

Resolution: We, the Benefits Committee of the University of Michigan-Dearborn, ask the Regents to rescind or delay the implementation of the reduction and cessation of Medicare B reimbursements for retirees.

The change in Medicare B reimbursements, announced in March, has three aspects:

1. Retroactive elimination of the benefit for those retiring after December 31, 2005; announcement of change did not occur until March 2006.
2. Capping of the benefit at 2005 Medicare B rates for those retiring before 2006.
3. For those who retired in the first quarter of 2006, the Medicare B will be reimbursed at 2005 rates for the remainder of 2006.

In light of the implications of these actions, we recommend the Regents seek the restoration of the Medicare B reimbursement for retirees and grandparent the employees to whom a commitment has been made, allowing them to plan for the expenses of retirement with a moderate sense of financial stability. In particular, we find the process of retroactive changes indefensible. We encourage procedures that provide faculty and staff the information needed to make timely informed choices about their date of retirement. We ask that at the least the deadline for the Medicare B reimbursement be moved to a future date that would provide current employees a reasonable time to make an informed decision about their date of retirement.

We base our request on these considerations:

1. The University encourages employees to be prepared for the costs of retirement. In this instance, employees were not provided the opportunity to make a fully informed choice about their date of retirement. The decision not to inform potential retirees was made intentionally. The University recommends a 12-month notice of retirement for instructors and a three-month notice for those not involved in instruction (SPG 201.83); we suggest it is appropriate for the University to provide at least the same notice of changes in retirement benefits. We think the procedure chosen to announce the change in Medicare B reimbursement reprehensible.
2. The Standard Practice Guide (201.83. IV. C. 2) requires that those planning to retire "Contact the Office of Staff Benefits concerning retirement benefits and procedures at least three months before the expected retirement date." We think that if the University makes this three-month requirement, that three months be the minimum notice for changes in retirement. All Human Resources personnel should know of changes in benefits with enough advance notice to counsel those considering imminent retirement with information that will be true for their retirement date.
3. Previous shifting of healthcare costs to employees was justified in part by its value for behavior modification. Employees that have to pay some for the benefits, it was argued, will be more judicious about its use. This was particularly true with increased co-pays for physician and therapy visits and pharmaceuticals. The Medicare B reimbursement cessation is purely a cost shifting.
4. For years the University told its employees verbally and in writing that their healthcare insurance costs would be covered in retirement. The institution's employees considered the University's commitment to be a social contract. Some retirees have had to pick up part-time jobs in their retirement to pay the co-premiums instituted in 2003. This recent change will cause further financial duress to the most vulnerable retirees.
5. The cessation or reduction of Medicare B reimbursement hits those most vulnerable – retirees on a fixed income. While many retirees of the University have substantial

amounts in their retirement accounts, others were not rewarded so handsomely. They planned their retirement income carefully and now are distressed. Imposing further costs on them is a hardship.

6. Many other institutions change the benefits for incoming hires and grandfather those to whom they have made commitments. If the University needs to attract new hires while offering smaller benefits packages, the most obvious option is greater salary compensation.

In order to enable the shared governance that the University of Michigan values and to provide for the informed decision-making of the institution's faculty and staff members, we feel that the changes that the administration has pursued require broad-based discussion. We therefore request that The Regents take this opportunity to consider recent policy decisions regarding Medicare Part B Premiums reimbursement. We ask that The Regents request an evaluation of these policies and the effect that these actions have on its retirees and the university community.

**[Endorsements made as of June 13, 2006:**

UM-Dearborn Faculty and Staff Benefits Committee (origin of the resolution)

UM-Dearborn Committee on the Economic Status of the Faculty (CESF)

University of Michigan Committee on the Economic Status of the Faculty (CESF)

UM-Dearborn Staff Senate Council (Executive Committee of the UM-D Staff Senate)

UM-Dearborn Staff Senate (Elected representatives of the UM-D staff)

UM-Dearborn Faculty Senate Council (Executive Committee of the UM-D Faculty Senate)

UM-Dearborn Agenda for Women

The Skilled Trades Union (represents skilled trades workers on all three regional campuses of UM)

UM-Flint Staff Council (Executive Committee of the UM-F Staff)

University of Michigan Senate Advisory Committee on University Affairs (SACUA)]