

May 1, 2019

To: Janet Napolitano, President University of California
Robert May, Chair, Academic Senate

Re: Changes from Medicare Supplemental PPO to Medicare Advantage PPO Plans

From: UCBEA Working Group on Retiree Health Benefits

We understand that UCOP is reviewing Medicare Advantage PPO (MA PPO) plans as a possible replacement for the two currently offered PPO Supplemental Plans to Medicare (PPO SPM). We carefully examined the differences between these two insurance products and conclude that the MA PPO represents a marked degradation in insurance coverage. It will also result in considerable hardship for many retirees. More specifically:

1. Loss of Patients' Current Providers: Although some of the MA PPOs have large networks, a provider that is not in the plan's network is not required to accept an MA PPO patient, even if that provider accepts Medicare patients. For current retirees who have "out of network" providers, that provider may choose not to continue care for the patient (e.g. providers may be reluctant to deal with the different billing procedures for Medicare Advantage PPOs and be loath to accept the lower reimbursement from an MA PPO).
2. Costs of Referring to an Out of Network Provider: In an MA PPO Plan, the patient typically pays less if he/she uses doctors, hospitals, and other health care providers that belong to the plan's network. However, the patient will pay more, sometimes considerably more, if they use doctors, hospitals, and providers that are outside of the network.
3. Medicare Approved Procedures Can Be Denied by an MA PPO: MA PPO plans require prior approval and possible denial for many procedures that are approved by Medicare. This is one way insurers save money and why insurance companies can sell the Advantage plans at lower cost. Preapproval adds another layer of bureaucratic frustration and may preclude the plan member from receiving tests and procedures approved by Medicare. By way of illustration, one of our members was recently diagnosed with an illness that was not treated because her HMO refused needed surgery. She changed her health plan during open enrollment to one of our Medicare PPO's. This allowed her to seek treatment from a broader network of doctors. She had a successful surgery and is alive today because of this.

Unfortunately, for retirees living in California there are no other options. UC Medicare retirees are unable to opt out of UC health coverage and purchase their own private supplemental plan to Medicare. The law requires that UC discontinue health coverage to the entire group (as UCOP did with out of state Medicare retirees) before that option is available.

In addition to the issues iterated above, our group is disappointed with the lack of transparency by UCOP in their handling of this issue. In your July 2018 letter to the Working Group on

Retiree Health Benefits, you stated that any future changes would “also include active consultation with your respective constituent groups.” The absence of shared governance in this instance is both discouraging and worrisome to the broader academic community including our active faculty.

We strongly urge UCOP not to switch to an MA PPO without offering the at least one of the current PPO’s as an option. To create an insurance structure that will compel some of our retirees to obtain a new group of providers and face the possibility that some of their current care would not be affordable is an unusually cruel and harsh act by our University.

We have the responsibility to alert our emeriti (including those who are now planning their retirement) about possible changes in a timely fashion. We had looked forward to working with UCOP to thoughtfully engage in discussions about how to constrain costs while not adversely impacting health care for retirees; however the recent actions of UCOP lead us to believe that both transparency and the opportunity for productive discussions between the constituents and UCOP is not possible.

We will continue to keep emeriti and faculty actively involved in this process since we strongly believe that lowering the quality of Retiree Health Care is not only unfair and unjust to retirees, but also that such changes may have long term negative consequences for the University.