SUMMARY STATEMENT

ITEM NO.  SUBJECT: Age 65 & Over Retiree Medicare Supplemental Benefits - 2011 (DRPA)

COMMITTEE: Executive

COMMITTEE DATE: September 15, 2010

BOARD DATE: October 06, 2010

PROPOSAL: Staff seeks authorization to accept the premium quoted by AARP/United Health Group, our current healthcare carrier for DRPA retirees who are Age 65 and over, and their eligible dependents.

PURPOSE: To continue to provide a quality healthcare benefits package for DRPA retirees who are Age 65 and over, and their eligible dependents.

BACKGROUND: Historically, DRPA has provided a comprehensive benefits package to its retirees. Traditionally, the benefit package has included medical and prescription drug coverage.

Until 2006, the Authority provided primary medical and prescription coverage for retirees 65 years of age and older, and their eligible dependents. In 2006, staff recommended that Medicare become the primary insurer for this group of retirees, and AARP/United Health Group become the secondary insurer for medical coverage. The Board accepted this recommendation.

The AARP/United Health Group’s “Plan F” was offered to this group of retirees. Plan F provides supplemental medical coverage for all retirees who are Medicare-eligible, regardless of where they reside. This plan has no co-pays, referrals, or claim forms. The retirees continue to be very pleased with this national coverage.

The 2010 estimated premium for the supplemental medical coverage is $1,881,091. The premium rate increases vary from state-to-state, and are based on AARP/United Health Group’s national book of business. The filed rate increase for Pennsylvania is 5%. It is expected that the filed rate for New Jersey will be in the range of 5-7%. Accordingly, in 2011, the annual premium for this coverage is estimated to be $2,012,767 (an increase of $131,676).
Past rate increases for this coverage have varied as follows:

2007 - 10%
2008 - 4.88%
2009 - 5.55%
2010 - 4.75%
2011 - 5-7%

SUMMARY:   Amount:   Approximately $2,012,767
            (Note – This covers both DRPA and PATCO)
            (This annual rate is based upon our current
            DRPA/PATCO census of Age 65 & over retirees and
            their eligible dependents, but is subject to change as
            our census of eligible retirees and eligible dependents
            changes.)

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:  AARP and United Health Group
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to negotiate a contract with AARP/United Health Group for the provision of supplemental medical coverage to age 65 and over retirees, and their eligible dependents, and be it further

RESOLVED: That staff is authorized to work with the DRPA’s Third Party Administrator to begin the Open Enrollment Process for the 2011 Plan Year, 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 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 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 DRPA.

SUMMARY: Amount: Approximately $2,012,767
This covers both DRPA and PATCO. This estimated annual premium is based upon our current DRPA/PATCO census of age 65 and over retirees and their eligible dependents. The estimated premium is subject to change as our census changes.

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: AARP and United Health Group