax advisor.

NDPERS Proposed Legislation

The following is the status of the bills submitted by PERS:

HB 1120 – Relating to non-Medicare retiree insurance rates. *Failed in House*

HB 1121 – Provides an increase for OASIS retirees. *Passed*

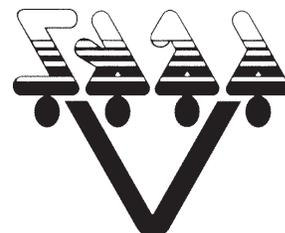
SB 2153 – NDPERS administrative bill. *Passed*

SB 2154 – Provides for an increase in the retiree health credit from \$4.50 to \$5.00. *Passed. Awaiting Governor's Signature*

The articles and opinions in this publication are for general information only and are not intended to provide specific advice or recommendations for any individual. We suggest that you consult your attorney, accountant, financial or tax advisor with regard to your individual situation. This newsletter is available in alternate formats upon request. Printed on recycled paper.

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