SUMMARY STATEMENT


COMMITTEE: Finance

COMMITTEE DATE: September 5, 2018

BOARD DATE: September 20, 2018

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 2018, the DRPA and PATCO will spend approximately $13,014,754 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 and IBEW-represented.

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/Rx loss ratio of 89%, AmeriHealth released a 11.55% renewal increase. That increase would have resulted in a +$1,503,084 over current for a total of $14,517,838.

During negotiations by our broker, Gallagher, for the Plan Year 2019, AmeriHealth offered the following:

- to reduce its renewal from 11.55% to 8.73% if the Authority agreed not to market the coverage. That would result in an increase in premium of +$1,136,332 compared to current, therefore saving $366,752 compared to the initial proposed renewal.
- to increase its annual wellness budget from $25,000 to $35,000; and
- to maintain the Target Cost Ratio Renewal Guarantee for 2019 for the 2020 Plan Year renewal

Staff further determined it was advantageous to consider medical plan design changes to further reduce the increase in premium. The plan designs in place have not changed since January 1, 2013. Gallagher and AmeriHealth worked together to develop alternate plan designs that continue to provide competitive benefits but which raise certain member payment responsibilities and provide incentives to stay in-network. If these plan design changes are accepted, the renewal is further decreased from 8.73% to 2.98%. That would result in an increase of premium of +387,773 compared to current, therefore saving an additional $748,559.

Key plan design changes for the Value Plan include: eliminating out of network benefits (to be known hereafter as the EPO Plan), raising the specialist copayment by $5 from $30 to $35, raising various other copayments for X-ray, outpatient surgery, urgent care and therapy services, and increasing the overall out-of-pocket maximum from $1,000 Single/$2,000 Family to $1,500 Single/$3,000 Family.

Key plan design changes for the Value Plus plan include: raising the specialist copayment by $10 from $30 to $40; raising various other in-network copayments for X-ray, outpatient surgery, urgent care and therapy services, etc.; adding a new $1,000 Single/$2,000 Family deductible along with 10% coinsurance on inpatient and outpatient surgery, and retaining the overall in-
network out-of-pocket maximum at its current level of $2,500 Single/$5,000 Family. Out-of-network deductibles and maximums are proposed to increase to further discourage out-of-network plan usage.

- No plan design changes are proposed for the prescription benefit.

Staff seeks Board authorization to work with our broker, Gallagher, to accept the 2.98% renewal (after plan design changes) 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 an increase of $387,773. The renewal is significantly below the combined medical and prescription trend (5.5%) based on Gallagher’s actuarial forecast as of the second quarter of 2018.

SUMMARY: Amount:  
+2.98% Renewal – based on current census, estimated to be $13,402,527

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/-2019-12/31/2019
Other Parties Involved: AmeriHealth
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to accept the 2.98% 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 2019 for an estimated annual premium $13,402,527. The renewal is significantly below the estimated combined medical/Rx trend (5.5%) for 2018; and be it further

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority recognizes that the estimated annual premium of $13,402,527 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 $35,000 annual wellness budget, which increases the current $25,000 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 2019 Healthcare renewal with AmeriHealth and implement the medical plan design changes; and be it further

RESOLVED: That staff is authorized to work with DRPA/PATCO’s Third Party Administrator, Benefit Harbor in November 2018, to begin the 2019 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.

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