SUMMARY STATEMENT

ITEM NO.       SUBJECT:  Active Employees/Under 65 Retiree Health Benefits 2008 (DRPA)

COMMITTEE:     New Business

COMMITTEE DATE:  N/A

BOARD DATE:    September 19, 2007

PROPOSAL:  Staff seeks authorization to accept the premium quoted by AmeriHealth, our current healthcare carrier for active benefit-eligible DRPA employees, retirees who are under the age of 65, and their respective eligible dependents.

PURPOSE:  To continue to provide a quality healthcare benefits package for active benefit-eligible DRPA employees, under the age of 65 retirees, and their respective eligible dependents, including appropriate cost-sharing among plan participants.

BACKGROUND:  The DRPA historically has provided a comprehensive benefits package to its benefit-eligible employees, under the age of 65 retirees, and their respective eligible dependents. Traditionally, the healthcare package for active benefit-eligible employees has included medical, prescription drug, dental and vision coverage.

The healthcare package for benefit-eligible under age 65 retirees, and their respective eligible dependents has included medical and prescription coverage.

Health benefits costs comprise a substantial portion of the DRPA’s annual operating budget. Over the past several years, the cost to provide medical and prescription drug coverage has steadily escalated. In 2007, the DRPA and PATCO will spend approximately $8,191,948 to provide medical and prescription drug coverage for its benefit-eligible employees, under age 65 retirees, and their respective eligible dependents.

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.

All other employees, including the Non-Represented, IBEW, FOP-SOA and FOP employees, all under age 65 retirees, and their respective eligible dependents are provided benefits through DRPA-sponsored plans.
In the summer 2006, staff, assisted by our broker, Willis of New Jersey, conducted an extensive review (questionnaires and network analysis) of medical carriers for the coverage that is currently provided to active benefit-eligible employees, those retirees who are under 65 years old, and their respective eligible dependents. Staff sought quotes from Aetna, CIGNA, Horizon Blue Cross/Blue Shield of New Jersey (HBCBS), Unicare/Wellpoint and United Healthcare. Based on the results of the review, Willis and the DRPA selected Aetna, CIGNA and HBCBS as finalists. Each carrier was invited to make a presentation and submit a quote. After reviewing our census, utilization data, and medical and prescription claims experience each of the three carriers declined to quote on the coverage for 2007. In writing, the carriers stated that they could not compete with AmeriHealth’s rates and discounts. Accordingly, staff recommended that AmeriHealth continue to provide medical and prescription drug coverage for active benefit-eligible employees, the under age 65 retirees, and their respective eligible dependents.

With respect to our 2008 Healthcare program, our broker has advised that it is still too soon to revisit the marketplace as the carriers will want to see the DRPA’s and PATCO’s claims experience continue to improve or, at the least, remain stable at a targeted loss ratio. The deep discounts AmeriHealth provides, along with a focus on wellness, will also help in the long run.

In 2007, the cost to provide this medical and prescription drug coverage to DRPA and PATCO benefit-eligible active employees, under age 65 retirees, and their respective dependents will be approximately $8,191,948. The significant plan design changes that were authorized by the Board in 2005, and which took effect on January 1, 2006, along with strong staff management of the benefit programs have resulted in better claims experience in 2007.

As a result of an improved overall loss ratio in 2007, the estimated cost to provide the same medical and prescription drug coverage for active benefit-eligible employees, the under age 65 retirees, and their respective dependents in 2008 is $8,837,871, which is a 7.88% increase from the 2007 premium rate. Staff believes that the proposed healthcare plan is a good program, at a fair price, and is sensitive to the existing budget constraints.

Between 2002-2007, the rate increases have varied as follows:

- 2002 – 15.88%
- 2003 – 19.17%
- 2004 – 13.65%
2005 – 16.65%
2006 – 19.10%
2007 – 14.07%
2008 – 7.88%

In presenting the 2008 renewal, AmeriHealth commended DRPA and PATCO for its “progressive and proactive understanding of how benefit design relates to employee behavior.” AmeriHealth was also impressed with the DRPA’s and PATCO’s enthusiasm for healthy lifestyles and wellness, as evidenced by our aggressive educational programs.

Working with our broker, staff will continue to monitor the developing claims experience and the market conditions to consider marketing the program in 2008. However, if all things remain stable, Willis recommends that we go back to the market in the third quarter of 2009 for the 2010 plan year.

As healthcare costs continue to rise staff will 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 healthcare costs will have to continue to be shared by the DRPA and active employees and retirees alike.

Amount: Approximately $8,837,871
(Note – This covers both DRPA and PATCO)
(This annual rate is based upon our current DRPA/PATCO census of active benefit-eligible employees and under age 65 retirees, but subject to change as our census changes and subject to possible change related to labor contract negotiations.)

Source of Funds: Revenue Fund, General Fund
Capital Project #: N/A
Operating Budget: DRPA Employee Services Expense
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: One Year
Other Parties Involved: AmeriHealth
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to negotiate a contract with AmeriHealth for the provision of medical and prescription drug benefits to active benefit-eligible DRPA employees, under age 65 retirees, and their respective eligible dependents and be it further

RESOLVED: That staff is authorized to work with the DRPA’s Third Party Administrator to begin the 2008 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. 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 the DRPA, 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 the DRPA.

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