

University of Pennsylvania New Retiree Medical Benefits Program

To the University Faculty, Staff and Retirees:

We are pleased to acknowledge the set of recommendations on the Retiree Medical Benefits Plan put forward by the Retiree Benefits Task Force and the Human Resources Division and reviewed by the Personnel Benefits Committee of the University Council, the Council of Deans, the Academic Budget and Planning Committee, and the Faculty Senate. They were published for comment in the *Almanac* on March 15, 2005. The recommendations have now been forwarded to us for review and action.

On the Tax-Deferred Retirement Plan (TDR), we accept the following recommendation:

- The University will make no changes in the current TDR contribution policy.

On the Retiree Medical Plan, the following will be effective as of January 1, 2006:

With regard to plan design, the University will:

- Retain the current medical plan options with the exception of the UPHS/Keystone/AmeriHealth Point of Service Plan for retirees under the age of 65.
- Add a new Aetna Indemnity Plan for Medicare-eligible retirees.
- Carve out the prescription drug plan to Caremark and offer Medicare-eligible retirees the ability to elect a medical plan and a prescription drug plan. In addition, retirees will be able to opt out of Penn's prescription drug plan to enroll in the Medicare part D program should they wish.
- Cease availability of Independence Blue Cross 65 Special, as currently structured, upon retirement of new hires who start on January 1, 2006 and later.

With regard to premium subsidies (for both the medical and prescription drug plans), the University will:

- Retain the medical and prescription drug plan 100% subsidy rate for retirees and their spouses/partners who left service prior to July 1, 1996.
- Eliminate the current graded subsidy for medical and prescription drug plans based on age at retirement. Instead, there will be a single 60% subsidy rate for eligible retirees after July 1, 1996 and their eligible spouses/partners. This subsidy will be based on the lowest-cost medical plan premium for pre-65 retirees and the lowest-cost indemnity plan premium for Medicare-eligible retirees.
- Subsidize retiree medical and prescription drug plan premiums of new hires starting on January 1, 2006 at 60%; spouses/partners will be subsidized at 30%.

With regard to benefit eligibility, the University will:

- Adopt a "Rule of 75" which states that age and service must total at least 75 to be eligible for retiree medical benefits, with a minimum of age 55 and 15 years of service or age 62 and 10 years of service.
- Apply a "Rule of 75" to all other retiree benefits including the tuition program, group life, and two new benefit offerings, namely a dental plan, and a long-term care plan.
- Extend the current eligibility requirements (age 55 and 15 years of service or age 62 and 10 years of service) to current employees until December 31, 2008.

With regard to benefit policies, the University will:

- Introduce an annual selection period when eligible retirees can make changes in plan options.
- Implement a requirement that medical coverage must be elected at least 60 days prior to the last day of service. Those who do not enroll during this period will permanently waive participation in the program.
- Cover eligible dependents enrolled on the last day of the retiree's employment. Those who retired before July 1, 1996, who can currently add new dependents, will no longer be able to do so after December 31, 2005.
- Require retirees who return to work at Penn to join a plan for active employees in order to comply with legal requirements. On subsequent termination, the policies, procedures, and premiums in effect at the second termination date will apply.
- Reinstate medical and prescription drug plan coverage for a retiree in payment arrears only when premiums past due are paid within 90 days of the date the premiums were first due. Thereafter, coverage will be permanently cancelled.

For more complete information on the decisions of administration with regard to the Retiree Medical Program, please see Attachments 1 and 2.

Other Information

Prescription Drugs

- The annual out-of-pocket maximum for prescription drugs will be \$1,500 per individual and \$4,500 per family. These amounts will be in effect for calendar year 2006 and are subject to change.
- Medicare-eligible retirees will have the ability to opt out of Penn's prescription drug plan to enroll in the Medicare Part D program.
- A mail-order program for long-term or maintenance prescriptions will be introduced on January 1, 2006. Retirees will then have access to lower minimum co-pays and three-month supplies available by telephone or the web and delivered to their homes. The coinsurance and co-pays of the new plan are shown in Attachment 3.

Dental

- A voluntary discount dental plan with Aetna will be introduced. Retirees who enroll and visit a participating provider can anticipate an average discount of 28%. The charge for those who enroll in 2006 is expected to be \$4 per month for individual coverage and \$7 per month for family coverage.

Long-term Care Plan

- A new group Long-term Care Insurance Plan with John Hancock will be introduced effective January 1, 2006. This plan will be offered to employees, retirees and other eligible family members. Premiums, which will be based on age, will be determined by John Hancock.

These changes to the Retiree Medical Plan will, in our view, offer Penn retirees a competitive and cost-effective benefits package. We also believe that these changes are in accordance with the principles proposed by members of the Retiree Task Force and will help fulfill the University's mission and goals.

Amy Gutmann, President

Ronald Daniels, Provost

Craig Carnaroli, Executive Vice President

Please note that the University reserves the right to change, amend or terminate any of its benefit plans at any time and for any reason.

University of Pennsylvania New Retiree Medical Benefits Program Questions and Answers

Foreword

In the spring of 2004, the Retiree Benefits Task Force (Task Force) was established and directed by the former President and the former Provost to review the University's Tax-Deferred Retirement (TDR) Plan and the Retiree Medical Program. The Task Force, comprised of active and retired faculty and staff members, was charged with evaluating whether these programs continue to meet their goals and whether they could be modified to contain costs without compromising the University's ability to attract, retain, and retire excellent faculty and staff, particularly in light of recent cost increases for retiree medical benefits. In its deliberations, the Task Force reviewed past and current University policy, examined offerings by comparator universities and other employers, read several relevant studies, and consulted with independent benefit consultants as well as other experts around the University.

After extensive analysis and careful consideration, the Task Force completed its work with the delivery of a Report to the Provost's office in December of 2004, summarizing its findings and recommendations (the "Report"). As indicated in the Report, the Task Force recommended that no changes be made to the TDR

Plan. With regard to the Retiree Medical Program, the Task Force recommended a number of changes in the program. This Report was published in the March 15, 2005, *Almanac* "For Comment" to ensure that the University's active and retired population had an opportunity to review the Report. A paper version of the Report was mailed to the University's 3,000 retirees.

Since its publication, the Provost's Office received some 300 communications requesting clarification and commenting on the Task Force Report. Although the Task Force completed its Report last December, I have worked with the Division of Human Resources, the Office of the Associate Provost and the Office of the General Counsel to prepare responses to some of the questions raised to help active and retired faculty and staff understand the Report and the proposed changes.

—Olivia S. Mitchell
*International Foundation of Employee Benefit Plans Professor
Professor of Insurance and Risk Management
The Wharton School*

The Task Force Report

Q1: Who were the members of the former Task Force, what is their expertise, and were retirees represented?

A: As indicated in the Report, the Retiree Benefits Task Force was a faculty-led initiative, and participants included University administrators and staff representatives with human resources and employee benefits expertise. Olivia Mitchell of the Wharton School, an expert in employee benefits, chaired the Task Force; other faculty members who served included Eric Bradlow (Wharton), Nader Engheta (SEAS), David Freiman (Medicine and current Chair of the Personnel Benefits Committee), Rebecca Maynard (GSE), Gerald Porter (SAS), Jerry Rosenbloom (Wharton *Emeritus*), and Amy Wax (Law). Staff representatives on the Task Force included Anna Loh (PPSA-monthly paid staff), and H.J. Omar Mitchell (WPSA-weekly paid staff). Administration representatives included Leny Bader (Human Resources), Janice Bellace (Provost's Office), Bonnie Gibson (Budget Office), Jack Heuer (Human Resources), and Elizabeth Salasko (General Counsel's Office). Task Force Members have variously served on the Personnel Benefits Committee of the University Council, the Committee on the Economic Status of the Faculty, the Academic Planning and Budget Committee, the Faculty Senate, the Penn Professional Staff Assembly and the Weekly-paid Professional Staff Assembly. Professor Rosenbloom, a retired faculty member, had served on a past Retiree Benefits Task Force as well.

Q2: Why did the University consider changing the Retiree Medical Program?

A: The University has long provided subsidized retiree medical premiums for its retired faculty and staff members. In the past decade, the costs of providing retiree medical benefits rose substantially and unexpectedly: at the time our study began, Penn's FY05 annual expense for retiree medical benefits stood at \$30 million, and the unfunded li-

ability for retiree medical benefits totaled \$274 million. If the University makes no changes to its Retiree Medical Program, the retiree medical plan costs are projected to double in fewer than five years. Unchecked, these increases will ripple through Penn's Employee Benefits (EB) budget and require cutbacks in other areas (perhaps in the form of future salary increases, reductions in other benefits, etc.). The Task Force was also concerned that benefit increases of this magnitude will render researchers' grant proposals less competitive.

Q3: Who has reviewed the recommendations of the Task Force?

A: The Task Force Report was presented to the President, the Provost, other senior administrators, the Personnel Benefits Committee of the University Council, the Council of Deans, the Academic Budget and Planning Committee, and the Faculty Senate.

Q4: Does the University have the right to change the Retiree Medical Program for current employees and retirees?

A: Like all other University benefit programs, retiree medical benefits are not guaranteed and the University has always reserved the right to make changes in all programs at any time and for any reason. The official summary plan description (SPD) and plan documents for the Retiree Medical Program contain explicit reservation of rights and provisions stating that the University can change this benefit program at any time. The possibility of future change was explained in an *Almanac* article about the 1996 changes in the Retiree Medical Program:

"While it is our hope that modest changes now will place us on a sound footing for the future, in light of such uncertainties as economic exigencies, legislative reform or changes in the healthcare delivery system, Penn may be required to further modify its retiree medical program and other benefit programs in the future...."

The University's Current Retiree Medical Program

Q5: What are the current eligibility requirements for the Retiree Medical Program?

A: Retiree medical benefits are currently provided to retirees and their eligible dependents who leave the University at or after age 55 with at least 15 years of service (55+15) or age 62 with at least 10 years of service (62+10). To be counted toward the eligibility requirements, a retiree's service must be earned in a full-time position and must be continuous. Eligible retirees and their dependents are currently not required to start receiving retiree medical benefits at the time of retirement (if, for example, other coverage was available to the retiree through a spouse's plan) and may elect to start receiving retiree benefits at some future date at the retiree's election. (See Q/A # 9 for changes.)

Q6: What medical coverage options are currently available to retirees?

A: The Retiree Medical Program currently allows eligible retirees not yet age 65 to enroll in any of the medical coverage options made available to Penn's active employees. At present, an eligible retiree age 65 or older may enroll in the Independence Blue Cross (IBC) 65 Special Plan, an indemnity plan that is integrated with Medicare, or in one of two Medicare Advantage (formerly known as HMO or Medicare + Choice) Plans. Most current retirees who are age 65 or older (approximately 93%) elect to participate in the IBC 65 Special Plan. (See Q/A #10 for changes.)

Q7: What do retirees currently pay for medical premiums?

A: The eligible retiree's share of University-provided retiree medical benefit premium depends upon when the person retired. Retirees (and their eligible dependents) who retired *prior to* July 1, 1996 ("pre-1996 retirees") currently do not share in the premium cost of retiree medical benefits; the University currently pays the full premium. Retirees (and their eligible dependents) who retired *on or after* July 1, 1996 ("post-1996 retirees") share premiums for retiree medical benefits with the University, in accordance with a schedule. This schedule currently provides that post-1996 retirees who retire at age 55 pay 50% of the premium, and the University pays the remainder. For each year after age 55 that a post-1996 retiree retires, Penn's share of the premium cost increases by 2% (and the retiree's share decreases by 2%) up to a maximum of 70% if a retiree retires at age 65. (See Q/A #11 for changes.)

Q8: Where can retirees find more information about the current Retiree Medical Program?

A: More information about the current Retiree Medical Program can be found in the summary plan description (SPD) for the University of Pennsylvania Retiree Health Plan (the "Retiree Plan"). The SPD may be accessed by clicking on the following link: www.hr.upenn.edu/benefits/Retiree_Medical_SPD_04.pdf. The Retiree Plan is the University-sponsored employee welfare benefit plan through which retiree benefits are provided.

Task Force Recommendations

Q9: If, in September of 2005, I meet the old eligibility requirement of age 62 with 10 years of service or age 55 with 15 years of service, is my eligibility 'grandfathered' under the old eligibility rules?

A: Employees who meet the old eligibility requirements within 3 years of the start date of these new eligibility rules will be "grandfathered" in terms of program eligibility. The start date for the new eligibility rules is January 1, 2006, so employees who meet the old requirements between January 1, 2006 and December 31, 2008 will be eligible to participate in this benefit.

Q10: Will the indemnity plan be offered to all retirees or just those over age 65 living outside of the service area for the managed care plans?

A: The University discontinued the indemnity plan for active employees or retirees under the age of 65 effective July 1, 2005. Two types of indemnity plans will be offered to retirees age 65 and older because Medicare-eligible retirees who live outside of the network areas cannot be included in Medicare Advantage Plans.

Q11: Under the proposal, how much will retirees now have to pay for medical and drug coverage for themselves and their dependents?

A: The Task Force offered a chart in its *Almanac* Report that illustrates possible medical and prescription premium levels given 2004-05 pricing and two different premium-sharing arrangements with the University. Nevertheless, specific payments for 2006 coverage will not be available until the University concludes negotiations with healthcare plan providers on plan design and rates for January 1, 2006. Final rates will be sent to retirees in October along with the enrollment guide.

Q12: How will the redesigned plan help the University's capacity to sustain the health benefits provided to retirees?

A: The proposed changes will reduce the rate of increase of the University's liability for retiree health benefits. These changes may also allow the University to direct additional funds to meet future retiree health benefit obligations. In this way, the University's capacity to sustain its commitment to its retirees is strengthened.

Q13: How will the Retiree Medical Program change for Long-term Disability (LTD) recipients?

A: LTD recipients who have been receiving Social Security Disability Income (SSDI) payments for 24 months must apply for Medicare and, upon qualifying for Medicare coverage, must transfer to one of the medical options available to age-65+ retirees that coordinate with Medicare. They will then be covered by the same provisions as for age-65+ retirees. If they do not qualify for Medicare, they will have available the same options as those offered to active employees and pre-65 retirees.

Medicare Benefits

Q14: What's happening with Medicare benefits?

A: Late in 2003, Congress passed the Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA). Among other benefits (such as preventive care and more health plan options), the Act gives Medicare beneficiaries access to prescription drug coverage under a benefit called Medicare Part D. This new prescription drug benefit is the biggest addition to Medicare since the program's inception 40 years ago. This new benefit has an initial enrollment period starting November 2005 and will become available to Medicare-eligible beneficiaries on January 1, 2006.

The Centers for Medicare and Medicaid Services (CMS), the American Association of Retired Persons (AARP), prescription drug companies/plans, and other special-interest organizations have published information and reached out to constituents to promote/explain the changes to Medicare benefits. Many employers plan to make changes to their retiree medical benefits as a result of Medicare Part D.

Q15: What aspects of Medicare are changing as a result of this new law?

A: In 2004, Medicare updated its Medicare + Choice program (now called Medicare Advantage) to offer additional health plan choices, and as of 2005 it began offering new preventive benefits. In addition, beginning May 2005, Medicare beneficiaries can enroll in a Medicare-approved drug discount card that would help defray drug costs mainly

for those who are not covered under an employer-sponsored plan like Penn offers. This was a prelude to the new prescription drug benefits (Part D) that Medicare will offer as of January 1, 2006.

Q16: Do the new Medicare changes affect my original Medicare Parts A and B coverage?

A: No. Medicare Part A will still cover hospital stays, skilled nursing facility services, certain home health services, and hospice care. Medicare Part B will continue to cover doctor services, outpatient hospital services, certain home health services, and medical equipment and supplies. Remember, Medicare Parts A and B are your primary coverage once you reach Medicare-eligible age. Penn's retiree medical plan benefits are determined by the carrier, assuming the retiree is enrolled in Medicare Parts A and B.

Q17: What is Medicare Part D?

A: As of January 1, 2006, Medicare beneficiaries will have access to prescription drug benefits administered by private companies such as health insurers. Beneficiaries can get the prescription drug benefit in one of two ways: (1) as a separate policy for prescription drugs, or (2) as part of a private health plan that also provides medical coverage.

Similar to Medicare Parts A and B, there is a monthly premium for Medicare Part D. However, unlike Medicare Parts A and B, where Medicare collects the premiums, the Medicare Part D premium will be paid directly to private health plans that will provide these benefits. Private plans that offer this coverage will send this information directly to eligible individuals.

Q18: What is expected to be the standard prescription drug benefit under Medicare Part D?

A: Prescription drug plans may vary and benefits offered may vary by region of the country. In general, however, it is anticipated that the benefit plan may work as follows in 2006 (thereafter the plan specifics may change):

How Medicare Prescription Drug Plans Work	Associated Cost
Enroll in a Medicare-approved prescription drug plan (commonly referred to as a "PDP").	1: You pay a monthly premium of \$32.20 (this amount can vary based on your geographic location and the plan you choose).
Pay the annual deductible amount before the plan begins to pay out.	2: You pay the first \$250 (annual deductible) in prescription drug costs.
After you meet the \$250 deductible, Medicare will pay 75% of your next \$2,000 in prescription drug costs.	3: You pay 25% of any drug costs between \$250 and \$2,250. The maximum cost to you will be \$500.
Medicare temporarily stops paying when your total drug costs exceed \$2,250.	4: You pay 100% of any drug costs between \$2,250 and \$5,100 or \$2,850. This will bring your total spending (2+3+4) to \$3,600.
After you reach a total of \$3,600 in prescription drug spending, Medicare will begin paying 95% of your prescription drug costs.	5: You pay either the remaining 5% of the drug cost or copays of \$2 for generic drugs and \$5 for brand-name drugs, whichever is greater.

Q19: How does Medicare Part D compare with the Medicare-approved prescription drug discount card?

A: The Medicare-approved prescription drug discount card was

an interim solution to help Medicare beneficiaries reduce prescription drug costs prior to the 2006 rollout of Medicare Part D. Through May 1, 2006 (or upon enrollment in Medicare Part D, whichever comes first), card owners can purchase prescription drugs at a discount from certain approved retailers. Medicare Part D, on the other hand, will offer prescription drug benefits and coverage to enrollees through approved Prescription Drug Providers or PDPs and Medicare Advantage plans beginning January 1, 2006. Keep in mind that prescription drug benefits will be available to eligible retirees who enroll in Penn's retiree medical program.

Q20: What happens if a retiree elects Medicare Part D prescription drug benefits?

A: Retirees or their covered dependents who are Medicare-eligible cannot be covered by two plans. Therefore, if they enroll in Medicare Part D, they will not be eligible for prescription coverage through Penn's program, and their prescription drug coverage under Penn will end on December 31, 2005 or as soon as Penn learns of the effective date of the Part D coverage (they will, however, still be able to enroll in Penn's medical plan). Because of this, it is extremely important that retirees compare their options to help them make the decision that's right for them.

Q21: Can retirees elect to cover Medicare-eligible dependents in Medicare Part D prescription drug benefits and elect the Penn-sponsored medical and prescription drug coverage option for themselves?

A: Starting January 1, 2006, retirees and their eligible dependents will have to enroll in the same coverage option. This means that if a retiree enrolls in a Penn-sponsored medical and prescription drug coverage, all dependents must also elect the same coverage. In the situation where there is a split family (one person is under age 65 and the other is age 65 or older), when the under-age-65 dependent reaches Medicare eligibility, he or she must have the same level of coverage as the age-65 retiree. So, if the post-65 retiree is enrolled in Penn-sponsored medical coverage and Medicare Part D, the under-age-65 dependent must choose that level of coverage. In the future, that family will never be able to enroll in Penn's prescription drug benefit plan.

Q22: How will the new Medicare Part D prescription drug rules affect the University's Retiree Medical Program?

A: The new Medicare Part D prescription drug rules will take effect on January 1, 2006. Employers will have some choice about how to coordinate their prescription drug benefit plan offerings with the new Medicare rules. By separating the prescription drug options offered to retirees age 65 and over into carved-out or stand-alone coverage options, Penn seeks to ensure that the retiree medical plans are well-positioned to coordinate with the new Medicare Part D rules.

Q23: What will happen if the University receives a government subsidy under the new Medicare Part D, to keep a retiree medical plan going?

A: The Task Force has recommended that the subsidy, if and when it is received, be used to hold down future cost increases in the retiree program. In addition, Penn pays Medicare 1.45% of payroll to fund Medicare's Part A benefits. This amounts to over \$13 million each year and is projected to increase in the future.

Retiree Medical Plans in the National Environment

Q24: What is the rate of healthcare cost increases in the past few years?

A: Healthcare costs have risen at double-digit levels during the last five years, with 12% increases in 2003, and 16% in 2002. Since retirees generally utilize more medical care than active employees, retiree medical plan costs have risen faster.

Q25: What are other employers doing to address the problem of retiree medical benefits?

A: Employers are altering and, in some cases, terminating retiree medical benefit plans. Some widely-observed changes include:

- Ending all coverage for new hires/all workers/all workers and retirees as well as their dependents;
- Requiring participants to pay the entire premium cost;
- Limiting prescription drug coverage;
- Discontinuing group medical insurance and establishing an unfunded liability account known as a Retiree Medical Plan (RMA); or
- Adopting Health Savings Accounts (HSA) providing only catastrophic coverage.

Q26: What are our peer institutions doing to their Retiree Medical Programs?

A: Many of our peer institutions are reviewing and reconfiguring their programs. Some schools, such as Northwestern, currently offer no employer subsidy; Brown University recently set up an unsubsidized retiree medical plan. Columbia and MIT will pay a portion of the retiree medical premium, but only to a maximum. Dartmouth subsidizes the entire premium for the lowest-cost plan for retirees only (and not for dependents). Stanford has moved to a defined contribution approach under which employees receive a set dollar amount each year (based on years of service) to be used toward premiums for a supplemental plan.

Annual Selection Period for Retirees

Q27: How can I learn more about the changes in our health care benefits?

A: Retirees will receive additional information about their benefits before Penn's annual selection period for retirees in November. The 2006 benefits package which will be mailed to retirees early next

month, will contain a description of the relevant options and their associated costs. Informational sessions will also be held October 19 and 25 at Houston Hall. In addition, there will be enrollment fairs November 1 and 2. Details on these events will be announced later.

Q28: As a retiree, I normally carry over the same coverage from year to year. In light of the changes this year, do I need to actively enroll for benefits?

A: Because we've made some changes, you will probably want to reevaluate your coverage.

• If you do not participate in the 2006 Annual Selection Period (that is, if you do not make an active election), you will remain in the medical plan in which you were enrolled for 2005 along with prescription drug benefits through Caremark.

• If you were enrolled in the UPHS/Keystone/AmeriHealth Point of Service (POS) Plan (which will be discontinued for pre-65 retirees on January 1, 2006) and you do not actively make another selection, you will automatically be enrolled in the Keystone/AmeriHealth HMO Plan.

Q29: When is the Annual Selection Period this year?

A: The dates are October 31 to November 10, 2005. All mail should be postmarked by November 10, 2005 to be considered a valid selection.

Q30: Where can I get more information about Medicare Part D?

A: Medicare has provided us with the following:

- For questions on *choosing* Part D and on Medicare, you can access www.medicare.gov or call 1-800-MEDICARE (1-800-633-4227).

- For questions about eligibility for and enrolling in Medicare, Social Security retirement benefits and disability benefits and on the costs of a Part D plan, call 1-800-325-0778.

Legal Disclaimer: This document highlights certain key features of the University of Pennsylvania Retiree Medical Plan. More details on the Plan can be found in governing Plan documents. In the event of a discrepancy between the applicable Plan documents and this booklet, the relevant Plan documents govern. The University reserves the right to change, amend, or terminate any of its benefit plans at any time and for any reason.

Attachments begin on next page.

Attachment 1

University of Pennsylvania Retiree Medical Plan Options/Premium Sharing

Retiree Plan Options		Retiree Premium-Sharing		
	Pre-65 Retiree (1)	Medicare-Eligible Retiree (2)	Pre-65 Retiree (3)	Medicare-Eligible Retiree (4)
Eligible Former Employees Left service < July 1, 1996 at age ≥ 55 and ≥ 15 years of service or age ≥ 62 and ≥ 10 years of service. (service = full-time, continuous) No new dependents starting 1/1/06.	PENNCare/Personal Choice PPO Aetna HMO Keystone/AmeriHealth HMO RX—with Caremark	IBC 65 Special Indemnity Plan Aetna Indemnity Plan Aetna Medicare Advantage (HMO) Plan Keystone/AmeriHealth Medicare Advantage (HMO) Plan RX—with Caremark*	a) University pays 100% of the medical premiums for all plan options for retiree and spouse/partner.** b) University pays 100% of the prescription premium for retiree and spouse/partner.	a) University pays 100% of the medical premiums for all plan options for retiree and spouse/partner. b) University pays 100% of the prescription premium for retiree and spouse/partner.*
Left service > July 1, 1996 at age ≥ 55 and ≥ 15 years of service or age ≥ 62 and ≥ 10 years of service. (service = full-time, continuous) Only eligible dependents enrolled on last day employed.	Same as above	Same as above	a) University pays 60% of the lowest cost medical plan premium for retiree and spouse/partner.** b) University pays 60% of the prescription premium for retiree and spouse/partner.**	a) University pays 60% of the lowest cost medical indemnity plan premium for retiree and spouse/partner. b) University pays 60% of the prescription premium for retiree and spouse/partner.*
All Current Full-Time Employees Age ≥ 55 and ≥ 15 yrs of service or age ≥ 62 and ≥ 10 years of service on the last day employed and age + service ≥ 75 .*** (service = full-time, continuous) Only eligible dependents enrolled on last day employed.	Same as above	Same as above	Same as above	Same as above
New Hires (full-time only) Age ≥ 62 and ≥ 10 yrs of service or age ≥ 62 and ≥ 10 yrs of service on the last day employed and age + service ≥ 75 . (service = full-time, continuous) Only eligible dependents enrolled on last day employed.	Same as above	Same as above	a) University pays 60% of the lowest cost medical plan premium for retiree and 30% for spouse/partner.** b) University pays 60% of the prescription premium for retiree and 30% for spouse/partner.**	a) University pays 60% of the lowest cost medical indemnity plan premium for retiree and 30% for spouse/partner.* b) University pays 60% of the prescription premium for retiree and 30% for spouse/partner.*

* Participant may elect Medicare Prescription Drug Plan (PDP).

** Pre-65 premiums are blended with premiums for actives; University will consider moving to stand - alone approach.

*** Implement three (3) years from effective date.

The University reserves the right to amend, alter, change, or suspend the benefit offerings at any time and for any reason.

Attachment 2
University of Pennsylvania
Retiree Medical Policies/Administrative Procedures

Policies and Procedures	Decision by Administration (effective 1/1/06)	Current Practice
a) Electing Retiree Medical Coverage	Eligible employees must elect or waive retiree medical coverage 60 days prior to their last day of service. Employees who do not enroll cannot elect coverage after the above window. A decision to waive retiree medical coverage is irrevocable.	Eligible employees may elect retiree medical coverage after leaving service or at a later date.
b) Dependents of Employees Who Left Service Prior to 7/1/96	Eligible employees who left service prior to 7/1/96 may not add new dependents as of 1/1/06.	Eligible employees are allowed to add new dependents after their last day of service.
c) Dependent Coverage	Dependents are eligible if enrolled in an active medical plan when the employee left service. However, an eligible dependent child qualifies for benefits when medical coverage under another plan is canceled even if he/she was not previously enrolled in Penn's plan.	Dependents are eligible if they qualified for medical coverage under the active plan on the employee's last day of service.
d) Eligible Dependent Children of Deceased Retiree Medical Participant	No change in policy.	Retiree medical coverage continues for eligible dependents.
e) Surviving Spouse, Same Sex Domestic Partner and Dependent Children of Deceased LTD Employee 1) Employee not Eligible for Retiree Medical Coverage 2) Employee Eligible for Retiree Medical Coverage	No change in policy.	Medical coverage continues under COBRA for 36 months.
	No change in policy.	Retiree medical coverage continues for eligible dependents.
f) Change Retiree Medical Election Period	During the selection period in November participants can elect medical changes for the following calendar year. Certain changes may be allowed outside of the annual selection period due to certain qualifying events.	Changes are allowed during a calendar year or a rolling year (one year from the last transaction date).
g) Reinstatement of Retiree Medical Coverage for a Retiree in Payment Arrears	Reinstatement of coverage is only permitted when past due premiums are paid during the 90 day period from the time the payment is first due; thereafter, coverage is permanently canceled.	Medical coverage is canceled when premium payments are 90 days past due. Coverage is reinstated after past due premiums are paid in full.
h) Covered Eligible Former Employee is Re-employed Full-time and Subsequently Leaves Service	Policies, procedures and contributions in effect at second termination date will apply.	Medical contributions and eligible dependents at initial termination date remain in effect when an employee leaves service for the second time.
i) Covered Eligible Former Employee is Re-employed	Employee must elect active medical coverage	Employee may elect active medical coverage or continue coverage in retiree medical plan.

The University reserves the right to amend, alter, change or suspend the benefit plan offerings at any time and for any reason.

Attachment 3

**University of Pennsylvania
Prescription Drug Program for
Pre-65 and Medicare-Eligible Plans**

<p>A. RETAIL</p> <p>Participating Pharmacies</p> <p>Coinsurance/Copay</p> <p>1) Generic Drugs</p> <p>2) Brand Drugs with or without Generics</p> <p>Non-Participating Pharmacies</p>	<p>Over 55,000 participating pharmacies nationwide, including 22,000 independent community pharmacies as well as the pharmacy at the Hospital of the University of Pennsylvania.</p> <p>10% of discounted prescription cost. \$5 minimum copay. (30 day supply)</p> <p>30% of discounted prescription cost. \$15 minimum copay. (30 day supply)</p> <p>10% (generic) and 30% (brand) of retail cost plus 5% surcharge.</p>
<p>B. MAIL ORDER (90-day supply)</p> <p>Coinsurance/Copay</p> <p>1) Generic Drugs</p> <p>2) Brand w/o Generic Drugs</p> <p>3) Brand Drugs w/Generics</p>	<p>10% of discounted prescription cost. \$10 minimum copay.</p> <p>20% of discounted prescription cost. \$20 minimum copay.</p> <p>30% of discounted prescription cost. \$30 minimum copay.</p>
<p>Refill Limit</p>	<p>None</p>
<p>Deductible</p>	<p>None</p>
<p>Out of Pocket Maximum</p>	<p>\$1,500/Individual \$4,500/Family</p>

The University reserves the right to amend, alter, change or suspend the benefit plan offerings at any time and for any reason.