

Living **power**

For all who have made a living **L** and now wish to make a life

General Assembly Faces Many Challenges

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The General Assembly convened on January 26 to begin the 2005 Session. Legislators must find solutions to the looming state budget deficit for the 2005-06 fiscal year and still address a wide variety of funding needs that include providing reasonable Cost-of-Living Adjustments to retirees and active employees, increasing the employer contribution rate to the Teachers' and State Employees' Retirement System, and maintaining benefits in the State Health Plan.

The projected budget deficit for 2005-06 and hurricane recovery assistance were the main topics of discussion in the opening days of the Session. The current estimate of the shortfall in next year's state budget is \$1.3 billion. Efforts to balance the budget likely will include discussion of the following options:

Ø extension of temporary taxes that are due to expire this year (½% state sales tax, 8.25% upper state income tax bracket),

Ø increases in taxes on cigarettes and alcoholic beverages,

Ø authorization of a state lottery, and
Ø reductions in state spending, excluding public education and essential human services programs.

Two of these issues generated proposed legislation in the opening week of the Session. House Bill 3, introduced by Rep. Bill Owens, would authorize counties to hold local referenda on establishing a lottery. The net proceeds of the lottery would be shared between the state and local governments. The state would receive 75% of the net proceeds to establish or enhance educational programs. House Bill 15 sponsored by Rep. Paul Miller would increase the taxes on a pack of cigarettes from the current \$.05 to \$1.20 effective July 1, 2005.

The General Assembly is expected to consider changes to the State Health Plan. Estimates prepared by the State Health Plan staff indicate that the General Assembly would have to provide an additional \$370 million to maintain the current levels

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North Carolina
Retired
Governmental
Employees'
Association

Association Sponsors Legislative Reception

On Tuesday, February 8, the North Carolina Retired Governmental Employees' Association co-sponsored a legislative reception welcoming the 2005 Members of the North Carolina General Assembly. Over 225 guests attended the reception at the North Carolina Museum of History. NCRGEA sponsored this reception in conjunction with the North Carolina Association of Educators.

Past and present NCRGEA Board members attended this event as well as legislators, Council of State members, and other invited special guests. We decided to hold this event in celebration of our 35th anniversary, which we celebrate this year.

"We were pleased to have so many members of the General Assembly take time out of their schedules to attend our reception. Their attendance indicates their strong support for governmental retirees and our issues.

"Also, we are grateful to the North Carolina Association of Educators for joining with us to

sponsor the reception. We value the constructive working relationship that we have with the NCAE and our other partner organizations that represent employees and retirees," said NCRGEA Executive Director Ed Regan.

Association Mails Free Memberships

Members born in 1915 should receive a special gift from NCRGEA soon. One of the benefits of membership in this Association is a free, lifetime membership once you turn 90. If you have been a member of NCRGEA for at least the past year, look in your mailbox for your plastic, laminated lifetime card. This lifetime membership still entitles you to all benefits of membership in NCRGEA.

357 members earned this benefit this year, bringing the total number of members 90 years and older to 1840.

Staying Informed in 2005

Now that the legislature is back in session, we want to make sure you know how to stay up to date with legislative issues. Our toll-free legislative hotline is available 24 hours a day at **1-800-356-1190**. If it is after business hours, type in "**30**" for the extension to hear the recorded message.

Those of you with e-mail may sign up to receive our bi-weekly electronic legislative report. You may sign up by going to **www.ncrgea.com** or by sending an email to **ed@ncrgea.com**.

Our bi-weekly legislative reports are intended to give members more frequent updates on issues before the General Assembly affecting the well-being of state and local retirees. These legislative reports supplement our regular legislative briefs that appear in this newsletter.

Living Power is published to provide current information for NCRGEA's membership. Newsletters are printed bimonthly and mailed to all members of NCRGEA. Your comments are welcome.

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Challenges *(Continued from page 1)*

of benefits, deductibles, co-payments, and dependent premium rates for the next two years.

Governor Easley will present the proposed state budget for the 2005-2007 biennium to the General Assembly in late February. The Governor's recommendations are expected to include options for containing the rising cost of the State Health Plan.

STATE COLAS

The state's ongoing budget problems will have an impact on decisions regarding cost-of-living adjustments (COLAs) for retired state employees and teachers even though the economic recovery has boosted earnings in the retirement system. The Teachers' and State Employees' Retirement System (TSERS) had sufficient gains for the year ending December 31, 2003 to fund a 1.46% COLA in 2005. However, the rate of inflation during the past year was 3.3%.

In order to provide a COLA for state retirees equal to the rate of inflation, the General Assembly would have to increase the employer contribution rate by appropriating approximately \$60 million. The North Carolina Retired Governmental Employees' Association and the Board of Trustees for the Retirement Systems support a COLA equal to the rate of inflation.

The General Assembly has raised the employer contribution to TSERS during the past two years. However, the rate still

is below where it should be to continue to generate investment earnings to cover future benefit enhancements without turning to the General Assembly for additional appropriations. The current rate is 2.17% of payroll. During the mid-1990s, the General Assembly contribution was in the 8% range.

The Association, together with other organizations representing employees and retirees, will be working over the next several years to get the state employer contribution rate raised. A rate equal to the employee contribution (6%) would be sufficient to maintain the stability of the retirement fund.

LOCAL RETIREE COLAS

The Local Governmental Employees' Retirement System (LGERS) also experienced positive growth. There are sufficient undistributed gains in the system to cover a COLA equal to the inflation rate and still leave monies in reserve for next year. In 2003, local government retirees did not receive a COLA because all of the gains had been used in the previous year to fund benefit enhancements or were offset by investment losses.

The local retiree COLA can be funded by available gains in the system, leaving a reserve equal to a .75% increase that would augment gains generated during 2004. Our Association supports a local COLA sufficient to equalize cost-of-living adjustments granted for the most re-

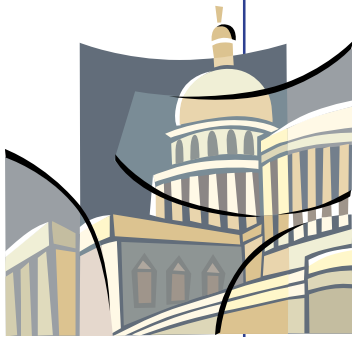
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Challenges *(Continued from page 3)*

cent 3 years with the cumulative rate of inflation during the same period. The Board of Trustees for the Retirement System supports a cost-of-living increase equal to the inflation rate for this year. The COLA would not require any change in the current local government employers' contribution rate of 4.8%.

COLA FOR JUDICIAL SYSTEM RETIREES

The Association supports a COLA equal to the rate of inflation for retired employees of the state judicial system. There are sufficient gains in the Consolidated Judicial Retirement System to provide this enhancement. The COLA would not require additional appropriations from the General Assembly.



N.C. NATIONAL GUARD PENSION FUND

The Association will ask the General Assembly to review the status of the National Guard Pension Fund and to consider increasing the current \$100 maximum monthly benefit. Since this pension fund still has an unfunded liability, any increase in benefits would require additional money from the General Assembly.

FIRST COLA BILL INTRODUCED

Rep. Thomas Wright introduced the first bill of this session addressing COLAs for state and local retirees on February 9. House Bill 129 would provide the following Cost-of-Living Adjustments in 2005:

Ø 1.46% for retired teachers and state employees,

Ø 4.0% for retired local governmental employees.

These proposed increases reflect the amounts of undistributed gains in the state and local retirement systems. A COLA for state retirees of more than 1.46% would require an additional appropriation from the General Assembly to increase the employer contribution rate.

House Bill 129 was referred to the House Pensions and Retirement Committee. If approved by this committee, the bill would be re-referred to the Appropriations Committee.

OTHER ISSUES

Several other bills affecting retirement benefits already have been introduced.

Senator David Hoyle and Rep. Julia Howard have filed identical bills (SB 32 and HB 23) that allow participants in the Firemen's and Rescue Squad Workers' Pension Fund to request termination of membership in the fund and receive a refund of all payments previously made to the fund. The bills also provide that delinquency by members in making monthly payments to the fund does not trigger automatic termination.

Sen. Hoyle also has sponsored SB 31. This bill would increase the monthly pension payments for retired members of the Firemen's and Rescue Squad Workers' Pension Fund from \$161 to \$163 effective July 1, 2005. *- Ed Regan*

OPTIONS FOR MEDICARE BENEFICIARIES

Editor's Note: Many local governmental retirees are no longer covered by employer provided group health insurance plans when they reach age 65 and are eligible for Medicare Parts A and B. We have received questions from several of our local government members regarding the Medicare supplemental insurance plans that are available to them.

The following article was provided by Judy M. Gray, Outreach Coordinator for the Seniors' Health Insurance Information Program (SHIIP) in the Department of Insurance. The article outlines options that are available to retirees who are seeking secondary health insurance coverage to supplement the basic Medicare program Parts A and B. We have included a table that summarizes the standardized Medicare Supplemental Plans. This table is taken from the Medicare Supplement Comparison Guide that is published by SHIIP. You can obtain more information on this topic by calling SHIIP at 1-800-443-9354.

People with Medicare as their primary insurance who have no employer group health plan as their secondary insurance have three options.

OPTION 1

If you have Original Medicare (Parts A and B), you should consider purchasing a Medicare supplement insurance policy. Medicare supplement policies are sold by private insurance companies to fill the gaps in Original Medicare. There are ten standardized policies, "A" through "J." Each plan has a different set of standard

benefits for which companies charge different premiums. There are 42 companies that sell Medicare supplement insurance in North Carolina.

If you cannot afford a Medicare supplement insurance policy, you may be eligible for Medicare savings programs through your local Department of Social Services.

OPTION 2

You may join a Medicare Advantage program if you do not have end-stage renal disease. If you enroll in a Medicare Advantage program, you do not need a Medicare supplement policy.

OPTION 3

If you do nothing, you will still have Original Medicare; however, you will not have secondary/supplemental coverage.

For a list of companies that sell Medicare supplements and the premiums for those policies or a list of the Medicare Advantage options available to North Carolinians, call the Seniors' Health Insurance Information Program at 1-800-443-9354 or visit www.ncshiip.com. There is also an interactive program available at this website called the *Medicare Supplement Premium Comparison Database*.

Upon clicking on this icon you may enter your age, gender, which policy (plan) you wish to search and whether or not you use tobacco products, then click the "search" button. The computer generates a list of the companies offering that plan. This list is divided by attained age and issue age polices and shown in order of premium amount. Click on any company name to get specific information about that company and the plan being offered.

Laws Concerning Medicare Supplement Insurance

The 101st U. S. Congress (1990) enacted strong federal legislation which made uniform requirements to govern Medicare supplement insurance in each state. Ten standardized plans (A-J) were developed and became effective in North Carolina in January of 1992. Benefits found in these ten plans are described below:

Basic Benefits – All Plans

- Coverage for the Part A coinsurance amount (\$228 per day in 2005) for the 61st through the 90th day of hospitalization in each Medicare benefit period.
- Coverage for the Part A coinsurance amount (\$456 per day in 2005) for each of Medicare's 60 non-renewable lifetime hospital inpatient reserve days used (days 91-150).
- After all Medicare hospital benefits are exhausted, coverage for 100% of the Medicare Part A eligible hospital expenses. Coverage is limited to a maximum of 365 days of additional inpatient hospital care during the policyholder's lifetime. This benefit is paid either at the rate Medicare pays hospitals under its Prospective Payment System (PPS) or under another standard of payment for hospitals not subject to the PPS.
- Coverage for the coinsurance amount for Part B services (generally 20% of approved amount; 50% of approved

charges for outpatient mental health services) after \$110 annual deductible is met.

- Coverage for the first three pints of blood deductible.

Additional Benefits

- Coverage for the Medicare Part A deductible (\$912 per benefit period in 2005). (Plans B-J)
- Coverage for the skilled nursing facility care coinsurance (\$114 per day for days 21-100 per benefit period in 2005). (Plans C-J)
- Coverage for the Medicare Part B deductible (\$110 per calendar year in 2005). (Plans C, F & J)
- Coverage for 80% of Medicare Part B excess charges. The Medicare Part B excess charge is the additional 15 % a physician can charge if the claim is non-assigned. (Plan G)
- Coverage for 100% of Medicare Part B excess charges. (Plans F, I & J)
- Eighty percent coverage for medically necessary emergency care in a foreign country after a \$250 calendar year deductible. The lifetime maximum benefit is \$50,000. (Plans C-J)
- Coverage for preventive medical care. The preventive medical care benefit pays up to \$120 per year for such services as a routine physical exam, serum cholesterol screening, hearing tests, diabetes screening and thyroid function tests. (Plans E & J)
- Coverage for at-home recovery. An at-home recovery visit means a period of time required providing the patient at-

home recovery care. Each consecutive four hours within a single 24-hour period of service is considered one visit. The maximum number of visits per week is seven. Each at-home visit has a maximum reimbursement of \$40 per visit and an annual maximum of \$1,600 (Plans D, G, I, J)

- **Basic Prescription Drug Benefit:**

Coverage for 50% of the cost of prescription drugs up to a maximum annual benefit of \$1,250 after the policyholder meets a \$250 per year prescription drug deductible. (Plans H & I)

- **Extended Prescription Drug Benefit:**

Coverage for 50% of the cost of prescription drugs up to a maximum annual benefit of \$3,000 after the policyholder meets a \$250 per year prescription drug deductible. (Plan J)

FREE-LOOK PERIOD A free-look period of 30 days is required during which time the applicant may return the policy to the insurance company and receive a full refund. The free-look period begins from the date the applicant actually receives the certificate or policy **not** from the date of application.

PRE-EXISTING CONDITION WAITING PERIOD A pre-existing condition waiting period may extend no longer than six months for health conditions diagnosed or treated within the six months immediately prior to the policy application. The medical questionnaire accompanying an application should have accurate information and be completed by the applicant,

not the agent.

The pre-existing waiting condition period does not apply for applicants replacing a Medicare supplement policy or applicants who have had creditable insurance coverage for the previous six months.

Creditable insurance coverage is any previous health insurance coverage that can be used to shorten the pre-existing condition waiting period, such as coverage under group plans, individual health policies, Medicare, Medicaid or federal/military retiree programs.

For replacement policies the applicant is required to sign a replacement form indicating that he/she understands the risks of changing policies.

SALES OF DUPLICATE OR MULTIPLE POLICIES FORBIDDEN

No policy in North Carolina may duplicate Medicare.

No agent in North Carolina may sell a new Medicare supplement policy to anyone who already has a standardized Medicare supplement policy unless that applicant agrees to drop his/her current insurance. Employer group insurance does not constitute duplication of coverage.

OPEN ENROLLMENT PERIOD

Aged 65 and older:

State and federal laws guarantee open enrollment for a period of **six months**. This period begins on the first day of the month in which you are age 65 or older and enrolled in Medicare Part B. Your

(Continued on next page)



Medicare Laws (Continued from page 7)

Medicare card shows the effective dates for your Part A and/or Part B coverage. Open enrollment provides you a limited time frame to purchase the Medicare supplement policy of your choice regardless of your health condition.

During this six-month open enrollment period, you can buy any Medicare supplement policy sold by any insurer selling Medicare supplement insurance in your state. The company cannot deny issuance of the policy or discriminate in the pricing of a policy because of your medical history, health status or claims experience. However, the company can impose up to a six-month pre-existing condition waiting period. The pre-existing waiting period may be waived if you have creditable insurance coverage.

OPEN ENROLLMENT PERIOD

Medicare-eligible due to disability (younger than 65):

In North Carolina Medicare beneficiaries younger than 65 can purchase Medicare supplement plans A, C or J during their first six months of eligibility for Medicare Part B from any company selling these plans. Insurers cannot deny issuance of a policy but may impose up to a six-month pre-existing waiting period. (The pre-existing waiting period may be waived if you have creditable insurance coverage.) Insurers may develop premium rates specific to the disabled population. This may result in higher premiums than those for beneficiaries older than 65.

GUARANTEED RENEWABLE All Medicare supplement policies are guaranteed renewable. This means that the insurance company agrees to continue insuring the policyholder for as long as the premium is paid.

**NEW PHARMACY
BENEFIT MANAGER
SELECTED FOR STATE
HEALTH PLAN**

The State Health Plan is pleased to announce the selection of Medco Health Solutions Inc. as the new Pharmacy Benefit Manger (PBM) effective April 1, 2005. Medco is one of America's leading prescription drug benefit manager, with over 30 years of experience.

Plan members will be receiving a Welcome Packet directly from Medco in March. New temporary ID Cards will be mailed separately by the Plan reflecting the change of the PBM. Later this year, permanent ID cards will be issued that do not contain social security numbers. The packet will contain a welcome letter, prescription drug benefit handbook and the Plan's preferred drug list.

Plan members may register at www.medco.com for convenient, time saving services. Registered members can get information about their plan, access health and wellness information and order prescriptions online through Medco mail service program 24 hours a day, 7 days a week.

What You Should Know about Alzheimer's Disease

Alzheimer's (*AHLZ-high-merz*) disease is a progressive brain disorder that gradually destroys a person's memory and ability to learn, reason, make judgments, communicate and carry out daily activities. As Alzheimer's progresses, individuals may also experience changes in personality and behavior, such as anxiety, suspiciousness or agitation, as well as delusions or hallucinations.

Although there is currently no cure for Alzheimer's, new treatments are on the horizon as a result of accelerating insight into the biology of the disease. Research has also shown that effective care and support can improve quality of life for individuals and their caregivers over the course of the disease from diagnosis to the end of life.

DEMENTIA

Alzheimer's is the most common form of dementia, a group of conditions that all gradually destroy brain cells and lead to progressive decline in mental function. Vascular dementia, another common form, results from reduced blood flow to the brain's nerve cells. In some cases, Alzheimer's disease and vascular dementia can occur together in a condition called "mixed dementia." Other causes of dementia include frontotemporal dementia, dementia with Lewy bodies, Creutzfeldt-Jakob disease and Parkinson's disease.

PROGRESSION OF ALZHEIMER'S DISEASE

Alzheimer's disease advances at widely different rates. The duration of the illness may often vary from 3 to 20 years. The areas of the brain that control memory and thinking skills are affected first, but as the disease progresses, cells die in other regions of the brain. Eventually, the person with Alzheimer's will need complete care. If the individual has no other serious illness, the loss of brain function itself will cause death.

10 Warning Signs of Alzheimer's Disease

Some change in memory is normal as we grow older, but the symptoms of Alzheimer's disease are more than simple lapses in memory. People with Alzheimer's experience difficulties communicating, learning, thinking and reasoning — problems severe enough to have an impact on an individual's work, social activities and family life.

The Alzheimer's Association believes that it is critical for people with dementia and their families to receive information, care and support as early as possible. To help family members and health care professionals recognize the warning signs of Alzheimer's disease, the Association has developed a checklist of common symptoms.

1. Memory loss. One of the most common early signs of dementia is forgetting recently learned information. While it's normal to forget appointments, names or

telephone numbers, those with dementia will forget such things more often and not remember them later.

2. Difficulty performing familiar tasks. People with dementia often find it hard to complete everyday tasks that are so familiar we usually do not think about how to do them. A person with Alzheimer's may not know the steps for preparing a meal, using a household appliance or participating in a lifelong hobby.

3. Problems with language. Everyone has trouble finding the right word sometimes, but a person with Alzheimer's often forgets simple words or substitutes unusual words, making his or her speech or writing hard to understand. If a person with Alzheimer's is unable to find his or her toothbrush, for example, the individual may ask for "that thing for my mouth."

4. Disorientation to time and place. It's normal to forget the day of the week or where you're going. But people with Alzheimer's disease can become lost on their own street. They may forget where they are and how they got there, and may not know how to get back home.

5. Poor or decreased judgment. No one has perfect judgment all of the time. Those with Alzheimer's may dress without regard to the weather, wearing several shirts on a warm day or very little clothing

in cold weather. Those with dementia often show poor judgment about money, giving away large sums to telemarketers or paying for home repairs or products they don't need.

6. Problems with abstract thinking. Balancing a checkbook is a task that can be challenging for some. But a person with Alzheimer's may forget what the numbers represent and what needs to be done with them.

7. Misplacing things. Anyone can temporarily misplace a wallet or key. A person with Alzheimer's disease may put things in unusual places, like an iron in the freezer or a wristwatch in the sugar bowl.

8. Changes in mood or behavior. Everyone can become sad or moody from time to time. Someone with Alzheimer's disease can show rapid mood swings — from calm to tears to anger — for no apparent reason.

9. Changes in personality. Personalities ordinarily change somewhat with age. But a person with Alzheimer's can change dramatically, becoming extremely confused, suspicious, fearful or dependent on a family member.

10. Loss of initiative. It's normal to tire of housework, business activities or social obligations at times. The person with Alzheimer's disease may become very passive, sitting in front of the televi-

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North Carolina

**Retired
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Alzheimer's Information

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sion for hours, sleeping more than usual or not wanting to do usual activities.

If you recognize any warning signs in yourself or a loved one, the Alzheimer's Association recommends consulting a physician. Early diagnosis of Alzheimer's disease or other disorders causing dementia is an important step to getting appropriate treatment, care and support services.

Information for this article was provided by the Alzheimer's Association. If you would like more information, please call the Alzheimer's Association 24/7 national toll-free number, 1.800.272.3900, or visit their Web site at www.alz.org.

Important Phone Numbers to Remember

- NCRGEA 1-800-356-1190
- NC Retirement System 1-877-733-4191
(questions about your retirement check, to get direct deposit, change of address, to report a death)
- CIGNA (Medicare Administrator) 1-800-672-3071
- NC State Health Plan 1-919-881-2300
- Seniors' Health Insurance Information Program . 1-800-443-9354
- Medical Review of North Carolina 1-800-722-0468
- MetLife Dental 1-888-466-9073
- Blue Cross/Blue Shield 1-800-672-7897
(State Health Plan Administrator)
- Social Security Administration 1-800-772-1213