AT&T to Create Private Insurance Exchange for Medicare Retirees in 2015
Joining ranks with other employers who are moving away from employer-administered and -managed health plans, AT&T advised CWA on Friday, October 4, that it will be providing Medicare-eligible retirees access to health care through a Medicare Exchange model beginning in 2015. This model has recently been adopted by CenturyLink, Avaya, OFS, GE, Time Warner, IBM, Caterpillar, Dupont, and Walgreens, among others.

AT&T has not determined the vendor or any details of the plan. The company has been researching the approach, and will continue to do so for some time. A final decision regarding the vendor will likely take place in early to mid-2014. AT&T suggested that it was making the announcement to retirees now in order to give them plenty of time to get accustomed to the idea, before the change takes place in 2015.

What does this mean for Medicare-eligible retirees?
AT&T’s Medicare-eligible retirees now get coverage from two sources: First, traditional Medicare is “primary,” paying first before any other coverage. Second, AT&T sponsors a group insurance plan that picks up some costs that traditional Medicare does not cover. After AT&T implements its new policy in 2015, AT&T’s Medicare-eligible retirees will continue to get primary coverage through traditional Medicare, but the secondary coverage will be an individual plan offered through a private Medicare supplemental insurance exchange.

What is an Exchange?
The private exchange will operate similar to the state-based exchanges under the Affordable Care Act. In this case, the exchange vendor (rather than the state or federal government) will contract with insurance carriers to offer Medicare supplemental Advantage plans. Enrollees are able to select among a menu of plans.

What is a Medicare Supplemental Plan? What is a Medicare Advantage Plan?
The Medicare Supplemental plans (also known as Medigap policies), cover medical expenses not covered by traditional Medicare, like copayments, coinsurance, and deductibles. Prescription drug coverage (Medicare Part D) must be purchased separately. Medicare Advantage plans are similar to HMOs, with benefits fully integrated with traditional Medicare and Part D.

Employer Contributions for Exchange Coverage
In connection with the private exchange, employers can set up Health Reimbursement Accounts (HRAs) for each retiree, and make contributions to them. In the case of CenturyLink, for example, the company allocates the full amount of the negotiated company contribution cap to each retiree’s HRA. In general, the terms of the HRA are determined by the employer, within some broad guidelines set by the IRS. The HRAs can be set up to reimburse for medical premiums and other unreimbursed medical costs, as well as dental and vision expenses. Some employers (IBM, for example) limit premium reimbursements to plans that are offered in the private exchange, others (CenturyLink, for example) permit retirees to use the HRA to reimburse premiums for any qualified plan. AT&T has not indicated whether it will include an HRA in its exchange offering.

Administration and Management by Third Party Vendor
Under the exchange approach, the employer gives up management and administrative duties. Instead, the exchange vendor is the direct link for retirees, handling enrollment, communications, and administration, and contracting with the insurance carriers. The vendor usually operates via interactive websites or call centers.

Keep Informed
As CWA learns more about AT&T’s plans for Medicare retiree insurance exchanges, we will keep you posted.