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Health Insurance History of the Connecticut Teachers' Retirement System Past to Present

Health Insurance benefits for retirees of the Connecticut Teachers' Retirement System (CTRS) began during the mid 1950s when CTRS established a group health insurance plan with Connecticut Blue Cross and Connecticut Medical Service (CMS). Premiums were deducted from the retiree's benefit payment. The retiree paid the full premium for these benefits and the state had no financial obligation to fund these benefits.

During the 1970s, the cost of health insurance began rising dramatically and retired members sought assistance from the state to meet the cost of their health insurance premiums. In 1978 legislation was enacted (Public Act 78-228) that obligated the state to pay ten percent of the retiree's health insurance costs (twenty-five percent for disabled members). The initial state expenditure during fiscal year 1978-79 was $155,000.

In 1986, concurrent with the passage of the Education Enhancement Act, the law was amended (Public Act 86-1 May Special Session) to require local school districts to offer health insurance benefits to retired members and spouses who were ineligible for Medicare Part A. Approximately 1,500 retirees and spouses returned to the group health insurance plan of their former employing board of education. The rationale was two-fold. The retiree would generally receive better coverage at a lower cost than the plan previously offered by CTRS. CTRS' plan had an extremely poor experience rating and thus experienced high premiums since its entire group consisted of retired and disabled members who, as a rule, had more claims covering longer periods of hospitalization than would otherwise be experienced by younger and more homogeneous groups. The CTRS plan therefore became a Medicare Supplement Plan only. Also, at the same time, the State increased its funding commitment from ten percent to twenty-five percent for retirees covered under the CTRS Medicare Supplement Plan (forty-five percent for disabled members). The retirees and spouses covered by the local school district plans did not receive any financial assistance from the state to pay for the cost of their health insurance benefits. (For fiscal year 1986-87, the state spent $737,000 to fund health insurance benefits.)

In 1989, legislation was passed (Public Act 89-342) that re-directed the 1% Supplemental Contributions that were being deducted from the salary of active teachers to be used to fund health insurance benefits. These supplemental contributions began in 1958 and were being used to fund survivor benefits of teachers who died while actively teaching (Connecticut public school teachers are not covered by Social Security and thus the need for such a program). As to not adversely affect funding of survivor benefits, the law required that $500,000 be retained in the retirement fund annually for the purpose of funding these benefits.

Starting with the 1989-90 school year, the 1% Supplemental Contributions were now being deposited into a Health Insurance Premium Account (HIPA) that would be used to fund health insurance benefits starting in June 1990. For retirees/spouses covered by the CTRS plan, HIPA would pay seventy-five percent of the premium cost and the state would continue to pay twenty-five percent of the premium cost. At that time the cost of this insurance was $85.71 monthly. There was no cost either to the member or spouse for coverage under this plan. For retirees/spouses covered by local school district plans, the same flat dollar amount ($85.71) was paid to the local school districts each month on behalf of the retiree/spouse and was to be applied toward the cost of health insurance. This subsidy amount was paid exclusively from the Health Insurance Fund.

For fiscal year 1990-91, the state paid $1,713,000 toward the cost of health insurance. Total Health Insurance Fund expenditures were $13,232,000 during its first year of operation. Revenue from active teachers was $16,800,000.

By January 1993, the premiums for the CTRS Medicare Plan had risen to $129.43 monthly. This was also the rate that was being used to subsidize health insurance benefits to retirees under local school district plans. During this year, CTRS sought bids from other insurance companies and investigated the possibility of self-insurance for its Medicare Supplement Plan. Ultimately, in June 1994, CTRS terminated its program with Connecticut Blue Cross/Blue Shield and established its own self-insured plan administered by Stirling and Stirling.

This new plan retained all of the features of the BC/BS plan and added a prescription drug benefit as well. The budgetary premium rate was established to be $100.00 per month to cover the cost of claims and administration of this program.

For fiscal year 1994-95, state funding costs were approximately $2,000,000, active teacher contributions were $21,000,000 and total benefits paid were approximately $22,000,000. The Health Fund had a balance of $17,300,000 as of June 30, 1995. It was during this year that total expenditures approached total revenue.

In July 1996 the monthly subsidy payment for health insurance was increased to $110.00. CTRS began exploring both plan design changes and other statutory changes that would insure the solvency of HIPA. These included: increasing plan deductibles, introducing co-payments for spouses, subsidization based on length of service, higher contribution levels from active teachers and the state, and the introduction of managed care plans. The grandparenting of benefits for retirees was seriously considered but would do little to alleviate the impending funding crisis. For the period July 1996 through June 1998, total health insurance expenditures exceeded revenue to the fund by $4.1 million and it was forecasted that HIPA would have a deficit during the 1998-99 fiscal year. Although the law in effect would require the state to fund any deficiency, it became increasingly clear that the legislature would amend the law rather than become obligated to fund these deficits.

With HIPA facing insolvency and the safety net of state funding in jeopardy, CTRS proposed enabling legislation to modify health insurance benefits. This program would include the introduction of Managed Care Plans, retention of the existing indemnity plan and the offering of dental, vision and hearing riders to retirees who would seek health insurance coverage independently of CTRS.

The state would also agree to provide additional state funding. In May 1998, the General Assembly approved legislation (Public Act 98-155) that would make these changes become effective on July 1, 1999. The law required CTRS to establish one or more basic plans that would be available at no cost to a member and optional plans for which the member would pay the difference in cost between the optional plan and the cost of the basic plan. In the Fall of 1998, CTRS issued an RFP (Request For Proposal) requesting bids from insurers to establish an HMO Plan as well as a POS (Point of Service Plan).

CTRS was seeking an established major insurer that would cover the largest geographic area within the state as well as out of state, allow for a true POS plan that would allow for out of network services and offer prescription drug benefits without an annual limitation.

Unfortunately, because of the many changes that were taking place with the Medicare program, particularly the federal funding of HMOs, many of the major insurance companies declined to submit bids. The field was narrowed to Anthem Blue Cross of Connecticut, Aetna US Healthcare and a Florida plan - AV-Med. Aetna US Health was selected because of its scope of coverage both within and outside the state and the fact that it offered a true POS plan.

Beginning July 1, 1999, the POS plan became the basic plan for which the premium to be paid by the retiree was determined. Although the POS plan was free to the member, the premium paid for this coverage by CTRS was $73.70 monthly. This cost was due to the fact that there was no annual expenditure limit on prescription drugs. Typically, most plans have an annual limitation.

The indemnity plan that was available from CTRS prior to these changes would continue to be offered to retirees. However, retirees electing to remain under this plan would have to pay a monthly premium of $80.45. This amount is the difference between the monthly per person cost of this plan $154.15 and the monthly cost of $73.70 of the POS basic plan. As an option, a retiree could continue to remain in the indemnity plan without prescription drug benefits at no cost. This option was offered to accommodate those members who were unable to afford the payment of $80.45 monthly for the plan, retirees who used minimal prescription drug benefits, retirees who lived in areas for which an HMO plan was not available as well as those retirees who were uncomfortable or reluctant to be enrolled in an HMO plan.

Fewer than 500 members opted for the HMO and POS plans offered by Aetna US Healthcare. Aproximately 2,500 members opted for the "zero premium plan" without prescription drugs.

In January 2000, Aetna U.S. Healthcare announced dramatic rate increases and many of these members opted for the traditional indemnity plan. In July 2000, Public Act 00-187 became effective and provided that the member and state would each pay twenty-five percent of the premium cost for the CTRS basic plan with the remainder (fifty-percent) of the cost paid from the Health Insurance Premium Account. Also, at that time, CTRS made plan design changes to the prescription drug program, raising the annual deductible to $250 annually (prorated at $150 from July 2000-December 2000) to be applied to retail as well as mail order prescriptions, changing the co-pay percentages for retail and mail order, and discontinuing an elective non-prescription plan. Unlike the previous plan, mail order prescriptions would now be subject to annual deductible and the co-payments would be the same as retail (20% generic. or 25% brand) rather than flat dollar co-payments ($5.00 generic, $15.00 brand). With these changes, the monthly cost for the basic plan with prescription drug benefits decreased from $80.45 to $40.00. The Board also added a provision that beginning in January 2001, a member's maximum out of pocket expense for prescription drugs, including deductible and co-payment amounts would be limited to $2,500 in any calendar year.

Under Public Act 00-187, a Task Force was established consisting of active and retired teachers, public members and state officials to study and make recommendations concerning the long-term solvency of the fund, the method of funding, future costs to the state, the level of benefit and the ability to provide these benefits in the future.

Although no specific recommendations were made, the Task Force concluded that additional funding will be required to avert a projected deficiency in the Health Insurance Premium account in fiscal year 2004 and that this issue must be addressed during the next legislative session. (See Health Insurance Task Force Summary in the **The TRiB** - Retired Member Edition June 2001 Issue 35).

Retirees covered by local school district plans have seen the cost of their health insurance premiums rise dramatically over the years and have not received any increases in the subsidy rate paid to local school districts since 2000. The subsidy rate is now fixed at $110.00 monthly. In fact, the monthly subsidy rate for these retirees decreased from $129.40 in 1993 to $100.00 monthly in July 1994 when CTRS switched from an insured to a self-insured health benefits plan.

The current law freezes the subsidy rate for retirees covered under local school district plans at the rate of $110.00 that was in effect as of June 30, 2000. CTRS introduced a proposal during the 2001 legislative session to provide cost of living adjustments to this amount. This proposal was not adopted by the General Assembly.

P.A. 03-232 increased the state's share of the TRB health plan and the subsidy program from 25% to one-third effective July 1, 2005.

The federal government implemented a Medicare D prescription program for Medicare participants and also implemented a subsidy program called the Retiree Drug Subsidy (RDS) for plan sponsors who continue to offer prescription programs for their own Medicare retirees. The federal government realized that the subsidy program would be less expensive for the federal government than if those same retirees were to enroll in the Medicare D prescription program. The RDS is a financial incentive for plan sponsors to continue offering prescription programs. The application process, reconciliation process, and requirements are labor and time intensive. The Teachers' Retirement Board (TRB) has participated in the RDS program since its inception. The RDS is deposited into the TRB health fund to help secure and sustain benefits for current and future TRB retirees.

The TRB is deeply concerned about career senior teachers who retired in the past when salaries were low and who are the least equipped financially to assume additional health insurance expenditures. Since the subsidy program began to send $110 per month per member to the last employing board of education to be applied towards the retirees cost of health insurance, the $110 covered approximately 75% of the member's cost of insurance. These retirees are primarily under 65 and responsible for the entire cost of their health insurance through their last employing board of education. The subsidy rate of $110 has been frozen since 2000 and now covers "on average" only 14% of the monthly premium for the retiree, further eroding the value of the retiree's pension.

The General Assembly passed P.A. 08-118, effective July 1, 2008, which provides a "double subsidy" of $220 per member per month for retired teachers who are at least age 65 which is the minimum age for Medicare enrollment, who are not eligible for Medicare, and who contribute a minimum of $220 a month towards their monthly health insurance premium through their last employing board of education.

In 2007 the TRB plan membership was 12,880.
In 2012 the TRB plan member is 18,804.

In 2007 we were paying a town subsidy on behalf of 11,900.
In 2012 we are paying the town subsidy on behalf of 16,725.

In 2007 the health fund had a balance of $20.5 million.
In 2012 the health fund has a balance of $66 million.

A long-term solution must be achieved so that costs are balanced and equitably shared. The current active teachers who fund the major portion of this program have a right and expectation that this program will be in effect when they ultimately retire. Retirees should be able to retire confident that their health insurance benefits and their out of pocket expenses will not be subject to constant changes.

TRB Health Plan

Member Monthly Premium														
Calendar Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Rx														
Med.														
Total Monthly Premium	160	168	184	192	204	356	249	261	270	297	336	375	372	350
Member Monthly Premium	40	42	46	48	51	89	83	87	90	99	112	125	124	117
Cost Sharing														
Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
State Share	25%	25%	25%	25%	25%	33%	33%	33%	33%	33%	0%	0%	33%	25%
Member Share	25%	25%	25%	25%	25%	33%	33%	33%	33%	33%	33%	33%	33%	33%
Fund Share	50%	50%	50%	50%	50%	33%	33%	33%	33%	33%	66%	66%	33%	42%

CTRS Health Insurance Timeline

1950s CTRS establishes group health insurance plan.

1965 Congress enacts Medicare Program.

1978 CTRS begins paying 10% of the cost of health insurance premiums for retirees/spouses enrolled in CTRS Health Plans (25% for disabled members).

1986 School districts are now required to offer health insurance coverage for non-Medicare Part A retirees. Medicare Part A eligible retirees/spouses remain on CTRS Medicare Supplement Plan. CTRS no longer offers a non-Medicare plan and retirees return to local school district plans. State increases subsidization for CTRS plan to 25% and 45% for disabled members.

1989 Legislation enacted to create Health Insurance Premium Account, using active member 1% contributions beginning with the 1989-90 school year to fund health benefits for retirees.

1990 CTRS begins paying the full cost of health insurance premiums for retirees/spouses enrolled in CTRS Medicare Supplement Plan. Same flat dollar amount ($85.71) paid from Health Insurance Premium Account to local school districts on behalf of retiree/spouse enrolled in local school district health plan.

1991 Subsidy increased to $89.51 January 1991.

1992 Subsidy increased to $117.43 January 1992.

1993 Subsidy increased to $129.40 January 1993.

1994 Subsidy reduced to $117.43 January 1994. CTRS plan becomes self-insured beginning July 1994. Plan includes prescription drug coverage ($50 annual deductible). Subsidy reduced to $100 July 1994.

1996 Subsidy increased to $105.00 January 1996. Subsidy increased **to $110.00 July 1996. The subsidy covers "on average" 75% of the member's individual premium for coverage through the board of education.**

1997 Prescription drug annual deductible increased from $50 to $100 annually beginning January 1, 1997

1998 Legislature begins to fund a portion of the subsidy payment paid on behalf of members enrolled in local school district plans.

1999 Beginning July 1, 1999, CTRS offers Managed Care Plans through Aetna U.S. Healthcare at no cost to member, continues to offer traditional indemnity plan with drugs ($80.45 monthly) or without drugs (zero premium) as an optional health plan. Plan also provides for dental benefits as well as vision and hearing benefits.

2000 Open enrollment allowed for changes in health insurance coverage for July 2000. CTRS no longer offers option of a "zero premium" non-drug plan. Legislation provides that member and state each pay 25% of the cost with the remaining 50% paid from the Health Insurance Premium Account. Annual Deductible for prescription plan increased to $250 annually ($150 prorated from July 2000-December. 2000). Changes made on co-pays for retail and mail order program. Individual monthly premium for basic plan with prescription coverage decreases from $80.45 to $40.00.

2001 Individual monthly premium for basic plan with prescription coverage increases from $40 to $42

Aetna U.S. Healthcare Plan no longer offered as an optional health plan to CTRS members as of January 1, 2001. CTRS adds a provision to limit maximum annual out of pocket expenses for prescription drugs to $2,500 annually per individual beginning January 2001.

2002 Basic monthly premium with prescriptions increases from $42 to $46, basic with Dental changes from $72 to $71 and basic with Dental Vision and Hearing from $79 to $76 effective January 1, 2002.

Delta Dental becomes the CTRS Dental Plan Administrator effective January 1, 2002. CTRS reduces the maximum out of pocket expenses for prescription drugs from $2,500 annually per individual to $2,000 beginning January 2002. Effective April 1, 2002, CTRS offers option of obtaining maintenance drugs either at a retail pharmacy (5% higher co-pay) or by mail order.

2003 Effective January 1, 2003, individual monthly premium for basic plan with prescription coverage increases from $46 to $48. The basic plan plus dental is $80.00, the basic plan plus dental, vision and hearing is $85.00. Effective January 1, 2003, major dental services phased in over two years rather than three years. Dental percentage payable - 0% first year, 50% year two and all subsequent years. CTRS reduces the maximum out of pocket expenses for prescription drugs from $2,000 annually per individual to $1,000 beginning February 2003.

2004 No changes in coverage allowed during the plan year. You must remain in that plan for the entire calendar year to avoid anti selection, no adding or reducing coverage mid-year. Cancellation from all coverage is allowed, but no entry until open enrollment for coverage to become effective January 1st of the following calendar year. The basic plan with prescriptions monthly individual premium increases from $48 to $51; basic coverage with dental changes from $80 to $84; and with basic, dental, vision and hearing from $85 to $88 effective January 1, 2004.

Major Medical maximum increased from $100,000 to $1 million

Vision benefits doubled.

Hearing aid reimbursement increased from $500 to $750

The additional 120 days of coverage in a Skilled Nursing Facility (after the Medicare 100 days of coverage has been exhausted) was eliminated

Active teacher contribution rate for health insurance increased from 1% to 1.25% effective July 1, 2004.

2005 No changes to the Plan, except for rate increases. Basic plan with prescriptions monthly individual premium increases from $51 to $89; basic and dental changes from $84 to $128; and basic with dental, vision and hearing changes from $88 to $132 effective 7/31/2005.

Technical statutory codified changing requirement to enroll from being “eligible” for Medicare to participating in Medicare Part A as the plan is a supplement to Medicare. (PA 05-98).

(PA 05-10) requires that (Sec 14) Parties to a civil union shall have all the same benefits, protections and responsibilities under law as are granted to spouses in a marriage, which is defined as the union of one man and one woman. This would include eligibility for the health insurance subsidy and TRB health insurance.

The state’s share of the TRB health plan and the $110 subsidy was increased from 25% to one-third.

2006 Basic monthly premium with prescriptions decreases from $89 to $83; with basic and dental from $128 to $120.50; and basic and Dental, Vision and Hearing from $132 to $124.50 effective January 1, 2006.

Annual limitation on dental coverage increased to $2,000 annually with full coverage available upon the effective date of coverage.

TRB receives $5.5 million dollars from the RDS program for prescriptions purchased by the TRB health plan participants during 2006. There is a lag time between when the prescriptions are purchased and when the TRB receives the subsidy for a particular year.

Statutory change passed requiring members to be participating in Medicare Part B (in addition to Part A) to enroll in the CTRS Health Benefits Plan. (PA 06-190 effective 7/1/2006).

2007 Basic monthly premium with prescriptions increases from $83 to $87, basic with Dental changes from $120.50 to $127 and basic with Dental Vision and Hearing from $124.50 to $131 effective January 1, 2007.

Members cost for generic drugs reduced to 5% for both retail and mail order to provide a financial incentive for members to purchase prescriptions through the less expensive mail order service provider. After first refill, member pays 10% of the generic drug cost purchased through retail.

Major Medical deductible eliminated.

TRB will provide an additional 60 days of hospitalization for each approved extended hospital stay at 100%.

TRB receives $6.2 million dollars from the RDS program for prescriptions purchased by the TRB health plan participants during 2007.

2008 Basic monthly premium increases from $87 to $90, total with basic and Dental from $127 to $132 and total with basic and Dental Vision and Hearing from $131 to $137 effective January 1, 2008.

White composite dental fillings added to dental plan coverage.

TRB receives $7 million dollars from the RDS program for prescriptions purchased by the TRB health plan participants in 2008.

2009 There were no changes to the plan other than premium changes. Basic monthly premium increases from $90 to $99, basic and Dental changes from $127 to $144 and basic with dental, vision and hearing changes from $137 to $149.

TRB receives $8.3 million dollars from the RDS program for prescriptions purchased by the TRB health plan participants during 2009.

2010 TRB changes Pharmacy Benefits Manager from Medco to the State of CT plan through CVS Caremark in hopes of achieving savings through a larger pool of plan participants. The basic monthly premium with prescription coverage increases from $99 to $112; with basic and dental from $144 to $160; and for basic with dental, vision and hearing coverage from $149 to $165.00 for coverage effective January 1, 2010.

TRB receives $8 million dollars from the RDS program for prescriptions purchased by the TRB health plan participants during 2010.

Prescription Wigs are covered by Stirling Benefits beginning January 1, 2010.

The State adopts a budget that excluded the State's share towards both TRB health plans for retirees. (The TRB health plan and the subsidy program for pre Medicare retirees insured through their last employing Board of Education.)

2011 There were no changes to the plan other than premium changes. Basic monthly premium increases from $112 to 125; basic and dental from $144 to $174; and basic with dental, vision and hearing coverage from $165 to $179 for coverage effective January 1, 2011.

The State's budget excludes the State's share of contributions for both TRB health plans for retirees.

TRB receives $8.5 million dollars from the RDS program for prescriptions purchased by the TRB health plan participants during 2011.

2012 The basic monthly premium with prescription coverage decreases from $125 to $124; with basic and dental changes from $174 to $173; and basic with dental, vision and hearing from $179 to $180 effective January 1, 2012.

The State budget restores its contributions for both TRB health plans for retirees.

2013 The basic monthly premium with prescription coverage decreases from $124 to $117; with basic and dental changes from $173 to $160; and basic with dental, vision and hearing from $180 to $165 effective January 1, 2013.

Aetna becomes the CTRS Dental Plan Administrator effective January 1, 2013.

TRB receives $13.6 million dollars from the RDS program for prescriptions purchased by the TRB health plan participants during 2012.