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CITY INFORMS RETIREES OF HEALTHCARE ADJUSTMENTS FOR 2014

Adjustments Driven by Evolving Healthcare Landscape and Challenges Faced by Taxpayers; City Will Continue to Provide a Substantial Retiree Healthcare Subsidy in 2014

Mayor Rahm Emanuel announced today that City retirees will be notified this week of changes to their healthcare benefits that will go into effect on January 1, 2014.

Under Federal law, the City must notify plan participants of certain benefits provisions by October 15. The changes announced this week are part of a three year phase-out of benefits that will affect those who retired after August 23, 1989. Those who retired prior to that date will continue to receive up to a 55 percent subsidy for the City's retiree healthcare plan, which will continue for their lifetime.

"In light of the evolving national healthcare landscape, as well as pressures faced by our taxpayers, we are adjusting the current retiree healthcare plan while continuing to provide a substantial city subsidy in 2014," Mayor Emanuel said. "Importantly, the 2014 plan for affected retirees will include no increases in co-pays, deductibles, or out-of-pocket costs other than the same small percentage increases that already occurred annually in the previous plan."

"Healthcare plans are changing across the country, and we are ready to assist retirees in obtaining the information they need about the city's new plan," said Dr. Bechara Choucair, Commissioner of the Department of Public Health. "Our goal over the next three years is to make this as smooth a transition as possible for retirees."

In May 2013, the City announced that it had extended retiree coverage and benefits through December 2013 so that retirees would maintain current coverage levels through the end of the year and have time to plan for their new coverage plan. Also in May, legislation was passed in Springfield that extended a law requiring the pension funds to contribute \$95 per month for non-Medicare eligible annuitants, and \$65 per month for Medicare eligible annuitants through 2016.

Under the new 2014 plan, the City will continue to subsidize healthcare plans for those who retired after August 23, 1989 with at least ten years of city service. However, those participants will see a reduction in the city subsidy to their premiums.

With these adjustments, the City also announced that it would increase the premium subsidy available to low-income retirees at or below 200% of the federal poverty level to now include retirees at or below 250% of federal poverty level.

The 2014 healthcare plan will include:

- Blue Cross Blue Shield PPO network and prescription coverage.
- No increase in co-pays, deductibles or out-of-pocket costs other than the same small percentage increases that occurred annually in the prior plan.
- 90% coverage for PPO hospital expenses and doctor visits, after deductible.
- Generous Medicare supplemental coverage for Medicare recipients, including prescription drugs.
- The additional City premium subsidy available to low-income retirees is improved to include retirees at or below 250% of the federal poverty level; the subsidy in the prior plan was capped at 200%.

Under the Korshak settlement agreement, the City established a Retiree Healthcare Benefits Commission (RHBC) that made recommendations on the state of retiree healthcare benefits, their related cost trends, and issues affecting the offering of retiree benefits after July 1, 2013. Those recommendations, which were released in January 2013, can be found online at www.cityofchicago.org/city/en/depts/fin/provdrs/ben.html.

In its conclusions, the report recommended that the City should strongly consider extending subsidized health care benefits to the Korshak/Window subclass, and that any changes in their benefits should be cautiously considered. Based on those recommendations, the City has chosen to continue its up to 55% subsidy for this group. However, the report also acknowledged that with an increasing retiree population, early retirement ages, and longer life spans, the ability of the City to provide benefits to its retirees on the same basis that they are provided today would appear to be untenable and likely result in other negative financial consequences.

Annuitants who have questions or concerns about their healthcare plan should call 1-877-299-5111 or visit www.cityofchicago.org.

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