

Client's challenge

A major professional human resources policy association needed a sustainable solution to a critical problem: retiree health benefits. The association realized that retiree healthcare presents one of the most significant challenges facing many of its member companies and their employees and retirees. Considerable market research made it clear that employers and their pre- and post-65 retirees needed affordable coverage that would be guaranteed regardless of a participating retiree's health status and that would not require employer subsidies or minimum participation levels. The association responded by developing Retiree Health Access (RHA), an innovative approach that leverages the membership of the association to offer retiree healthcare benefits beyond what is currently available in the market. The association engaged PricewaterhouseCoopers to help develop a long-term, national solution that would:

- Provide fully insured, guaranteed-issue catastrophic coverage for pre- and post-65 retirees
- Integrate with Medicare reforms
- Require no employer contribution

PricewaterhouseCoopers' Advisory solution

PricewaterhouseCoopers collaborated with a group of 40 employers that agreed to participate in a feasibility study and selected insurance carriers to produce outsourced solutions for both pre- and post-65 retirees. The result was a multiple-option retiree health program. One option provides a series of individual insurance plan offerings, a second option includes a series of group insurance plan offerings, and a third hybrid option offers pre-65 group plans and post-65 group and individual plans. Employers can offer each option on a total replacement basis for future retirees only or on a side-by-side basis with existing retiree health offerings.

The group design for pre-65 retirees features up to four plan choices from two carriers. Post-65 retirees can choose from several plans that integrate with Medicare and include Medicare Advantage options. The employer can choose to subsidize premiums or not, and preset pricing parameters help stabilize rates over time.

Retiree Health Access includes cost-control features. The quality-based plan designs offer incentives for using high-performance networks (HPNs). Where no HPN is available, the plans limit in-network benefits to a preferred provider organization (PPO). In addition, the participating insurance carriers offer total health management, including wellness incentives geared toward retiree populations, preventive care and education programs, to reduce health risks and lower costs.

Impact on the client's business

This innovative Retiree Health Access program will benefit employers, retirees and payers when the healthcare plans go into effect in January 2008. More than 20 major employers plan to participate in this initial rollout, and more than 100 additional employers are monitoring the program for possible adoption. This solution already has generated positive feedback from the marketplace as both employers and payers see it as step forward in expanding healthcare coverage to more Americans.

Contact:

Michael Thompson
(646) 471-0720
michael.thompson@us.pwc.com