

Health tab riles DCX retirees

Caps on coverage for former white-collar employees replace company-paid benefits.

Josee Valcourt / The Detroit News

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Retired white-collar workers at Chrysler are bracing for major expenses and headaches next year when their company-paid medical, dental and vision coverage is replaced by a lump-sum health savings account.

While General Motors Corp. and Ford Motor Co. have capped health care coverage for salaried retirees at 2006 levels, they have not dropped company-paid coverage. Chrysler, however, is taking a different tack with its 17,500 salaried retirees.

Beginning Jan. 1, DaimlerChrysler AG's Chrysler Group will provide Medicare-eligible retirees -- those 65 and older -- with \$1,750 in annual supplemental benefits. Retirees with a spouse or domestic partner are eligible for an additional \$1,750. This will replace the Chrysler medical, prescription drug, dental and vision coverage that retirees receive.

Retirees recently received an eight-page letter explaining the changes. "I really don't think most retirees realize what they did here," said Chris Mykrantz, 69, a Chrysler retiree who estimates his out-of-pocket expenses will grow by \$5,000 a year. "Chrysler said they put us in the driver's seat where we can make decisions about our coverage. Have you seen those crash test dummies? That's the kind of driver's seat we're in."

Chrysler, which has seen its health care costs double since 2000 to \$2.3 billion, says the moves were made for economic reasons. "It helps us share the costs of our plan in what we feel is an equitable way," said spokesman Dave Elshoff.

Many retirees, though, are worried their costs will skyrocket. Mykrantz, a Brighton resident who worked in Chrysler's health care and finance departments for 30 years, sits at his computer for two to three hours a day to figure out his health care situation. He calculates that he and his wife will pay \$2,244 a year for Medicare premiums, \$2,880 for Medigap insurance, \$4,800 for the Medicare Part D drug plan and \$900 for dental, vision and hearing coverage. After the \$3,500 Chrysler contribution, they'll be left to pay at least \$7,324 next year. By contrast, he'll pay \$2,300 this year.

Retirees say finding affordable medical, dental and vision coverage will be difficult because they'll have to sift through plans that vary depending on the region of the country in which they reside.

Medicare Part D excludes and restricts certain drugs covered by Chrysler's health care group plan, they say.

Chrysler is among a growing number of companies establishing health care accounts, part of a transition from an era in which employers provided a safety net to one in which employees and retirees assume more cost and risk.

The shift parallels a similar trend away from traditional pensions toward 401(k) plans.

Elshoff said new plans such as Chrysler's put the purchasing decision for health care benefits into individuals' hands.

"Now you're going to look for the best doctor at the best price for your money in your area," Elshoff said. "It really begins to change the dynamic of the patient-doctor relationship."

With their health care retirement accounts in mind, retirees will require more information from physicians regarding care.

"You're going to force the provider to give you the service that you're demanding," Elshoff said. "No unnecessary test, no unnecessary procedures."

Chrysler's white-collar retirees who haven't reached age 65 will share a percentage of health care premium increases based on their final annual salary. For example, retirees who left the company at an income below \$50,000 will pay half of future premium increases because of health care inflation, while employees who earned \$171,000 or more will pay 100 percent of any premium increases.

To educate retirees about the changes, the automaker will conduct a series of seminars beginning next month in cities such as Detroit and Toledo where a large number of Chrysler retirees reside. A hot line and Web site also will be put in place, Elshoff said.

David Kudla, CEO and investment strategist of Grand Blanc-based Mainstay Capital Management LLC, said many companies -- particularly those with a large pool of retired employees such as IBM -- are offering health retirement accounts to former workers as an alternative.

Kudla said Chrysler's new plan "leaves the door open for future increases."

Chrysler retiree George Glass, 72, said from what he knows about the pending health care changes, he's not worried.

"I'm not going to lose sleep over it," said Glass, who worked in product planning and design for the automaker for 34 years.

A resident of Arizona, Glass said there are benefits he'd considered doing without such as dental and vision. Glass said he'd rather endure cuts and help Chrysler reduce its health care spending.

For retirees bracing for the change, Tom Lindquist, president of the retiree solutions division for UnitedHealth Group, a health care company, advises that they learn what their plans cover and begin researching to make "sure that you have the same type of coverage going forward."

You can reach Josee Valcourt at (313) 222-2300 or jmvalcourt@detnews.com.