



# Healthcare Choices

A special section on benefit changes for 2005

## Changes in healthcare benefits for retirees under age 65

**N**ationwide, for the past five years, healthcare costs have increased annually by double digits. Healthcare costs for 2004 are projected to increase by 13 percent, according to Mercer's 2003 National Survey of Employer-Sponsored Health Plans. This is on top of a 14 percent increase for 2002 and another 14 percent increase in 2003.

Prescription-drug costs are projected to continue to increase by double digits and at a faster rate than other medical costs. Benefits-consulting firm, Aon Consulting, projects an 18 percent increase in drug costs for 2004.

TVA, as well as other large companies across the nation, is faced with a challenge — How to manage the escalating costs of healthcare, while continuing to provide quality health insurance.

TVA conducted a comprehensive review of medical benefit plans as part of its program-review process. This analysis showed that TVA's cost for medical coverage per participant is higher than regional and national averages.

This review also identified the following trends in retiree health insurance:

1) Mercer's 2003 National Survey of Employer-Sponsored Health Plans showed that only 28 percent of employers offer coverage to pre-Medicare retirees and only 21 percent offer coverage to Medicare-eligible retirees.

2) AON Consulting reports fewer than 30 percent of large employers offer healthcare coverage to retirees.

TVA is continuing to offer medical benefits to retirees. However, it is making changes that bring its healthcare plans in line with

benchmark data and also help more-effectively manage the increasing costs of healthcare benefits. Changes to the plans and their premiums and fees, such as co-pays and out-of-pocket maximums, may result in cost increases for retirees Jan. 1, 2005.

Some of these increases are significant, but a careful review of the options and the selection of a plan that most closely matches personal healthcare and financial needs can mitigate some of the increases. TVA also offers significant financial assistance to many retirees to help them meet the cost of medical insurance. Many retirees receive two supplemental benefits from the TVA Retirement System. TVA also provides a healthcare credit that reduces medical-insurance premiums.

Next year, TVA will offer retirees four choices in medical-plan options. This section provides additional information on the new options.

The election period for benefits will be Nov. 1-Dec. 5. Election packages will be mailed to retirees in late October. The goal is for everyone to be well-informed on any changes that affect them and their families.

Detailed information about the plans will be mailed to retirees' home address in the coming weeks. Also, detailed information will be available on the Blue Cross/Blue Shield Web site in early October.

Please educate yourself by reviewing the information in this section and the information to come and logging on to the BCBS Web site when it becomes available.

Information also is available from the Employee Service Center at 1-888-275-8094 or e-mail [esc@tva.gov](mailto:esc@tva.gov).

### Information on Medicare Supplemental available for retirees age 65 and older this fall

Retirees 65 and older and those under 65 who qualify for Medicare as a result of receiving Social Security disability benefits and subscribe to TVA's Medicare Supplemental Insurance Plan will receive information this fall.

**No changes in the plan design are expected for 2005.**

Plan performance for the medical and drug components of the program are being reviewed and any changes in the rates will be announced this fall.

### Major changes for 2005

- **Four medical-plan options** available to retirees under age 65, effective Jan. 1, 2005
- The 80 percent and 90 percent preferred-provider organization, or PPO, **continued through 2005 with changes**
- Improvements in **\$250 wellness benefit**
- The 90 percent PPO to be **eliminated Jan. 1, 2006**
- Health-maintenance organizations, or HMOs, **no longer available in 2005**
- New **Consumer-Directed Health Plan**, or CDHP, offered in 2005
- New copayment **PPO replaces HMOs**
- **70 percent** medical plan eliminated

**F**or 2005, retirees not eligible for Medicare and participating in TVA's medical plans have some new choices in medical-plan coverage. All of these options are available no matter where you live or work or where your family will receive healthcare services. Each plan has its own set of advantages so you can decide which plan is best for you.

This section provides a quick overview of your medical plan options for 2005. Additional information on each plan will be provided before the election period begins Nov. 1. Watch for and read the materials you will receive.

### Wellness benefits

All the medical-plan options include an annual \$250 wellness benefit for each person covered. The wellness benefit is not subject to a deductible, and you do not have to make a copayment or pay co-insurance for services covered under this benefit. This wellness benefit can be used for routine physicals and screening examinations, including mammograms, OB-GYN exams, prostate screenings and more.

### Three-tier prescription-drug plan

Retirees in the under-65 medical-insurance plan will have a three-tier prescription-drug structure, beginning Jan. 1. The tiers are generic, preferred name brand and non-preferred name brand. Mail ordering these drugs will save additional money.

The Comparison of Medical Benefit Plans chart on these pages

show the copayments of these tiers.

TVA's mail-order prescription-drug provider, Medco Health, determines through an independent party which drugs are on the preferred, or formulary list. A formulary is a list of commonly prescribed drugs selected based on clinical effectiveness and opportunities to help hold down drug costs.

Non-preferred name brand drugs are those that are not generic and not on the preferred formulary list. These drugs have higher copayments.

Medco health at 1-800-818-0890 can provide information on whether a specific medication is on the preferred formulary list.

### Premium comparison for 2004-2005 Retirees under age 65 insurance premiums for 2005 Effective Jan. 1

Plan option	2004	2005
Copayment PPO	New in 2005	Individual \$535 Family \$934
80% Co-insurance PPO	Individual \$307 Family \$797	Individual \$488 Family \$789
90% Co-insurance PPO (only through 2005)	Individual \$341 Family \$ 886	Individual \$602 Family \$958
CDHP*	New in 2005	Individual \$295 Family \$568

\*Consumer-Directed Health Plan

## Comparison of Medical Benefit Plans

Benefits	C1 Copayment PPO		C2 80% Co-insurance PPO	
	In-Network	Out-of-Network*	In-Network	Out-of-Network*
<b>Monthly Retiree Premium</b>	\$535 Individual \$934 Family		\$488 Individual \$789 Family	
<b>Annual Deductible</b> In-network and out-of-network expenses are combined	None		\$300 Individual \$600 Family	
<b>Office Visit</b>	\$25 copayment	70% Plan pays 30% You pay	80% Plan pays 20% You pay	70% Plan pays 30% You pay
<b>ER Visit</b>	\$100 copayment	70% Plan pays 30% You pay	80% Plan pays 20% You pay	70% Plan pays 30% You pay
<b>Inpatient Service</b>	\$500 copayment	70% Plan pays 30% You pay	80% Plan pays 20% You pay	70% Plan pays 30% You pay
<b>Outpatient Service</b>	\$200 copayment	70% Plan pays 30% You pay	80% Plan pays 20% You pay	70% Plan pays 30% You pay
<b>Out-of-Pocket Maximum</b> In-network and out-of-network expenses are combined	\$1,500 Individual \$3,000 Family	\$3,000 Individual \$6,000 Family	\$2,500 Individual \$5,000 Family	\$5,000 Individual \$10,000 Family
<b>Wellness Allowance</b>	\$250 annual allowance, not subject to deductible, copayment or co-insurance		\$250 annual allowance, not subject to deductible, copayment or co-insurance	
<b>Mental Health</b>	Inpatient: See inpatient benefits above; limit 60 days per person per calendar year Outpatient: See outpatient benefits above; limit 60 visits per person per calendar year		Inpatient: See inpatient benefits above; limit 60 days per person per calendar year Outpatient: See outpatient benefits above; limit 60 visits per person per calendar year	
<b>Covered Prescription Drugs</b> (Administered through Medco Health)	Generic: \$12 copayment Preferred Brand: \$24 copayment Non-Preferred Brand: \$39 copayment Mail-Order Pharmacy: 2x retail copayment for up to a 90-day supply		Generic: \$12 copayment Preferred Brand: \$28 copayment Non-Preferred Brand: \$43 copayment Mail-Order Pharmacy: 2x retail copayment for up to a 90-day supply	
<b>Vision Care (in network)</b>	Lenses: \$10 copayment exam every 12 months Frames (every 2 years): \$10 copayment every 12 months Contacts: \$10 copayment up to \$100, then 80% of amount over \$100 \$10 up to \$115 allowance per year		Lenses: \$10 copayment exam every 12 months Frames (every 2 years): \$10 copayment every 12 months Contacts: \$10 copayment up to \$100, then 80% of amount over \$100 \$10 up to \$115 allowance per year	

\* Payments are based on allowable fees for covered services as determined by BlueCross BlueShield of Tennessee. When out-of-network providers are used, you may also be responsible for paying any amount charged beyond the allowable fee.

## C1 Copayment PPO

The new copayment PPO plan provides predictable healthcare costs and gives you the freedom to choose the doctors and hospitals you want. Plus, you reduce your costs when you use network providers.

**How it works:** With this plan, you pay a fixed fee — called a “copayment” — whenever you receive covered services from providers in your preferred network. So there are no surprises by using network providers, you’ll always know your share of the bill. In addition, there’s no deductible, and out-of-pocket maximums are low, too.

Whenever you choose out-of-network providers, you switch to the co-insurance part of the plan, which pays for 70 percent of your covered benefits.

This plan may appeal to those who want the highest level of healthcare coverage along with predictable costs.

## C2 80% Co-insurance PPO

With these plans, you can choose any doctor or hospital you like. You have low deductibles and you pay less for covered services when you use providers in your preferred network.

**How they work:** These plans pay for 80 or 90 percent of your covered healthcare costs, depending on which plan and providers you choose (see chart), while you’re responsible for the “co-insurance” amount that remains.

The amounts you pay for deductibles and co-insurance apply to your out-of-pocket maximums.

These plans may appeal to those who want extensive healthcare coverage with low deductibles.

## C3 Consumer-Directed Health Plan

The Consumer-Directed Health Plan gives you more control over your healthcare decisionmaking — and it offers the lowest premiums.

**How it works:** TVA contributes a fixed amount — \$500 individual, \$1,000 family — to your Health Reimbursement Account, or HRA, each year. The costs of your covered healthcare services and prescription drugs are paid in full from this account first, up to the account maximum (\$500 individual, \$1,000 family). If you are healthy and make smart choices — such as choosing network providers and generic drugs — this account may be all you need to cover your healthcare bills for the year.

After the HRA is exhausted, there is a “gap” in which you pay for covered expenses in full until your deductible is met.

The amount you spend from your HRA and the amount you pay in the “gap” apply to your deductible. After you have 1) used all the money in your HRA, and 2) satisfied your deductible, a traditional 80-percent Co-insurance Plan goes into effect to cover your in-network eligible medical and prescription-drug expenses.

Under this plan, you can roll over any remaining money in your HRA from year to year (up to \$3,000 for individual and \$5,000 for family). So if you have low expenses in one year, you may have money on hand for future healthcare expenses.

In addition to the new online tools that will be available, you will have access to a secure source of information to help you manage your HRA and track your expenses.

This plan may appeal to careful shoppers who want more control over their healthcare spending and lower premiums.

C4 90% Co-insurance PPO		C3 Consumer-Directed Health Plan	
\$602 Individual \$958 Family		\$295 Individual \$568 Family	
\$200 Individual \$400 Family		In-Network	Out-of-Network
		\$1,000 Individual \$2,000 Family	\$2,000 Individual \$4,000 Family
In-Network	Out-of-Network*	In-Network	Out-of-Network*
90% Plan pays 10% You pay	70% Plan pays 30% You pay	80% Plan pays 20% You pay	60% Plan pays 40% You pay
90% Plan pays 10% You pay	70% Plan pays 30% You pay	80% Plan pays 20% You pay	60% Plan pays 40% You pay
90% Plan pays 10% You pay	70% Plan pays 30% You pay	80% Plan pays 20% You pay	60% Plan pays 40% You pay
90% Plan pays 10% You pay	70% Plan pays 30% You pay	80% Plan pays 20% You pay	60% Plan pays 40% You pay
\$1,500 Individual \$3,000 Family	\$3,000 Individual \$6,000 Family	\$4,500 Individual \$9,000 Family	\$9,000 Individual \$18,000 Family
\$250 annual allowance, not subject to deductible, copayment or co-insurance		\$250 annual allowance, not subject to deductible, copayment or co-insurance	
See inpatient benefits above; limit 60 days per person per calendar year See outpatient benefits above; limit 60 visits per person per calendar year		See inpatient benefits above; limit 60 days per person per calendar year See outpatient benefits above; limit 60 visits per person per calendar year	
\$12 copayment  \$26 copayment  \$41 copayment  2x retail copayment for up to a 90-day supply		Covered 80% after deductible. Minimum of \$12 to be paid by patient; maximum of \$100 to be paid by patient Covered 80% after deductible. Minimum of \$24 to be paid by patient; maximum of \$100 to be paid by patient Covered 80% after deductible. Minimum of \$39 to be paid by patient; maximum of \$100 to be paid by patient 2x retail minimums and maximums for up to a 90-day supply	
\$10 copayment exam every 12 months \$10 copayment every 12 months \$10 copayment up to \$100, then 80% of amount over \$100 \$10 up to \$115 allowance per year		NOT AVAILABLE	

## Dates to remember

**Sept. 23** — Letter from TVA with information on medical-plan options for 2005 mailed to retirees’ home addresses

**Oct. 1** — Blue Cross/Blue Shield Web site available with specific information on TVA medical plans

### During October

- Four brochures explaining the medical-plan options to be mailed to retirees’ home addresses
- Medical-benefit election-period packages mailed to retirees’ home addresses

**Nov. 1-5** — Election period

## TVA, TVARS help with healthcare costs

Our benchmark study of employer-sponsored retiree healthcare benefits showed that less than 30 percent of large employers nationwide offer medical coverage to retirees and many of these companies are considering reducing or eliminating their programs.

TVA is continuing its policy of offering quality medical benefits to retirees at competitive rates. In addition, policies and programs that help retirees with the cost of health insurance are being continued. These include:

- Offering retirees not eligible for Medicare the same medical plans that are offered to employees
- Including retirees in the same pool as active employees when calculating premiums which reduces cost for retirees
- Continuing to provide TVA's healthcare credit, in addition to two TVARS supplement benefits

The TVA Retirement System's Supplemental Benefits are listed as "pension benefits" on retirees' monthly pension checks but were established to specifically help retirees pay for medical insurance.

The first Supplemental Benefit was established in January 1999, and pays \$9.87 (2004 rate) per month for each year of service. For example, with 20 years of service, the monthly pension supplement would be \$197.20. In 2000 a second Supplemental Benefit of \$80.33 (2004 rate) was added. Both supplements have an annual cost-of-living adjustment that will cease when the first supplement reaches \$15 month for each year and the additional supplement has reached \$150.

In 2002, TVA implemented the healthcare-credit program to help those retirees who need it most and reward long-term service to TVA. To be eligible, a retiree must have 20 years of service, be 55 years of age and be receiving the original Supplemental Pension Benefits from the TVA Retirement System.

Here are examples of how these programs help with the cost of medical insurance:

### Example 1: Retiree has a pension less than \$2,000 a month and 20 years of service and is taking family coverage

Medical plan	co-payment	90%	80%	CDHP*
Total premium	\$933	\$958	\$789	\$568
Supplemental benefits—TVARS	\$278	\$278	\$278	\$278
Healthcare credit—TVA	\$314	\$314	\$314	\$314
Net cost to retiree	\$341	\$366	\$197	\$0

### Example 2: Retiree has a pension of less than \$2,000 a month and 20 years of service and is taking individual coverage

Medical plan	co-payment	90%	80%	CDHP*
Total premium	\$535	\$602	\$488	\$295
Supplemental benefits—TVARS	\$278	\$278	\$278	\$278
Healthcare credit—TVA	\$88	\$88	\$88	\$88
Net cost to retiree	\$169	\$236	\$122	\$0

\*Consumer-Directed Healthcare Plan

## New online tools

No matter which plan you choose, it's important to become a more informed healthcare consumer. Think about the types of healthcare services you and your family typically need. Once you've decided on a plan, you can sign up during the election period.

New online tools will be available in October to make it easy to compare plans, as well as provide you with access to health information and resources.

A Health Plan Calculator on [www.bcbst.com](http://www.bcbst.com) can help you compare your medical-plan options and estimate your costs under each of the medical-plan options available next year.

And new tools will continue to be available at this site after the election period ends. You can get valuable health information all year, including cost and quality information for hospitals, average costs of medical procedures and much more — all designed to help you be an informed healthcare consumer.

Look over the details of each plan and think about which one would work best for you and your family.

The Health Plan Calculator on [www.bcbst.com](http://www.bcbst.com) will allow retirees to compare benefits options to choose the appropriate plan for them.

Compare Your Benefits resources allow you to compare the costs of different hospitals and different procedures.

## Fast Facts about TVA retiree healthcare

- Retirees under age 65 pay about 19 percent of the cost of prescription drugs through copayments. About 81 percent is paid by the medical plan. Retirees eligible for Medicare pay about one-third of the cost of prescriptions.
- The average annual medical-plan cost for each TVA retiree under the age of 65 is \$8,308. For retirees on Medicare, the average annual medical-plan cost is \$2,880.
- For fiscal year 2003, the TVA and the TVA Retirement System contributions toward retiree medical-plan costs totaled \$54.3 million. Retirees paid \$18.1 million in premiums for a total cost of \$72.4 million for FY 2003.
- Prilosec, for stomach ulcers/bleeding and heartburn, and Zocor and Lipitor, for high cholesterol and heart-attack prevention, are the top three drugs by cost used by retirees.