SUMMARY STATEMENT

ITEM NO.  SUBJECT:  Employee/Retiree Health Benefits 2006 (DRPA and PATCO)

COMMITTEE:  N/A

COMMITTEE DATE:  N/A

BOARD DATE:  October 19, 2005

PROPOSAL:  Staff seeks authorization to implement certain changes to the design of the group health benefits program sponsored by the Authority for benefit-eligible active employees and retirees (Medicare-eligible and non-Medicare eligible) at both DRPA and PATCO. Staff also seeks authority to issue federally-mandated notices to retirees on or before November 15, 2005.

PURPOSE:  To continue to provide a quality health care benefits package for eligible active Authority employees and retirees (Medicare-eligible and non-Medicare eligible) including appropriate cost sharing among plan participants, and also to comply with the Medicare Prescription Drug, Improvement and Modernization Act of 2003 which will take effect on January 1, 2006.

BACKGROUND:  The Authority historically has provided a comprehensive benefits package to its employees and retirees, which has included medical, prescription drug, dental and vision coverage.

Employee health benefits costs comprise a substantial portion of the Authority's operating budgets. Over the past several years the cost to provide medical and prescription drug coverage has steadily escalated. In 2005, the Authority will spend approximately $10,482,409 to provide medical and prescription drug coverage for all of its benefit-eligible employees and retirees. In 2006, the cost to provide the same medical and prescription drug coverage to benefit-eligible employees and retirees was projected by our current carrier, AmeriHealth, to be $12,333,652 (a 19.1% increase from the 2005 plan costs). In response to this proposed increase, Staff and Willis of New Jersey have worked to develop an alternative proposal as discussed below.
In 2003, the federal government enacted changes to the Medicare Laws under which Medicare-eligible individuals can obtain coverage to assist in paying for prescription drugs. These changes mandate that employers who sponsor a prescription drug plan provide notice to all retirees and all active employees as to whether or not it is creditable. AmeriHealth has confirmed that the current prescription drug plan is creditable, and we must notify our retirees and active employees, in writing, prior to November 15, 2005. Staff has accelerated the health care benefit analysis process in order to comply with this requirement.

Benefits provided to IUOE and Teamsters employees are prescribed by existing Collective Bargaining Agreements with those Unions, and are provided by their respective health and welfare plans. The Authority pays the premiums for those coverages. The combined estimated costs for 2005 for these groups will be approximately $3,605,504. The estimated 2006 cost is unknown because the IUOE contract expires January 31, 2006, and the Authority’s contribution rate for 2006 is not yet known. All other employees, including the Non-Represented, IBEW, AFSCME, FOP-SOA and FOP employees, and all retirees are provided benefits through Authority-sponsored plans. As stated above, the cost to provide medical and prescription drug benefits to these employees and retirees will reach $10,482,409 in 2005. The initial renewal quote from AmeriHealth to provide those same medical and prescription drug coverages for 2006 was $12,333,652.

Authority staff and the Authority’s broker, Willis of New Jersey, worked to develop and evaluate alternative methods for providing quality health benefits coverage at a reasonable cost given the known budget constraint for the year 2006. Staff believes that the results of this effort are a good program, at a fair price, that is sensitive to the existing budget constraints. After careful consideration and analysis, the following is recommended for implementation for the 2006 benefit year:
1. AmeriHealth will continue to provide medical and prescription drug coverage for active employees, and the Authority’s retirees who are under the age of 65 (non Medicare-eligible), at an estimated cost of $7,763,407. In 2005, the cost to provide this medical and prescription drug coverage was estimated at $7,483,455.

2. Currently, the base plan for benefits-eligible active employees and under age 65 retirees is a PPO 520 plan. Under staff’s proposal, the new base plan for these two groups of individuals would be an HMO Premium 20 Plan. The HMO Premium 20 Plan has a network of doctors and hospitals that is very similar to the current PPO 520 base plan. Plan participants will no longer have deductibles and uncertain co-insurance, as they did under the PPO 520 base plan. Participants will only pay $20 to visit the doctor and $25 to visit specialists. Under the HMO Premium 20 Plan hospital stays are covered at 100%, and plan participants receive a richer radiology services benefit.

3. Currently, a small number of FOP employees are enrolled in an HMO 5 plan. Staff recommends eliminating this plan, and giving them access to the base and buy-up plans.

4. The current buy-up PPO plan at $10/$20/70% will continue to be offered to active employees and under age 65 retirees. Those wishing to “buy up” to the richer PPO plan will continue to be responsible for paying the applicable premium difference.

5. The 2006 contribution rates for active employees for the new base plan (HMO Premium 20 plan) will remain at .50% of salary for single coverage, .75% of salary for coverage of two persons and 1.00% of salary for family coverage for employees hired prior to 1/1/2004 and 1.00%, 1.25% and 1.50% respectively for employees hired after 1/1/2004.

6. The 2006 contribution rate for under age 65 retirees who retired on or before 12/31/03 will remain at $300 for single coverage, $600 for coverage for two people, and $900 for coverage for three or more people. For retirees who retired on or after January 1, 2004, their contribution will remain at 1.00% of final salary for single coverage, 1.25% of final salary for coverage for two people, and 1.50% of final salary for coverage for three or more people.
7. Our current carrier, AmeriHealth, will continue to provide prescription drug coverage for our active employees and under age 65 retirees. Staff is proposing a change in the co-pay structure. Under the current co-pay structure, active employees and under age 65 retirees have the following co-pays: $10 generic/$15 brand/$25 non-formulary. Under staff’s proposed plan, the co-pay structure would change to the following: $7 generic/$35 brand/$50 non-formulary. Staff is recommending that the mail order prescription drug benefit remain a one-time co-pay for a 90-day supply.

8. Currently, the medical coverage for the Medicare-eligible retirees (age 65 and older) who reside in Southern New Jersey, Philadelphia and Suburban counties in Pennsylvania is placed with AmeriHealth, through their Medicare Advantage Plans (AmeriHealth 65 and Keystone 65 plan). Those Medicare-eligible retirees, who reside outside of the region specified above, receive their coverage through a Comprehensive Major Medical plan, insured by AmeriHealth. Staff is recommending that these three plans (AmeriHealth 65, Keystone 65, and the CMM) be replaced by coverage provided by AARP, in partnership with the United Health Group. The coverage (“Plan F”) will provide Medicare Supplemental medical coverage for all retirees who are Medicare-eligible, regardless of where they reside, at an estimated cost of $1,521,948.
9. Currently, the over 65 retirees receive their prescription drug coverage through AmeriHealth (at a $10 generic/ $15 brand/ $25 non-formulary co-pay structure). Staff is recommending an enhanced Medicare Part D prescription drug plan to help reduce the potential out-of-pocket pharmacy costs for retirees. AETNA would provide this stand-alone Part D Prescription Drug Plan (“AETNA PDP”) for the Authority’s Medicare-eligible retirees at an estimated cost of $85.00 per member, per month. The Medicare-eligible retiree’s Part D prescription drug monthly premium will vary by state.

10. Medicare-eligible retirees (65 years old and over) will continue to be billed quarterly by the Authority’s Third Party Administrator for their medical and prescription drug coverage. In 2006, under staff’s proposed plan, this group of individuals will be billed at a rate of $55.00 per eligible member per month for their medical and prescription drug coverage.

11. Currently, the opt-out incentive is $1,000 for single coverage, $1,500 for husband/wife, and $2,200 for family. Staff proposes that no changes be made to this opt-out incentive.

Please refer to the attached chart for a summary of staff plan recommendations.
The estimated 2006 cost to provide medical and prescription drug benefits to our Non-Represented, IBEW, AFSCME, FOP-SOA and FOP employees, Medicare-eligible and non-Medicare-eligible retirees is $9,469,355. This represents a $1,013,054 or a 9.66% decrease from 2005 plan costs, and a $2,864,297 or a 23.22% decrease from AmeriHealth’s projected renewal costs for 2006. This number will also be offset by approximately $400,000 in employee and retiree contributions.

These improved premiums have been achieved without sacrificing quality of coverage in several ways. For seniors, AARP is a well known organization that was recently named the “most trusted resource” by seniors on the subject of Medicare reform. Sponsoring an HMO plan as the Authority’s base plan for active benefit-eligible employees, and the under age 65 retirees will lead to greater oversight of health care without limiting the availability of necessary care. Staff believes this change may potentially lead to improved claims experience. Staff believes that implementing a prescription drug co-pay structure with real incentives for employees to use generic drugs whenever possible may potentially lead to improved claims experience which has a direct impact on the Authority’s premiums.

As health care costs, continue to rise the Authority will continue to analyze cost control options, looking for ways to continue to provide quality health care benefits while containing the impact of increased costs. The responsibility for health care costs will have to continue to be shared by the Authority and active employees and retirees alike.

SUMMARY: Amount: Approximately $9,469,355.00
(based upon current census, but subject to change as our census changes, and subject to possible change related to the IUOE Collective Bargaining Agreement)

Source of Funds: Revenue Fund, General Fund
Capital Project #: N/A
Operating Budget: Payroll
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: One Year
Other Parties Involved: AmeriHealth, AARP, in partnership with United Health Group, and AETNA
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to negotiate changes in the group health benefits plan sponsored by the Authority in a manner consistent with the attached Summary Statement for both DRPA and PATCO employees and retirees and said changes to be implemented upon the approval of the Chair, Vice Chair, Finance Chair and Finance Vice Chair; and be if further

RESOLVED: That staff is authorized to enter into the agreements with AmeriHealth, AARP and United Health Group, and AETNA for medical and prescription drug coverages consistent with the attached Summary Sheet for both DRPA and PATCO active employees, Medicare-eligible retirees, and non-Medicare-eligible retirees, and be it further

RESOLVED: That staff is authorized to send the required “creditable coverage” letters as required by the federal government, and be it further

RESOLVED: That staff is authorized to work with the Authority’s Third Party Administrator to implement said plan changes, and begin the Open Enrollment Process, and be it further

RESOLVED: The Chair, Vice Chair and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA and PATCO. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer, and if thereafter, either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of DRPA and PATCO, along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s), while they are absent or unavailable, the Chief Executive Officer shall execute such document(s) on behalf of DRPA and PATCO.

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