SUMMARY STATEMENT


COMMITTEE: Finance

COMMITTEE DATE: August 10, 2016

BOARD DATE: August 17, 2016

PROPOSAL: Staff seeks authorization to accept the renewal submitted by AmeriHealth to provide medical and prescription drug coverage to the Authority’s active benefit-eligible employees, eligible retirees 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, eligible retirees under the age of 65, 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. In 2016, the DRPA and PATCO will spend approximately $12,905,681.20 to provide medical and prescription drug coverage for its benefit-eligible employees, under age 65 retirees, and their respective eligible dependents.

The benefit-eligible employees include the following: all non-represented employees at DRPA and PATCO, FOP-represented, IBEW-represented, and the IUOE Police Dispatchers.

Currently retirees, who are under the age of 65, and their eligible dependents receive their medical and prescription benefits through the Authority. Employees hired on or after January 1, 2007, are no longer eligible to receive health benefits upon retirement.

Benefits are provided to employees represented by the IUOE and Teamsters as prescribed by the Collective Bargaining Agreements with those Unions. The medical, prescription, dental and vision benefits are provided to IUOE and Teamster-represented employees by their respective health and welfare plans.

Our broker, Gallagher Benefits Services, “Gallagher”, requested a preliminary renewal from our current carrier, AmeriHealth of New Jersey.

- Based on our combined medical/prescription loss ratio of
71%, AmeriHealth released a 4% renewal increase. That increase would have resulted in a +$516,227.24 over current for a total of $13,421,908.44. The preliminary renewal increase was based on the target cost ration guarantee for 2017, which was part of last year’s negotiations. (See attached Target Cost Ratio Guarantee letter).

- During negotiations for Plan Year 2017, AmeriHealth offered the following:
  - to reverse its renewal from 4% to 0% if the Authority agreed not to market the coverage;
  - increase its annual wellness budget from $20,000 to $25,000;
  - maintain the Target Cost Ratio Guarantee for 2017 for the 2018 Plan Year renewal;
  - offer three (3) plan options: (1) Value Plan; (2) Value Plus Plan; and (3) a High Deductible Plan

Staff seeks Board authorization to work with our broker, Gallagher, to accept the 0% renewal submitted by AmeriHealth for medical and prescription drug coverage to the Authority’s active benefit-eligible employees, eligible retirees under the age of 65, and their respective eligible dependents at a flat renewal of $12,905,681.20. The flat renewal is significantly below the estimated medical trend (8.5%) and estimated prescription trend (13.5%) for 2017.
| SUMMARY: | Amount: | Flat Renewal – based on current census, estimated to be $12,905,681.20 |
| 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: | 1/1/-2017-12/31/2017 |
| Other Parties Involved: | AmeriHealth |
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to accept the flat (0%) renewal proposed by AmeriHealth for the provision of medical and prescription drug benefits for active benefit-eligible DRPA/PATCO employees, retirees under age 65, and their respective eligible dependents for Plan Year 2017 for an estimated annual premium $12,905,681.20. The flat renewal is significantly below the estimated medical trend (8.5%) and estimated prescription trend (13.5%) for 2017; and be it further

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority recognizes that the estimated annual premium of $12,905,681.20 is based upon our current DRPA/PATCO census of active benefit-eligible employees, and is subject to change as our census increases or decreases; and be it further

RESOLVED: That the Board authorizes staff to accept the $25,000 annual wellness budget, which is an increase from the current $20,000 annual wellness budget offered by AmeriHealth; and be it further

RESOLVED: That the Board of Commissioners authorizes staff to work with the Authority’s broker, Gallagher Benefit Services, to finalize the terms of the 2017 Healthcare renewal with AmeriHealth.; and be it further

RESOLVED: That staff is authorized to work with DRPA/PATCO’s Third Party Administrator, Benefit Harbor in November 2016, to begin the 2017 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: Estimate Annual Premium of $12,905,681.20
Note – This covers both DRPA and PATCO. The annual rate is based upon our current census of active benefit-eligible employees and under age 65 retirees, and 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: 1/1/2017-12/31/2017
Other Parties Involved: AmeriHealth
Delaware River Port Authority
Target Cost Ratio Renewal Guarantee
Current Period: 1/1/2016 through 12/31/2016

Guarantee Effective Date: 1/1/2017

Target Cost Ratio Schedule

<table>
<thead>
<tr>
<th>Maximum Cost Ratio</th>
<th>76.0% Or Less</th>
<th>76.1% To 81.0%</th>
<th>81.1% To 86.0%</th>
<th>86.1% To 91.0%</th>
<th>91.1% To 96.0%</th>
<th>96.1% Or Greater</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Projected Increase</td>
<td>4.0%</td>
<td>7.0%</td>
<td>10.0%</td>
<td>14.0%</td>
<td>18.0%</td>
<td>Plus 5% for every 5% over the 96.1% Claim Cost Ratio.</td>
</tr>
</tbody>
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*The Composite Cost Ratio will be calculated by using a minimum of 12 months of incurred claims experience; 14 months paid adjusted by our filed completion factor.

Calculation Formula:
- The calculation of the completed claim cost ratio for the contract year commencing 2017 will be based on claims incurred April 2015 through March 2016, paid through May 2016.
- The Cost Ratio guarantee will be calculated based on the combined Cost Ratio for all health and prescription drug benefit programs. Rate caps will be applied at the discretion of AmeriHealth, but will be guaranteed not to exceed the applicable aggregate increase.
- The Per Contract Per Month (PCPM) premium rates are guaranteed not to exceed the above projected maximum increases for the period January 1, 2017 through December 31, 2017.
- The Cost Ratio calculation will be based on earned premium.

The Target Cost Ratio Renewal Guarantee offering is contingent upon the following:
- For the April 2015 through March 2016 contract period, the average enrollment in total, by tier, or by line of business must not fluctuate by more than +/- 10% of what was outlined in the AHNJ 2016 renewal.
- This offering is conditioned upon the group satisfying AmeriHealth enrollment and Underwriting requirements.
- This offering is conditioned upon the group satisfying the required premium payments in accordance with the contract provisions.
- This guarantee does not include the cost of plan changes, demographic changes, changes in tax requirements, commissions, or State and Federal mandates.
- AmeriHealth will be the only carrier for Medical and Prescription Drug coverage.
- AmeriHealth will provide the renewal 120 days prior to the group's anniversary date.
- There will be a minimum rate increase of 4.0%, regardless of the MCR at time of renewal.
- The guarantee will be terminated if the medical and/or prescription drug plan is put out to bid for the 2017 renewal period.
- AmeriHealth is not responsible for any additional assessment or costs associated with administering the contract as a result of the Patient Protection and Affordable Care Act and the regulations promulgated there under if such assessment and/or cost was not contemplated in the renewal rate guarantee.

January 1, 2016
AmeriHealth