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Arizona Retiree Health Insurance Study

Arizona Legislative Council

MERCER

Human Resource Consulting

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Executive Summary

Study Description

Mercer Human Resource Consulting (Mercer) was retained by the Arizona Legislative Council to conduct a study with recommendations relating to health insurance for retired and disabled members of the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS), the Corrections Officer Retirement Plan (CORP), and the Elected Officials' Retirement Plan (EORP). The options we have been asked to study are as follows:

1. The feasibility and cost impact to Arizona and all state employees and political subdivisions of allowing all retired and disabled members and their dependents of the ASRS, the PSPRS, the CORP, and the EORP to participate in the health insurance program that is administered by the State of Arizona Department of Administration (ADOA) for State employees. The cost impact shall consider immediate and future costs and cost shifting to all affected parties.

2. The feasibility and cost impact to the State and retirees of establishing a single health insurance program for all retirees of these groups. The study shall provide information, including costs and benefits, from at least five other states that administer a single retiree health insurance plan. The cost impact shall consider immediate and future costs and cost shifting to all affected parties.

3. The feasibility and cost impact to this State and its public employers of requiring all public employers to allow their retirees who are under sixty-five years of age to remain in the same health insurance plan as their active employees. The study shall provide cost data from at least ten public employers in this State representing a range of size, geographic locations, and political jurisdictions. The cost impact shall consider immediate and future costs and cost shifting to all affected parties.

4. The feasibility of dedicating an existing part of the retirement contribution rate or a portion of an increased contribution rate to defray part of the cost of health insurance premium payments, including a recommendation for the amount that should be dedicated. The cost impact shall consider immediate and future costs and cost shifting to all affected parties.

5. A review of the contribution rates and benefits under the State's retirement system compared with the national average and other state retirement systems.

6. An analysis of any federal or state legal restrictions on any of the recommendations.

It is important for readers of this study to understand that the complexities involved with each of these options do not allow for a quick study to be done in which the issues are fully explored to the extent necessary to implement any of these options. The requirements of this legislatively mandated study requested only that various options be analyzed and to identify the considerations that would surface in implementing any of these options. Mercer encourages the readers of this study to use it as a tool to narrow down and further refine the options. Once a more focused approach or approaches are identified, further analysis should be undertaken to understand the potential impacts and to assess and answer the questions and issues mentioned in this study.

It is also important to point out that none of the options proposed for study under this legislation addresses the root causes of escalating retiree health care costs. The cost savings achievable under some of these options are through benefit plan reductions and potential administrative efficiencies gained through consolidation.

Consolidation of Retiree Health Plans and Administrators

Options One and Two offer consolidation of health plan alternatives and the potential consolidation of plan administrators. Advantages to these options include:

- consolidation of administration;
- efficiencies of staffing, systems, accounting, and participant communication;
- potential for substantial simplification of the currently extremely fragmented retiree health care environment, making it easier for retirees to understand and compare the health care options available to them;
- consolidation of the retiree risk pool for greater leverage in the setting of provider reimbursement rates, fees, and other plan expenses; and
- elimination of duplicative second tier service providers (i.e., brokers, consultants, third-party-administrators, and insurance companies).

The primary difference between options one and two is whether or not the retiree group is aggregated with active employees. Aggregation with active employees, even if the risk pools are not blended for rate-setting purposes, will provide the State with an added advantage of allowing for a fully insured option since carriers are more likely to insure

the group on a favorable basis because of the profit opportunity presented by the active population.

A consideration under Option One involves State Statute ARS 38-651.01J. The effect of this statute prohibits providing benefits to classes of employees or retirees who would normally not benefit under the ADOA's retirement programs, such as retirees of municipalities or school districts. Specifically, the benefit of blending active and retiree premiums would give non-ADOA retirees a prohibited benefit. Therefore, implementation of Option One would need to take this into consideration. It appears a separate rate structure would need to be implemented for non-ADOA retirees to avoid violation of this statute.

Most states do some form of blending of the premiums for their actives and retirees and this was borne out by the survey completed for this study. All six of the states surveyed in this study (Montana, Oregon, Utah, Washington, Georgia, and Alabama) currently blend, to some extent, the active and retiree health insurance premiums for pre-Medicare retirees.

Another key consideration under Option One, and possibly under Option Two, is what the ultimate plan design will be for retirees. Currently, Mercer estimates that the ADOA retiree health care plans provides approximately 26 percent more value in terms of overall benefits than the health care plans offered by ASRS. Moving the public employer retirees onto a much more valuable plan will significantly increase costs.

Key areas the State will need to resolve in order to implement this type of option successfully include:

- implementation strategy and eligibility
  - prospective-implement only for future retirees going forward or
  - retroactive-include both current and future retirees or
  - voluntary-allowing retirees to participate vs. mandatory-requiring retirees to participate;
- whether or not to include active populations;
- whether or not to blend active and retiree rates (an implicit subsidy) in addition to the explicit premium benefit subsidy;
- whether to insure or self-fund the new plan;
- how to handle benefit changes or contractual impairments;
- revision of the appropriate state statutes to allow for changes in the operation of the affected retiree plans; and
- selection of the appropriate administrative entity (ADOA, ASRS, or some third entity).

The immediate costs associated with these consolidation options would include appropriate staffing of the selected administrative entity, and communications to all affected retirees and public employer entities. Other costs would include funding for appropriate technology and systems to effectively administer the consolidated retiree

health care plan. Since it is not clear whether an existing agency or a completely new agency would be administering this new plan, Mercer cannot easily estimate these "start-up" costs.

Future costs depend on several factors such as the comparative value of the new retiree health plans versus the plans in which retirees are currently enrolled and the administrative efficiencies gained. Plan funding decisions, whether to fully or partially insure or self-fund and the financial arrangements made with carriers and service providers will also have significant impact on the future costs associated with these consolidation options.

Keeping Pre-Medicare Retirees With Their Former Employers

Option Three of this study, requiring employers to keep their pre-65 retirees (non-Medicare eligible retirees) on the active plans, is an option that many states employ. For purposes of our analysis, Mercer has assumed that all pre-Medicare retirees currently enrolled in ASRS would move back to their employer plans effective in 2005, and that the decision would be retroactive. Implementing this option retroactively would have the greatest impact to the employer plans which might not be what the Legislature intended. However, it is the cleanest way to calculate the option's impact.

Currently, 293 of the 514 employers with retirees eligible for the ASRS health plans allow their retirees to remain on their employer's plan indefinitely.

The Governmental Accounting Standards Board (GASB) Statements 43 and 45 will play a key role in how governmental employers are able to account for this retiree health care liability. GASB will require governmental employers to recognize and disclose unfunded accrued liability for retiree health plans, just as they must do for their pension plans today. These new reporting and disclosure requirements will go into effect for fiscal years beginning after December 15, 2006 for governments with revenues over $100 million; fiscal years beginning after December 15, 2007 for governments with $10 to $100 million; and fiscal years beginning after December 15, 2008 for governments with revenues less than $10 million.

A major disadvantage of this option is that, with GASB looming, many governmental entities may be driven to shed their retiree health plans altogether. Because of the potential costs associated with retaining their retirees, the unintended consequence of implementing this option for Arizona retirees could be that some employers will actually cut back retiree health benefits severely, compared to current options available under the ASRS or ADOA, and render this option not only a futile effort but also an ill-conceived approach.

Key issues the State and/or former employers would need to resolve to implement this option include:

- whether the requirement would be voluntary (could remain with active employer plan) or mandatory (must remain with active employer plan);
- whether to offer any exceptions to smaller public entities, either in the form of direct subsidizations and/or changed Department of Insurance statues;
- whether to blend the rates of actives and pre-Medicare retirees; and
- whether or not to require public employers to offer a minimum level of benefits to pre-Medicare retirees.

The immediate costs associated with keeping non-Medicare retirees with their employer health plans include communications to all affected retirees and public employer entities. Other costs include public employer funding for appropriate technology and systems and possibly additional staff to effectively administer the health care plan that includes retirees. Other cost impacts to public employers include the cost of additional time from employer staffs to successfully enroll pre-Medicare retirees in their plans and the revision of contractual arrangements with carriers to allow coverage for this group.

The ASRS plan would experience future cost savings due to the loss of this high-risk, high-cost group. Future costs depend on the comparative value of the employer's retiree health plans versus the ASRS plans in which retirees are currently enrolled. As mentioned, there would be no administrative savings gained since all administrative agencies existing prior to the change would continue to exist. There would continue to be a multiplicity of plan funding arrangements, plan designs, and second tier service providers, such as brokers, consultants, third party plan administrator, and insurance carriers, involved the administration of the public employer retiree health plans.

Retiree Contribution Rate to Defray Health Insurance Premium Expenses

Mercer has analyzed the national data pertaining to other state retirement systems regarding system or state-provided retiree premium contributions. The options range from states that are extremely generous, offering to pay most if not all of the retiree premium, to those states offering only the blended rate between actives and retirees as a benefit, to those who offer no premium assistance at all.

In June of 2003, the combined pension and premium benefit contribution for employees and employers participating under ASRS was 2.0 percent. In July of 2003, that increased to 5.2 percent. In July of 2005, this contribution is set to increase to 7.75 percent, inclusive of the 1.1 percent premium benefit 401(h) contribution. Introducing another incremental increase on top of the already scheduled increase will probably not be met with enthusiasm.

Because employee contributions to a 401(h) account are not allowed under the Internal Revenue Code, the options to increase the funding level, and thereby the premium benefit amount, include:

- increase the employer 401(h) contribution;
- decrease the employer 401(a) contribution and increase the 401(h) contribution so that the total employer contribution remains the same; and
- increase the employee 401(a) contribution, decrease the employer 401(a) contribution, and then increase the employer 401(h) contribution.

Mercer was asked to recommend a dedicated contribution amount to defray part of the cost of health insurance premium payments. This dedicated contribution amount is driven by what level of premium benefit the State would make to its retirees. In order to make this recommendation, Mercer took into consideration the data from item number five on page two of the requested study: the review of contribution rates and benefits of Arizona's retirement systems compared with the national average.

For Arizona to provide a premium benefit that is roughly equal to the average of those 34 states that provide financial assistance to public employer retirees, the 401(h) contribution would need to increase from 1.1 percent to 1.6 to 1.8 percent. This meets the subordination limit rules which restrict the amount of 401(h) contributions to 25 percent of the total employer contributions to the pension fund, exclusive of past service contributions.

Review Contribution Rates and Benefits Under Arizona's Retirement System Compared to National Average and other State Retirement Systems

Mercer conducted a brief survey of six other states' retirement systems, the benefits under those systems, and the contributions rates, both from the system and from the retirees for those benefits. Exhibit 4 charts the results of the survey. Below is a summary of the net costs for the retirees and systems for the states that were able to provide these numbers:

	Arizona ASRS	Montana	Utah	Georgia	Alabama
Avg. PEPM Pre-Medicare Retiree	$342.96	$461.25	$50.84	$63.00	$138.00
Avg. PEPM Pre-Medicare State	$187.80	$0.00	$763.06	$231.0	$366.00
Avg. PEPM Medicare Retiree	$139.57	$277.89	$0.00	$63.00	$0.00
Avg. PEPM Medicare State	$133.85	$0.00	$348.64	$231.00	$243.00

In addition, Mercer utilized the data from Watson Wyatt's Premium Benefit Supplement Survey dated December 3, 2003. It is important to note that while the Watson Wyatt survey discloses the state or agency premium contributions, some states provide these contributions on top of the inherent subsidy provided by blending active and retiree premiums, and some provide premium relief without premium blending. This makes the true value of these benefits elusive without knowing the actual claims experience of the retirees in these states, which is beyond the parameters of this study.

Of course, many states do not provide any premium relief at all. According to the recently released results of the Mercer 2004 National Survey of Employer Sponsored Health Plans, for governmental employers 16 percent of state retiree health plans pay the entire pre-Medicare retiree premium, 38 percent share the cost, and 46 percent require retirees to pay the full premium. The results are similar for Medicare retirees with 19 percent of states paying the full premium, 32 percent sharing the cost, and 49 percent requiring full payment by the retiree. The survey result for government retirees is included in Exhibit 6.

Mercer's illustration with respect to a possible premium benefit for Arizona retirees lengthens the service requirement for full benefits (for those retirees subject to a vesting schedule), increases the full benefit, ties the benefit to the lowest cost plan, and, by nature of the link to the local low-cost plan, offers an inherent subsidy to rural retirees. Below is an illustrative schedule for this sample Premium Benefit (see page 24 for a full discussion of this benefit).

Years of Service	Non-Medicare Premium Benefit — as a Percent of Lowest-Cost Plan Premium	Medicare Premium Benefit — as a Percent of Lowest-Cost Plan Premium
0 - 4	0 %	0 %
5 - 7	18 %	30 %
8 - 10	26 %	43 %
11 - 13	34 %	56 %
14 - 16	42 %	69 %
Over 17	50 %	82 %

Federal or State Legal Restrictions on any of the Recommendations

Mercer conducted a review of the appropriate state statutes, tax law, and federal statutes that might influence any of the options or recommendations. These legal impacts are included in the discussions of the Key Issues and Considerations section as well as Exhibit 2, Arizona Legislative Council Considerations.

Conclusion

This study was intended to be an initial review of several proposed options for increasing the viability and benefits of the Arizona public employer retiree health plans. Once a directional decision has been made, more work needs to be done to delve into the contingencies and results of that particular path or paths. Mercer encourages all readers of this report to proceed carefully with the next steps and keep in mind all known implications and also keep in mind that any changes to a system as complex as the Arizona public employer retiree health care system will undoubtedly has unintended consequences and unanticipated ripple effects. Only through public deliberations, statewide discussions, and careful study can these consequences and effects be potentially minimized.

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Introduction

State of the Current Retiree Health Care System for Arizona's Public Employees

The objective of providing health care to the State's eligible retired and disabled members and their dependents in a cost-effective and efficient manner becomes more challenging as health care costs rise, the population ages, and available public funds become more scarce or restricted. There are several issues resulting from Arizona's current system that have been highlighted over the past several years.

System Complexity

The responsibilities for the negotiation, purchase, administration, communication, eligibility verification, and funding of the current structure is divided between many political subdivisions. A large percentage of the approximately 65,000 retirees eligible for the ASRS participate in its health care plans. Approximately 23,587 or thirty six percent were enrolled in ASRS' health care plans as of April 1, 2004.[1] Another 15,245[1] participate in employer-sponsored plans, with approximately 8,754 of those under the ADOA health care plans. Another 4,855 participate through the PSPRS, the EORP, or the CORP in an employer plan, ASRS, or the ADOA plan. Of those eligible for ASRS, over 21,000 are not tracked. This means they do not participate in an employer-sponsored plan or the ASRS plan. These retirees may be covered under a spouse's plan, an individual plan, or Medicare without any supplemental coverage. It is unknown how many of the 21,000 non-enrolled retirees may not have elected any form of coverage and are currently uninsured. However, all ASRS retirees may enroll in the ASRS retiree health care program during any annual open enrollment or if they have a qualifying life event. This flexibility makes the offering of retiree health care even more complex.

[1] Watson Wyatt, June 18, 2004 presentation to the Arizona State Retirement System Board

ASRS Eligible Retirees – Plan Participation	
Total Retirees Eligible for ASRS	64,697
ASRS Plans	23,587
ADOA Plans	8,754
Other	6,491
PSPRS/EORP/CORP	4,855
Unknown	21,010

Of the 514 employers actively participating in the ASRS health care plans, 293 allow non-Medicare retirees to remain on their employer plan.[2] Two-hundred and eleven employers give the eligible retiree under age 65 the option to continue COBRA (if available) and/or to join the ASRS plan.

In addition, there are several public employers who do not participate with ASRS at all, such as the City of Phoenix, City of Tucson, or La Paz County. These systems have their own health care programs, contribution strategies, and administration. Exhibit 1 illustrates some of the complexities of Arizona's current system.

Adding to this complexity, each political subdivision provides multiple plan choices to the retiree. For example, under the ASRS, retirees generally have a choice of two plan options for pre-Medicare, two for Medicare, and four for mixed Medicare and non-Medicare families. ADOA offers up to five options for non-Medicare, six for Medicare, and six for mixed Medicare and non-Medicare families.

Premium Benefit

The Premium Benefit is the employer premium contribution for eligible retirees under the ASRS, PSPRS, CORP, and EORP programs. Unfortunately, this aspect of the system is no less complex than the administration. For all four of these systems, the benefit varies depending on whether the retiree and/or dependents are eligible for Medicare. ASRS has a vesting schedule for the benefit based on years of service with a five-year requirement for the minimum benefit and ten years required for the full benefit. EORP's service-based vesting schedule also has a five-year minimum with only eight years of service required for the maximum benefit. Both PSPRS and CORP provide the maximum benefit without a service requirement.

[2] ASRS Memo from Anthony Guarino and Pat Klein to Health Insurance/Long Term Disability Committee Members adapted July 31, 2003

Rural Retirees

Retirees in limited service areas in the State of Arizona receive a rural subsidy that is scheduled to expire on June 30, 2005. These retirees currently do not have access to lower cost HMO plans, so their premiums and out-of-pocket costs for services are higher than costs for their urban counterparts. Some systems, like the ASRS, have blended their rates to bring the cost of the rural plans down. Most, like ADOA or the City of Phoenix, blend their active and retiree risk pools so that the younger, lower-cost active employees' rates subsidize the retiree premium rates. For 2005, both the ASRS and the ADOA have used their buying influence to expand the service areas of managed care into new counties to assist rural retirees with these costs.

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Summary of Contents and Exhibits

It is clear from the Scope of Services description in the legislation enacting this study that the State is interested in finding a potential solution or series of potential solutions to the cost and complexity of the current system. Mercer has been retained to provide an objective review of the feasibility of various proposed solutions.

Exhibit 1, the "Current Systems Chart," is an at-a-glance illustration of the various administrative components of the current health care programs for State retirees. Note, unlike the ASRS, PSPRS, CORP, and EORP do not provide the health care benefits for their respective members. Members of these three organizations enroll in their employer plan, the ASRS plan, or the ADOA health care plan. The PSPRS administers all three of these programs in terms of member communication, premium benefit, eligibility and enrollment, and deduction of premium from pension payments. Members of these programs are still part of their employer, ASRS or ADOA plans. Think of these three as an "overlay" to the underlying programs.

The options proposed as part of this study have been analyzed in terms of feasibility by categories, such as, administration, benefit plan design impacts, contractual issues, efficiencies, demographic risk, stakeholder opposition, and legal and regulatory issues. Exhibit 2, the "Considerations Chart," outlines the four options proposed by the study request in summary format. A more extensive analysis of some of the key issues involved with each of these options is included with this study under the "Key Issues and Considerations" section. In addition, the Mercer estimated amount of additional contribution in order to increase the premium benefit to a sample amount and its associated impacts is included with this discussion, as is the comparison of Arizona's contributions to other states' contributions. Exhibit 7 provides a detailed chart of how other States' premium benefit programs would look if applied to the current ASRS premium structure.

An overview of the other surveyed states' benefits is included in Exhibit 4. The government sector results summary data of the Mercer 2003 National Survey of Employer-Sponsored Health Plans is Exhibit 6.

Exhibits 3 - 5 provide statistical data comparing the current structure to that of the new structure under each of the three proposed structural options. These charts track the shifting of participants, demographics, and costs from one entity to another.

Finally, the study concludes with a summary of the major advantages and disadvantages of the proposed options.

It is important for readers of this study to understand that the time and budget constraints on this study make it only a preliminary review of possible options. The requirements of this legislatively mandated study requested only that various options be analyzed and to identify the considerations that would surface in implementing any of these options. Once a more focused solution or series of solutions is identified, further analysis should be undertaken to understand the full impacts and to assess and answer the questions and issues mentioned in this study. Additionally, it is important for readers to understand that none of the options proposed for study under this legislation address the root causes of escalating retiree health care costs. These options only shuffle the funds and responsibilities around to different parties. The only true cost savings achievable under some of these options are through benefit plan reductions resulting from the changes and through any administrative efficiency gained through consolidation.

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Key Issues and Considerations

This section of this study's narrative explores some of the key considerations of the four options and the contribution and benefits review. Analysis of any Federal or State legal restrictions is incorporated into this section. For a more complete listing of considerations and policy decisions relating to these options, please see Exhibit 2.

Option One: Allow Retired and Disabled Members of ASRS, PSPRS, CORP, and EORP to Participate in ADOA Health Insurance Program

While on the surface this option may appear administratively simple, there are many complexities that need to be explored in order to make this a viable option.

Implementation and Eligibility Issues

Several questions arise upon reading the language of this option in H.B. 2542. First, by "allowing" retirees and disabled members into ADOA, does this mean all participants in the other programs would be moved into the ADOA insurance plan, or would it be a voluntary choice for the participant? If it is all or nothing, when will the state "flip the switch?" Would it affect all current enrollees or just future retirees after a certain date?

For purposes of Mercer's analysis, we have assumed that this would be a mandated re-enrollment of all members of ASRS, PSPRS, CORP, and EORP out of their current plans and into the ADOA insurance plan. We have also assumed that it would occur in 2005 and that it would apply to current and future retirees.

If this were not so, then multiple systems would continue to exist which would diminish the administrative efficiency to be gained from this option. Of course, assuming full and immediate transfer of these groups into ADOA would have a full and immediate impact on the ADOA plan and its ability to administer this new, much larger group of participants.

The ADOA is currently not sufficiently staffed to handle the huge influx of retirees and disabled participants that would convert to their plan. Additionally, ADOA staff would suddenly have a number of retiree health plan customers about whom they knew nothing in terms of prior history, prior benefits, and prior employment. The transfer of data and information would be a substantial task.

Insured Pool

Adding the retiree populations of the other groups - ASRS, PSPRS, EORP, and CORP - would significantly alter the size and demographics of the ADOA risk pool. The new group would consolidate the two largest retiree health insurance pools for the State. However, the other groups are coming from a fully insured environment into a self-funded plan. The State will need to carefully consider whether moving a volatile risk pool of retirees into a self-funded plan is a cash-flow risk it is willing to take undertake.

Active Employee Subsidy

One of the perceived advantages of moving the retirees onto the ADOA plan would be to blend them with ADOA's active employees for rate-setting purposes. Currently, this practice would be proscribed due to a State Statute ARS 38-651.01J that states "Public funds shall not be expended to pay all or any part of the premium of insurance pursuant to this section except for monies authorized to be paid for any insured from the retirement plan from which the insured is receiving benefits." The effect of this statute prohibits providing benefits to classes of employees or retirees who would normally not benefit under the ADOA's benefit programs, such as retirees of municipalities or school districts, if the benefits provided by ADOA are not made available to all State citizens.

Because of the subsidy to retirees inherent in the blending of active with retiree premiums, non-ADOA retirees would receive this financial advantage. Therefore, barring changes to the statute, there would either need to be two premium structures (one for active and one for retirees), or there could be a separate subsidy provided to retirees by the state for ADOA retirees only, possibly accompanied by a separate subsidy for the non-ADOA employees paid for by their participating employers.

Funding

Moving the ASRS, PSPRS, CORP, and EORP retirees onto the ADOA plan would increase costs to ADOA in that the ADOA would become the provider of the Premium Benefit for these retirees. The ADOA would not be able to take on these new expense obligations without receiving funding from the plans from which these retirees originated. The ADOA would therefore need to bill participating public employers for their share of these costs. Establishing a new contribution structure would be complex and would need to be implemented carefully.

Benefit Reductions and Contractual Impairment Issues

A review of all current health plan arrangements for the PSPRS, EORP, and CORP retirees would need to be made to evaluate whether moving them to the ADOA plan would result in any benefit reductions. If any retirees under these plans have contractually protected health benefits, these benefit levels would need to be "grandfathered" under the new arrangement. Another option, which would be administratively easier, but more costly, would be to raise the new ADOA retiree plan up to these contractually protected levels for all retirees.

Even if no contractual protections were found, retirees would negatively perceive any resulting benefit reductions.

Economies and Efficiencies of Scale/Second Tier Services

Moving the PSPRS, EORP, and CORP retirees onto the ADOA plan would result in greater administrative efficiency. The PSPRS and ASRS staff would no longer handle retiree health care enrollment and communication and ASRS would no longer be the plan provider, handling insurance renewals and the like.

This would also limit the second tier services such as brokers, consultants, advisors, and carriers, resulting in additional administrative savings.

However, administrative staff would need to be added to the Department of Administration to handle the larger, more complex group.

The new group would have greater leverage with regard to handling negotiations for Medicare reimbursement as well as provider fees. This would most likely result in lower cost overall for the retired group.

Additionally, this option would provide for consistency of benefits for all participating groups.

State Statutes

ASRS sections 38-782, 783, 817, 857, 651, 906, and §15-628 would need to be amended to allow for changes in the operation of the affected retiree plans.

Immediate and Future Costs

The immediate costs associated with this option would include adding additional staff to the Department of Administration, communications to all affected retirees and public employer entities. Other costs would include funding for appropriate technology and systems to effectively administer the consolidated retiree health care plan. Since it is not clear whether an existing agency or a completely new agency would be administering this new plan, Mercer cannot easily estimate these "start-up" costs. An accurate estimation of these start-up costs would need to include an assessment of ADOA's current staffing levels and technology.

Future costs depend on several factors: the comparative richness of the ADOA retiree health plans versus the plans in which retirees are currently enrolled and the administrative efficiencies gained; and, possible savings gained by utilizing a self-funded health plan. Currently, Mercer estimates that the ADOA retiree health care plans are about 26 percent richer in terms of overall benefits than the health care plans offered by the ASRS. Moving the public employer retirees onto a much richer plan will significantly increase costs.

Exhibit 3 charts the current system's statistics and costs as well as the immediate and future plan costs of implementing this option.

Option Two: Establish a Single Health Insurance Program For All Employees of These Groups

This option requests that a single health insurance program be established for all retirees of the ASRS, ADOA, PSPRS, CORP, and EORP. Mercer was asked to provide costs and benefits from at least five other states that administer a single retiree health plan. It is important to note that all eight states Mercer approached for participation in this survey allow their retirees to continue in their active plans in addition to offering a plan for retirees. Utah only allows pre-Medicare retirees to participate in its Public Employee Health Program (PEHP) benefits if the participating employer has adopted such a program in the employer contract with PEHP. Oregon offers a PPO and an HMO for their retirees that are also offered to their part-time work force. Benefit information about Colorado's retiree health plans was included because it is a state that administers a single retiree health plan. However, Colorado did not respond to our data request.

Implementation and Eligibility Issues

Similar to Option One, Option Two raises questions as to whether the new single plan would require all retirees to re-enroll, or whether retirees would be allowed to continue under their current arrangement with the single plan as an additional option. Another policy decision would be whether to require all new retirees to enroll in the single plan as of a certain cut-off date. In addition, would retirees who are currently not enrolled be able to enroll in this new plan and for how long? What would the new plan's benefits be? Would the plan look like the current ASRS plans? Who would be the new administrator for this plan?

For purposes of Mercer's analysis, we have assumed that this would be a mandated re-enrollment of all members of ASRS, PSPRS, CORP, and EORP out of their current plans and into the new single insurance plan. We have assumed that it would occur in 2005 and that it would apply to current and future retirees. Mercer has also assumed the new plan design would have the same benefit values as the current ASRS plans.

Insured Pool

Moving all of these groups into one retiree plan would result in a new plan with the following enrollment:

Pre-Medicare Retirees:	23,405
Medicare Retirees:	30,769
Total:	54,174

Other active plans, such as ADOA, would lose retirees that would benefit their demographic risk. For example, the average age of these active plans would decrease and premiums would likely go down. Conversely, the new plan could inherit a higher risk demographic, and its premiums could be higher.

Active Employee Subsidy

To the extent that retirees of these groups are currently participating in plans that blend active and retiree premiums, this inherent subsidy would be lost.

If the new plan was optional and retirees could choose to remain under their active health care plans until Medicare eligibility, it is likely that many would choose the plan with the lower out-of-pocket premium and benefit costs. If the new plan was not cost-competitive, it would only capture those retirees whose employers did not provide retiree health coverage. Eligibility, enrollment, and pre-existing conditions exclusion provisions would need to be carefully designed to avoid adverse impact to the new plan.

Funding

Depending on the entity responsible for establishing a single retiree health insurance program, the State might need to make a funding decision about whether to insure this new plan, or self-fund. Insurance carriers would require a profitable relationship with the plan in order to take on this high-risk group.

Benefit Reductions and Contractual Impairment Issues

Similar to Option One, a review of all current health plan arrangements for the ADOA, PSPRS, EORP, and CORP retirees would need to be made to evaluate whether moving them to the ASRS plan would result in any benefit reductions or contractual impairment. If certain benefit promises have been made via a benefit contract or union agreement, the move to a single health plan would have to be examined carefully to make sure these agreements were intact after the move. Grandfathering of these special arrangements would be a possible, though complicated, way to avoid contractual impairment issues.

Economies and Efficiencies of Scale/Second Tier Service Providers

Like Option One, this option would result in administrative efficiency and reduction in second tier service providers and processes such as negotiations for insurance contracts, brokers, consultants, third party administrators, and insurance carriers.

This new group would have the greatest leverage with regard to handling negotiations for Medicare reimbursement as well as provider fees. The new plan could be structured to integrate with Medicare that would most like result in lower cost overall for the Medicare eligible retired group. Additionally, this option would provide the most consistency of benefits for all participating groups.

State Statutes

ASRS sections 38-782, 783, 817, 857, 651, 906, and §15-628 would need to be amended to allow for changes in the operation of the affected retiree plans.

Immediate and Future Costs

The immediate costs associated with this option would include appropriate staffing of the selected administrative entity, and communications to all affected retirees and public employer entities. Other costs would include funding for appropriate technology and systems to effectively administer the consolidated retiree health care plan. Since it is not clear whether an existing entity or a completely new entity would be administering this new plan, Mercer cannot easily estimate these "start-up" costs.

Future costs depend on several factors: the comparative richness of the new retiree health plans versus the plans in which retirees are currently enrolled and the administrative efficiencies gained. Plan funding decisions, whether to fully or partially insure or self-fund, and the financial arrangements made with carriers and service providers will also have significant impact on the future costs associated with this option.

Exhibit 4 charts the current system's statistics and costs as well as the immediate and future plan costs of implementing this option.

Option Three: Require Public Employers to Allow Retirees Under Age 65 (i.e. Pre-Medicare Retirees) to Remain in Their Active Health Insurance Plans

A key question under this option would be whether pre-Medicare retirees would have to stay in their employer health care plans for active employees, or whether this would be a choice in addition to their current options. If retirees had to stay in their employer plans, would this be retroactive or prospective?

For purposes of our analysis, Mercer has assumed that all pre-Medicare retirees currently enrolled with the ASRS would move back to their employer plans effective in 2005, and

that the decision would be retroactive. The implementation of this option, in order to be viable, would need to be on a prospective basis. Clearly, implementing this option retroactively would have the greatest impact to the employer plans, which might not be what the Legislature intended.

Implementation and Eligibility Issues

The impact on the employer plan would depend on the employer's overall employee population, the capacity of its benefits staff, and the number of retirees returning to its plan. As mentioned in the Introduction, 293 of the 514 employers actively participating in the ASRS system allow non-Medicare retirees to remain on their employer plan.

Insured Pool

The flow of pre-Medicare retirees away from ASRS would decrease its overall pool of covered lives, but would also decrease its demographic risk. The pre-65 group is the most medically expensive group statistically. However, if the election to enroll or stay in the employer plan was optional, many pre-65 retirees might choose to remain covered under the ASRS because of out-of-area or out-of-state service needs. These would be the highest cost retirees as their ability to participate in managed care contracts would be restricted.

Employer plans would inherit high-risk retirees as well and the demographic risk would most likely increase costs to their plans. Another possibility to consider is that retirees who previously did not have access to their employer plans, and did not choose the ASRS plans, might "come out of the woodwork" to enroll in their employer plans if this option is implemented. It is not possible to accurately quantify the possible costs of this "woodwork" effect.

Active Employee Subsidy

An advantage of moving pre-Medicare retirees back to their employer plans is the opportunity to blend the rates of actives and retirees. Would the legislation enacted under this option require premium blending? If not, employers could charge retirees their actual cost, which would most likely be significantly higher than that of active employees. Mercer estimates that pre-65 retirees are usually about 1.65 times more expensive than the active, non-retired population.

Legal and Contractual Issues

ARS §38-782 provides that group accident and health coverage be provided to "members who are receiving retirement benefits from ASRS or long-term disability benefits pursuant to section 38-651.03 or article 2.1 of this chapter and who elect not to obtain health and accident insurance through their former employer." If the pre-Medicare coverage under the former employer were made mandatory, this statute would need to be revised. Additionally, the state statute provides an opportunity for continued health coverage for an insured member's dependent beneficiary or an insured surviving dependent in the event of the insured member's death. The former employer plans may not provide this beyond the opportunity to elect COBRA. Employers under 20 employees would not have to offer COBRA to these surviving dependents.

Some retirees might have reduced benefits under their former employer plans that would not be favorably received by these retiree groups.

GASB

The requirement for governmental employers to recognize and disclose unfunded accrued liability for retiree health plans may drive many of the employer plans to carve retirees out of their active plans and reduce their benefits. These new reporting and disclosure requirements will go into effect for fiscal years beginning after December 15, 2006 for governments with revenues over $100 million; fiscal years beginning after December 15, 2007 for governments with $10 to $100 million; and fiscal years beginning after December 15, 2008 for governments with revenues less than $10 million.

Employers who currently do not have retiree health coverage will not want to take on this additional liability and, in the case of some small public employers or public employers with large returning retiree populations, this option may not be financially viable. Many governmental entities may be driven to shed their retiree health plans altogether. The effect of implementing this option for Arizona retirees could be that some employers will cut back retiree health benefits severely, compared to current options available under the ASRS or ADOA, and render this option not only a futile effort but an ill-conceived approach.

Immediate and Future Costs

The immediate costs associated with this option would include communications to all affected retirees and entities, and public employers. Also, employers would incur costs from additional staff time spent to successfully enroll pre-Medicare retirees in their plans and revise contractual arrangements with carriers to allow coverage for this group.

The ASRS plan would experience future cost savings due to the loss of this high-risk, high-cost group. Future costs depend on the comparative richness of the employer's retiree health plans versus the ASRS plans in which retirees are currently enrolled.

There would be no administrative savings gained since all administrative entities existing prior to the change would continue to exist. There would continue to be a multiplicity of plan funding arrangements, plan designs, and second tier service providers, such as brokers, consultants, third party administrators, and insurance companies.

Exhibit 5 charts the current system's statistics and cost as well as the immediate and future plan costs associated with this option.

Option Four: Dedicating an Existing Part of the Retirement Contribution Rate or a Portion of an Increased Contribution Rate to Defray Part of the Cost of Health Insurance Premium Payments

Currently, participating employers in ASRS, PSPRS, CORP, and EORP contribute 1.1 percent to a 401(h) account to fund the current premium benefit. This premium benefit vests based on years of service with a minimum of 5 years and with the maximum benefit available at 10 years for ASRS members and 8 years for EORP members. PSPRS and CORP participants are fully vested in the maximum benefit without a service requirement.

According to the government sector summary of the recently released results of the Mercer 2004 National Survey of Employer Sponsored Health Plans, 16 percent of the states pay all of the pre-Medicare retiree premium, 38 percent share the cost, and 46 percent require retirees to pay the full premium. The results are similar for Medicare retirees with 19 percent of states paying the full premium, 32 percent sharing the cost, and 49 percent requiring full payment by the retiree. The survey results for government sector retirees is included in Exhibit 6.

In June of 2003, the combined pension and premium benefit contributions for employees and employers was 2.0 percent. In July of 2003, that increased to 5.2 percent. In July of 2005, this contribution is set to increase to 7.75 percent, inclusive of the 1.1 percent premium benefit 401(h) contribution.

The allocation of employer and employee pension plan contributions is as follows:

	Current			July 2005		
	Pension 401(a) Account	Premium Benefit 401(h) Account	Total	Pension 401(a) Account	Premium Benefit 401(h) Account	Total
Employee Contribution Rates	5.20%	0.00%	5.20%	7.75%	0.00%	7.75%
Employer Contribution Rates	4.10%	1.10%	5.20%	6.65%	1.10%	7.75%
Total Contribution Rates*	9.30%	1.10%	10.40%	14.40%	1.10%	15.50%

* Contribution rates exclude the LTD contribution of .5 percent each from employee and employer.

Introducing another incremental increase on top of the already scheduled increase will probably not be met with enthusiasm.

Because employee contributions to a 401(h) account are not allowed under the Internal Revenue Code, the options to increase the funding level, and thereby the premium benefit amount, include:

- increase the employer 401(h) contribution;
- decrease the employer 401(a) contribution and increase the 401(h) contribution so that the total employer contribution remains the same; and
- increase the employee 401(a) contribution, decrease the employer 401(a) contribution, and then increase the employer 401(h) contribution.

Mercer was asked to make a recommendation as to what the new subsidy amount should be. Based on a table provided by Watson Wyatt for the ASRS Presentation to ASRS Executive Management and Health Insurance/LTD Board Committee by Patrick Klein, Contracts Manager for ASRS, dated December 9, 2003, Mercer calculated premium benefits provided by other states to get a rough national average by different years of service. The full table is at the end of this section. Below is a summary of this data. The full chart can be found in Exhibit 7.

For those states that provide a benefit as a percent of premium, Mercer used the Arizona Non-Medicare PacifiCare HMO rates and Medicare Advantage rates (the two lowest costs options) under the ASRS plan to calculate a dollar amount. In addition, Mercer used the ASRS PPO and Medicare Supplement rates to show the benefit for rural retirees under this system.

Non-Medicare Retirees Premium Benefit

	5 Years		10 Years		15 Years		20 Years	
	Single	Family	Single	Family	Single	Family	Single	Family
Average	$149.48	$253.73	$232.89	$402.53	$277.59	$484.77	$304.76	$533.74
Median	$102.05	$201.90	$220.64	$403.79	$302.84	$514.00	$323.03	$565.31
Arizona	$75.00	$130.00	$150.00	$260.00	$150.00	$260.00	$150.00	$260.00

Medicare Retirees Premium Benefit

	5 Years		10 Years		15 Years		20 Years	
	Single	Family	Single	Family	Single	Family	Single	Family
Average	$80.11	$149.39	$111.02	$203.70	$132.41	$239.95	$146.57	$263.24
Median	$50.00	$85.00	$102.35	$164.98	$109.98	$206.22	$129.00	$239.76
Arizona	$50.00	$85.00	$100.00	$170.00	$100.00	$170.00	$100.00	$170.00

For Arizona to provide a premium benefit that is roughly equal to the average of those 34 states who provide financial assistance to public employer retirees, the 401(h)

contribution would need to increase from 1.1 percent approximately to 1.6 to 1.8 percent. An illustrative premium benefit upon which this suggested amount is based is discussed in the next section. This 401(h) contribution meets the subordination limit rules which restrict the amount of 401(h) contributions to 25 percent of the total employer contributions to the pension fund, exclusive of past service contributions.

Review of Contribution Rates and Benefits Under Arizona's Retirement System Compared to National Average and other State Retirement Systems

Reviewing the Contribution rates of retirees of other states nationally compared to Arizona's retirement system retirees is complex and does not provide very meaningful data. Some states blend active and retiree rates producing an inherent subsidy for retirees that cannot be quantified without obtaining detailed claims data broken down by covered demographic — which many states do not even track. Additionally, the premium benefit schemes across the country combined with the multiplicity of plan designs make the resulting data apples-to-oranges and therefore, not very meaningful.

In conducting the survey of the six states participating in this study, Mercer attempted to uniformly quantify the active subsidy and any other premium benefits to show the net per-retiree-per-month average cost. Only four of the states surveyed gave Mercer enough data to do this calculation. Their results are as follows:

State & Plan	Net Pre-Medicare Retiree Premium Costs After Subsidies/Benefits	Net Medicare Retiree Premium Costs After Subsidies/Benefits
Arizona ADOA	$331.17	$316.27
Arizona ASRS	$342.96	$139.57
Alabama	$138.00	$0.00
Georgia	$63.00	$63.00
Montana	$461.25	$277.89
Utah	$50.84	$0.00

A major offset to the retiree's out-of-pocket cost for premium is any premium benefit the retiree receives from the State or public employer. There are several premium benefit-setting methods Arizona could adopt. While the benefit Arizona provides is not in the upper 50th percentile of the 34 states analyzed, the years of service requirement for the maximum benefit is relatively low (10 for ASRS and 8 for EORP). Generally, the higher the years of service required for the maximum benefit, the higher the maximum benefit. For example, Kentucky and West Virginia pay 100 percent of the lowest cost plan after 20 years of service. If the State of Arizona would like to get to the median or even average levels of benefit compared to the other 34 states that make these contributions, the service requirement should also be increased. Other benefit-setting methods include assigning a flat dollar amount per year of service like North Dakota and Virginia currently do.

One way to set the premium benefit so that it continues to be relevant to the actual premium amount is to set the benefit as a percent of the lowest cost in-state plan available to the retiree. This percentage could always be revisited annually based on available funds. This methodology gives retirees an incentive to enroll in the lowest cost plan, while maintaining a sense of equity for those in rural areas where there is only one plan choice.

The two tables below represent a possible structure based on years of service (for those retirees subject to a vesting schedule) and percent of lowest-cost plan. The benefit for Medicare eligibles, as a percent of premium, would be more generous, as it is under the current premium benefit structure. For purposes of this illustration, we have used a years-of-service banding methodology. The state could always choose to associate an incremental percentage increase by year of service, if desired.

Years of Service	Non-Medicare Premium Benefit — as a Percent of Lowest-Cost Plan Premium	Medicare Premium Benefit — as a Percent of Lowest-Cost Plan Premium
0 - 4	0 %	0 %
5 - 7	18 %	30 %
8 - 10	26 %	43 %
11 - 13	34 %	56 %
14 - 16	42 %	69 %
Over 17	50 %	82 %

Using the same assumptions as above, this would generate the following benefits.

Arizona ASRS and EORP Retirees Premium Benefit

	5 Years		10 Years		15 Years		20 Years	
	Single	Family	Single	Family	Single	Family	Single	Family
Sample Method Non-Medicare HMO	$72.68	$145.36	$104.99	$209.97	$169.59	$339.18	$201.90	$403.79
Sample Method Non-Medicare PPO *	$129.60	$259.20	$187.20	$374.40	$302.40	$604.80	$360.00	$720.00
Current Non-Medicare	$75.00	$130.00	$150.00	$260.00	$150.00	$260.00	$150.00	$260.00
Sample Method Medicare Advantage Plan	$41.24	$82.49	$59.12	$118.23	$94.86	$189.72	$112.73	$225.47
Sample Method Medicare Senior Supplement *	$94.91	$189.81	$136.03	$272.06	$218.28	$436.56	$259.41	$518.81
Current Medicare	$50.00	$85.00	$100.00	$170.00	$100.00	$170.00	$100.00	$170.00

* These premium benefit levels would only be available where the HMO and Medicare Advantage plans were not available

Under this new method, looking at the percentages applied to the HMO and Medicare Advantage plans, benefits stay relatively stable, decrease slightly for retirees with ten years of service, but become much more generous for greater lengths of service. It is important to note that this analysis is applied to 2005 ASRS premiums and any embedded subsidies should be revisited if the premium contribution change is implemented.

The approximate incremental increase required to the 401(h) contribution would be approximately 0.5 to 0.6 percent for a total 401(h) contribution of 1.6 to 1.8 percent. This valuation assumes that PSPRS and CORP retirees would continue to be 100 percent vested in the premium benefit at retirement. This meets the subordination limit rules which restrict the amount of 401(h) contributions to 25 percent of the total employer contributions to the pension fund, exclusive of past service contributions. A much more detailed actuarial analysis would need to be conducted to know the exact 401(h) contribution required under this example.

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Conclusion

Advantages of the Proposed Options

Looking globally at the various options, there are several positive features of each. Unfortunately, no single option studied provides a perfect solution for Arizona's public entity retirees. Some positive features include:

- blending of active and retiree premiums;
- consolidation and simplification of the administration of Arizona's various retirement systems;
- elimination of duplicative second tier service providers;
- consolidation of the various risk pools to provide greater contracting and negotiating leverage across the State;
- simplification of the current premium benefit method;
- establishing an equitable contribution to retirees living in rural areas; and
- appropriate funding methodology for the premium benefit.

The ultimate and best solution will incorporate these features into its design.

Disadvantages of the Proposed Options

Looking globally, again, at the options in this study, there are considerations and policy decisions which must be made in order for any of the options to be viable. In addition, there are some disadvantages which could be avoided in any future proposal.

- Administrative burden given to an unequipped agency — the ADOA or other public employers may not be able to take on the additional administration required of Options One, Two, or Three.
- Moving retirees to a far richer plan design. The impacts of this would only be higher costs. (i.e. the ADOA's retiree plans are 26 percent richer than those of ASRS)

- Moving retirees to government employers who will cut retiree benefits when GASB sections 43 and 45 become effective. The Legislature will need to strike a balance between overly-rich and inadequate retiree plan benefits.
- Administration is made more complex, or does not simplify the system. For example, Options Three and Four do nothing to streamline the current Arizona retiree system. Also, Options One and Two, unless implemented retroactively, would not simplify the current system.

As indicated earlier in this report, none of the proposed options truly addresses the root causes of the escalating costs of retiree health care. The United States is in a health care crisis with many causes. Americans eat too much and too many of the wrong kinds of food, smoke, exercise too little, work in sedentary jobs, for the most part, and have little incentive to change life styles. Our litigious society drives up malpractice insurance costs for medical providers. Technology saves our lives, but also continues to drive up our medical costs. There are certainly other causes, but the main point is that the Arizona State Legislature is not going to be able solve the health care crisis in Arizona alone.

Ridding the system of administrative inefficiencies and controlling benefit provisions for retirees will help. But the next steps will need to include some focus on the actual health of public employees and retirees as well as the other drivers of health care cost increases.

Conclusion

This study was intended to be an initial review of several proposed options for increasing the viability and benefits of the Arizona public employer retiree health plans. Once a directional decision has been made, more work needs to be done to delve into the contingencies and results of that particular path or paths. Mercer encourages all readers of this report to proceed carefully with the next steps and keep in mind all known implications. Any changes to a system as complex as the Arizona public employer retiree health care system will undoubtedly have unintended consequences and unanticipated ripple effects. Only through public deliberations, statewide discussions, and careful study can these consequences and effects be potentially minimized.

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Retiree Health Insurance Study

Assumptions:

Assumptions for all entities:

- We are not adjusting for active employee share of Premium. This means that the entire amount the retiree receives from blending with Actives (subsidy 1) is counted as employer cost.
- We have used ratios of 1.0 for Active, 1.6 for Pre-Medicare and .85 for Medicare to value true cost where blended premiums were provided. This is based on data from the Mercer Human Resource Consulting Survey and other available data. Claims are adjusted up 6 percent for administrative fees to be comparable to entities where premiums only were provided.
- We rolled all disabled into non-Medicare retiree or assumed they were in non-Medicare retiree if not stated.
- The total rural and basic subsidy were spread across all retirees in the appropriate group. For example, 40 Medicare retirees might receive the rural premium, but if there are 60 retirees in the public entity, the total Medicare rural subsidy is averaged across all 60 Medicare retirees.
- When moving retirees to different plans, we assumed the plan cost that the retiree was moving to would be used, unless no cost previously existed.
- All subsidies were carried with the retiree when moving to a different plan. Subsidies were spread across the new retiree group.
- Option Three moved ASRS non-Medicare retirees and PSPRS, CORP, EORP or UORP non-Medicare retirees that were in an ASRS back to their respective employer.
- ASRS non-Medicare PEPM was used for the public entities that did not have non-Medicare retirees in their plans already.
- For ADOA, the premium information is based on enrollment as of October 29, 2004, projected revenues and expenditures.
- There may be some overlap in retiree data between the ADOA and ASRS systems.
- The PSPRS data had to be adjusted for errors. Some premiums in the main data set matched the subsidy amount when the correct premium was in the rural data set – used rural data set premium minus dental premium.
- The cost information was based on claims data from May 2003 to July 2004 with a 3 month lag for claims received for the City of Phoenix.
- Maricopa County does not blend active and retiree premiums.
- For future cost estimating, we assumed the rural subsidy, since it is a cross-applied subsidy, will continue to be an employer expense in some form.

Claims and Premium Data

The following are the sources for our analysis:

ADOA	04/05 Projected Premiums
ASRS	11/1/04 - Premiums
PSPRS/EORP/CORP	Current Enrollment - Premiums
City of Phoenix	8/1/03-7/1/04 Claims
City of Tucson	11/1/04 – Premiums
Pima County	11/1/04 – Premiums
Maricopa County	7/5/04 Premiums
Coconino County	11/1/04 – Premiums
Pinal County	7/4/03-7/4/04 Claims
City of Douglas	1/1/03-1/1/04 Claims
Apache County	1/1/03-1/1/04 Claims
Graham County	1/1/03-1/1/04 Claims
Greenlee County	1/1/03-1/1/04 Claims
Gila County	1/1/03-1/1/04 Claims
La Paz County	1/1/03-1/1/04 Claims
Santa Cruz County	1/1/03-1/1/04 Claims

Current Public Employer Retirement Plan Systems

Name	Description	Health Care Plan Eligibility	Health Care Plan Enrollment	Health Care Plan Contribution Strategy	Premium Benefit	Rural Subsidy	Health Plan Administrator
ASRS: Arizona State Retirement System	The Arizona State Retirement System now encompasses the state, including all state agencies, the 3 state universities, all 10 community colleges, 14 out of 15 counties (all except La Paz), most cities and towns, most school districts and charter schools, and other political subdivisions.	Retirees of ASRS, PSPRS, EORP, CORP, or UORP can participate; a member who began LTD from ASRS and isn't enrolled in employer's health plan.	ASRS, PSPRS, EORP, CORP, UORP, or previous employer if offered and eligible.	The employer contributes to fund the Premium Benefit. Retired members pay the balance of premium after any premium benefit.	The Premium Benefit is based on years of service. ASRS retirees must have 5 years of service for the minimum benefit and 10 years of service to receive the maximum premium benefit.	Qualified retirees who are participating in a medical plan provided by ASRS and who live in areas of Arizona where no managed care program is offered (i.e., non-service areas) are entitled to receive a temporary premium benefit (rural subsidy). This subsidy is due to expire on June 30, 2005.	ASRS
PSPRS: Public Safety Personnel Retirement System	Provides statewide retirement program for certain full-time fire fighters and peace officers assigned to hazardous duty.	Retirees who were full-time paid firefighters or peace officers, regularly assigned to hazardous duty of the type normally expected of firefighters and peace officers, employed with a participating employer. Surviving spouses are also eligible for benefits.	A) Employer might offer an extension of the insurance in which the member is enrolled, i.e.. City of Phoenix or Pima County. B) ASRS Retiree Group Insurance Program. C) Most state employees are eligible for ADOA; human resources verifies eligibility.	The employer contributes to fund the Premium Benefit. Retired members pay the balance of premium after premium benefit.	The Premium Benefit requires has no service requirement.The maximum premium benefit is available to all eligible members.	Retired PSPRS members who participate in a qualified health care plan and who live in areas of Arizona where no managed care program is offered (i.e., non-service areas) are entitled to receive a temporary premium benefit (rural subsidy). This subsidy is due to expire on June 30, 2005.	Employer, ADOA, or ASRS
CORP: Corrections Officers' Retirement System	Provides statewide retirement program for certain state and county full-time detention officers.	A. For a county, a county detention officer, or a non-uniformed employee of a sheriff's department whose customary employment is at least forty hours per week and whose primary duties require direct inmate contact, if the county elects to join the Plan. B. For the State Department of Corrections, correctional service officers, state correctional program officers, and certain other designated positions within the department that are prescribed by statute and whose customary employment is for at least forty hours per week. C. For the State Department of Juvenile Corrections, youth corrections officers, youth program officers, and certain other designated positions within the department that are prescribed by statute and whose customary employment is for at least forty hours per week. D. For a city or town, a city or town detention officer whose customary employment is for at least forty hours per week, if the city or town elects to join the Plan. E. For an employer in the Public Safety Personnel Retirement System, full-time dispatchers whose customary employment is for at least forty hours per week, if the employer elects to join the Plan.	A) Employer might offer an extension of the insurance in which the member is enrolled, i.e.. City of Phoenix or Pima County B) ASRS Retiree Group Insurance Program C) Most state employees are eligible for ADOA; human resources verifies eligibility	The employer contributes to fund the Premium Benefit. Retired members pay the balance of premium after premium benefit.	The Premium Benefit requires has no service requirement.The maximum premium benefit is available to all eligible members.	Retired CORP members who participate in a qualified health care plan and who live in areas of Arizona where no managed care program is offered (i.e., non-service areas) are entitled to receive a temporary premium benefit (rural subsidy). This subsidy is due to expire on June 30, 2005.	Employer — ADOA or ASRS Contribution and Premium Benefit — PSPRS
EORP: Elected Officials Retirement Plan	Provides retirement program for State elected officials. term elected officials can choose not to participate	All elected officials are members of the Plan, except that an elected official who is subject to term limits may elect not to participate in the Plan for that specific term of office. An elected official means every elected official of this state, every elected official of each county of this state, every justice of the supreme court, every judge of the court of appeals, every judge of the superior court, every full-time superior court commissioner, the administrator of the fund manager if the administrator is a natural person and each elected official of an incorporated city or town whose employer has executed a proper joinder agreement for coverage of its elected officials.	In order to qualify for payment pursuant to this subsection, the retired member or survivor shall elect single coverage and must have elected to participate in the coverage provided in § 38-651.01 or 38-782 or any other health and accident insurance coverage provided or administered by a participating employer of the elected officials' retirement plan.	The employer contributes to fund the Premium Benefit. Retired members pay the balance of premium after premium benefit.	The Premium Benefit is based on years of service. ASRS retirees must have 5 years of service for the minimum benefit and 8 years of service to receive the maximum premium benefit.		Employer — ADOA or ASRS Contribution and Premium Benefit — PSPRS
UORP: University Optional Retirement Plan	Alternative to ASRS for University personnel — DC Plan.	Employees appointed for 20 hours per week or more for 5 months or more.	Generally, a member will be informed of eligibility to participate in the ORP at the time of initial employment. Eligibility is strictly determined by the job performed and is not based on years of service or salary level. The retirement plan participation defaults to the ASRS plan UNLESS the member chooses to participate in the ORP within 30 days of eligibility date/notice of eligibility. After the 30-day enrollment period, the retirement plan choice is irrevocable for the duration of employment with the Arizona University System.	Retiree pays full premium.	No benefit available.	No subsidy available.	Employer, ADOA, or ASRS
ADOA: Arizona Department of Administration	Arizona Benefit Options (AzBO) program designed by and designed for State employees.	A) State employees with 20 hours or more each week (not temporary, emergency, or clerical pool; patients or inmates employed in State agency institutions; non-State employee officers and enlisted personnel of the National Guard of Arizona as well as employees in positions established for rehabilitation purposes). B) Eligible retirees collecting a pension from a recognized State of Arizona retirement system or plan. C) Long-Term Disability (LTD) participants collecting benefits from VPA and/or Standard. D) Eligible former elected officials. E) Surviving spouses and qualified dependents provided they were covered at the time of the retiree's death.	All State employee who retire and are receiving income from a recognized retirement program of this state and opt upon retirement to enroll or continue enrollment in the Benefit Options Program (group health plan for active employees) are eligible. Retirees must enroll no later than 30 days after retirement. If the member does not elect medical and/or dental coverage through ADOA at the time of retirement, or later disenrolls from medical and/or dental coverage through ADOA's Benefit Options Program, that member may not return to the ADOA plan for that type of coverage (medical and/or dental).	Retiree pays full premium, unless eligible for the premium benefit under PSPRS, ASRS, CORP, or EORP.	No benefit available unless retiree is eligible under one of the other programs.	Qualified retirees who are participating in a medical plan provided by ADOA and who live in areas of Arizona where no managed care program is offered (i.e., non-service areas) are entitled to receive a temporary premium benefit (rural subsidy). This subsidy is due to expire on June 30, 2005.	ADOA
Other Public Employers (Examples)							
La Paz County	La Paz County Health Plan	County determines eligibility.	Eligible retirees can enroll in the County's health plan for active employees. Eligible public safety employees can enroll in plans offered through PSPRS.				
COPERS: City of Phoenix Employee Retirement System	City of Phoenix Health Plan	City's benefits office determines eligibility.	Eligible retirees can enroll in the City's health plan for active employees. Eligible public safety employees can enroll in plans offered through PSPRS.	Both the City and the Retiree contribute toward the premium.	City contributes to medical premiums based on age and credited service.	No subsidy available.	City of Phoenix
City of Tucson	City of Tucson Health Plan	City's benefits office determines eligibility.	Eligible retirees can enroll in the City's health plan for active employees. Eligible public safety employees can enroll in plans offered through PSPRS.	Both the City and the Retiree contribute toward the premium.	The City of Tucson contributes 75% of full cost of premium.	No subsidy available.	City of Tucson

Current Public Employer Retirement Plans

ASRS Participating Entities

Public Schools

Agua Fria UHS District 216
Aguila Elementary District 63
Ajo Unified District 15
Alhambra Elementary District 68
Alpine Elementary District 7
Altar Valley District 51
Amphitheater Unified District 10
Antelope UHS District 50
Apache Elementary District 42
Apache Junction Unified District 43
Arlington Elementary District 47
Ash Creek Elementary District 53
Ash Fork Unified District 31
Avondale Elementary District 44
Bagdad Unified District 20
Balsz Elementary District 31
Beaver Creek Elementary District 26
Benson Unified District 9
Bicentennial UHS District 76
Bisbee Unified District 2
Blue Elementary District 22
Blue Ridge Unified District 32
Bonita Elementary District 16
Bouse Elementary District 26
Bowie Unified District 14
Buckeye Elementary District 33
Buckeye UHS District 201
Bullhead City Elementary District 15
Camp Verde Unified District 28
Canon Elementary District 50
Cartwright Elementary District 83
Casa Grande Elementary District 4
Casa Grande UHS District 82
Catalina Foothills Unified District 16
Cave Creek Unified District 93
Cedar Unified District 25
Chandler Unified District 80
Chevelon Butte Elementary District 5
Chinle Unified District 24
Chino Valley Unified District 51
Chloride Elementary District 11
Clarkdale-Jerome Elementary District 3
Clifton Unified District 3
Cobre Valley Institute
Cochise Elementary District 26
Cochise Technology District 01
Colorado City Unified District 14
Colorado River Union H.S. District 2
Concho Elementary District 6
Congress Elementary District 17
Continental Elementary District 39
Coolidge Unified District 21
Cottonwood Oak Creek Elementary District 6
Crane Elementary District 13
Creighton Elementary District 14
Crown King Elementary District 41
Dan Hinton School
Deer Valley Unified District 97
Double Adobe Elementary District 45
Douglas Unified District 27
Duncan Unified District 2
Dysart Unified District 89
Eagle Elementary District 45
East Valley Institute of Technology
Elfrida Elementary District 12
Eloy Elementary District 11
Esperanza Academy Accommodation School
Ruth Fisher Elementary District 90
Flagstaff Arts and Leadership Academy
Flagstaff Unified District 1
Florence Unified District 1
Flowing Wells Unified District 8
Ft. Huachuca Accom School
Ft. Thomas Unified District 7
Fountain Hills Unified District 98
Fowler Elementary District 45
Fredonia Moccasin Unified District 6
Gadsden Elementary District 32
Ganado Unified District 20
Gila Bend Unified District 24
Gila County Special Services
Gila Institute for Technology
Gilbert Unified District 41
Glendale Elementary District 40
Glendale UHS District 205
Globe Unified District 1
Grand Canyon Unified District 4
Greenlee Co Accommodation Sch
Griffin Foundation
Hackberry Elementary District 3
Hayden Winkelman Unified District 41
Heber Overgaard USD No. 6
Higley Elementary District 60
Hillside Elementary District 35
Holbrook Unified District 3
Hope Schools
Humboldt Unified District 22
Hyder Elementary District No. 16
Indian Oasis Baboquivari 40
Isaac Elementary District 5
J.O. Combs Elementary District 44
Joseph City Unified District 2
Juniper Tree Academy
Juvenile Justice System Sch
Kayenta Unified District 27
Kingman Elementary District 4
Kirkland Elementary District 23
Klondyke School District 09
Kyrene Elementary District 28
Lake Havasu Unified District 1
Laveen Elementary District 59
Liberty Elementary District 25
Litchfield Elementary District 79
Littlefield Elementary District 9
Littleton Elementary District 65
Luz Academy of Tucson
Madison Elementary District 38
Maine Cons. Elementary District 10
Mammoth San Manuel Unified District 8
Marana Unified District 6
Maricopa Unified District 20
Mary O'Brien Accommodation Sch
Mayer Unified District 43
McNary Elementary District 23
McNeal Elementary District 55
Mesa Unified District 4
Miami Unified District 40
Mingus UHS District 4
Mobile Elementary District 86
Mohave Educational Svcs Coop
Mohave UHS District 30
Mohave Valley Elementary District 16
Mohawk Valley Elementary District 17
Morenci Unified District 18
Morristown Elementary District 75
Murphy Elementary District 21
Naco Elementary District 23
Nadaburg Elementary District 81
Navajo County Accommodation Schools
Nogales Unified District 1
Oracle Elementary District 2
Osborn Elementary District 8
Owens Whitney Elementary District 6
Page Unified District 8
Palo Verde Elementary District 49
Paloma Elementary District 94
Palominas Elementary District 49
Paradise Valley District 69
Parker Unified District 27
Patagonia Elementary District 6
Patagonia UHS District 20
Payson Unified District 10
Peach Springs Elementary District 8
Peach Springs High School 7
Pearce Elementary District 22
Pendergast Elementary District 92
Peoria Unified District 11
Phoenix Elementary District 1
Phoenix UHS District 210
Picacho Elementary District 33
Pima County Adult Education
Pima Unified District 6
Pine Elementary District 12
Pinon Unified District 4
Pomerene Elementary District 64
Prescott Unified District 1
Quartzsite Elementary District 4
Queen Creek Unified District 95
Rainbow School
Ray Unified District 3
Red Mesa Unified District 27
Red Rock Elementary District 5
Riverside Elementary District 2
Roosevelt Elementary District 66
Round Valley Unified District 10
Rural Education Alternative Program
Sacaton Elementary District 18
Safford Unified District 1
Sahuarita Unified District 30
St. David Unified District 21
St. Johns Unified District 1
Salome Cons. Elementary District 30
San Carlos Unified District 20
San Fernando Elementary District 35
San Simon Unified District 18
Sanders Unified District 18
Santa Cruz Elementary District 28
Santa Cruz Valley District 35
Santa Cruz Valley UHS District 840
School To Work Programs
Scottsdale Unified District 48
Sedona Oak Creek School District 9
Seligman Unified District 40
Sentinel Elementary District 71
Show Low Unified District 10
Sierra Vista Unified District 68
Skull Valley Elementary District 15
Small Schools Service Program
Snowflake Unified District 5
Solomonville Elementary District 5
Somerton Elementary District 11
Sonoita Elementary District 25
Stanfield Elementary District 24
Sunnyside Unified District 12
Superior Unified District 15
Tanque Verde Unified District 13
Tempe Elementary District 3
Tempe UHS District 213
Thatcher Unified District 4
Tolleson Elementary District 17
Tolleson UHS District 214
Toltec Elementary District 22
Tombstone Unified District 1
Tonto Basin School District 33
Topock Elementary District 12
Tuba City Unified District 15
Tucson Unified District 1
Union Elementary District 62
Vail Elementary District 20
Valentine Elementary District 22
Valley UHS District 22
Vernon Elementary District 9
Villa Oasis Inter School
Walnut Grove School District
Washington Elementary District 6
Wellton Elementary District 24
Wenden Elementary District 19
Whiteriver Unified District 20
Wickenburg Unified District 9
Willcox Unified District 13
Williams Unified District 2
Williamson Valley Elementary District 2
Wilson Elementary District 7
Window Rock Unified District 8
Winslow Unified District 1
Yarnell Elementary District 52
Yavapai County Accommodation School District 99
YESS Small Schools
Young Elementary District 5
Yuma County Accommodation School
Yucca Elementary District 13
Yuma Elementary District 1
Yuma UHS District 70

Charter Schools

Accelerated Learning Center
Accelerated Learning Center Laboratory
Acclaim Charter School
Academy of Excellence, Inc
Academy of Tucson
Adalberto Guerrero Middle School
Aha McCav High School
American Heritage Academy Charter School
Amerischools
Arizona Career Academy
Arizona Charter Academy
Arizona Community Development
Arizona Montessori Charter School
Arizona School for the Arts
Arizona Southwest Preparatory Academy
AZ Agribusiness and Equine Center Charter School
AZ Institute of Business and Technology (AIBT)
Aztec Academy
Aztlan Academy, Inc
Basis Middle School
Benchmark Elementary
Benjamin Franklin Charter School
Burke Basic Charter School
Canyon Rose Academy
Career Pathways Academy
Carmel Comm. Arts and Technology Charter School
Carpe Diem Collegiate High School Charter
Casey Country Day Charter School
CAVIAT School
Central Arizona Valley Inst of Technology
Challenge School, Inc
Charter Foundation, Inc
Children Reaching for the Sky
Chester Newton Charter and Montessori School
Choice Education and Development Corp
CI Wilson Academy
Clearview Central Arizona Charter School
Country Gardens Charter School
Davis Education Center
Desert Mosaic School
Desert Technology High School
Desert Rose Academy
Desert Springs Academy Charter School
Destiny Schools, Inc
Discovery Academy of St. Johns
Discovery Plus Academy Charter School
Dobson Academy
Dragonflye Charter School
EAGLE Academy Charter School
Eagles Aerie Schools
East Valley Academy Charter School
Ecotech Agricultural Charter School
Edge Charter School
EDU Preneurship Charter School
EDU-Prize Charter School
Enterprise Academy Charter School
Esperanza Montessori Academy
Excalibur Charter School
Excel Educations Centers Inc
Entity Z Accounts
Flagstaff Arts and Leadership Academy
Flagstaff Jr. Academy Charter School
Franklin Phonetic Primary School
Future Development Corp
Gan Yaladeem, the Looking Glass
Genesis Academy Charter School
Gila County Transition Charter School
Gila Preparatory
G.R.A.D.E. Charter School
Great Expectation Charter School
Happy Valley School, Inc
Ha:San Preparatory and Leadership School
Heritage Academy Inc
Horizon Community Learning Center
Humanities and Science Institute Inc
Intelli-School Charter School
International Commerce Institute Inc
JWJ Academy
James Sandoval Preparatory High School
Juniper Tree Academy
Khalsa Charter School
Killip Dual Language Charter School
Kingman Academy of Learning
Lake Havasu Charter School
Lake Powell Academy Inc
Learning Crossroads Basic Academy
Learning Institute
Life Skills Center of Arizona
Masada Charter School, Inc
Metropolitan Arts Institute
Mexicayotl Academy
Mingus Mountain Academy
Mingus Springs Charter School
Mohave Accelerate Learning Center
Mountainaire Academy
Mountain Rose Academy, Inc
Mountain Oak School Charter School, Inc
Multi-Dimensional Literacy Corp
New School for the Arts Middle School
New West Charter School
Noah Webster Basic School
Northern Arizona Voc. Institute of Technology
Northland Preparatory Academy
North Point Prepatory
North Star Charter School
Painted Pony Ranch Charter School
Paradise Education Center
Paramount Academy
Park View Middle School
Pathfinder Academy
Pathways Charter Schools, Inc
Paulden Elementary School
PCAE-Edge
Pinnacle Education Schools
Peak School, Inc
Phoenix Academy of Performing Arts South
Phoenix School of Academic Excellence
Pima Prevention Partnership
Pimeria Alta Learning Center
Pine Forest Charter School
Point Educational Services
Presidio High School
Project YES Middle School, LLC
Redwood Education Academy
Renaissance Education Consort, Inc
Rolling Hills Charter
Salt River Pima-Maricopa Indian Charter Sch
Scholars' Academy Charter School
Scottsdale Educational Enrichment School
Scottsdale Institute for the Arts
Sedona Charter School
Self Development Charter School
Sequoia Charter School
Sequoia Choice School, LLLP
Sequoia School LLC Charter School
Sequoia Ranch School
Sequoia School for the Deaf and Hard of Hearing
Sequoia Village School
Sierra Oaks Schools
Skyline Technical High School
Skyview Charter School
Sonoran Desert School
Southern AZ Community Academy Charter School
Southside Community School
Stepping Stones Academy
Sunnyside Charter and Montessori School
Superior School
Tag Elementary Inc
Tolani Lake Elementary Sch Academy
Telesis Center for Learning, Inc
Tertulia Charter School
Tolchi' Kooh Charter School Inc
Tri-City Prep High School
Tri-City Vo-Tech High School
Tucson Country Day School
Tucson Preparatory School
Triumphant Learning Center
Valley Academy Inc
Valley Academy for Career and Technology Ed
Ventana Academic School
Visions Unlimited Academy Inc
Westmark High Schools
Westwind Academy
Wilson High School
Young Scholars Academy Charter School Corp

Colleges and Universities

Arizona Western College
Central Arizona College
Cochise College
Coconino County Community College
Eastern Arizona College
Maricopa County Community Colleges
Mohave Community College
Northland Pioneer College
Pima Community College
Yavapai College
Arizona State University
Northern Arizona University
University of Arizona

Cities and Towns

City of Apache Junction
City of Avondale
City of Benson
City of Bisbee
City of Camp Verde
City of Carefree
City of Casa Grande
City of Chandler
City of Coolidge
City of Cottonwood
City of Douglas
City of Eagar
City of El Mirage
City of Eloy
City of Flagstaff
City of Glendale
City of Globe
City of Goodyear
City of Holbrook
City of Kingman
City of Lake Havasu
City of Litchfield Park
City of Mesa
City of Nogales
City of Oro Valley
City of Peoria
City of Prescott
City of Safford
City of San Luis
City of Scottsdale
City of Show Low
City of Sierra Vista
City of Somerton
City of South Tucson
City of Surprise
City of Tempe
City of Tolleson
City of Tombstone
City of Willcox
City of Williams
City of Winslow
City of Yuma
Town of Buckeye
Town of Camp Verde
Town of Carefree
Town of Chino Valley
Town of Clarkdale
Town of Clifton
Town of Duncan
Town of Eager
Town of Florence
Town of Fredonia
Town of Gila Bend
Town of Gilbert
Town of Guadalupe
Town of Hayden
Town of Kearny
Town of Miami
Town of ParadiseValley
Town of Parker
Town of Patagonia
Town of Pima
Town of Queen Creek
Town of Sahuarita
Town of Snowflake
Town of Springerville
Town of Superior
Town of Taylor
Town of Thatcher
Town of Wellton
Town of Wickenburg
Town of Youngtown

Counties

Apache County
Cochise County
Coconino County
Gila County
Graham County
Greenlee County
Maricopa County
Mohave County
Navajo County
Pima County
Pinal County
Santa Cruz County
Yavapai County
Yuma County

Miscellaneous

Apache Jct. Fire District
Arizona Association of Counties
Arizona City Sanitary District
Arizona Counties Insurance Pool
Arizona Interscholastic Association
Arizona Prosecuting Attorney Advisory Council
Avra Valley Fire District
Buckeye Valley Fire District
Buckeye Water Conservation and Drainage District
Bullhead City Fire District
Central Arizona Project
Central Yavapai Fire District
Chino Valley Fire District
Christopher Kohls Fire District
City of Eloy Housing Authority
City of Yuma Housing Authority
Colorado River Sewage System
County Supervisors Association of Arizona
Crown King Fire District
Diamond Star Fire District
Drexel Heights Fire District
El Frida Fire District
Fire District of Sun City West
Flagstaff Housing Authority
Fort Mojave Mesa Fire Department
Gila Resources
Grand Canyon Airport Authority
Green Valley Domestic Water
Golder Ranch Fire District
Harquahala Valley Irrigation District
Heber-Overgaard Fire District
Kino Community Hospital
Lakeside Fire District
Marana Domestic Water Impr District
Maricopa Integrated Health System
Maricopa Water District
Metropolitan Domestic Water Impr Dist
Montezuma-Rimrock Fire District
New Magma Irrigation and Drainage District
Northern Apache Co. Special Healthcare
Northwest Fire District
Picture Rock Fire District
Pima Home Health
Pinewood Fire District
Pinewood Sanitary District
Pinewood Volunteer Fire District
Ponderosa Domestic Water Impr District
Posada del sol Health
Puerco Valley Fire District
Queen Valley Domestic Water Impr District
Queen Valley Sanitary District
Roosevelt Irrigation District
San Carlos Irrigation and Drain
Sedona-Oakcreek Airport Authority, Inc
State of Arizona
Sun City Fire District
Sun Lakes Fire District
Summit Fire District
Superstition Mtn Community Facilities Dist
Tourism and Sports Authority
Tucson Airport Authority
Tusayan Fire District
Verde Valley Fire District
Water Utilities Community District
Western Arizona Council of Governments
Whetstone Fire District
Williams Gateway Airport Authority
Yuma County Airport Authority
Yuma Mesa Irrigation District

Current Public Employer Retirement Plans

PSPRS Participating Entities

State Government

Arizona State University Campus Police
Arizona State Attorney General
Arizona State Capitol Police

Department of Emergency and Military Affairs
Department of Game & Fish
Department of Public Safety
Department of Liquor License and Control
Northern Arizona University Campus Police
Tucson Airport Authority Fire

Tucson Airport Authority Police
University of Arizona Campus Police

County Government

Apache County Sheriffs
Cochise County Sheriffs
Coconino County Sheriffs
Gila County Sheriffs

Graham County Sheriffs
Greenlee County Attorney Investigators
Greenlee County Sheriffs

La Paz County Attorney Investigators
La Paz County Sheriffs
Maricopa County Attorney Investigators
Maricopa County Sheriffs
Mohave County Sheriffs
Navajo County Attorney Investigators
Navajo County Sheriffs
Pima County Attorney Investigators
Pima County Community College Police
Pima County Sheriffs
Pinal County Sheriffs
Santa Cruz County Deputies
Yavapai County Attorney Investigators
Yavapai County Sheriffs
Yuma County Sheriffs

City Government

Apache Junction Fire District
Apache Junction Police
Avondale Fire
Avondale Police
Benson Police
Bisbee Fire
Bisbee Police
Buckeye Police
Bullhead City Fire
Bullhead City Police
Camp Verde Marshals
Casa Grande Fire
Casa Grande Police
Chandler Fire
Chandler Police
Chino Valley Fire
Chino Valley Police
Clarkdale Police
Clifton Fire
Clifton Police
Coolidge Police
Cottonwood Fire
Cottonwood Police
Douglas Fire
Douglas Police
Eager Police
El Mirage Fire
El Mirage Police
Eloy Police
Flagstaff Fire
Flagstaff Police
Florence Fire
Florence Police
Fountain Hills Marshals
Fredonia Marshals
Gilbert Fire
Gilbert Police
Glendale Fire
Glendale Police
Globe Fire

Globe Police
Goodyear Fire
Goodyear Police
Guadalupe Fire
Hayden Police
Holbrook Police

Kearny Police
Kingman Fire
Kingman Police
Lake Havasu Fire
Lake Havasu Police

Mammoth Police
Marana Marshals
Mesa Fire
Mesa Police

Miami Police
Nogales Fire
Nogales Police

Oro Valley Police
Page Fire
Page Police
Paradise Valley Police
Parker Police
Patagonia Marshals
Payson Fire
Payson Police
Peoria Fire
Peoria Police
Phoenix Fire
Phoenix Police
Pima Police
Pinetop-Lakeside Police
Prescott Fire
Prescott Police
Prescott Valley Police
Quartzsite Marshals
Safford Police

Sahuarita Police
San Luis Fire
San Luis Police
Scottsdale Police
Sedona Fire District
Sedona Police
Showlow Fire
Showlow Police
Sierra Vista Fire
Sierra Vista Police
Snowflake Police
Somerton Fire
Somerton Police
South Tucson Fire
South Tucson Police
Springerville Police
St. Johns Police
Superior Police
Surprise Fire
Surprise Police
Tempe Fire
Tempe Police
Thatcher Police
Tolleson Fire
Tolleson Police
Tombstone Police
Tucson Fire
Tucson Police
Wellton Marshals
Wickenburg Police
Wilcox Police
Williams Police
Winslow Fire
Winslow Police
Youngtown Police
Yuma Fire
Yuma Police

Tribal Government

Fort McDowell Tribal Fire
Fort McDowell Tribal Police
Gila River Fire

Gila River Police
Salt River Pima-Maricopa Fire
Salt River Pima-Maricopa Police

Fire Districts

Avra Valley Fire District
Buckskin Fire District
Central Yavapai Fire District
Daisy Mountain Fire District
Drexel Heights Fire District

Fort Mojave Mesa Fire District
Fry Fire District
Golden Valley Fire District
Golder Ranch Fire District

Green Valley Fire District
Hualapai Valley Fire District
Lakeside Fire District

Mayer Fire District
Mohave Valley Fire District
Northwest Fire District
Picture Rocks Fire District
Pine-Strawberry Fire District
Pinetop Fire District
Sun City Fire District
Sun City West Fire District
Sun Lakes Fire District
Three Points Fire District
Tubac Fire District

CORP Participating Entities

State Government

DEPARTMENT OF CORRECTIONS
DEPARTMENT OF JUVENILE CORRECTIONS

County Government

APACHE COUNTY
COCHISE COUNTY
COCONINO COUNTY
MARICOPA COUNTY
MOHAVE COUNTY

NAVAJO COUNTY
PIMA COUNTY
PINAL COUNTY
PINAL COUNTY - DISPATCHERS
SANTA CRUZ COUNTY

YAVAPAI COUNTY
YUMA COUNTY

City Government

TOWN OF ORO VALLEY

EORP Participating Entities

State Government

STATE OF ARIZONA

County Government

APACHE COUNTY
COCHISE COUNTY
COCONINO COUNTY
GILA COUNTY
GRAHAM COUNTY

GREENLEE COUNTY
LA PAZ COUNTY
MARICOPA COUNTY
MOHAVE COUNTY
NAVAJO COUNTY

PIMA COUNTY
PINAL COUNTY
SANTA CRUZ COUNTY
YAVAPAI COUNTY

YUMA COUNTY

City Government

CITY OF APACHE JUNCTION
CITY OF AVONDALE
CITY OF CHANDLER
CITY OF FLAGSTAFF
CITY OF GLENDALE
CITY OF GLOBE
CITY OF MESA
CITY OF PEORIA
CITY OF PHOENIX
CITY OF SCOTTSDALE
CITY OF SAFFORD
CITY OF SOUTH TUCSON
CITY OF TEMPE
CITY OF TOLLESON
CITY OF TUCSON
CITY OF YUMA
TOWN OF THATCHER

UORP Participating Entities

Arizona State University
The University of Arizona
Arizona State University West

Northern Arizona University
Arizona Board of Regents

Category	Option #1 All in ADOA	Option #2 All Retirees in One	Option #3 Stay in Employer Plan Until 65	Option #4 Contribution Rate to Healthcare
Administrative				
Implementation Issues & questions	• Are retirees mandated into these plans, or would they be merely an option? • Would this be retroactive or prospective? • Would retirees previously opting for individual coverage or spouse plans be allowed in? • Would retirees not enrolled be allowed to enroll at a specified date? • If an option, numerous other systems still exist and complexity is not solved. • Need to address complexity of gathering data from multiple entities to assess eligibility, premium benefit vesting, etc.		• Would there be an exception for public employers under a certain size? • Moderate-to-high effort to implement depending on employer size, and number of retirees enrolling in employer plan.	• Need to consider philosophy for premium benefit amount: – Service – Profession or risk exposure – Tie to lowest cost plan – % of premium • Pension and premium contributions have increased from 2% each employer/employee to 5.2% each on 7/1/2003 and go to 7.75% each on 7/1/2005. Introducing another increase on top of this will not be well received. • Current statutes require equal employer match of any employee contribution.
Insured Pool	• ADOA is self-funded. Pool would increase, but so would demographic risk (see below).	• Would this pool be retirees only, or actives blended with retirees? • If this option is retroactive, pool would become the largest state retiree plan. • Other pools would shrink (ADOA) or be replaced. (See Demographic Risk below.)	• Pool would increase, but so would demographic risk for employer plan (see below). • ASRS would experience decreases in non-Medicare enrollees.	Not Applicable

Category	Option #1 All in ADOA	Option #2 All Retirees in One	Option #3 Stay in Employer Plan Until 65	Option #4 Contribution Rate to Healthcare
Funding	• Currently, ADOA is self-funded. State would need to evaluate ongoing funding approach with new arrangement. • Contributions from participating employers would need to be established to offset cost of their retirees.	• State would need to evaluate ongoing funding approach with new arrangement; i.e. self-funding vs. fully-insured. • Contributions from participating employers would need to be established to offset cost of their retirees.	• State would need to decide whether or how much of a premium benefit retirees would continue to receive. If left to the employer, retiree contributions could vary substantially. • Some employers would most likely demand financial assistance from the State in paying for retiree health care.	• A contribution of ____% to ____% would be needed to increase the average premium benefit for retirees under 65 to $____ for single and $____ for family; and for 65 and over to $ ___ single and $___ family. • If this becomes an offset to the pension contribution rather than an addition contribution, this would increase the unfunded pension liability.
Administration	• ADOA is not currently staffed to administer influx of retirees • ADOA staff focus would be divided between ADOA actives and retirees, and other public employer retirees.	• State would need to select appropriate administrative entity & assure capacity. Would this be ASRS?	• Employers would take on additional administrative burden.	• Minimal additional administration issues.
Benefit Plan Design Impacts				
Benefit Design	• For ease of administration, number of benefit plan options would need to be consolidated.		• Employer retiree benefits plan design may need modification, depending on cost impact.	Not Applicable
Benefit Reductions	• Evaluation of any benefit reductions would have to be made to prevent impairment of any contractually protected health benefits. • Even if no contractually protected benefit provisions exist, any reduction in benefits would have an adverse impact on retirees.			Not Applicable

Category	Option #1 All in ADOA	Option #2 All Retirees in One	Option #3 Stay in Employer Plan Until 65	Option #4 Contribution Rate to Healthcare
Benefit Enhancements	• State should evaluate any resulting benefit enhancements which would increase plan costs and reduce or eclipse expected cost savings or administrative savings. • Unless contractual impairment issues are dealt with by grandfathering certain participants, the resulting plan design would be the highest level of contractually obligated plan designs. Additionally, there would be restrictions on future plan design changes.			• Only to the extent that the contribution for future health benefits curbs the necessity to reduce future health plan benefits.
Eligibility Changes	• ADOA would be required to change eligibility rules to allow participation of employees of other entities.	• Participating entities would transfer eligibility to the state plan for retirees.	• Employers would be required to change eligibility rules to allow participation of early retirees.	Not Applicable
Contract Issues				
Employer Benefit Obligations	• The nature of the current plans' benefit promises should be reviewed to determine whether there are any contract rights that are protected from modification. If so, then steps will need to be taken to have the new plan designed to prevent the impairment of contractually protected retiree health benefits of active employees and retirees.			• Evaluation must be made of pension funding obligations before any decision to convert any portion of the pension funding contribution to health plan contributions.
Insurance contracts	• ADOA would need to review any impact on contracts with health plan administrative services organizations, stop loss carriers, and pharmacy benefit managers.	• If the single health insurance program is for retirees only, some carriers may not want to take on the demographic risk unless they also insure actives under a separate insurance contract.	• Employer insurance contracts would need to be revised to include retirees. • Some contracts might not renew if demographic risk is too great.	NA

Category	Option #1 All in ADOA	Option #2 All Retirees in One	Option #3 Stay in Employer Plan Until 65	Option #4 Contribution Rate to Healthcare
Cost Shift	• If active employees were included, state would need to decide whether to blend active and retiree rates. • Changes to existing (legislation/state constitution) would need to be made to allow blending of non-state retirees with state active employees. • The cost shift to ADOA would be ____ unless participating entities make supporting contributions to the DOA. The cost shift impact to active ADOA employees is approximately _____ if premiums are blended. Cost shift from other public employee retiree health systems varies by system. See Exhibit ( ).	• Cost shift impact to new retirement system would be ____ unless participating entities make supporting contributions to the retiree health plan. Cost shift from other public employee retiree health systems varies by system. See Exhibit ( ). • Loss of active employee subsidy raises average PEPM by ____.	• Employers would need to decide whether to blend active and retiree rates. • To the extent that employers were allowing early retirees to elect COBRA and were charged 102% of active premium, any reduction in retiree contributions would be an additional expense to the plan. • If retirees are blended with active employees, cost shifting could affect active employee contributions negatively.	• In order to fund both current health plan obligations and future obligations, costs would be increased to employers and/or active employees.

Category	Option #1 All in ADOA	Option #2 All Retirees in One	Option #3 Stay in Employer Plan Until 65	Option #4 Contribution Rate to Healthcare
Economies and Efficiencies of Scale	• ADOA health plan becomes larger with more leveraging power for pricing, etc. • Greater benefit consistencies. • If this is the only retirement health care plan, administration would be more efficient.	• Larger plan, with greater leverage. • Greater benefit consistencies. • Some insurers may be hesitant to cover retiree-only population. Premiums will be higher than for blended population. • Greater administrative efficiency.	• No administrative efficiencies achieved since all current retiree health care systems continue. • No real leverage for employers since population only grows with less desirable risk.	• No change to size or administration.
Federal and State Tax Law Issues	• Retiree health insurance coverage provided by the new plan will need to be reviewed to make sure the taxation of such is acceptable under federal and State law. • Federal law may limit the ability to transfer assets held in retiree health benefits trusts under the existing plans if such are established under IRC §501(c)(9) or §401(h). • If an IRC §501(c)(9) trust is used for any of the existing plans, any amendment implementing this option may require federal filings to take place. • If pre-tax employee contributions are desired as part of the option, legal counsel's opinion and possibly and IRS ruling request should be considered before implementation.			
Funding Methodology	NA	NA	NA	Contribution strategy & implications; pre or post-tax; pension actuarial funding issues.

Category	Option #1 All in ADOA	Option #2 All Retirees in One	Option #3 Stay in Employer Plan Until 65	Option #4 Contribution Rate to Healthcare
Other Economic Impacts				
Demographic Risk	• This option increases the retiree-to-active ratio in the plan as well as the average participant age. Overall per-employee/retiree costs would increase to the extent that the demographic factors were affected.	• This option produces a plan with the highest risk group. Without any active employee subsidization, premiums would trend at a higher rate than those of plans which blend the actives and retirees.	• This option increases the retiree-to-active ratio in the employer plans as well as the average participant age. Overall per-employee/retiree costs would increase to the extent that the demographic factors were affected. • Depending on whether this option was prospective or retrospective, the impact would be gradual or immediate.	Not Applicable
	• Integration with Medicare offers an opportunity to lower premiums because of lower costs for Medicare-eligible retirees.			
Existing Purchasing Pools	• Other blended plans or purchasing collectives which include retirees would end up with a better demographic risk if all retirees were moved to the ADOA plan. • To the extent that these existing blended plans had a better demographic risk profile than the resulting ADOA plan, costs would be shifted from these collectives/plans to the ADOA plan.	• Other blended plans or purchasing collectives which include retirees would end up with a better demographic risk if all retirees were moved to the new plan. • To the extent that these existing blended plans had a better demographic risk profile than the resulting new plan, costs would be shifted from these collectives/plans to the new plan.	Not Applicable	Not Applicable

Category	Option #1 All in ADOA	Option #2 All Retirees in One	Option #3 Stay in Employer Plan Until 65	Option #4 Contribution Rate to Healthcare
Second Tier Services	• These options would promote greater administrative efficiency by limiting the market for second-tier service providers such as brokers, consultants and advisors, plan administrators, and possibly even carriers.		• The same number of plan administrators and options would continue to exist, having limited effect on second tier services.	
Stakeholder Opposition				
Employers	• ADOA will most likely not want to take on the added demographic risk and administration required of this option. • Most employers and administrative entities will probably agree to "let go" of their retiree population. However, some, with very paternalistic cultures, may resist.	• Most employers and administrative entities will probably agree to "let go" of their retiree population. However, some, with very paternalistic cultures, may resist.	• Employers will have strong resistance to this option.	• Employers will have strong resistance to higher contribution amounts.
Employees	• To the extent that premium or trend is reduced for non-ADOA entities, employees will benefit from lower out-of-pocket costs. • If premiums are blended between retirees and ADOA employees, ADOA employees will resist higher premium contributions.	• To the extent that premium or trend is reduced for active employees, they will benefit from lower out-of-pocket costs.	• If premiums are blended between retirees and active employees, employees will resist higher premium contributions.	• Employees will have strong resistance to higher contribution amounts.

Category	Option #1 All in ADOA	Option #2 All Retirees in One	Option #3 Stay in Employer Plan Until 65	Option #4 Contribution Rate to Healthcare
Retirees	• Change in current system will be a difficult adjustment. • If premiums and benefits are enhanced or at least less costly, retirees should react favorably.		• Remaining in the same system until 65, may be an easier adjustment than other options. • If employer plans have to reduce benefits or increase premiums to afford retirees, there will be a negative impact to retirees.	• Funding future health plan benefits will help hold overall out-of-pocket costs down for retirees.
Retirement Systems	• Consolidation of current public employee retiree health administration systems could occur (ASRS and PSPRS).		• Current public employee retiree health administration systems would still be needed for the post-65 retirees.	• Limited impact to current retirement systems.
Federal and State Legal & Regulatory Issues				
Medicare Modernization	Effective January 1, 2006, plan design implications for Medicare retirees are: 1. Fill in gaps (the "donut hole") in Part D as defined by law. 2. Provide actuarially equivalent or richer Prescription Drug Plan. 3. Reduce plan benefits by amounts payable under Part D (whether or not retirees are enrolled in Part D). 4. Subsidize all, some, or none of Part D premium. There are possible plan savings consequences for 1 and 3.			Not Applicable
COBRA	• Allows qualified beneficiaries to continue health coverage because of certain "qualifying events" that would otherwise result in the loss of coverage • Would need to resolve whether the new plan be required to take over responsibility of providing COBRA health insurance continuation coverage provided by the existing plans. • If yes, would need to analyze whether the new plan would be required to match the prior COBRA benefits and premium levels offered by the existing plans.			Not Applicable

Category	Option #1 All in ADOA	Option #2 All Retirees in One	Option #3 Stay in Employer Plan Until 65	Option #4 Contribution Rate to Healthcare
HIPAA	• If any of the existing plans are self-funded, have any of them exercised the opt-out election exempting them from compliance with the HIPAA requirements? • How will the new plan handle HIPAA and related law coverage if such is different than that offered by the existing plans? • Helps individuals moving from one employer to another to access and maintain health coverage; limits pre-existing condition limitations by new employers; and sets privacy and security obligations for protected health information. • Applies to all insured programs and to State and local government self-funded plans unless the government entity exercised its "opt-out" election. • The new plan will need to take steps to secure compliance with participant health data protected under federal privacy laws – particularly for the transition phase as the new plan is implemented.			Not Applicable
Federally Mandated Benefits	• Public Health Services Act §2207: Coverage for pediatric vaccines may not be reduced below the coverage provided as of May 1, 1993 • Mental Health Parity Act: (MHPA) Annual or lifetime dollar limits for medical/surgical benefits must also apply to mental health benefits. • Women's Health and Cancer Rights Act (WHCRA): Coverage for mastectomies to provide for required breast reconstruction benefits • Newborns' and Mothers' Health Protection Act of 1996 (NMHPA): Establishes minimum hospital coverage benefits after childbirth. • The new plan(s) will need to comply with these federal mandated benefit laws.			Not Applicable
Medicare secondary payer (MSP) rules	• Specifies when a group health plan may pay primary and when it may pay secondary when an individual is also covered Medicare. The MSP rules also limit the ability of a retiree medical plan to take into account an individual's eligibility for end-state renal disease (ESRD) coverage under Medicare. • The MSP rules will not generally apply to retired employees except for the ESRD coverage requirements.			Not Applicable
USERRA	• Uniformed Services Employment and Reemployment Rights Act (USERRA). Establishes rights of eligible veterans returning to covered employment to reinstatement to employer provided health insurance coverage.			• May require ability to make up contributions missed while serving.

Category	Option #1 All in ADOA	Option #2 All Retirees in One	Option #3 Stay in Employer Plan Until 65	Option #4 Contribution Rate to Healthcare
ADEA	• Age Discrimination in Employment Act (ADEA): Prohibits discrimination against individuals who are age 40 years or older. • The Third Circuit in the Erie County Retirees Association v. County of Erie, Pennsylvania) has ruled that an employer may have violated the ADEA by coordinating its retiree health plans with Medicare, so that retirees over age 65 (and Medicare-eligible) received inferior coverage than those under age 65. • The EEOC has issued proposed regulations that would exempt plans from having to comply with the Erie County decision. However, the EEOC position is not yet final. • If the EEOC exemption position does not become final, the new plan may need to be redesigned to comply with the Erie County decision. • If required, how will the new plan comply with the Erie County decision for the Medicare eligible retirees coming from the existing plans?			Not Applicable
GASB	• Requires that governmental employers measure their retiree medical liabilities, was issued in August 2004. The largest organizations will need to comply for accounting periods beginning after December 15, 2006 (or one year earlier if they pre-fund). • Accrual of postretirement benefit cost during period of active employment. • Disclosure of unfunded actuarial accrued liability in Required Supplementary Information (RSI) similar to reporting for pension benefits. • Does not require funding, only expense accrual and disclosure. However, partial funding provides for advantageous discount rate. • Liability for health care includes “implicit employer subsidies”: If retirees pay same premium rate as active employees, there is an implicit employer subsidy due to blending of claims experience. • Will cause employers to now recognize the significant cost of current and future retiree medical. obligations. As a result, some employers may look to reduce post-retirement benefit obligations.			• Under GASB, if a retiree plan is not funded, employer must use current earnings rate on employer general assets as discount rate in calculating liability. • If the plan is funded with plan assets accumulated in a trust, employers can use a higher discount rate, up to the rate of return on plan assets for at least some of the liability.

Category	Option #1 All in ADOA	Option #2 All Retirees in One	Option #3 Stay in Employer Plan Until 65	Option #4 Contribution Rate to Healthcare
State Statutes	• ARS Title 20 and related regulations: Establishes requirements for issuance and coverage for health insurance contracts in the State • The new plan will need to comply with State insurance law and regulations.		• This option requires employers to maintain coverage for under age 65 retirees. • Will State insurance laws need to be amended to help employers add retiree health coverage to the existing insurance contracts?	Legal considerations analysis
State Constitution	• Current State constitutional provision prohibits giving non-state employees any benefit that is not available to all state residents. This would prohibit rate blending of public employer retiree premiums with active ADOA employees.	Not Applicable	Not Applicable	Not Applicable
Federal and State Tax Law	Federal Internal Revenue Code (IRC) • IRC §§105 and 106 governs taxation of employer provided health insurance contributions and benefits • IRC §501(c)(9) tax-exempt employee benefits trusts • IRC §115 tax-exempt intergovernmental benefits trusts • IRC §401(h) pension plan retiree medical accounts • IRC §414(h) pre-tax employer pickup of employee contributions • IRC constructive receipt doctrine ARS Title 43, Taxation of Income Taxation of employer and employee contributions to pay for retiree health benefits and coverage will be determined under federal and State income tax laws. Generally, employer provided health coverage and benefits are not taxable to the recipient.			

Category	Option #1 All in ADOA	Option #2 All Retirees in One	Option #3 Stay in Employer Plan Until 65	Option #4 Contribution Rate to Healthcare
Federal and State Tax Law *(continued)*	If retiree health care assets are held in trust under federal law [either IRC §501(c)(9), or §401(h) trusts], such may not be used for other purposes without affecting the tax protected status of the contributions. IRC §401(h) medical account requirements may affect the tax qualified status of the underlying pension plan of which it is a part. Federal rulings under standard IRC constructive receipt doctrine and with regard to IRC §414(h) pickup provisions may provide an opportunity for pre-tax payment of employee contributions to fund retiree health benefits. Arizona State income tax laws will also affect the taxation of retiree health contributions and benefits • Retiree health insurance coverage provided by the new plan will need to be reviewed to make sure the taxation of such is acceptable under federal and State law. • Federal law may limit the ability to transfer assets held in retiree health benefits trusts under the existing plans if such are established under IRC §501(c)(9) or §401(h). • If an IRC §501(c) (9) trust is used for any of the existing plans, any amendment implementing this option may require federal filings to take place. • If pre-tax employee contributions are desired as part of the option, legal counsel's opinion and possibly and IRS ruling request should be considered before implementation.			
Related Arizona State retiree health plan laws: • ASRS • PSRS • CORP • EORP • Higher Education ORP • ADOA health plan	ASRS • ARS §38-782, 783 EORP • ARS §38-817 PSRS • ARS §38-857 CORP • ARS §38-906 Higher Education ORP • ARS §15-628 ADOA Health Plan • ARS Article 4, §38-651 et seq. These existing State laws authorize and govern the operations of the existing retiree health benefit plans provided for their eligible retirees. For each existing plan there may exist trusts or other fund accounts that hold assets and liabilities relating to the benefits each is designed to provide. • These State laws may require amendment to allow implementation of the option. • What happens to current assets and liabilities held by the retiree health trust funds or accounts of the existing plans? • Will such funds be available to pay for benefits/premiums under the new plan? • If not, what happens to these separate retiree health care trust assets?			

1. Feasibility and cost impact to Arizona and all state employees and political subdivisions of allowing all retired and disabled members and their dependents of the ASRS, the PSPRS, the CORP and the EORP to participate in the health insurance program that is administered by the ADOA for State employees. The cost impact shall consider immediate and future costs and cost shifting to all affected parties.

Current System			
	ADOA	ASRS	PSPRS/EORP/CORP
Active Participants	50,615	0	0
Retired Non-Medicare	3,383	16,623	3,183
Retired Medicare	5,371	23,552	1,672
Active Average Age	44.42	N/A	N/A
Retired Medicare Average Age	71.98	74.20	72.51
Plan Designs*:			
Plan Design 1	EPO	HMO	PPO
Plan Design 2	EPO	HMO	HMO
Benefit Cost Ratio	100%	79%	Varies
Blended Rate PEPM Active & All Retiree	$616.02	$379.90	$465.51
Average Cost Active PEPM	$601.90	$0.00	$0.00
Average Cost Retiree non-Medicare PEPM	$993.13	$530.76	$558.82
Average Cost Retiree Medicare PEPM	$511.61	$273.42	$287.88
Current Subsidies			
Subsidy 1 Non-Medicare Amount of active premium subsidizing retiree premium	$429.73	N/A	N/A
Subsidy 1 Medicare Amount of active premium subsidizing retiree premium	$83.25	N/A	N/A
Subsidy 2 Non-Medicare AZ Average Rural Subsidy	$66.76	$36.62	$41.65
Subsidy 2 Medicare AZ Average Rural Subsidy	$29.99	$31.56	$68.33
Subsidy 3 Non-Medicare Average Employer contribution toward retiree premium	$165.47	$151.18	$183.28
Subsidy 3 Medicare Average Employer contribution toward retiree premium	$82.10	$102.29	$139.75
Net avg. cost to Retiree non-Medicare PEPM	$331.17	$342.96	$333.89
Net avg. cost to Retiree Medicare PEPM	$316.27	$139.57	$79.80
Total Net cost to plan sponsor PEPM for Non-Medicare	$661.96	$187.80	$224.93
Total Net cost to plan sponsor PEPM for Medicare	$195.34	$133.85	$208.08
Total Annual Cost to Plan Sponsor	$39,462,981.84	$75,290,815.20	$12,766,343.40

Proposed Plan: (Shifting to ADOA)			
	ADOA	ASRS	PSPRS/EORP/CORP
Active Participants	50,615	0	0
Retired Non-Medicare	23,189	0	0
Retired Medicare	30,595	0	0
Active Average Age	44.42	0.00	0.00
Retired Non Medicare Average Age	58.44	0.00	0.00
Retired Medicare Average Age	73.72	0.00	0.00
Plan Designs*:			
Plan Design 1	EPO	HMO	PPO
Plan Design 2	EPO	HMO	HMO
Benefit Cost Ratio	100%	79%	Varies
Blended Rate PEPM Active & All Retiree	$662.34	$0.00	$0.00
Average Cost Active PEPM	$601.90	$0.00	$0.00
Average Cost Retiree non-Medicare PEPM	$993.13	$0.00	$0.00
Average Cost Retiree Medicare PEPM	$511.61	$0.00	$0.00
Current Subsidies			
Subsidy 1 Non-Medicare Amount of active premium subsidizing retiree premium	$62.69	$0.00	$0.00
Subsidy 1 Medicare Amount of active premium subsidizing retiree premium	$14.62		
Subsidy 2 Non-Medicare AZ Average Rural Subsidy	$41.71	$0.00	$0.00
Subsidy 2 Medicare AZ Average Rural Subsidy	$33.29		
Subsidy 3 Non-Medicare Average Employer contribution toward retiree premium	$157.67	$0.00	$0.00
Subsidy 3 Medicare Average Employer contribution toward retiree premium	$100.79		
Net avg. cost to Retiree non-Medicare PEPM	$731.06	$0.00	$0.00
Net avg. cost to Retiree Medicare PEPM	$362.91	$0.00	$0.00
Total Net cost to plan sponsor PEPM for Non-Medicare	$262.07	$0.00	$0.00
Total Net cost to plan sponsor PEPM for Medicare	$148.70	$0.00	$0.00
Total Net cost shift from current PEPM for Non-Medicare	$399.89	$0.00	$0.00
Total Net cost shift from current PEPM for Medicare	$46.64	$0.00	$0.00
Total Annual Cost to Plan Sponsor	$88,057,416.25	-$75,290,815.20	-$12,766,343.40

Future Cost Impact: Retiree Health Care			
	ADOA	ASRS	PSPRS/EORP/CORP
Total trended Plan Sponsor Cost for All Retirees per Year			
2006	$146,122,311.25		
2007	$161,410,017.78		
2008	$176,697,724.31		

2. The feasibility and cost impact to this state and retirees of establishing a single health insurance program for all retirees of these groups. The study shall provide information, including costs and benefits, from at least five other states that administer a single retire health insurance plan. The cost impact shall consider immediate and future costs and cost shifting to all affected parties.

Current System			
	ADOA	ASRS	PSPRS/EORP/CORP
Active Participants	50,615		
Retired Non-Medicare	3,383	16,623	3,183
Retired Medicare	5,371	23,552	1,672
Active Average Age	44.42	N/A	N/A
Retired Non-Medicare Average Age	58.79	58.93	55.51
Retired Medicare Average Age	71.98	74.20	72.51
Plan Designs*:			
Plan Design 1	EPO	HMO	PPO
Plan Design 2	EPO	HMO	HMO
Benefit Cost Ratio	126%	100%	Varies
Blended Rate PEPM Active & All Retiree	$616.02	$379.90	$465.51
Average Cost Active PEPM	$601.90		
Average Cost Retiree non-Medicare PEPM	$993.13	$530.76	$558.82
Average Cost Retiree Medicare PEPM	$511.61	$273.42	$287.88
Current Subsidies			
Subsidy 1 Non-Medicare Amount of active premium subsidizing retiree premium	$429.73	N/A	N/A
Subsidy 1 Medicare Amount of active premium subsidizing retiree premium	$83.25	N/A	N/A
Subsidy 2 Non-Medicare AZ Average Rural Subsidy	$66.76	$36.62	$41.65
Subsidy 2 Medicare AZ Average Rural Subsidy	$29.99	$31.56	$68.33
Subsidy 3 Non-Medicare Average Employer contribution toward retiree premium	$165.47	$151.18	$183.28
Subsidy 3 Medicare Average Employer contribution toward retiree premium	$82.10	$102.29	$139.75
Net avg. cost to Retiree non-Medicare PEPM	$331.17	$342.96	$333.89
Net avg. cost to Retiree Medicare PEPM	$316.27	$139.57	$79.80
Total Net cost to plan sponsor PEPM for Non-Medicare	$661.96	$187.80	224.93
Total Net cost to plan sponsor PEPM for Medicare	$195.34	$133.85	208.08
Total Annual Cost to Plan Sponsor	$39,462,981.84	$75,290,815.20	12,766,343.40

Proposed Plan: (Shifting to Single Plan)				
	ADOA	ASRS	PSPRS/EORP/CORP	Single Retiree Plan
Active Participants	50,615			N/A
Retired Non-Medicare	0	0	0	23,189
Retired Medicare	0	0	0	30,595
Active Average Age	44.42	0.00	0.00	N/A
Retired Non-Medicare Average Age	0.00	0.00	0.00	58.44
Retired Medicare Average Age	0.00	0.00	0.00	73.72
Plan Designs*:				
Plan Design 1	EPO	HMO	PPO	HMO
Plan Design 2	EPO	HMO	HMO	HMO
Benefit Cost Ratio	126%	100%	Varies	
Blended Rate PEPM Active & All Retiree	$0.00	$0.00	$0.00	$384.37
Average Cost Active PEPM	$601.90	$0.00	$0.00	N/A
Average Cost Retiree non-Medicare PEPM	$0.00	$0.00	$0.00	$530.76
Average Cost Retiree Medicare PEPM	$0.00	$0.00	$0.00	$273.42
Current Subsidies				
Subsidy 1 Non-Medicare Amount of active premium subsidizing retiree premium	$0.00	$0.00	$0.00	N/A
Subsidy 1 Medicare Amount of active premium subsidizing retiree premium	$0.00	$0.00	$0.00	N/A
Subsidy 2 Non-Medicare AZ Average Rural Subsidy	$0.00	$0.00	$0.00	$41.71
Subsidy 2 Medicare AZ Average Rural Subsidy	$0.00	$0.00	$0.00	$33.29
Subsidy 3 Non-Medicare Average Employer contribution toward retiree premium	$0.00	$0.00	$0.00	$157.67
Subsidy 3 Medicare Average Employer contribution toward retiree premium	$0.00	$0.00	$0.00	$100.79
Net avg. cost to Retiree non-Medicare PEPM	$0.00	$0.00	$0.00	$331.38
Net avg. cost to Retiree Medicare PEPM	$0.00	$0.00	$0.00	$139.33
Total Net cost to plan sponsor PEPM for Non-Medicare	$0.00	$0.00	$0.00	$199.38
Total Net cost to plan sponsor PEPM for Medicare	$0.00	$0.00	$0.00	$134.09
Total Net cost shift from current PEPM for Non-Medicare	$0.00	$0.00	$0.00	$62.69
Total Net cost shift from current PEPM for Medicare	$0.00	$0.00	$0.00	$14.61
Total Annual Cost to Plan Sponsor	-$39,462,981.84	-$75,290,815.20	-$12,766,343.40	$104,709,192.36

Future Cost Impact				
	ADOA	ASRS	PSPRS/EORP/CORP	Single Retiree Plan
Total trended Plan Sponsor Cost for All Retirees per Year				
2006				$130,532,879.22
2007				$141,429,211.78
2008				$155,590,309.68

Program Description

Colorado	Montana	Oregon	Utah	Washington	Georgia	Alabama
Colorado offers separate plans for their Pre Medicare and Medicare enrollees. Pre Medicare enrollees are offered three HMO plans with three different plan design options in each plan, a POS plan and two PPO plans with three different plan design options in each plan. Medicare enrollees are offered two HMO plans and three Medicare Supplement options.	Montana allows their retirees to continue with their active plan, and offer a PPO and an HMO option.	Oregon offers the same PPO and HMO health plans for their Pre Medicare and Medicare retirees and their part-time work force. The state statutes also require public employers to make their group insuance plans available to their retirees and dependents until the retiree or dependent is Medicare eligible.	Utah offers two plans for their Pre-Medicare retirees a PPO and an HMO. Pre-Medicare retirees may continue to participate with the Public Employees Health Program (PEHP) until they reach 65 provided the employer has adopted such a program in the employer contract with PEHP. They offer a separate Medicare Supplement for PPO for their Medicare retirees.	Washington allows their retirees to continue with their active plan and offers two PPOs and five HMO options. Two Medicare Supplement plans are also offered to Medicare eligibles.	Georgia allows their retirees to continue with their active plan and offer an indemnity plan, a PPO and four HMO options. A Medicare + Choice option is also offered to Medicare eligibles who reside in Atlanta.	Alabama allows their retirees to continue with their active plan, and offers a PPO option.

State Survey - Pre Medicare

Sample Plans from other States	Colorado	Montana	Oregon	Utah	Washington	Georgia	Alabama
Plan Period for Data Reported	1/1/2003 - 12/31/2004	7/01/2003 - 6/30/2004	1/1/2003 - 12/31/2004	7/01/2003 - 6/30/2004	1/1/2004 - 12/31/2005	7/1/2004 - 6/30/2005	1/1/2003 - 12/31/2004
Pre Medicare Retired Number of Eligibles		981		1,578	6,473	1,700	4,857
Pre Medicare Retiree Average Age		62		62	58	54	57
Plan Designs*:							
Plan Design 1 Type	*No HMO Offered*	*No HMO Offered*	*HMO*	*HMO*	*HMO*	*HMO*	*No HMO Offered*
Physician copay			$30	$20	$10	$15	
Specialist copay			$30	$25	$10	$20	
Inpatient Hospital			$500 admit	10%	$200 per day ($600 max annual)	$200 per stay	
Outpatient/Ambulatory Surgery			$30	5%	$100	$100	
Emergency Care			$100	$75	$75	$50	
Skilled Nursing Facility Care			No Information	10%	$200 per day ($600 max annual) 150 days allowed	0%, Covered for 45 days/year	
OOP Max			Per Individual: $1,500 Per Family: $3,000	Per Individual: $2,000 Per Family: $4,000	Per Individual: $750 Per Family: $1,500	N/A	
Lifetime Maximum			No Limit	No Limit	No Limit	$2,000,000	
Vision			Yes	No	Yes	No	
Dental			No	No	No	No	
Rx copays:			**Retail** Gen: $10 PB: $25 NPB: Not Covered **Mail Order** Gen: $20 PB: $50 NPB: Not Covered	**Retail** Gen: 25% coins PB: 30% coins NPB: 50% coins **Mail Order** Gen: 25% coins PB: 30% coins NPB: 50% coins	**Retail** Gen: $10 Brand: $30 **Mail Order** Gen: $20 Brand: $40	Gen: $10 Brand: $25 NPB: $40	

State Survey - Pre Medicare

Sample Plans from other States	Colorado	Montana	Oregon	Utah	Washington	Georgia	Alabama
Plan Design 1 Type	*PPO*	*PPO/Indemnity*	*See PPO Plan Design 2*				
Deductible In/Out	Per Individual: $500/ $1,000 Per Family: $1,500/ $3,000	Per Individual: $500 Per Family: $1,650					
Physician coins In/Out	20% after ded./ 40% after ded.	25%					
Specialist coins. In/Out	20% after ded./ 40% after ded.	25%					
Inpatient Hospital	20% after ded./ 40% after ded.	20-35%					
Outpatient/Ambulatory Surgery	20% after ded./ 40% after ded.	20-35%					
Emergency Care	20% after deductible	20-35%					
Skilled Nursing Facility Care	20% after deductible (up to 100 days) / 40% after deductible (up to 100 days)	25% (20-35% if hospital-based)					
OOP Max In/Out	Per Individual: $2,500 / $5,000 Per Family: $5,000 / $7,000	Per Individual: $2,500 Per Family: $5,000					
Lifetime Maximum In/Out	$2,000,000 combined	$1,000,000					
Vision	No	No					
Dental	20% after deductible (if result of accident) / 40% after deductible (if result of accident)	No					
Rx copays:	**Retail** $150 deductible, then 50% covered $7 min and $50 max **Mail Order** Generic: $15 copay Brand: $50 copay not subject to deductible	**Retail** Gen: 10% coins PB: 20% coins NPB: 30% coins If cost is < $10 Gen, < $18 PB, and < $26 NPB, member pays actual charge **Mail Order** Gen: $20 copay PB: $40 copay NPB: $60					

State Survey - Pre Medicare

Sample Plans from other States	Colorado	Montana	Oregon	Utah	Washington	Georgia	Alabama
Plan Design 2 Type	*PPO*	*PPO*	*PPO*	*PPO*	*PPO*	*PPO*	*PPO*
Deductible In/Out	Per Individual: $1,000 / $2,000 Per Family: $2,000 / $4,000	Per Individual: $400 / $500 Per Family: $800 / $1,000	No Information	None	**Medical** Per Individual: $200 Per Family: $600 **Pharmacy** Per Individual: $100 Per Family: $300	Per Individual: $400 / $500 Per Family: $1,200 / $1,500	First $100 of Major Medical expenses per member / 25% of charges
Physician coins In/Out	20% after ded./ 40% after ded.	$15 / 35%	20% / 50%	$25 $40 (University Medical Group)	10%	$30 copay / 40% after deductible	$25 physician or $20 nurse practioner / 20% of cost
Specialist coins. In/Out	20% after ded./ 40% after ded.	$15 / 35%	20% / 50%	$25 $40 (University Medical Group)	10%	$30 copay / 40% after deductible	$25 physician or $20 nurse practioner / 20% of cost
Inpatient Hospital	20% after ded./ 40% after ded.	25% / 35%	20% / 50%	15%	$200 per day ($600 max annual)	Ded $250 and 10% / Ded $250 and 40%	InNetwork Ded $100 w/admission of cert Ded $500 w/o admission of cert $15 copay 2nd - 5th day Out of Network 25% of charges
Outpatient/Ambulatory Surgery	20% after ded./ 40% after ded.	25% / 35%	20% / 50%	15%	10%	10% after deductible	$25 to $100 copay
Emergency Care	20% after deductible	$75 In-Network $75 Out-of-Network	20% / 50%	$75	$75 copay and 10%	$100 and 10%	$50 during normal business hours $25 any other time
Skilled Nursing Facility Care	20% after deductible (up to 100 days) / 40% after deductible (up to 100 days)	25% / 35%	Not in comparison	15%	$200 per day ($600 max annual) 150 days allowed	Not Covered	Not Covered
OOP Max In/Out	Per Individual: $5,000 / $7,000 Per Family: $7,000 / $14,000	Per Individual: $2,000 Per Family: $4,000	Per Individual: $2,000 / $4,000 Per Family: $6,000 / $12,000	Per Individual: $2,000 Per Family: $4,000	Per Individual: $1,125 Per Family: $2,250	Per Individual: $1,000 / $2,000 Per Family: $2,000 / $4,000	$400 plus Major Medical
Lifetime Maximum In/Out	$2,000,000 combined	$1,000,000	$2,000,000	No Limit	No Information	$2,000,000	$1,000,000
Vision	No	No	No	No	Yes	Yes	Yes
Dental	20% after deductible (if result of accident) / 40% after deductible (if result of accident)	No	No	No	No	Yes	Yes
Rx copays:	**Retail** $250 deductible, then 50% covered $10 min and $60 max **Mail Order** Generic: $20 copay Brand: $60 copay not subject to deductible	**Retail** Gen: 10% coins PB: 20% coins NPB: 30% coins If cost is < $10 Gen, < $18 PB, and < $26 NPB, member pays actual charge **Mail Order** Gen: $20 copay PB: $40 copay NPB: $60 copay	**Retail** Gen: $10 PB: 20% NPB: 30% **Mail** Gen: $20 PB: $40 NPB: $60 $1,000 OOP max	**Retail** Gen: 25% coins, $5 min PB: 30% coins, $5 min, NPB: 50% coins, $5 min **Mail Order** Gen: 25% coins, $5 min, $50 max PB: 30% coins, $5 min, $50 max NPB: 50% coins, $5 min	**Retail** Tier 1: 20% Tier 2: 30% Tier 3: 50% **Mail Order** Tier 1: $10 Tier 2: $40 Tier 3: $80	**Retail** Gen: $10 Brand: $25 NPB: $40	**30 day Supply** Tier 1: $10 Tier 2: $20 Tier 3: $50 **60 day Supply** Tier 1: $10 Tier 2: $25 Tier 3: $50
Average Cost Retiree non-Medicare PEPM		$461.25		$813.90		$294.00	$504.17
Any Subsidies		None		Yes	Yes	Yes	Yes
Subsidy description		None		Employer contribution	Employer and active subsidy	Employer contribution	Employer contribution
Pre Medicare Rural Retiree Subsidy Average		None		None	None	None	None
Pre Medicare Retiree Subsidy Average		None		$763.06	No	$231.00	$366.17
Net avg. cost to Retiree non-Medicare PEPM		$461.25		$50.84		$63.00	$138.00

State Survey - Disabled

Sample Plans from other States	Colorado	Montana	Oregon	Utah	Washington	Georgia	Alabama
Plan Period for Data Reported	1/1/2003 - 12/31/2004	7/01/2003 - 6/30/2004	1/1/2003 - 12/31/2004	7/01/2003 - 6/30/2004	1/1/2004 - 12/31/2005	7/1/2004 - 6/30/2005	1/1/2003 - 12/31/2004
Disabled Retired Number of Eligibles		N/A		301	N/A	N/A	N/A
Disabled Retiree Average Age		N/A		Unknown	N/A	N/A	N/A
Plan Designs*:							
Plan Design 1 Type	*No HMO Offered*	*No HMO Offered*	*HMO*	*HMO*	*HMO*	*HMO*	*No HMO Offered*
Physician copay			$30	$20	$10	$15	
Specialist copay			$30	$25	$10	$20	
Inpatient Hospital			$500 admit	10%	$200 per day ($600 max annual)	$200 per stay	
Outpatient/Ambulatory Surgery			$30	5%	$100	$100	
Emergency Care			$100	$75	$75	$50	
Skilled Nursing Facility Care			No Information	10%	$200 per day ($600 max annual) 150 days allowed	0%, Covered for 45 days / year	
OOP Max			Per Individual: $1,500 Per Family: $3,000	Per Individual: $2,000 Per Family: $4,000	Per Individual: $750 Per Family: $1,500	No information	
Lifetime Maximum			No Limit	No Limit	No Limit	$2,000,000	
Vision			Yes	No	Yes	No	
Dental			No	No	No	No	
Rx copays:			**Retail** Gen: $10 PB: $25 NPB: Not Covered **Mail Order** Gen: $20 PB: $50 NPB: Not Covered	**Retail** Gen: 25% coins PB: 30% coins NPB: 50% coins **Mail Order** Gen: 25%coins PB: 30% coins NPB: 50% coins	**Retail** Gen: $10 Brand: $30 **Mail Order** Gen: $20 Brand: $40	Gen: $10 Brand: $25 NPB: $40	

State Survey - Disabled

Sample Plans from other States	Colorado	Montana	Oregon	Utah	Washington	Georgia	Alabama
Plan Design 1 Type	*PPO*	*PPO/Indemnity*					
Deductible In/Out	Per Individual: $500/ $1,000 Per Family: $1,500/ $3,000	Per Individual: $500 Per Family: $1,650					
Physician coins In/Out	20% after ded./ 40% after ded.	25%					
Specialist coins. In/Out	20% after ded./ 40% after ded.	25%					
Inpatient Hospital	20% after ded./ 40% after ded.	20-35%					
Outpatient/Ambulatory Surgery	20% after ded./ 40% after ded.	20-35%					
Emergency Care	20% after deductible	20-35%					
Skilled Nursing Facility Care	20% after deductible (up to 100 days) / 40% after deductible (up to 100 days)	25% (20-35% if hospital-based)					
OOP Max In/Out	Per Individual: $2,500 / $3,500 Per Family: $5,000 / $7,000	Per Individual: $2,500 Per Family: $5,000					
Lifetime Maximum In/Out	$2,000,000 combined	$1,000,000					
Vision	No	No					
Dental	20% after deductible (if result of accident) / 40% after deductible (if result of accident)	No					
Rx copays:	**Retail** $150 deductible, then 50% covered $7 min and $50 max **Mail Order** Generic: $15 copay Brand: $50 copay not subject to deductible	**Retail** Gen: 10% coins PB: 20% coins NPB: 30% coins If cost is < $10 Gen, < $18 PB, and < $26 NPB, member pays actual charge **Mail Order** Gen: $20 copay PB: $40 copay NPB: $60					

State Survey - Disabled

Sample Plans from other States	Colorado	Montana	Oregon	Utah	Washington	Georgia	Alabama
Plan Design 2 Type	*PPO*	*PPO*	*PPO*	*PPO*	*PPO*	*PPO*	*PPO*
Deductible In/Out	Per Individual: $1,000 / $2,000 Per Family: $2,000 / $4,000	Per Individual: $400 / $500 Per Family: $800 / $1,000	No Information	None	**Medical** Per Individual: $200 Per Family: $600 **Pharmacy** Per Individual: $100 Per Family: $300	Per Individual: $400 / $500 Per Family: $1,200 / $1,500	First $100 of Major Medical expenses per member / 25% of charges
Physician coins In/Out	20% after ded./ 40% after ded.	$15 / 35%	15% / 30%	$25 $40 (University Medical Group)	10%	$30 copay / 40% after deductible	$25 physician or $20 nurse practioner / 20% of cost
Specialist coins. In/Out	20% after ded./ 40% after ded.	$15 / 35%	15% / 30%	$25 $40 (University Medical Group)	10%	$30 copay / 40% after deductible	$25 physician or $20 nurse practioner / 20% of cost
Inpatient Hospital	20% after ded./ 40% after ded.	25% / 35%	15% / 30%	15%	$200 per day ($600 max annual)	Ded $250 and10% / Ded $250 and 40%	InNetwork Ded $100 w/admission of cert Ded $500 w/o admission of cert $15 copay 2nd - 5th day Out of Network 25% of charges
Outpatient/Ambulatory Surgery	20% after ded./ 40% after ded.	25% / 35%	15% / 30%	15%	10%	10% after deductible	$25 to $100 copay
Emergency Care	20% after deductible	$75 In-Network $75 Out-of-Network	15% / 30%	$75	$75 copay and 10%	$100 and 10%	$50 during normal business hours $25 any other time
Skilled Nursing Facility Care	20% after deductible (up to 100 days) / 40% after deductible (up to 100 days)	25% / 35%	Not in comparison	15%	$200 per day ($600 max annual) 150 days allowed	Not Covered	Not Covered
OOP Max In/Out	Per Individual: $5,000 / $7,000 Per Family: $10,000 / $14,000	Per Individual: $2,000 Per Family: $4,000	Per Individual$1,000 / $2,000 Per Family$3,000 / $6,000	Per Individual: $2,000 Per Family: $4,000	Per Individual: $1,125 Per Family: $2,250	Per Individual: $1,000 / $2,000 Per Family: $2,000 / $4,000	$400 plus Major Medical
Lifetime Maximum In/Out	$2,000,000 combined	$1,000,000	$2,000,000	No Limit	No Information	$2,000,000	$1,000,000
Vision	No	No	Yes	No	No	Yes	Yes
Dental	20% after deductible (if result of accident) / 40% after deductible (if result of accident)	No	No	No	No	Yes	Yes
Rx copays:	**Retail** $250 deductible, then 50% covered $10 min and $60 max **Mail Order** Generic: $20 copay Brand: $60 copay not subject to deductible	**Retail** Gen: 10% coins PB: 20% coins NPB: 30% coins If cost is < $10 Gen, < $18 PB, and < $26 NPB, member pays actual charge **Mail Order** Gen: $20 copay PB: $40 copay NPB: $60 copay	**Retail** Gen: $10 PB: $15 NPB: 25	**Retail** Gen: 25% coins PB: 30% coins NPB: 50% coins **Mail Order** Gen: 25% coins PB: 30% coins NPB: 50% coins	**Retail** Tier 1: 20% Tier 2: 30% Tier 3: 50% **Mail Order** Tier 1: $10 Tier 2: $40 Tier 3: $80	**Retail** Gen: $10 Brand: $25 NPB: $40	**30 day Supply** Tier 1: $10 Tier 2: $20 Tier 3: $50 **60 day Supply** Tier 1: $10 Tier 2: $25 Tier 3: $50
Average Cost Retiree non-Medicare PEPM		N/A		$812.74	N/A	N/A	N/A
COB with Medicare		N/A		N/A	N/A	N/A	N/A
Any Subsidies		N/A		Yes	N/A	N/A	N/A
Subsidy 1 description		N/A		Employer contibution	N/A	N/A	N/A
Disabled Rural Retiree Subsidy Average		N/A		None	N/A	N/A	None
Disabled Retiree Subsidy Average		N/A		$762.71	N/A	N/A	N/A
Net avg. cost to Retiree non-Medicare PEPM		N/A		$50.03	N/A	N/A	N/A

State Survey - Medicare

Sample Plans from other States	Colorado	Montana	Oregon	Utah	Washington	Georgia	Alabama
Plan Period for Data Reported	1/1/2003 - 12/31/2004	7/01/2003 - 6/30/2004	1/1/2003 - 12/31/2004	7/01/2003 - 6/30/2004	1/1/2004 - 12/31/2005	7/1/2004 - 6/30/2005	1/1/2003 - 12/31/2004
Medicare Retired Eligibles		2,252		4,249	2,777	450	9,988
Medicare Retiree Average Age		69		74	73	68	72
Plan Designs*:							
Plan Design 1 Type	*No HMO Offered*	*No HMO Offered*	*HMO*	*No HMO Offered*	*HMO*	*HMO*	*No HMO Offered*
Physician copay			$30		$10	$15	
Specialist copay			$30		$10	$20	
Inpatient Hospital			$500 admit		$200 per day ($600 max annual)	$200 per stay	
Outpatient/Ambulatory Surgery			$30		$100	$100	
Emergency Care			$100		$75	$50	
Skilled Nursing Facility Care			No Information		$200 per day ($600 max annual) 150 days allowed	0%, Covered for 45 days / year	
OOP Max			Per Individual: $1,500 Per Family: $3,000		Per Individual: $750 Per Family: $1,500	N/A	
Lifetime Maximum			No Limit		No Information	$2,000,000	
Vision			Yes		Yes	No	
Dental			No		No	No	
Rx copays:			**Retail** Gen: $10 PB: $25 NPB: Not Covered **Mail Order** Gen: $20 PB: $50 NPB: Not Covered		**Retail** Gen: $10 Brand: $30 **Mail Order** Gen: $20 Brand: $40	**Retail** Gen: $10 Brand: $25 NPB: $40	

State Survey - Medicare

Sample Plans from other States	Colorado	Montana	Oregon	Utah	Washington	Georgia	Alabama
Plan Design 1 Type	*PPO*	*PPO/Indemnity*		*PPO*			
Deductible In/Out	No Information	Per Individual: $500 Per Family: $1,650		No Information			
Physician coins In/Out	20% after 20% ded (up to ($1,000)	25%		20% after $100 ded (Part B)			
Specialist coins. In/Out	20% after 20% ded (up to ($1,000)	25%		20% after $100 ded (Part B)			
Inpatient Hospital	20% of Part A Deductible 0% after 60th day	20-35%		Days 1-150: 0% 20% over 150 days (Part A)			
Outpatient/Ambulatory Surgery	20% after 20% ded (up to ($1,000)	20-35%		20% after $100 ded (Part B)			
Emergency Care	20% after 20% ded (up to ($1,000)	20-35%		No Information			
Skilled Nursing Facility Care	Days 1-20: 0% Coinsurance Days 21-100: 50% of all charges Not Covered by Medicare Days over 100: 100% of charges	25% (20-35% if hospital-based)		Days 1-100: 0% Over 100 Days: all charges			
OOP Max In/Out	$1,000 for Part A and B participants $1,500 for Part B participants	Per Individual: $2,500 Per Family: $5,000		None Listed			
Lifetime Maximum In/Out	Lifetime Maximum	$1,000,000		No Information			
Vision	No	No		No			
Dental	No	No		No			
Rx copays:	**Retail** $150 deductible, then 50% covered $7 min and $50 max **Mail Order** Generic: $15 copay Brand: $50 copay	**Retail** Gen: 10% coins PB: 20% coins NPB: 30% coins If cost is < $10 Gen, < $18 PB, and < $26 NPB, member pays actual charge **Mail Order** Gen: $20 copay PB: $40 copay NPB: $60		**Retail (using discount card after $200 Deductible)** Gen: greater of $5 min or 20% PB: greater of $5 min or 40% NPB: greater of $5 min or 50% **Mail** Gen or PB:greater of $5 min or 20% ($50 max) NPB: 50%			

State Survey - Medicare

Sample Plans from other States	Colorado	Montana	Oregon	Utah	Washington	Georgia	Alabama
Plan Design 2 Type	*PPO Supplement*	*PPO*	*PPO*	*PPO*	*PPO*	*PPO*	*PPO*
Deductible In/Out	No Information	Per Individual: $400 / $500 Per Family: $800 / $1,000	Per Individual: $1,000 / $2,000 Per Family: $3,000 / $6,000	$100	**Medical** Per Individual: $200 Per Family: $600 **Pharmacy** Per Individual: $100 Per Family: $300	Per Individual: $400 / $500 Per Family: $1,200 / $1,500	First $100 of Major Medical expenses per member / 25% of charges
Physician coins In/Out	50% ded, 10% of Medicare approved & any exces charges up to $2,000	$15 / 35%	15% / 30%	20% after deductible	10%	$30 copay / 40% after deductible	$25 physician or $20 nurse practioner / 20% of cost
Specialist coins. In/Out	50% ded, 10% of Medicare approved	$15 / 35%	15% / 30%	20% after deductible	10%	$30 copay / 40% after deductible	$25 physician or $20 nurse practioner / 20% of cost
Inpatient Hospital	$100 copay per day up to $500 0% after 60th day	25% / 35%	15% / 30%	Days 1-150: 0%	$200 per day ($600 max annual)	Ded $250 and10% / Ded $250 and 40%	**InNetwork** Ded $100 w/admission of cert Ded $500 w/o admission of cert $15 copay 2nd - 5th day **Out of Network** 25% of charges
Outpatient/Ambulatory Surgery	50% ded, 10% of Medicare approved & any exces charges up to $2,000	25% / 35%	15% / 30%	No Information	10%	10% after deductible	$25 to $100 copay
Emergency Care	50% ded, 10% of Medicare approved & any exces charges up to $2,000	$75 In-Network $75 Out-of-Network	15% / 30%	No Information	$75 copay and 10%	$100 and 10%	$50 during normal business hours $25 any other time
Skilled Nursing Facility Care	Days 1-20: 0% Days 20-100: 50% of all charges Not Covered by Medicare Days over 100: 100% of charges	25% / 35%	No Information	Days 1-100: 0% Over 100 Days: all charges	$200 per day ($600 max annual) 150 days allowed	Not Covered	Not Covered
OOP Max In/Out	$2,000 for Part A and B participants $3,000 for Part B participants	Per Individual: $2,000 Per Family: $4,000	Per Individual$1,000 / $2,000 Per Family$3,000 / $6,000	No Information	Per Individual: $1,125 Per Family: $2,250	Per Individual: $1,000 / $2,000 Per Family: $2,000 / $4,000	$400 plus Major Medical
Lifetime Maximum In/Out	Not Listed	$1,000,000	$2,000,000	None	No Information	$2,000,000	$1,000,000
Vision	No	No	Yes	No	Yes	Yes	Yes
Dental	No	No	No	No	No	No	Yes
Rx copays:	**Retail** $250 deductible, then 50% covered $10 min and $60 max **Mail Order** Generic: $20 copay Brand: $60 copay	**Retail** Gen: 10% coins PB: 20% coins NPB: 30% coins If cost is < $10 Gen, < $18 PB, and < $26 NPB, member pays actual charge **Mail Order** Gen: $20 copay PB: $40 copay NPB: $60 copay	**Retail** Gen: $10 PB: $15 NPB: 25	Just discount card	**Retail** Tier 1: 20% Tier 2: 30% Tier 3: 50% **Mail Order** Tier 1: $10 Tier 2: $40 Tier 3: $80	**Retail** Gen: $10 Brand: $25 NPB: $40	**30 day Supply** Tier 1: $10 Tier 2: $20 Tier 3: $50 **60 day Supply** Tier 1: $10 Tier 2: $25 Tier 3: $50
Average Cost Retiree Medicare PEPM		$277.89	Data Not Provided	$348.64	Data Not Complete	$294.00	$243.00
Coordination with Medicare		100% coverage		Coordination of Benefits and Medicare Supplemental	Coordination of Benefits and Medicare Supplemental	Coordination of Benefits	Exclusion
Any Subsidies		None		100% contribution	Yes	Yes	Yes
Subsidy 1 description		None		None	Employer contribution	Employer contribution	100% contribution
Medicare Rural Retiree Subsidy Average		None		None	None	None	None
Medicare Retiree Subsidy Average		None		$348.64	$116	$231	$243.00
Net avg. cost to Retiree Medicare PEPM		$277.89		$0.00		$63.00	$0.00

3. The Feasibility and cost impact to this state and its public employers of requiring all public employers to allow their retirees who are under sixty-five years of age to remain in the same health insurance plan as their active employees. The study shall provide cost data from at least ten public employers in this state representing a range of size, geographic locations and political jurisdictions. The cost impact shall consider immediate and future costs and cost shifting to all affected parties.

Current System																
	ADOA	**ASRS**	**PSPRS/EORP/ CORP**	**City of Phoenix**	**City of Tucson**	**Pima County**	**Maricopa County**	**Coconino County**	**Pinal County**	**City of Douglas**	**Apache County**	**Graham County**	**Greenlee County**	**Gila County**	**La Paz County**	**Santa Cruz County**
Active Participants	50,615	0	0	12,064	4,851	5,645	13,053	919	1,573	538	376	225	134	572	289	351
Retired Non-Medicare	3,383	16,623	3,183	1,499	861	663	105	44	0	0	0	0	0	0	0	0
Retired Medicare	5,371	23,552	1,672	1,427	668	359	241	0	0	0	0	0	0	0	0	0
Active Average Age	44.42	N/A	N/A	42.16	43.52	44.37	42.16	42.89	42.40	41.26	44.52	42.21	46.73	46.16	45.06	39.56
Retired Non-Medicare Average Age	58.79	58.93	55.51	57.73	56.49	57.62	59.26	57.53	0	0	0	0	0	0	0	0
Retired Medicare Average Age	71.98	74.2	72.51	72.42	63.23	71.55	72.72	0	0	0	0	0	0	0	0	0
Plan Designs*:																
Plan Design 1	EPO	HMO	PPO	POS	HMO	HMO High	POS	PPO	PPO	HMO	PPO	PPO	PPO	PPO	PPO	PPO
Plan Design 2	EPO	HMO	HMO		PPO	HMO Low	HMO									
Benefit Cost Ratio	126%	100%	Varies	124%	111%	114%	117%	110%	113%	109%	106%	106%	106%	106%	106%	106%
Blended Rate PEPM Active & All Retiree	$616.02	379.90	$465.51	$734.36	$524.85	$409.60	No Blending	$532.16	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average Cost Active PEPM	$601.90			$698.91	$489.60	$387.68	$529.49	$516.81	$440.38	$138.17	$491.67	$482.80	$473.96	$364.95	$470.23	$384.55
Average Cost Retiree non-Medicare PEPM	$993.13	530.76	$558.82	$1,153.21	$807.83	$639.66	$481.45	$852.73	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Average Cost Retiree Medicare PEPM	$511.61	$273.42	$287.88	$594.08	$416.16	$329.52	$250.08	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Current Subsidies																
Subsidy 1 Non-Medicare Amount of active premium subsidizing retiree premium	$429.73	N/A	N/A	$373.97	$295.26	$307.19	$0.00	$332.88	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subsidy 1 Medicare Amount of active premium subsidizing retiree premium	$83.25	N/A	N/A	$125.25	$203.22	$66.64	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subsidy 2 Non-Medicare AZ Average Rural Subsidy	$66.76	$36.62	$41.65	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subsidy 2 Medicare AZ Average Rural Subsidy	$29.99	$31.56	$68.33	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subsidy 3 Non-Medicare Average Employer contribution toward retiree premium	$165.47	$151.18	$183.28	$161.98	$340.13	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subsidy 3 Medicare Average Employer contribution toward retiree premium	$82.10	$102.29	$139.75	$218.91	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Net avg. cost to Retiree non-Medicare PEPM	$331.17	$342.96	$333.89	$617.26	$172.44	$332.47	$481.45	$519.85	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Net avg. cost to Retiree Medicare PEPM	$316.27	$139.57	$79.80	$249.92	$212.94	$262.88	$250.08	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Net cost to plan sponsor PEPM for Non-Medicare	$661.96	$187.80	$224.93	$535.95	$635.39	$307.19	$0.00	$332.88	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Net cost to plan sponsor PEPM for Medicare	$195.34	$133.85	$208.08	$344.16	$203.22	$66.64	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Annual Cost to Plan Sponsor	$39,462,981.84	$75,290,815.20	$12,766,343.40	$15,534,064.44	$8,193,861.00	$2,731,088.76	$0.00	$175,760.64	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

Proposed Plan: (Shifting to Public Employers to age 65)																	
	ADOA	**ASRS**	**PSPRS/EORP/ CORP**	**City of Phoenix**	**City of Tucson**	**Pima County**	**Maricopa County**	**Coconino County**	**Pinal County**	**City of Douglas**	**Apache County**	**Graham County**	**Greenlee County**	**Gila County**	**La Paz County**	**Santa Cruz County**	**Other Public Entities**
Active Participants	50,615	0	0	12,064	4,851	5,645	13,053	919	1,573	538	376	225	134	572	289	351	0
Retired Non-Medicare	7,158	0	2,830	1,554	876	1,201	231	81	13	6	3	4	1	5	2	3	12,391
Retired Medicare	5,371	23,552	1,672	1,427	668	359	241	0	0	0	0	0	0	0	0	0	0
Active Average Age	44.42	0.00	0.00	42.16	43.52	44.37	42.16	42.89	42.40	41.26	44.52	42.21	46.73	46.16	45.06	39.56	0.00
Retired Non-Medicare Average Age		0.00	55.24	57.78	56.48	57.79	59.37		59.25	56.48	58.70	56.22	49.81	58.35	55.33	58.53	58.98
Retired Medicare Average Age	71.98	74.20	72.51	72.42	63.23	71.55	72.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Plan Designs*:																	
Plan Design 1	EPO	HMO	PPO	POS	HMO	HMO High	POS	PPO	PPO	HMO	PPO	PPO	PPO	PPO	PPO	PPO	
Plan Design 2	EPO	HMO	HMO		PPO	HMO Low	HMO			0							
Benefit Cost Ratio	126%	100%	Varies	124%	111%	114%	117%	110%	113%	109%	106%	106%	106%	106%	106%	106%	
Blended Rate PEPM Active & All Retiree	$638.57	$311.71	$455.60	$696.97	$525.52	$426.78	No Blending	$525.75	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$0.00
Average Cost Active PEPM	$601.90	$0.00	$0.00	$698.91	$489.60	$387.68	$529.49	$516.81	$440.38	$138.17	$491.67	$482.80	$473.96	$364.95	$470.23	$384.55	$0.00
Average Cost Retiree non-Medicare PEPM	$993.13	$0.00	$558.82	$1,153.21	$807.83	$639.66	$481.45	$852.73	$530.76	$530.76	$530.76	$530.76	$530.76	$530.76	$530.76	$530.76	$530.76
Average Cost Retiree Medicare PEPM	$511.61	$311.71	$287.88	$594.08	$416.16	$329.52	$250.08	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Current Subsidies																	
Subsidy 1 Non-Medicare Amount of active premium subsidizing retiree premium	$203.10	$0.00	$0.00	$ 357.08	$290.20	$169.58	No Blending	$377.72	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subsidy 1 Medicare Amount of active premium subsidizing retiree premium	$83.25	$0.00	$0.00	$125.25	$203.22	$66.64	No Blending	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subsidy 2 Non-Medicare AZ Average Rural Subsidy	$61.36	$0.00	$38.14	$1.85	$0.00	$0.11	$5.31	$62.77	$21.50	$50.00	$141.46	$82.68	$280.11	$54.49	$358.18	$70.40	$32.98
Subsidy 2 Medicare AZ Average Rural Subsidy	$29.99	$31.56	$68.33	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Subsidy 3 Non-Medicare Average Employer contribution toward retiree premium	$154.74	$0.00	$183.76	$163.39	$342.70	$71.24	$88.12	$80.01	$132.18	$178.53	$87.93	$177.50	$152.59	$169.62	$180.00	$214.53	$153.08
Subsidy 3 Medicare Average Employer contribution toward retiree premium	$82.10	$102.29	$139.76	$218.91	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Net avg. cost to Retiree non-Medicare PEPM	$573.93	$0.00	$336.92	$630.89	$174.92	$398.74	$388.03	$332.23	$377.08	$530.76	$530.76	$530.76	$530.76	$530.76	$530.76	$530.76	$530.76
Net avg. cost to Retiree Medicare PEPM	$316.27	$177.86	$79.79	$71.77	$212.94	$262.88	$250.08	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Net cost to plan sponsor PEPM for Non-Medicare	$419.20	$0.00	$221.90	$522.32	$632.91	$240.92	$93.42	$520.50	$153.68	$228.53	$229.39	$260.18	$432.70	$224.11	$538.18	$284.93	$186.06
Total Net cost to plan sponsor PEPM for Medicare	$195.34	$133.85	$208.09	$344.16	$203.22	$66.64	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Net cost shift from current PEPM for Non-Medicare	$242.76	$0.00	-$3.03	-$13.63	-$2.48	-$66.27	$93.42	$187.62	$153.68	$228.53	$229.39	$260.18	$432.70	$224.11	$538.18	$284.93	$186.06
Total Net cost shift from current PEPM for Medicare	$0.00	$0.00	$0.01	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Annual Cost to Plan Sponsor	$9,134,903.52	$0.00	-$1,055,501.64	$99,465.35	$88,272.00	$1,028,206.24	$258,963.96	$330,169.99	$23,974.08	$16,454.16	$8,258.04	$12,488.64	$5,192.40	$13,446.60	$12,916.32	$10,257.48	$27,665,633.52

Future Cost Impact																	
	ADOA	**ASRS**	**PSPRS/EORP/COR P**	**City of Phoenix**	**City of Tucson**	**Pima County**	**Maricopa County**	**Coconino County**	**Pinal County**	**City of Douglas**	**Apache County**	**Graham County**	**Greenlee County**	**Gila County**	**La Paz County**	**Santa Cruz County**	**Other Public Entities**
Total trended Plan Sponsor Cost for All Retirees per Year																	
2006	$55,442,956.36	$46,444,827.80	$14,517,396.86	$19,997,713.51	$10,291,471.54	$4,679,710.32	$322,733.84	$630,516.05	$29,877.70	$22,531.92	$11,308.35	$17,101.63	$7,110.34	$18,413.44	$17,687.29	$14,046.34	$34,478,295.77
2007	$61,310,116.97	$50,752,630.50	$15,700,882.47	$21,868,077.95	$11,102,091.43	$5,038,645.19	$354,618.77	$692,808.76	$32,829.51	$24,557.83	$12,325.12	$18,639.30	$7,749.66	$20,069.05	$19,277.61	$15,309.29	$37,077,712.59
2008	$67,177,277.58	$55,060,433.20	$17,323,951.97	$23,738,442.40	$12,300,810.08	$5,600,125.64	$386,503.71	$755,101.47	$35,781.31	$26,583.75	$13,341.90	$20,176.96	$8,388.97	$21,724.66	$20,867.93	$16,572.24	$41,290,958.03

Government Sector Results
of the 2004 National Survey of Employer-Sponsored Health Plans

Retiree Health Care

	Government 500+	Number of Employers Responding	State 500+	Number of Employers Responding	County 500+	Number of Employers Responding	City 500+	National 500+	National All
OFFER RETIREE HEALTH COVERAGE TO:									
PRE-MEDICARE-ELIGIBLE RETIREES	82%	33	94%	107	79%	93	86%	28%	6%
MEDICARE-ELIGIBLE RETIREES	58%	32	84%	106	63%	90	64%	21%	4%
TYPE OF PLAN OFFERED TO PRE-MEDICARE-ELIGIBLE RETIREES									
INDEMNITY	25%	33	45%	93	19%	84	23%	29%	ID
PPO	75%		70%		76%		76%	73%	ID
POS	23%		36%		26%		24%	21%	ID
HMO	44%		70%		56%		57%	44%	ID
TYPE OF PLAN OFFERED TO MEDICARE-ELIGIBLE RETIREES									
INDEMNITY	37%	30	53%	74	30%	67	31%	44%	ID
PPO	58%		62%		58%		67%	50%	ID
POS	20%		34%		22%		15%	11%	ID
HMO	42%		62%		51%		52%	35%	ID
CONTRIBUTION REQUIREMENTS FOR RETIREE-ONLY COVERAGE, PRE-MEDICARE-ELIGIBLE									
EMPLOYER PAYS ALL	20%	32	16%	89	19%	80	23%	13%	ID
COST IS SHARED	34%		38%		35%		41%	49%	ID
RETIREE PAYS ALL	46%		46%		46%		37%	38%	ID
CONTRIBUTION REQUIREMENTS FOR RETIREE-ONLY COVERAGE, MEDICARE-ELIGIBLE									
EMPLOYER PAYS ALL	25%	31	19%	69	26%	62	24%	15%	ID
COST IS SHARED	26%		32%		31%		30%	47%	ID
RETIREE PAYS ALL	49%		49%		43%		46%	37%	ID
OFFER DENTAL COVERAGE TO:									
PRE-MEDICARE-ELIGIBLE RETIREES	64%	31	68%	86	67%	80	60%	50%	ID
MEDICARE-ELIGIBLE RETIREES	57%	27	67%	66	61%	61	49%	45%	ID
OFFER OUTPATIENT PRESCRIPTION DRUGS	94%	31	100%	88	97%	80	91%	94%	ID
OFFER VISION COVERAGE TO:									
PRE-MEDICARE-ELIGIBLE RETIREES	49%	28	46%	84	49%	73	40%	35%	ID
MEDICARE-ELIGIBLE RETIREES	44%	24	42%	65	40%	56	30%	31%	ID

SHADED COLUMNS ARE PROJECTIABLE TO THE ENTIRE POPULATION. UNSHADED COLUMNS REPRESENT ONLY THE RESPONDENTS.
2003 MERCER NATIONAL SURVEY OF EMPLOYER-SPONSORED HEALTH PLANS
ID = INSUFFICIENT DATA

State Public Employee Health Plan Retiree Health Care Subsidies

	Non-Medicare								Medicare							
	5 Years		10 Years		15 Years		20 Years		5 Years		10 Years		15 Years		20 Years	
	Single	Family	Single	Family	Single	Family	Single	Family	Single	Family	Single	Family	Single	Family	Single	Family
Arizona	$75.00	$130.00	$150.00	$260.00	$150.00	$260.00	$150.00	$260.00	$50.00	$85.00	$100.00	$170.00	$100.00	$170.00	$100.00	$170.00
Alabama	$0.00	$0.00	$446.00	$446.00	$446.00	$446.00	$446.00	$446.00	$0.00	$0.00	$129.00	$129.00	$129.00	$129.00	$129.00	$129.00
Alaska	$0.00	$0.00	$403.79	$807.58	$403.79	$807.58	$403.79	$807.58	$0.00	$0.00	$137.48	$274.96	$137.48	$274.96	$137.48	$274.96
Arkansas	$194.12	$531.76	$194.12	$531.76	$194.12	$531.76	$194.12	$531.76	$60.52	$239.76	$60.52	$239.76	$60.52	$239.76	$60.52	$239.76
California	$0.00	$0.00	$165.50	$390.00	$248.25	$585.00	$331.00	$780.00	$0.00	$0.00	$165.50	$390.00	$248.25	$585.00	$331.00	$780.00
Colorado	$57.50	$57.50	$115.00	$115.00	$172.50	$172.50	$230.00	$230.00	$28.75	$28.75	$57.50	$57.50	$86.25	$86.25	$115.00	$115.00
Connecticut	$363.41	$726.82	$363.41	$726.82	$363.41	$726.82	$363.41	$726.82	$123.73	$247.46	$123.73	$247.46	$123.73	$247.46	$123.73	$247.46
Delaware	$368.86	$757.22	$368.86	$757.22	$368.86	$757.22	$368.86	$757.22	$368.86	$757.22	$368.86	$757.22	$368.86	$757.22	$368.86	$757.22
Florida	$30.00	$30.00	$50.00	$50.00	$75.00	$75.00	$100.00	$100.00	$30.00	$30.00	$50.00	$50.00	$75.00	$75.00	$100.00	$100.00
Hawaii	$0.00	$0.00	$201.90	$403.79	$302.84	$605.69	$302.84	$605.69	$0.00	$0.00	$68.74	$137.48	$103.11	$206.22	$103.11	$206.22
Illinois	$100.95	$201.90	$201.90	$403.79	$302.84	$605.69	$403.79	$807.58	$34.37	$68.74	$68.74	$137.48	$103.11	$206.22	$137.48	$274.96
Kentucky	$100.95	$201.90	$201.90	$403.79	$302.84	$605.69	$403.79	$807.58	$34.37	$68.74	$68.74	$137.48	$103.11	$206.22	$137.48	$274.96
Louisiana	$302.84	$605.69	$302.84	$605.69	$302.84	$605.69	$302.84	$605.69	$103.11	$206.22	$103.11	$206.22	$103.11	$206.22	$103.11	$206.22
Maine	$201.90	$403.79	$403.79	$807.58	$403.79	$807.58	$403.79	$807.58	$68.74	$137.48	$137.48	$274.96	$137.48	$274.96	$137.48	$274.96
Maryland	$126.18	$252.35	$252.35	$504.71	$378.53	$757.06	$403.79	$807.58	$42.96	$85.92	$85.92	$171.84	$128.88	$257.76	$137.48	$274.96
Massachusetts	$317.71	$761.50	$317.71	$761.50	$317.71	$761.50	$317.71	$761.50	$272.43	$544.86	$272.43	$544.86	$272.43	$544.86	$272.43	$544.86
Michigan	$383.60	$383.60	$383.60	$383.60	$383.60	$383.60	$383.60	$383.60	$130.61	$261.21	$130.61	$261.21	$130.61	$261.21	$130.61	$261.21
Missouri	$86.00	$171.00	$171.00	$342.00	$257.00	$514.00	$342.00	$685.00	$40.00	$80.00	$80.00	$160.00	$120.00	$239.00	$160.00	$319.00
North Carolina	$403.79	$285.92	$403.79	$285.92	$403.79	$285.92	$403.79	$285.92	$217.66	$285.92	$217.66	$285.92	$217.66	$285.92	$217.66	$285.92
Nevada	$102.05	$205.85	$220.64	$324.44	$339.24	$443.04	$457.84	$561.64	$68.40	$320.00	$186.99	$438.59	$305.59	$557.19	$424.19	$675.79
New Hampshire	$276.05	$552.10	$276.05	$552.10	$276.05	$552.10	$276.05	$552.10	$174.09	$348.18	$174.09	$348.18	$174.09	$348.18	$174.09	$348.18
New Mexico	$5.59	$13.24	$33.55	$79.44	$61.50	$145.63	$89.46	$211.83	$3.65	$3.65	$21.90	$21.87	$40.15	$40.10	$58.40	$58.32
New York	$363.41	$605.69	$363.41	$605.69	$363.41	$605.69	$363.41	$605.69	$123.73	$206.22	$123.73	$206.22	$123.73	$206.22	$123.73	$206.22
Ohio	$0.00	$0.00	$100.95	$201.90	$227.13	$454.26	$302.84	$605.69	$0.00	$0.00	$34.37	$68.74	$77.33	$154.67	$103.11	$206.22
Oklahoma	$105.00	$0.00	$105.00	$105.00	$105.00	$105.00	$105.00	$105.00	$105.00	$105.00	$105.00	$105.00	$105.00	$105.00	$105.00	$105.00
Oregon	$0.00	$0.00	$133.97	$133.97	$156.30	$156.30	$178.63	$178.63	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00
Pennsylvania	$0.00	$0.00	$0.00	$0.00	$403.79	$807.58	$403.79	$807.58	$0.00	$0.00	$0.00	$0.00	$137.48	$274.96	$137.48	$274.96
Rhode Island	$0.00	$0.00	$201.90	$403.79	$201.90	$403.79	$282.65	$565.31	$0.00	$0.00	$68.74	$137.48	$68.74	$137.48	$96.24	$192.47
South Carolina	$0.00	$0.00	$221.58	$431.60	$221.58	$431.60	$221.58	$431.60	$221.58	$431.60	$221.58	$431.60	$221.58	$431.60	$221.58	$431.60
Tennessee	$242.27	$484.55	$242.27	$484.55	$242.27	$484.55	$282.65	$565.31	$20.00	$20.00	$20.00	$20.00	$20.00	$20.00	$30.00	$30.00
Texas	$403.79	$403.79	$403.79	$403.79	$403.79	$403.79	$403.79	$403.79	$137.48	$137.48	$137.48	$137.48	$137.48	$137.48	$137.48	$137.48
Vermont	$323.03	$646.06	$323.03	$646.06	$323.03	$646.06	$323.03	$646.06	$109.98	$219.97	$109.98	$219.97	$109.98	$219.97	$109.98	$219.97
Virginia	$0.00	$0.00	$0.00	$0.00	$60.00	$60.00	$60.00	$60.00	$0.00	$0.00	$0.00	$0.00	$60.00	$60.00	$60.00	$60.00
West Virginia	$121.14	$242.27	$242.27	$484.55	$323.03	$646.06	$403.79	$807.58	$41.24	$82.49	$82.49	$164.98	$109.98	$219.97	$137.48	$274.96
Washington	$102.35	$102.35	$102.35	$102.35	$102.35	$102.35	$102.35	$102.35	$102.35	$102.35	$102.35	$102.35	$102.35	$102.35	$102.35	$102.35
Average	**$149.48**	**$253.73**	**$232.89**	**$402.53**	**$277.59**	**$484.77**	**$304.76**	**$533.74**	**$80.11**	**$149.39**	**$111.02**	**$203.70**	**$132.41**	**$239.95**	**$146.57**	**$263.24**
Minimum	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$60.00**	**$60.00**	**$60.00**	**$60.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$20.00**	**$20.00**	**$30.00**	**$30.00**
25th Percentile	**$0.00**	**$0.00**	**$141.99**	**$230.95**	**$198.01**	**$334.76**	**$225.79**	**$334.76**	**$11.83**	**$11.82**	**$64.63**	**$103.68**	**$93.13**	**$133.24**	**$102.73**	**$133.24**
Median	**$102.05**	**$201.90**	**$220.64**	**$403.79**	**$302.84**	**$514.00**	**$323.03**	**$565.31**	**$50.00**	**$85.00**	**$102.35**	**$164.98**	**$109.98**	**$206.22**	**$129.00**	**$239.76**

Note: For cases of percentage subsidies, the following premiums were used as baselines: Non-Medicare (ASRS PacifiCare HMO) - $403.79 single/$807.58 family; Medicare (ASRS PacifiCare Medicare Advantage) - $137.48 single/$274.96 family

Data extracted from Watson Wyatt's Premium Benefit Supplement Survey dated December 3, 2003.

Sample Premium Benefit Methodology

	Non-Medicare								Medicare							
	5 Years		10 Years		15 Years		20 Years		5 Years		10 Years		15 Years		20 Years	
	Single	Family	Single	Family	Single	Family	Single	Family	Single	Family	Single	Family	Single	Family	Single	Family
Arizona - Current	$75.00	$130.00	$150.00	$260.00	$150.00	$260.00	$150.00	$260.00	$50.00	$85.00	$100.00	$170.00	$100.00	$170.00	$100.00	$170.00
Possible HMO & Medicare Advantage Plans	$72.68	$145.36	$104.99	$209.97	$169.59	$339.18	$201.90	$403.79	$41.24	$82.49	$59.12	$118.23	$94.86	$189.72	$112.73	$225.47
Possible Method PPO	$129.60	$259.20	$187.20	$374.40	$302.40	$604.80	$360.00	$720.00	$94.91	$189.81	$136.03	$272.06	$218.28	$436.56	$259.41	$518.81

Non-Medicare	
0 - 4	0%
5 - 7	18%
8 - 10	26%
11 - 13	34%
14 - 16	42%
Over 17	50%

Medicare	
0 - 4	0%
5 - 7	30%
8 - 10	43%
11 - 13	56%
14 - 16	69%
Over 17	82%