PSC-CUNY Welfare Fund
Benefits Bulletin

May 2012

NEW PRESCRIPTION DRUG PLAN FOR MEDICARE-ELIGIBLE RETIREES
The Welfare Fund trustees initiated the Medco-Medicare Prescription Plan as of January 1. This is the blueprint for continuing and improving our retiree drug benefit. In the face of rapidly-rising drug costs (for everyone) the trustees view the new partnership with Medicare, made possible by health care reform legislation, as a “win-win” for the Fund and our members.

The original Medicare Part D (2006) had drawbacks. It could only be bought by individuals through an insurance company. It had significant annual deductibles, premiums and the infamous “donut hole” coverage gap. It did cover catastrophe-level costs but only made sense for very high drug spenders.

Now Part D is improved and will be getting better each year—new rules allow for group enrollment and Fund subsidy without penalizing the member. The Fund was able to move all Medicare-eligible members into a single Part D program, and take advantage of the growing governmental and pharmaceutical manufacturer subsidies as early as possible.

Not only does the new plan allow the Fund to contain expenses—thereby extending the benefit into the future—but covered retirees benefit from: 1) elimination of the annual $50 deductible, 2) removal of the annual $10,000 maximum on coverage, and 3) reduction of the co-pay (at approximately the $8,000 level) from 20% to *5%*. It has none of the negative features of Part D: no deductible, premiums or donut hole. And because it is under a single Part D provider (Medco), the Fund can exercise considerable leverage over pricing and customer service. The Fund has an administrative arrangement through Medco that—after the Medicare payments and discounts are applied—allows the benefit to appear the same to almost all of our members as their prior and familiar Medco coverage.

POSSIBLE CHANGES TO HEALTH CARE REFORM
As this newsletter goes to press, the Supreme Court is deliberating on the constitutionality of the “individual mandate” that is a cornerstone of the Affordable Care Act. It is also considering whether or not to strike down the whole law if the Court finds the mandate unconstitutional. If the law is struck down or significantly altered, there may be questions about the future of its provisions, including our recently adopted partnership with Medicare Part D. We don’t want to speculate on what might happen, but the Trustees will watch developments closely and be ready to take appropriate action. Visit our website, *psccunywf.org*, for updates on this and other important matters.

MEDCO PLAN FOR ACTIVES & NON-MEDICARE RETIREES
Active employees and *non-Medicare eligible* retirees participating in the Fund’s Medco drug plan continue to have a $10,000 per person annual limit on drug expenses. The Fund is able to maintain this limit because it was granted a waiver from a requirement for a higher limit under the Affordable Care Act by the U.S. Department of Health and Human Services (HHS).

The Affordable Care Act sets an upper limit for key health benefits at $750,000. At the same time, the law allows for Funds like ours to request a waiver of the $750,000 limit if—in the absence of increased employer contribution—it would result in a significant decrease in members’ access to the prescription drug benefit. Since the employer has not provided additional funds to support a higher limit, the Fund has been granted a waiver for one year.
If the annual limit is a concern, there may be other options for health care coverage available to you and your family. For information, please visit the HHS website, *healthcare.gov.*

PSC-CUNY WELFARE FUND
61 BROADWAY - 15TH FLOOR NEW YORK, N.Y. 10006

UNION BUG

WHY IS GENERIC LIPITOR MORE EXPENSIVE THAN THE BRAND?

As generic equivalents have become available for name-brand drugs that have gone off-patent, the Fund's pharmacy benefit manager, Medco, has been successful in urging benefit participants to switch to the lower-priced medications, thereby saving money in spite of overall rising costs. Many of our members are aware that a generic version of Lipitor, the popular statin drug for lowering blood cholesterol, has become available, but the price of the generic is currently higher than the Lipitor brand itself. This is a result of the manufacturer's successful efforts to prolong the brand's profitability.

THE MERGER OF MEDCO INTO EXPRESS SCRIPTS

The announced merger of our pharmacy benefit manager Medco into Express Scripts will not affect the new 3-year contract the Fund has with Medco. We have been assured that all current procedures and costing will remain unchanged. *New cards will not be issued.* After a phase-in period, members can expect that calls to Medco will be answered: "Express Scripts."

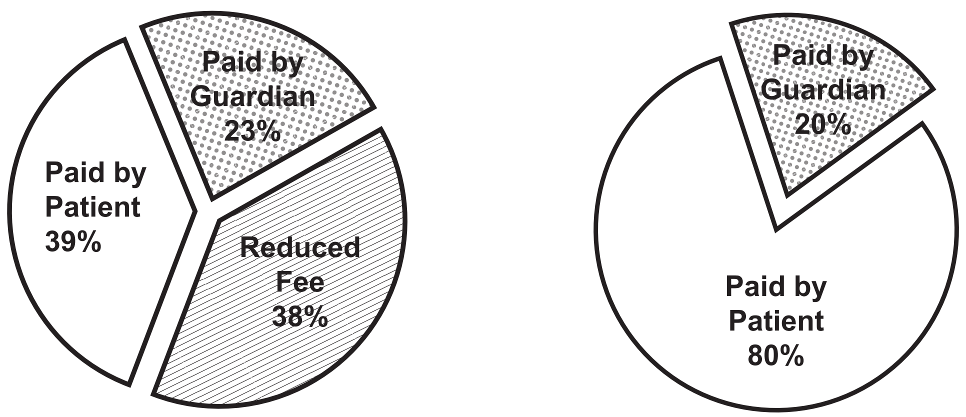
DENTAL BENEFIT UPGRADE: IMPLANTS ARE NOW COVERED

Last year the Welfare Fund trustees formed a committee to make common sense changes to the dental benefit within the Fund's current financial constraints. The Dental Committee decided it was feasible to remove the restriction on the coverage of dental implants, in recognition of the changes in implant technology and the consensus that a dental implant used to replace a missing tooth is often a more conservative alternative to a traditional fixed bridge. The reimbursement for implant procedures is on a par with the reimbursement rates for other procedures covered by the plan. In another benefit enhancement, the 10-year restriction on replacing broken crowns was reduced to 5 years.

A very important confirmation by the committee was the value of using participating dentists. Members may be unaware that, because of the reduced fees, there are true savings in using participating dentists. The pie charts below illustrate the overall costs and savings when using participating versus non-par dentists. Fully 35% of the bill is reduced by using participating dentists.

COST COMPARISON: PARTICIPATING DENTISTS VS. NON-PAR DENTISTS

Participating Dentists **Non-Participating Dentists**



HEARING AID BENEFIT UPGRADE

General Hearing Services (a division of General Vision Services, GVS) is now offering an improved benefits program to members of the PSC-CUNY Welfare Fund, valued at $1,500. A $250 co-pay covers a hearing screening and one hearing aid instrument, with a choice of styles: behind the ear, in the ear or in the ear canal. The benefit may be used every 3 years. If a second aid is required it can be purchased at discount. The reimbursement for services from other vendors remains the same, at $500 every 3 years.

CHANGES TO CATASTROPHE MAJOR MEDICAL COVERAGE

In the second half of 2011, US Life discontinued enrollment in the catastrophe medical insurance plan, administered by Marsh, that had been a voluntary option offered (by premium payment) to members of the PSC-CUNY Welfare Fund. However, all existing catastrophe medical insurance policies will be honored as long as payments are current. *No members' policies were dropped.* Meanwhile the Welfare Fund is trying to negotiate a similar benefit for new members. Keep an eye on our website, *psccunywf.org*, for the latest developments.

LONG TERM CARE INSURANCE CHANGES

John Hancock, the Fund's long-term care insurance carrier, followed a trend in the insurance industry and is no longer accepting new applicants. Again, the Welfare Fund has identified some opportunities to develop a parallel program or possibly arrange for access through individual contracts. Similar to the catastrophic coverage, everyone who had the benefit (by paying a premium) continues to have it. *No members' policies were dropped.* When arrangements are in place for new enrollments in a long term care program, we will announce it on the website, *psccunywf.org*.

FUND FINANCIALS

The tables here reflect the financial picture of the Welfare Fund in the most recent years in which audited financial statements are available. More complete financial data is available on our website, psccunywf.org. Trustees have made significant adjustments to minimize the operating deficit in future years and to assure the continuation of benefits.

PSC-CUNY Welfare Fund

Annual Report to Fund Membership
Financial Statements FY 2011 and FY 2010

Statement of Net Assets
Fiscal Year Ending June 30

Assets	***2011***	***2010***
Cash and Short term investments	$10,899,053	$5,588,644
Refund from Insurance provider	$670,504	$0
Retiree drug subsidy receivables (RDS)	$662,823	$1,027,349
Accured interest and other receivables	$2,204,974	$1,971,932
Mutal Funds	$845,818	$774,390
Investments in governmental and agency obligations	$17,088,962	$30,650,786
Fixed assets (net of accumulated depreciation)	$54,318	$62,077
Other assests	$69,055	$396,099
TOTAL ASSETS	**$32,495,507**	**$40,471,277**
Liablities and Fund Balance		
Accounts Payable	$4,793,302	$4,652,132
TOTAL LIABILITIES	**$4,793,302**	**$4,652,132**
FUND BALANCE [Accumulated Reserves]	**$27,702,205**	**$35,819,145**

Statement of Changes in Net Assets
Fiscal Year Ending June 30

Additions	***2011***	***2010***
Contribution Income	$36,418,129	$39,529,841
Net appreciation in fair value of investments	($352,769)	$32,167
Interest Income	$665,417	$975,808
Other Income	$181,219	$112,205
TOTAL ADDITIONS	$36,911,996	$40,650,021
Deductions		
Net cost of benefits [schedule below]	$43,534,949	$39,032,471
Net pension related changes	($39,761)	($148,990)
Decrease (increase) In IBNR	($136,281)	$99,193
Administrative costs	$1,670,029	$1,698,250
TOTAL DEDUCTIONS	$45,028,936	$40,680,924
Excess (Deficit)	**($8,116,940)**	**($30,903)**
Fund Balance - Beginning of Year	$35,819,145	$35,850,048
Fund Balance - End of Year	**$27,702,205**	**$35,819,145**