



Retiring Times

New Directions for MCPS Retirees

VOLUME 4 • NUMBER 3

SPRING 2007

Retiree Open Enrollment Announcement

The Montgomery County Public Schools (MCPS) will conduct the annual retiree benefit plan open enrollment beginning Monday, April 30, and continuing through Friday, May 18, 2007.

During open enrollment, MCPS retirees will have the opportunity to

make changes to their medical, dental, vision, and prescription plan options; to drop coverage; or, under certain circumstances, add coverage that was previously dropped.

In mid-April the Employee and Retiree Service Center (ERSC) will forward detailed information to all retirees

participating in MCPS benefits. If you currently have benefits from MCPS and do not receive an enrollment booklet in the mail, please call ERSC at 301-517-8100.

The mailing will include benefit comparison charts, rate information, and an enrollment form, if you want to make changes to your current level of benefits.

MCPS retirees will have the opportunity to meet with benefit program vendors and ERSC staff to discuss open enrollment options at three health fairs to be held during the month of May. Representatives from ERSC and benefit plan vendors will be available to answer retiree questions. ■

VENDOR HEALTH FAIRS

DATES	LOCATION	TIME
Thursday, May 3, 2007	Julius West Middle School	3:00–5:00 p.m.
Tuesday, May 8, 2007	651 Great Falls Road	
Thursday, May 17, 2007	Rockville MD 20850	

Please check the ERSC Web site for up-to-date open enrollment information.

UnitedHealthcare

From time to time, retirees contact the Employee and Retiree Service Center (ERSC) expressing concerns about their health plans. Questions can range from access to in-network providers to a belief that benefit levels have been changed without providing proper notice to our retirees. MCPS reviews each question on a case-by-case basis, and we are proactive in our efforts to resolve all health plan issues. We sometimes find issues that reflect a misunderstanding of how our health plans work.

ACCESS TO DOCTORS AND HOSPITALS

MCPS expects all the health plans offered to retirees to provide sufficient access to doctors and hospitals. Our plans are sound, with well-thought-out processes for ensuring network sufficiency, and we are satisfied that UnitedHealthcare (UHC) is following the

outline for services contracted by MCPS. From time to time, doctors leave plans, and there are instances of providers leaving networks; but there is not a mass defection of doctors from the UHC plan. Often, doctors who leave the plan cannot reach agreement with the insurance company on compensation. On other occasions, doctors leave the managed care networks altogether, retire, or pass away.

MCPS often hears that retirees who participate in a UHC plan and reside outside of Maryland/DC are not able to obtain benefits or access to participating plan providers. Under most circumstances, benefits are available to retirees. Retirees may be enrolled in one of our four different UHC plans.

IN-NETWORK VS. OUT-OF-NETWORK BENEFITS

MCPS retirees may choose from a variety of medical plans. Health Maintenance Organizations (HMOs), includ-

ing Optimum Choice, CareFirst BlueChoice, or Kaiser Permanente. Each of the HMOs requires participants to obtain benefits from in-network providers. The two Point-of-Service (POS) plans administered by UHC require a participant to visit a participating provider to obtain in-network benefits. POS plans also allow participants to see a provider that does not participate in network and retirees will still receive out-of-network benefits. The UHC indemnity plan allows a participant to see the provider of his/

continued on page 2

IN THIS ISSUE:

- 1 Retiree Open Enrollment Announcement
- 1 UnitedHealthcare
- 2 Government Accounting Standards Board (GASB) Update
- 3 Count on Generics for Prescription Cost Savings
- 4 Plan Bids

Governmental Accounting Standards Board (GASB) Update

For nearly 40 years, the Montgomery County Public Schools (MCPS) has recognized and funded the cost of pension benefits during the years employees earned retirement credit. Today, the MCPS Employees Retirement and Pension System trust fund has assets in excess of \$900 million set aside exclusively to pay retirement benefits to MCPS retirees.

Until recently, MCPS was not required to recognize and fund the cost of the health and life insurance benefits provided to retirees. The costs were managed on a pay-as-you-go basis.

However, in June 2004 the Governmental Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45) that addressed Accounting and Financial

Reporting for Postemployment Benefits Other Than Pensions. These non-pension benefits are commonly referred to as other post-employment benefits (OPEB) and include health and life insurance offered to retirees. GASB 45 now requires similar accounting for OPEB in place for pensions, beginning July 1, 2007.

In response to the new GASB requirement, MCPS has asked our actuarial consultant to complete an analysis of the OPEB liability. Our consultant has determined that MCPS must include more than \$1 billion on our financial statements for OPEB, beginning July 1, 2007.

While GASB does not require MCPS to fund the accrued expenses, credit rating agencies have signaled AAA-rated jurisdictions such as Montgomery County to

fund the obligation if they expect to maintain their AAA Bond rating. As a result, MCPS has been working with the Montgomery County Council, the county government, and other county-funded agencies on a Joint Agency Workgroup on OPEB to develop a plan to fund the obligation to ensure money is available to cover the cost of providing health and life insurance benefits to retirees in the future.

The Joint Agency Work Group on OPEB has recommended a five-year phase-in strategy to fund OPEB, and the Board of Education has included an additional \$16 million in the FY 2008 budget as the first installment toward full funding. The contribution amount is expected to increase by an additional

UnitedHealthcare, continued from page 1

her choice. Benefits are subject to co-pays and deductibles. Nonparticipating doctors may require payment up front and the member must seek reimbursement for services rendered by the UHC doctor. Any cost that exceeds the reasonable and customary fee is the responsibility of the member.

LABORATORY SERVICES

On January 1, 2007, UHC entered into a national contract with LabCorp. At that time, LabCorp became UHC's primary in-network laboratory for all of its health plans. At the same time, UHC terminated its agreement with Quest Labs. LabCorp is among the largest clinical laboratories in the world, with more than 1,300 patient service centers in the United States. Quest Labs is still available to retirees covered under Medicare, and on an out-of-network basis for POS and indemnity plan participants.

MEDICARE SUPPLEMENT PLAN

Nearly 80 percent of MCPS plan participants enrolled in the UHC plan are in the Medicare Supplement plan. For retirees who participate in the Medicare supplement plan, Medicare is your primary insurance. There are no in-network restrictions for the Medicare supplement plan, and participants may see any doctor who participates in Medicare. The benefits are the same for all plan participants anywhere in the United States. There is no UHC provider network for Medicare retirees. The Medicare supplement plan offered to MCPS retirees is a fee-for-service indemnity plan.

CLAIMS PAYMENT CONCERNS

MCPS also has been told on several occasions that "UHC takes too long to pay a claim, or denies claims for no reason at all." Please recognize that UHC is not perfect, and sometimes will make mistakes with claim payments.

When this occurs, MCPS holds UHC accountable for the mistake, with the expectation that the error will be resolved immediately. Years of experience dealing with complaints has demonstrated that the problem does not always rest with the insurance company. UHC will not pay a claim if the claim is submitted with incorrect procedure codes or insufficient information. Doctors' offices can also make mistakes when filing claims.

MCPS expects UHC to be precise when paying claims on its behalf, and when a claim takes longer to process due to incorrect information or a doctor providing inaccurate or incomplete information, UHC is doing what it has been instructed to do. UHC was hired by MCPS to provide health insurance to our retirees according to our plan provisions. These procedures help keep down costs to retirees by paying properly documented claims only. ■

\$16 million for each of the next four years, until \$80 million is reached in FY 2012.

As part of its funding plan, on March 13, 2007, the Board of Education amended the existing pension plan trust to create an umbrella trust with two accounts—one account for the pension plan assets and one account to oversee the OPEB assets. The money set aside in the OPEB trust account may only be used for the exclusive benefit of plan participants and to pay the cost of OPEB expenses.

Over the next few weeks, the Mont-

gomery County Council will be considering whether to approve the funding of the OPEB contribution for the five county-funded agencies. The combined FY 2008 OPEB cost for the five county-funded agencies is approximately \$32 million—a number that will spark debate about the county's ability to sustain the level of health and life insurance benefits provided to retirees. Indeed, the County Council Management and Fiscal Policy Committee has asked all county agencies to assess the full range of options for limiting their OPEB liability, and these

options include evaluating the level of benefits provided, the employer/retiree cost-sharing arrangements, rules for determining eligibility for coverage, etc.

The Board of Education remains committed to providing retirees with competitive benefit options, and will continue our efforts to offer benefit programs that are affordable to both retirees and Montgomery County taxpayers. Look for updates on OPEB-related developments in future editions of *Retiring Times*. ■

Count on Generics for Prescription Cost Savings

During the past few years, a number of well-known brand-name drugs have lost their patent protection and are now available to the Montgomery County Public Schools (MCPS) retirees in a lower-cost generic form. The trend of new generic launches is expected to continue for the foreseeable future.

Generic drugs are much lower in cost than their brand-name counterparts, and are of the same high quality as the brand-name drug. Some generic medication may cost as much as 75 percent less than their brand-name counterparts. For a generic alternative to receive Food and Drug Administration (FDA) approval, the generic medication must be exactly like the brand-name equivalents in effectiveness, safety, ingredients, performance, strength,

and dosage form.

Why do generic medications cost less? The manufacturers do not have to spend hundreds of millions of dollars that are required to discover, create, and market the original medication. The majority of the cost of a brand-name drug includes the manufacturer's effort to recoup their investment. Once the patent has expired, a generic manufacturer can produce the drug for a decidedly lower cost, and the savings are passed on to consumers in the form of a lower out-of-pocket prescription cost.

More than half of all prescriptions in the U.S. are currently filled with generic medications. There has been a significant increase in the availability of generics over the past few years. This trend is expected to continue. In 2005 and 2006,

such highly utilized drugs as Allegra, Biaxin, Zolof, Zocor, Pravachol, and Flonase came off patent and are now available in generic form. The table below provides a list of products that are projected to lose patent protection in 2007 and 2008 and will be available in the generic alternative in the near future.

In 2006 MCPS employees and retirees filled more than 31,000 prescriptions for these 10 drugs, at a cost of over \$4.5 million. When drugs lose their patent protection, MCPS retirees and their dependents can save money with lower co-pays when ordering the generic alternative. The projected savings can add up quickly during the year.

For example, when Zocor did not have a generic alternative available, a 90-day supply would cost an MCPS retiree in Prescription Plan A a \$50 co-pay. A 90-day supply of generic Zocor has a \$10 co-pay—saving \$160 a year. Retirees who participate in Prescription Plan B save even more. When Zocor was only available as a brand-name drug, a 90-day supply had a \$70 co-pay for a Plan B participant, while a 90-day supply of generic Zocor now has a \$20 co-pay—saving our retirees \$200 a year. ■

2007 (PROJECTED)

DRUG	TREATMENT OF
Norvasc	Blood Pressure
Lotrel	Blood Pressure
Ambien	Sleep Disorder
Zyrtec	Allergy
Omnicef	Infection

2008 (PROJECTED)

DRUG	TREATMENT OF
Imitrex	Migraine
Lamictal	Seizure
Toprol XL	Blood Pressure
Fosamax	Osteoporosis
Risperdal	Psychosis

Note: Patent expiration and generic launches can be affected by delays in FDA approval and patent litigation.

Plan Bids

This summer, The Montgomery County Public Schools (MCPS) plans to join with the county government, Montgomery College, Maryland-National Capital Park and Planning Commission and the Washington Suburban Sanitary Commission (county agencies) to bid medical and prescription drug plans for agency employees and retirees. By joining together in a bid process, the five county agencies hope to achieve favorable pricing for health care and prescription drug coverage offered to their active and retiree plan participants.

The bid will ask vendors to duplicate the existing plan designs, with no expected changes to existing benefit

levels. The agencies will evaluate medical and prescription drug vendors from a variety of perspectives, including the adequacy of provider networks, customer service, claims processing, competitive pricing, and system and reporting capabilities. It is anticipated that any changes that result from the bid process will be implemented January 1, 2008, for active employees and on July 1, 2008, for retirees (unless it would make sense to make the change sooner).

MCPS will keep the employee bargaining units and the MCPS Retiree Association involved through participation on the Joint Employee Benefit Committee.

Retiring Times

News from the Employee and Retiree Service Center
7361 Calhoun Place, Suite 190
Rockville, MD 20855-2787
phone: 301-517-8100
e-mail: ERSC@mcpsmd.org

Larry A. Bowers
Chief Operating Officer

Susanne G. DeGraba
Chief Financial Officer

G. Wesley Girling, Director
Benefits Strategy and Vendor Relations

Elaine R. Freedman
Communications Specialist and Editor



Employee and Retiree Service Center

Retirees, when was the last time you updated your life insurance beneficiary/beneficiaries?
Please visit the Employee and Retiree Service Center (ERSC) Web site to obtain a life insurance beneficiary form.
Once completed, please return to ERSC at the address above.

Published by the Department of Communications for the Employee and Retiree Service Center (ERSC)
2701.07 • ELECTRONIC GRAPHICS & PUBLISHING SERVICES • 10K • 4.07

Montgomery County Public Schools
Employee and Retiree Service Center (ERSC)
850 Hungerford Drive
Rockville, Maryland 20850

**U.S. POSTAGE
PAID
FIRST CLASS
NO. 201
ROCKVILLE, MD**