

# Defined Dollar Benefit Program

## Introduction

The Defined Dollar Benefit (DDB) program was first introduced to new retirees effective July 1, 2004. In response to numerous requests, this program is now being offered to all retirees who are enrolled in University-Sponsored medical coverage.

Under the DDB program, you may continue enrollment in University-Sponsored coverage or you may elect any other retiree medical coverage. The cost of the premiums may be reimbursed from the credits in an account established for you and your eligible spouse/partner.

## General Information

On the first of each month, a fixed amount of credits (value) is applied to an account that may be used toward the reimbursement of retiree medical coverage.

The amount of credits (value) per month is reviewed annually and increased in accordance with the medical component of the consumer price index up to five percent.

To correspond with the federal government's Medicare renewals, credits (value) will be reviewed annually with an effective date of January 1. **As of January 1, 2012, DDB credits will increase to \$337 per month.**

All post-65 retirees and their eligible spouses/partners are entitled to participate in the DDB program. DDB credits may be:

1. Applied toward the cost of a University-Sponsored medical plan.
2. Applied toward the cost of retiree medical coverage obtained independently of the University. Reimbursed on a monthly basis. Defined Dollar Benefit Reimbursement Request Form (claim form) required each Calendar Year by retiree and spouse/partner.
3. Accrued in your account for use at a later date if you have comparable retiree medical coverage from another insurance carrier, employer, or spouse/partner.

## Additional DDB Credit Guidelines

### Credit Use/Reimbursement

Credits may be used to reimburse retirees and their eligible spouses/partners for retiree medical coverage only.

Credits cannot be used toward the cost of dental, vision, life insurance, or any other **active** employee medical coverage whether at the University, another employer, or a spouse/partner's active employee coverage.

### Credit Accrual

Credits will not accrue while retirees and their spouses/partners are covered under the University's pre-65 active medical plans. However, credits will accrue if coverage is obtained through a spouse/partner or another employer.

## Application of DDB Credits

### When the Cost of Coverage Is Less Than the Amount (Value) of Credits in Your Account

Your credit balance will accrue from month to month and year to year if the cost of retiree medical coverage does not exceed the amount of credits (value) in your account. As such, the accrued credits (value) may be applied to retiree medical coverage at a later date.

### When the Cost of Coverage Exceeds the Amount (Value) of Credits in Your Account

If you choose a University-Sponsored post-65 medical plan, your DDB credits will be applied toward the cost of coverage up to the credit (value) allowance. Any amount above and beyond the credit (value) allowance will then be withdrawn each month from the checking account you designate on the Automatic Premium Payment Authorization (APPA) Form. Should you choose a Non-University-Sponsored post-65 plan, you must pay the full premium and then submit a claim form and supporting documentation to the Pitt Benefits Service Center (administered by UPMC Benefit Management Services). An explanation of the role of the Retiree Benefits Service Center appears on a later page. To the extent that the retiree medical plan costs more than the amount of credits (value) in your account, you will be reimbursed up to the DDB credit (value) allowance.

# Defined Dollar Benefit Program (continued)

## Illustrative Examples of How DDB Credits May Be Applied

All examples below are based on illustrative, not actual, monthly premiums/credits to illustrate a monthly cost of coverage. DDB credits must be applied to the full premium cost. As a reminder, post-65 retirees and spouse/partner benefits are administered separately. A new claim form by each participant must be completed for each new calendar year.

### 1. To purchase University-Sponsored coverage:

A. The illustrative cost of coverage is LESS than the monthly DDB credit allowance:

You elect an HMO or PPO:

Your cost of coverage is:	\$200.00
Your DDB credits are:	\$337.00
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Total amount of credits that <b>accrue</b> each month:	\$137.00 (+)

B. The illustrative cost of coverage is MORE than the monthly DDB credit allowance:

You elect a complementary plan:

Your cost of coverage is:	\$400.00
Your DDB credits are:	\$337.00
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Total amount <b>deducted</b> monthly from your checking account:	\$63.00 (–)

### 2. To purchase Non-University-Sponsored coverage:

You move to Arizona and purchase a local Medicare HMO:

Your illustrative cost of coverage (illustrative for example) is:	\$500.00
Your DDB credits are:	\$337.00
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Total amount of credits that accrue each month:	\$0

You need to pay the full premium directly to the Arizona HMO. Then submit a receipt/proof of payment with a completed reimbursement form to the Retiree Benefits Service Center for reimbursement. A total of \$337 would be debited from your DDB accrual balance. The Retiree Benefits Service Center will transfer the \$337 to your checking account via direct deposit.

### 3. Accrue credits for future use:

Your eligible spouse or partner continues to work and places you on his or her active coverage:

Credits you accrue each month:	\$337.00
Credits your spouse or partner accrues each month:	\$337.00
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Total accrual each month:	\$674.00

Note: The University reserves the right to modify or terminate these benefits at any time. Modifications that may affect this plan include those made by the federal government's Medicare or Medicare-related programs.