

Questions on the USPS Healthcare Proposal – February 2014

- 1. For the sake of these questions I'd like to assume that Blue Cross Blue Shield (BCBS) is the current FEHBP Plan. Also I'm stating some assumptions of definitions that may not be accurate.**

The response to these questions will not change, whether you focus on Blue Cross Blue Shield or not. The Postal Service has identified 16 potential plans that have 5,000 or more USPS enrollees which would be segregated for legislative direction and integration with Medicare, one of which is BCBS. The answers to the questions below would be the same for any of these segregated plans. All future annuitants will be required to enroll in one of the segregated plans (and, consequently, Medicare Parts A & B) upon retirement if they wish to continue to receive health benefits from the Postal Service. Our data indicates that most postal employees (around 92%) are already enrolled in plans that would be "segregated." Those employees would thus not have to switch insurance plans at retirement.

- 2. Is it true that regarding prescriptions:**

- Delays can occur after Medicare becomes the primary plan because many prescription medications require prior approval?**

We do not anticipate that this proposal will have any effect on the processing time for prescription medication coverage. First, many prescription drugs already require prior approval from existing FEHB plans. Second, and more importantly, integration with Medicare Part D will come in the form of an Employer Group Waiver Plan (EGWP), which comes at no additional cost or reduction in benefits for the participant. EGWPs use a combination of subsidies and bulk pharmaceutical purchasing discounts to generate savings that are passed on in the form of lower premiums; they do not require a separate prior approval process than would already be contained in a normal pharmacy benefits plan as part of FEHB insurance.

- Medicare D copays would be higher?**

This is not true. Again, integration with Part D would be in the form of an EGWP, in which behind-the-scenes discounts are passed on to participants in the form of lower premiums. In other words, drug copays and co-insurance amounts will not change – and some annuitants will be eligible for special subsidies, including lower or zero copays. There will also be better coverage available for catastrophic drug expenses (where a participant's out-of-pocket costs exceed \$4,700 in a calendar year), which is another feature of Medicare Part D that provides better protection for our annuitants and spouses over age 65.

- 3. What happens when the primary holder of the insurance turns 65 and enrolls in Medicare Parts A & B, but they have children or a spouse/significant other under 65?**

The Postal Service's proposal does not include elimination of coverage for any individual who is a spouse or dependent of a postal retiree and who is thereby eligible for FEHBP coverage. If you are an annuitant over age 65 and Medicare eligible, your spouse and/or dependents will continue to receive coverage under the Self-and-Family option from your FEHBP plan. Once your spouse (or dependent) becomes eligible for Medicare, he or she will have to enroll in Medicare Parts A and B if he or she wishes to remain covered under your health insurance.

4. What about Adoptive children? And at what rate?

Adoptive children will be able to continue coverage as normal under the Self-and-Family Option. As far as the premium rate, we do not have information to share at this time about the estimated premiums for particular plans under this proposal. However, we fully anticipate that complete integration of the segregated plans with Medicare (full participation in Medicare parts A and B and the adoption of the EGWP plan for prescription drugs through Medicare Part D) will produce an estimated 10% reduction on average in required premiums with no changes in benefits.

5. In this scenario, are children under 26 still covered by the plan?

Yes, they can be covered under the Self-and-Family Option.

6. At what rate and by whom does the child/spouse receive protection?

I'm not quite sure what this question means. Dependent children and spouses may continue to be covered by the Self-and-Family Option of whichever segregated plan the USPS annuitant is enrolled in. Once a spouse becomes eligible for Medicare, he or she will have to enroll in Medicare Parts A and B if he or she wishes to remain covered.

7. It is presumed to be true that after 65, Medicare pays 80% and the BCBS will pay 20% for covered charges. What happens if a service or procedure is not covered by Medicare? Will BCBS (or a segregated plan) cover the expense as though it is the primary?

I cannot confirm that the ratio of Medicare to BCBS payments is correct. In any event, benefits will be coordinated with Medicare so that Medicare is the primary payer of health care claims. The FEHBP plan will pay the remaining out-of-pocket expenses up to your particular plan's allowance, if Medicare coverage were not available. (In other words, the FEHBP plan will cover medical expenses in the absence of Medicare coverage as if it were the primary insurer.)

8. After the employee turns 65 and signs up for A and B does BCBS (or a segregated plan) become a secondary policy or a supplemental policy?

As stated above, benefits will be coordinated with Medicare so that Medicare is the primary payer of health care claims. The FEHBP plan will pay the remaining out-of-pocket expenses up to your particular plan's allowance, if Medicare coverage were not available. (In other words, the FEHBP plan will cover medical expenses in the absence of Medicare coverage as if it were the primary insurer.)