Fact Sheet

2014 Changes to Harvard’s Post-Retirement Health (PRH) Plans

What is happening and who is affected?
Harvard is making changes to the premium cost-sharing rates and the eligibility thresholds for its post-retirement health plans. This affects current faculty and non-union staff who are at least five years away from eligibility for post-retirement health benefits¹, and for new hires in these groups beginning 1/1/14. Current retirees, already-eligible faculty and staff, and those within 5 years of eligibility (assuming no break in service) will experience no change.

What are Harvard’s post-retirement health care benefits?
Harvard offers several highly-subsidized medical plans for retired faculty and staff, their partners/spouses, and eligible dependents that either supplement or replace government-provided Medicare, the primary insurer for those over the age of 65. Retirees have a choice of 3 “senior” medical plans; early retirees (those under the age of 65) may participate in Harvard’s medical plans for active employees.

What is changing?
For current faculty and non-union staff (that is, those employed prior to 12/31/13 and presently), there will be changes to eligibility thresholds and premiums. The annual impact, expressed in today’s dollars, ranges from $463 (for those eligible in 5 to 10 years) to $1,158 (for those eligible in 10+ years, who retire with the minimum service required.) There will be additional changes for new hires.

Will these changes affect the actual benefit provided?
No. Only the premium cost-sharing and eligibility thresholds are changing – not the benefit itself. Our plans remain:

- **Comprehensive**: The plans provide broad, deep coverage for preventive care, illness, injury, and hospitalization – no change is being made in coverage or quality, or in providers or networks
- **Affordable**: The premiums are highly-subsidized by the University
- **Accessible**: No one is being dropped from eligibility – all eligible faculty, staff and retirees, including new hires, may still participate

Why are the changes being made?
These changes are aimed at improving the long-term financial sustainability of the benefit for Harvard and for future retirees. This is important as most for-profit employers (about 2/3) and even some of our peers in higher education have eliminated post-retirement health care benefits.

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¹ Eligibility is based on the “Rule of 75” which calls for combined age and service of at least 75 years, with a minimum of 10 years of service and 55 years of age (the age minimum is waived for those continuously employed since 1/1/86.)
How was the decision made on this change?
The University Benefits Committee (UBC) was asked by the Provost for recommendations on how to bring the long-term liability for post-retirement health, projected to grow to crippling levels over the coming decades, down and in line with projected funding streams. The UBC met monthly for over 2 years and conducted an exhaustive review of options and alternatives to find the best approach. They followed these key principles: keep Harvard competitive on this benefit; recognize a greater obligation to faculty and staff who are already eligible or close to eligibility than to future hires; give people a great deal of advance notice (at least 5 years) to adjust their retirement savings habits. After extensive discussion with School Deans and University leadership, the recommended changes were approved by the Provost.

What are the changes in detail?

<table>
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<tr>
<th>Group</th>
<th>For current faculty, administrative/professional, and non-union support staff who have, as of, as of January 1, 2014…</th>
<th>For future hires in these affected groups beginning January 1, 2014</th>
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| …from 5-10 years to eligibility for PRH, assuming no break in service | A reduction from 50-80% to 40-70% in Harvard’s contribution to retiree health premiums, an increase in the years of service needed -- from 20 to 30 -- to attain the maximum subsidy, plus:  
• an increase in the minimum number of years of service (from 10 to 15) and the minimum age (from 55 to 60) -- to be eligible for PRH  
• a cap of 3% on growth in the university premium contribution beginning in 2020  
Also, for early (under age 65) retirees:  
• a change in the premium model from one based on salary at retirement to one based on years of service (as with post-65 retirees)  
• a “carve out” of this group from the active employees for rate setting  |
| …more than 10 years to eligibility for PRH, assuming no break in service | A reduction from 50-80% of the cost of Medex to 40-70% in Harvard’s contribution to retiree health premiums (note that for less expensive plans, the University’s subsidy will comprise a higher percentage), plus:  
• an increase in the years of service needed -- from 20 to 30 -- to attain the maximum subsidy  |

Note: contribution rates depend on years of service