SUMMARY STATEMENT

ITEM NO.: DRPA-13-115   SUBJECT: Age 65 & Over Retiree Medicare Supplemental Benefits - 2014 (DRPA/PATCO)

COMMITTEE: Finance

FINANCE COMMITTEE DATE: October 2, 2013

BOARD DATE: October 16, 2013

PROPOSAL: Staff seeks authorization to accept the rate action quoted by AARP/United Health Group, our current supplemental medical healthcare carrier for DRPA and PATCO retirees who are age 65 and over, and their eligible spouses.

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

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

Until 2006, the retirees age 65 and over were on a group Medicare Advantage Plan with AmeriHealth. The group plan was experienced rated. In 2006, the Authority moved this group of retirees from a group Medicare Advantage Plan to individual Medicare Supplement Plans through AARP/United Health Group.

Under the Medicare Supplement Plan, Medicare became the primary insurer for this group of retirees, and AARP/United Health Group became the secondary insurer for Medicare-eligible expenses.

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.

To be eligible for Plan F, the retirees and their eligible spouses must be enrolled in Medicare Parts A and B. Retirees/spouses submit individual applications to AARP/United Health Group for enrollment. Medicare is the primary payer of eligible claims, and AARP/United Health Group is the secondary payer.
The premium rates are filed with each state. The rates vary from state-to-state, and are based on AARP/United Health Group’s national book of business. For the DRPA AARP Medicare Supplement Plan F renewal, AARP is expecting a national average increase of about 4% for the 2014 rates. The filed rate action for Pennsylvania is +5%. The filed rate for New Jersey is a 3.5% increase for retirees enrolled after 6/1/2010 and a 0% for retirees enrolled before 6/1/2010. Below is a list of states and approved or filed rates for the states in which our retirees reside, and the number of retiree/eligible spouses enrolled in each state:

<table>
<thead>
<tr>
<th>State</th>
<th>Rate of Increase</th>
<th>Status</th>
<th># Enrolled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>4.0% increase</td>
<td>filed</td>
<td>2</td>
</tr>
<tr>
<td>Delaware</td>
<td>5.0% increase</td>
<td>approved</td>
<td>16</td>
</tr>
<tr>
<td>Florida (all areas)</td>
<td>5.0% increase</td>
<td>filed</td>
<td>27</td>
</tr>
<tr>
<td>Illinois</td>
<td>3.8% increase</td>
<td>filed</td>
<td>2</td>
</tr>
<tr>
<td>Maryland</td>
<td>4.5% increase</td>
<td>filed</td>
<td>3</td>
</tr>
<tr>
<td>North Carolina</td>
<td>7.1% increase</td>
<td>filed</td>
<td>7</td>
</tr>
<tr>
<td>New Jersey – after 6/1/10</td>
<td>3.5% increase</td>
<td>filed</td>
<td>84</td>
</tr>
<tr>
<td>New Jersey – prior to 6/1/10</td>
<td>0.0% increase</td>
<td>filed</td>
<td>346</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>2.5% increase</td>
<td>approved</td>
<td>2</td>
</tr>
<tr>
<td>Pennsylvania (all areas)</td>
<td>5.0% increase</td>
<td>filed</td>
<td>157</td>
</tr>
<tr>
<td>South Carolina (all areas)</td>
<td>4.5% increase</td>
<td>approved</td>
<td>7</td>
</tr>
<tr>
<td>Tennessee</td>
<td>3.8% increase</td>
<td>approved</td>
<td>1</td>
</tr>
<tr>
<td>Texas (all areas)</td>
<td>4.2% increase</td>
<td>filed</td>
<td>6</td>
</tr>
<tr>
<td>Virginia</td>
<td>7.4% increase</td>
<td>filed</td>
<td>3</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>3.3% increase</td>
<td>approved</td>
<td>2</td>
</tr>
</tbody>
</table>

UHC AARP has a unique setup for the DRPA retiree population, in that members are enrolled and renewed as individual policies, yet AARP bills on a group basis and does not use any member claim experience in renewals each year. Our broker advises that the response it has received from the market, Aetna, Horizon and Humana is that this current unique set up arrangement the Authority has with AARP cannot be matched. Also, Humana and Horizon only offer Medicare Advantage plans and do not offer the Supplemental Plan F like we currently offer. With this market response and the success DRPA has had with AARP over the years, our broker recommends DRPA renew the Medicare Supplement Plan F with AARP effective 1/1/2014.

The 2013 premium for this coverage is approximately $1,907,151. Based on the filed and approved rates for the various states in which our retirees reside we estimate that the annual premium for plan year 2014 will be approximately $1,919,641, which is an estimated premium increase of $12,490 over the current premium. Our less than 1% increase (0.06549%) is lower than AARP/United Health Group’s anticipated national average increase of about 4% for the 2014 rates.
SUMMARY STATEMENT

Finance 10/2/2013
Age 65 & Over Retiree Medicare Supplemental Benefits - 2014 (DPRA/PATCO)

SUMMARY:  Amount:  Approximately $1,919,641
(Note – This covers both DRPA and PATCO)
(The estimated annual rate is based upon our current DRPA/PATCO census of age 65 &
over retirees and their eligible spouses, but is subject to change as our census of eligible
retirees and eligible spouses 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:  AARP and United Health Group
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to accept the rate actions from AARP/United Health Group for the provision of supplemental medical coverage to age 65 and over retirees, and their eligible spouses, and be it further

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorize staff to accept the rate actions from AARP/United Health Group for the provision of supplemental medical coverage to age 65 and over retirees, and their eligible spouses for an estimated premium of $1,919,641, which is an estimated premium increase of $12,490 (over current premium, which is a less than 1% increase (.06549%); and be it further

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority recognizes that the annual rate is based upon the Authority’s current census of retirees who are 65 and over and their eligible dependents who are 65 and over, but is subject to change as our census of eligible retirees and eligible dependents changes; 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 2014 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 STATEMENT

Finance 10/2/2013
Age 65 & Over Retiree Medicare
Supplemental Benefits - 2014
(DPRA/PATCO)

_______________________________________________________________________

SUMMARY:  Amount:  Approximately $1,919,641
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/PATCO 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