SUMMARY STATEMENT

ITEM NO.    SUBJECT:  Age 65 & Over Retiree Medicare Supplemental Benefits - 2008 (PATCO)

COMMITTEE:  New Business

COMMITTEE DATE:  N/A

BOARD DATE:  October 17, 2007

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

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

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

Until 2006, PATCO provided primary medical and prescription coverage for retirees who are 65 years of age and older, and their eligible dependents. These benefits were provided by AmeriHealth. In 2006, staff recommended that Medicare become the primary insurer for this group of retirees, and AARP/United Health Group become the secondary insurer. 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 are very pleased with this national coverage.

The estimated 2008 premium for the same supplemental medical coverage that was offered in 2007 is approximately $1,742,404, which is an increase of 4.88%, or approximately $81,019. In 2007, the premium increase for this same coverage averaged approximately 10%.

The premium rate increases vary from state-to-state, and are based on AARP/United Health Group’s national book of business.
<table>
<thead>
<tr>
<th><strong>Amount:</strong></th>
<th>Approximately $1,742,404 (Note – This covers both DRPA and PATCO) (This annual rate is based upon our current DRPA/PATCO census of Age 65 &amp; over retirees and their eligible dependents, but is subject to change as our census of eligible retirees and eligible dependents changes.)</th>
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</thead>
<tbody>
<tr>
<td><strong>Source of Funds:</strong></td>
<td>Revenue Fund, General Fund</td>
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<tr>
<td><strong>Capital Project #:</strong></td>
<td>N/A</td>
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<tr>
<td><strong>Operating Budget:</strong></td>
<td>PATCO Employee Services Expense</td>
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<td><strong>Master Plan Status:</strong></td>
<td>N/A</td>
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<td><strong>Other Fund Sources:</strong></td>
<td>N/A</td>
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<tr>
<td><strong>Duration of Contract:</strong></td>
<td>One Year</td>
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<tr>
<td><strong>Other Parties Involved:</strong></td>
<td>AARP and United Health Group</td>
</tr>
</tbody>
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RESOLUTION

RESOLVED: That the Board of Directors of the Port Authority Transit Corporation 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 PATCO’s Third Party Administrator to begin the 2008 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 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 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 PATCO.

SUMMARY: Amount: Approximately $1,742,404  
(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.)

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Capital Project #: N/A
Operating Budget: 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