

News Publications

Topic: [RSS Feed](#)

Lab retirees cry foul at health coverage switch

[Oakland Tribune](#) , [Dec 5, 2008](#) by [Suzanne Bohan](#)

- [Email](#)
- [Print](#)

LIVERMORE -- One by one, Lawrence Livermore Laboratory retirees took the microphone at a forum this week, and described their confusion, anxiety and anger over dramatic changes under way with their retiree health care benefits.

The crowd of nearly 300 retired scientists, engineers, mechanics and other lab workers, along with some spouses, took to occasional taunts during a Wednesday morning presentation here by the new plan administrator and applauded at pointedly critical remarks.

"We feel very shaky about this whole process," said Carolyn Ralston, a lab retiree anxious about her share of costs.

"We do not feel Lawrence Livermore is protecting us," she added, as audience members clapped.

Related Results

- [Cloud Computing Also Hit by IT-Spending Cutbacks](#)
- [Short Term Energy Monitoring: A Road To Long Term Energy Savings?](#)
- [NCS-Omnicare: The New Landscape For M&A](#)
- [Ohio's Health House Provides Asthma-Free Indoor Living](#)
- [Agistix's On-Demand Solution Gives Maxim Centralized Logistics Control](#)

This year, nearly 4,200 lab retirees and their spouses lose the group health coverage plan they have had. It was first provided by the University of California, which formerly managed Lawrence Livermore Laboratory. They then joined a group plan with virtually identical benefits offered by Lawrence Livermore National Security, or LLNS, a partnership including UC and Bechtel Corporation, which took over lab management in 2007.

And some 2,400 who took early retirement from the lab will also lose the lab's group coverage when they turn 65 and become eligible for Medicare.

In its place, this year the lab's Medicare-eligible retirees will join, a new trend in the provision of health care benefits -- called "defined contributions" -- that allows employers to shift the cost of rising health care premiums onto recipients.

"We're keeping up with the industry best practices," explained Lynda Seaver, spokeswoman for LLNS. "That's where the lab absorbs some of the costs, and the retirees are absorbing some of the costs, too."

In 2008, laboratory costs increased \$35 million for health care benefits, according to an Oct. 6 letter to retirees from lab director George Miller. And without changes, they were poised to increase another 13 percent in 2009, or nearly \$20 million, he added.

With defined contributions, an employer lays out a limited pot of money, typically annually, and the recipient uses it to purchase health care insurance on the open market, and to cover co-payments, deductibles and other health care expenses. Livermore lab retirees, and their spouses, will each get \$2,400 annually. Any amount unused rolls over into the next year. But any costs beyond that are paid by the retiree. The former lab workers also receive coverage for pharmaceutical benefits under Medicare, as well as dental and vision coverage, paid for by LLNS from a separate fund.

Medicare recipients make up the primary test group for this approach. They're spared the worst aspect of purchasing on the open market -- rejection due to pre-existing conditions -- because insurers offering Medicare must accept all applicants. General Motors, Ford, Chrysler, 3M, John Deere, Kellogg Company are among other companies that have switched to these defined contributions for retirees.

Extend Health Inc., which is partly owned by America Online founder Steve Case's Revolution Health, is now the contact point for lab retirees on Medicare. The firm acts as a health insurance broker, offering more than 170,000 plans nationwide from an array of insurers. Trained advisers work with retirees to sift through the options to find the best plan. Retirees then pay their premiums directly and are reimbursed from their \$2,400 yearly allotment.

"Change, even if it's good change, is hard, and there's a lot of trepidation," concurred Noel Obourn, executive vice president of national accounts for Extend Health.

But the lab, she said, is providing a "gold-plated package" by covering pharmaceuticals and other benefits. She views the anxiety expressed by retirees as "a pre-experience perspective" that will ease with time.

"In general terms, my bias is they're far better off," Obourn said. The retirees will have more choices than with the group offering, Obourn said, and if they move, or live in different locations during the year, they can find a health plan that travels with them.

Alain Enthoven, an emeritus professor with Stanford University's Graduate School of Business who sits on Extend Health's advisory board, sympathized with the trauma of changing health plans but said the movement toward defined contributions is essential for controlling costs by

making recipients more conscious of health care expenses, which have been rising every year since the late 1990s.

"What most people have is too good to be true," said Enthoven, one of the early pioneers in the managed care movement.

"People are not going to go on having what they had in the past," Enthoven continued. "It's just not a sustainable model."

Mark Beach, a spokesman for the AARP's California office, agreed that health care reform requires more sharing of costs by individuals.

"Any intellectual worth their salt will say that's a part of containing costs," he said. But Beach said it should be done on a broader scale, rather than focusing containment efforts on certain groups.

- 1
- 2
- 3