

# **The HPAE Medical Expense Reimbursement Program**

**Local 5058 - JSMC**

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# HPAE Members Need Retiree Health Benefits

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- As we get older, our medical costs increase.
- The average retiree spends **22%** their income on health care costs.
- Even if we have coverage through health insurance, we will still face significant costs from deductibles and co-pays, and out-of-pocket costs.
- A couple that retires today will spend **\$523/month** on medical costs **not** covered by Medicare.

# HPAE Members Deserve Retiree Benefits



**H** EALTH **P** ROFESSIONALS & **A** LLIED **E** MPLOYEES

Setting the standard  
for our *patients*...  
for our *profession*.

**HPAE**

 **SETTING THE  
STANDARD *for*  
HEALTH CARE**  
HPAE/AFT/AFL-CIO

After 25, 30 years of caring for patients, we deserve to have a secure retirement. Retiree health benefits are a basic component of that security.



# Our Solution: The HPAE Medical Expense Reimbursement Program

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- Provides reimbursement for costs of premiums, deductibles and co-pays, and out-of-pocket costs (Rx drugs, over-the-counter medications, dental, etc.)
- Funded by contributions that are negotiated as part of a collective bargaining agreement.
- Contributions go to the ***HPAE Retiree Medical Trust***, which is jointly administered by Union and Employer Trustees
- All contributions to the Trust are in pre-tax dollars, accrue interest tax-free, and the benefits received are not taxed.



# HPAE Locals in the Retiree Medical Program

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- Christ Hospital - \$.20/hr by employees
- Cooper Univ. Hospital - \$.20/hr by employees
- Englewood - \$.20/hr by employees
- HPAE Staff - \$.20/hr by employer
- Meadowlands - \$.20/hr by employees
- Palisades - \$.20/hr by employees
- Runnells - \$.10/hr, \$.20/hr by employer
- Virtua - \$.20/hr by employees



# “All or Nothing” Election

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- If a majority of those who cast ballots vote in favor of participation in the Program, then all full-time and part-time RNs will have a mandatory employee contribution of \$.20/hour.
- If a majority votes No, then no one participates.
- The tax advantages of the Program depend on the lack of individual selection.



# How Will the Program Work?

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- Step 1 – Payroll Deductions
- Step 2 – JSMC Sends Employee Contribution \$ to the Retiree Medical Trust
- Step 3 – Your benefit amount increases as contributions are sent to the Trust Fund
- Step 4 – You receive reimbursements after you are retired



# Step 1: Payroll Deductions

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- JSMC will deduct \$.20/hour on a pre-tax basis from your paycheck. If you work 40 hours in a week, \$8 will be deducted, but your net pay will only be reduced by \$6.



## Step 2: Money Sent to HPAE Retiree Medical Trust

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- Each month, JSMC will send the money deducted from your paycheck to the **HPAE Retiree Medical Trust.**



# HPAE Retiree Medical Trust

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- A non-profit trust [501c(9)] under the IRS tax code. Also called a “**VEBA**”.
- Joint Union and Employer Trustees
- The Trustees has professionals to administer the Program: Third Party Administrator (TPA), accountant, attorney, actuary, financial investor, etc.
- The Trustees have a legal responsibility under ERISA to administer the funds properly.



# Trustees

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- Union
  - Joan Johnson, RN – Local 5105
  - Mike Slott, HPAE Education Director
- Employer
  - Christine O’Hearn – Attorney for Cooper University Hospital



# Professional Services

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- Third Party Administrator – Benserco Inc. - [www.benserconj.com](http://www.benserconj.com)
- Accountant – Buchbinder Tunick & Company LLP – [www.buchbinder.com](http://www.buchbinder.com)
- Attorney – Shana Saichek – [www.sicheklawfirm.com](http://www.sicheklawfirm.com)
- Investment Manager – Payden&Rygel – [www.payden.com](http://www.payden.com)



# Payden&Rygel

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- Manage \$50 billion in total assets
- HPAE Retiree Medical Trust -  
Investment portfolio returns for 2009  
were **20.9%**



# Tax Advantages of the Trust

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- Contributions to the Trust are in “pre-tax” dollars for both the employer and the employee, +
- Interest earned on the money in the Trust is not taxed, +
- When a retiree receives reimbursements, this money is tax free.

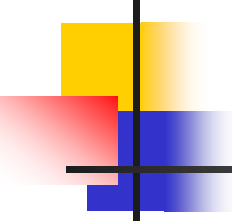




# Step 3: Your Benefit Account Increases

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- The more years you put money into the Trust, the more money will be available for your retiree health needs.
- If you leave JSMC with less than 5 years of active service credits, your money will be held in an **Employee Account**.
- If you leave JSMC with 5 or more years of active service credits, you will be eligible for a **monthly reimbursement benefit** during retirement.



## Step 4a: You Receive Reimbursements (Employee Account)

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- When you are 55 years (the minimum retirement age) or older and have left JSMC with less than five years of active service credits, you will be eligible to use the money in your Employee Account. You will submit bills/receipts for medical expenses to the Trust office and then be reimbursed up to the amount you have in your Employee Account.

# Reimbursements through an Employee Account: An Example

## **Sally Rogers**

Sally worked for 4 years at JSMC and retired at the age of 62. She contributed \$1600 to her Employee Account. Sally can use that money for reimbursement of medical costs. When she has received reimbursements of **\$1600 plus any interest earned**, her account will have \$0 and she will have exhausted her benefit





## Step 4b: You Receive a Monthly Reimbursement Benefit

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- When you are 55 years (the minimum retirement age) or older and have left JSMC with five or more years of active service credits, you will be eligible to receive a monthly reimbursement benefit.



# How Will the Monthly Reimbursement Benefit Be Determined?

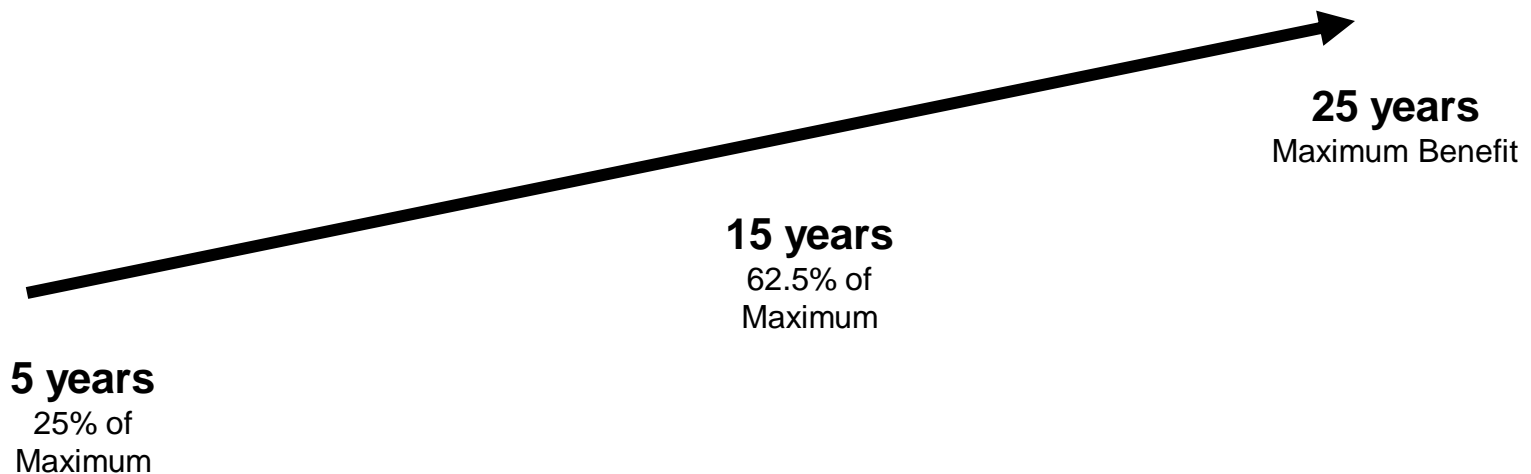
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## Monthly Benefit Based On:

1. Years of “**Active Service**” +
  - Full-time employees (at least 1700 hours a year) – credited with 1 year of active service
  - Part-time employees (at least 850 hours a year) – credited with .5 years of active service
2. **Contribution amount** (e.g. \$.20/hour) +
3. The “**maximum monthly benefit**” at any contribution amount determined by the Trustees and based on an actuarial analysis

# Active Service Credits and the Maximum Benefit

- To earn the maximum monthly benefit, a retiree must have 25 years of active service credits
- To earn the minimum monthly benefit, a retiree must have 5 years of active service credits.
- From 5 to 25 years, the monthly benefit will be pro-rated.



# Example of a Monthly Benefit

## “Jane Parker”

- She has 15 years of active service credits when she retires at age 61.
- She has been contributing \$.20/hour to the HPAE Retiree Medical Trust.
- Based on an actuarial analysis, the Trustees determine that the maximum monthly benefit for the \$.20/hour contribution is \$185 a month.
- Her monthly benefit is  $.625$  (15 years/25 years) x \$185 = **\$115**.
- **Any money not used in one month can be “rolled over” to the next and future months.**





# What Medical Costs are Reimbursed?

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- Health insurance premiums, including for long-term care
- Deductibles and co-pays
- Out-of-pocket costs
- Hospital expenses
- Doctors' Fees
- Dental
- Prescription Drug
- Vision Care
- Hearing aids
- Over-the-counter drugs (e.g. Motrin)



# Are There Survivor Benefits?

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**Yes**, for

- Spouse, or
- Domestic Partner (limited under IRS rules), or
- Surviving Dependent (within the age limits for dependents)

A surviving spouse or dependent receives **100%** of the deceased retiree's benefit in their Employee Account & 50% of the deceased retiree's month benefit.



# What if I leave my hospital before retirement?

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- You do not lose any of your contributions to the Program.
- Any money you have contributed will continue to accrue interest and, when you reach the age of 55, you will:
  - Take reimbursements from your Employee Account, if you have less than 5 years of active service credits, OR
  - Receive a monthly benefit based on your years of active service credits, if you have 5 or more years of active service credits



# This is Just the 1<sup>st</sup> Step!

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- In future negotiations, we will attempt to negotiate to have employer contributions at all HPAE locals to gain the retiree health benefits that we, as healthcare professionals, deserve.



# VOTE YES

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STANDARD *for*  
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# Disclaimer

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- **The information contained in this presentation has been designed to provide you with key information about the HPAE Medical Expense Reimbursement Program, but it does not provide all the details and limitations of the Program. Exact specifications will be provided in the formal document entitled “Medical Expense Reimbursement Program of the HPAE Retiree Medical Trust” (Effective January 1, 2007), and as subsequently amended, which will prevail in case of conflict with this presentation.**
- **Also, this information is not intended to convey, and does not constitute legal advice.**