SUMMARY STATEMENT

ITEM NO.: DRPA-12-089
SUBJECT: Active Employees/Under Age 65 Retiree Health Benefits 2013 (DRPA/PATCO)

COMMITTEE: Finance

COMMITTEE DATE: October 3, 2012
BOARD DATE: October 17, 2012

PROPOSAL: Staff seeks authorization to accept the premium quoted by United Healthcare to provide medical and prescription drug coverage to active benefit-eligible DRPA/PATCO employees, and eligible 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/PATCO employees, under the age of 65 retirees, and their respective eligible dependents, including appropriate cost-sharing among plan participants.

BACKGROUND: Costs associated with healthcare benefits comprise a substantial portion of DRPA/PATCO’s annual operating budget. Over the past several years, the cost to provide medical and prescription drug coverage has steadily escalated. In 2012, the DRPA and PATCO will spend approximately $10,814,826 to provide medical and prescription drug coverage for its benefit-eligible employees, under age 65 retirees, and their respective eligible dependents.

Benefits provided to employees represented by the IUOE and Teamsters are prescribed by existing Collective Bargaining Agreements with those Unions, and are provided by their respective health and welfare plans and funded by the Authority. The DRPA/PATCO contributes a monthly premium per union employee to their respective union.

All non-represented employees, and those who are represented by the IBEW and FOP, all under age 65 retirees and their respective eligible dependents, receive their benefits through the DRPA/PATCO-sponsored plans.

UnitedHealthcare’s first projection for 2013 called for a 20.6% increase over current (increase of $2,227,854). UHC first reduced the projected increase to 15.23%, for an estimated annual premium of $12,574,612, which is an increase of $1,759,786. Through further negotiations, UHC agreed to reduce the projected increase to +12.26%, for an estimated annual premium of $12,250,526, which is an increase of $1,337,872. With proposed plan design changes, the projected increase was subsequently reduced to 11.5%, for an estimated annual premium of $12,167,656, an increase of $1,255,001 over current.
Staff proposes to maintain the Value and Value Plus Plan options. However, UHC is preparing potential medical plan design changes that may provide additional reductions to the overall fully-insured premium. Staff will report back to the Board concerning the plan option alternatives.

The Value and Value Plus Plans continue to be modeled on United Healthcare’s 2007 Certificate of Coverage. The 2013 proposal retains a $150,000 pooling limit for high claimants, and proposes the following changes to the medical plan.

- increasing the emergency room co-pay from $75 to $100 (waived if admitted)
  savings of approximately $38,800
- increasing specialist co-pay from $25 to $30
  savings of approximately $49,000

If the plan design changes outlined above are approved, and we remain on UHC’s 2007 COC, the proposed 12.26% increase will be reduced to 11.5%.

Open Enrollment is scheduled to begin on or about November 28, 2012.

Therefore, staff seeks Board authorization to work with our broker, Gallagher Benefit Services, to continue to negotiate the terms of the 2013 UHC renewal, not to exceed an 11.5% increase over the current rate.

**SUMMARY:**

Amount: Approximately $12,167,656 (Not to exceed an 11.5% increase over the current rate without Board approval.)
(Nota – This covers both DRPA and PATCO.
The 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.)

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

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to accept the quote proposed by United Healthcare for the provision of medical and prescription drug benefits to active benefit-eligible DRPA/PATCO employees, retirees under age 65, and their respective eligible dependents for Plan Year 2013; and be it further

RESOLVED: That the Board of Commissioners authorizes staff to work with the Authority’s broker, Gallagher Benefit Services, to negotiate the terms of the 2013 UHC renewal, which shall not exceed an 11.5% increase over the current rate, without first receiving Board authorization; and be it further

RESOLVED: That staff is authorized to work with DRPA/PATCO’s Third Party Administrator, Benefit Harbor, to begin the 2013 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/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 the DRPA/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 the DRPA/PATCO.
SUMMARY: Approximately $12,167,656 (Not to exceed an 11.5% increase over the current rate without Board approval.)

(Note – This covers both DRPA and PATCO. This annual rate is based upon our current DRPA/PATCO census of active benefit-eligible employees and retirees under age 65, but subject to change as our census changes.)

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