

# CLIENT ADVISORY

## Beyond Medicare Exchanges: Keeping the Faith with Retirees

### Giving Employers a Choice that Limits Costs, Protects Retirees

No company ever sets out to become a retiree benefit administrator. But sooner or later, as a business matures and its workforce moves into the retirement years, many companies find that both time and resources are pulled away from their core business focus to support their healthcare obligations to former workers.

Recently, there has been a move afoot to escape the burden by cutting their retirees loose, throwing them into the individual market to fare on their own. But many were loath to treat loyal retirees, who had devoted their working years to the company, in such a fashion.

Today, AmWINS has developed a better way – a hybrid option that provides employers with the opportunity to sidestep the burden that retiree health care has become while still providing protection afforded to them through an employer-sponsored plan. And just as popular hybrid cars give drivers the combined advantages of electrical power (lower costs) and gasoline engines (longer range), the new hybrid retiree health option – Retiree Benefit Choice – blends the best aspects of non-ERISA and individual plans to serve the needs of both companies and retirees.

### The Dilemma Facing Employers

Long after employees retire with the proverbial gold watch, a company may still be carrying them on the books. Through collective bargaining, contractual obligations, or simply a commitment to doing what is right by former long-time employees, the employer often arranges for group retiree coverage.

#### AmWINS Retiree Benefit Choice: A Better Way for Employers and Retirees

##### What Employers Want

- Reduction of liability and balance sheet impact
- Reduced administrative workload
- A feeling of good will
- Getting out of the retiree benefit administrator role

##### What Retirees Expect

- Same or better coverage as current plan
- A feeling of support from the employer
- Clarity in plan offerings
- A place for answers

Typically, these efforts fall under ERISA rules and regulations, requiring the expense of 5500 filings, audits and the associated liabilities. At the same time, this aging population may need more assistance understanding their coverage; when they turn to the company for answers, the administrative burden for the human resources department grows.

As economic pressures have mounted over the past few

years and regulations have kicked in requiring disclosure of future costs on current balance sheets, many employers have looked for ways to cut back on retiree health spending. Shifting to a Medicare Exchange (sometimes referred to as coordinator) has been an option that is gaining traction. Under this strategy, employers allocate the retirees a stipend so they can shop for their own supplemental policies on an “exchange” that gives them choices across a broad range of available policies.

### The Drawbacks for Retirees

Giving people choices always sounds like a great idea. However, as the marketplace for consumer goods of all types has expanded, choice has become a mixed blessing. When someone is faced with dozens of car models, toothpaste brands or cameras – all with different features, strengths and drawbacks – picking the best one can be very difficult.

To learn more about how AmWINS can help you and your clients, reach out to your local AmWINS broker or [marketing@amwins.com](mailto:marketing@amwins.com).

Legal Disclaimer: Views expressed here do not constitute legal advice. The information contained herein is for general guidance of matter only and not for the purpose of providing legal advice. Discussion of insurance policy language is descriptive only. Every policy has different policy language. Coverage afforded under any insurance policy issued is subject to individual policy terms and conditions. Please refer to your policy for the actual language.



AmWINS Group, Inc. is a leading wholesale distributor of specialty insurance products and services. AmWINS has expertise across a diversified mix of property, casualty and group benefits products. AmWINS also offers value-added services to support some of these products, including product development, underwriting, premium and claims administration and actuarial services. With over 1,800 employees located in 16 countries, AmWINS handles over \$5 billion in premium annually through our four divisions: Brokerage, Underwriting, Group Benefits and International.

## CLIENT ADVISORY

### Beyond Medicare Exchanges: Keeping the Faith with Retirees

When the choice involves a cost and benefit analysis, what the retiree decides can be critical to their health and financial well being. Holes in coverage often are not noticeable until people use the policy, when it is too late to change their minds.

Retirees who are left on their own to evaluate retiree benefit plans often have difficulty determining which one – if any – will give them the same coverage they enjoyed under their employer's plan.

In the end, both employers and retirees are often dissatisfied with the shift to a Medicare Exchange strategy.

#### The Hybrid Solution

With 20 years of experience in the retiree benefits market, we believed there had to be a better way. After examining the opportunities to help employers and the pitfalls that retirees face, we have developed a much better option that gets employers out from under the costs, administrative aggravation and ERISA liabilities, while protecting retirees and simplifying the process for them. Like hybrid cars, this hybrid retiree Medicare solution combines the best of both worlds: customized plans that can match a retiree's current benefits plus consulting support if the retiree prefers to look at other choices.

The advantages for the employer are immediate. Since the hybrid is ERISA-exempt, the administrative filings and liabilities are eliminated. If the employer has a union contract, is under court order or is obligated by grandfathered requirements, a benefit plan can be customized to match the current plan design. In addition, the hybrid plan takes over the role of assisting retirees. The plan comes with complete call center support, with experienced, licensed benefit advisors, as well as online support for technology-savvy seniors.

Retirees benefit in a number of ways. Medical plans can be arranged with multi-year guarantees, providing financial stability over time. In addition, a choice of plans can be presented that meet different criteria for pricing and coverage – including a more robust pharmacy benefit, often an important consideration as retirees age and face chronic medical needs. All of these choices come with composite national pricing that is unaffected by age, gender, zip code, health condition and weight/smoking status.

#### Conclusion: Hybrid Plan a Responsible Solution for Employers

Having a social obligation to retirees is not the same as having a financial responsibility. Employers do not want to abandon workers who helped them build their success, but they also need to cut costs and remove future liabilities from their current balance sheet.

AmWINS Retiree Benefit Choice provides a hybrid Medicare Exchange strategy that allows them to do this by:

- Carving out their retiree population
- Giving retirees a subsidy to purchase insurance
- Guaranteeing that one option will perfectly match current benefits
- Supporting evaluation of other choices with call center and online resources

It's a better way that everyone can feel good about.